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Applicable Criteria

- Methodology | Corporate Rating Methodology (Jul 17)
- Methodology | Sukuk Rating (Jun 17)
- Methodology | Criteria Modifiers (Jun 17)
- Methodology | Correlation between long-term and short-Term Scale (Jun17)

Related Research

- Sector Study | Communication (Apr 18)

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PACRA MAINTAINS RATINGS OF PAKISTAN MOBILE COMMUNICATIONS LIMITED

Rating Type	Entity		Debt Instrument	
	Current (27-Apr-2018)	Previous (14-Nov-2017)	Current (27-Apr-2018)	Previous (14-Nov-2017)
Action	Maintain	Maintain	Maintain	Maintain
Long Term	AA-	AA-	AA	AA
Short Term	A1	A1		
Outlook	Positive	Positive	Positive	Positive
Rating Watch	-	-	-	-

Pakistan Mobile Communications Limited (PMCL) – majority owned by Veon (formerly VimpelCom) is the largest cellular operator in Pakistan. After acquiring Warid Telecom in July16, PMCL now commands 37% market share (~54mln subscribers at end-Jan18). With significant volumes, PMCL enjoys operational and technical network related synergies that are reflected in significantly better EBITDA and profitability of merged entity. PMCL completed marketing, technical, distribution and human resource integration in an efficient manner. Post-merger, PMCL has consolidated all its products and services under single brand 'Jazz'.

PMCL commands solid volumes and profitability; which gives it a strong business profile. EBITDA margins have improved to 49% in 9MCY17. The overall debt profile stays robust (EBITDA total debt payback = less than 3 years). Going forward, PMCL, while eyeing volumetric growth, is focusing on achieving better penetration in to existing base. Data services and mobile financial services are its key focus. The company marked a step in asset light operating model strategy; sale of Deodar wholly owned subsidiary with tower business to EdotCo (Malaysian based Company). This while freeing up financial sources, would enable focus towards core and differentiating services. PMCL, using the platform of Mobilink Microfinance Bank, an associate entity, intends to establish a strong digital banking platform. All these should enable PMCL to uphold its position in the competitive landscape. Launch of VEON app; is another step to capitalize data market industry of Pakistan.

The Positive Outlook is maintained which recognizes i) strong market positioning, ii) synergy gains in EBITDA and profitability margins; iii) adequate debt profile; iv) synergizing technological and distributional channels and v) potential of Jazz cash. Meanwhile, diversifying revenue channels while maintaining performance matrix would be improved. Moreover, timely settlement of TowerCo transaction is considered positive.

About the Entity

PMCL – brand name 'Jazz' commenced its operations in August 1994. Global Telecom Holding – which in turn is majority owned by one of the world's leading telecom group – VEON (formerly VimpelCom) - owns ~85% shareholding of the company. Rest ~15% lies with Abu Dhabi Group through share swap transaction of PMCL-Warid merger. VEON is among the largest telecom operators in the world in terms of subscribers. It offers a wide range of wireless, fixed and broadband services to approximately 244mln customers in 13 countries.

PMCL's seven-member Board of Directors (BoD) is mainly composed of representatives from VEON. His Highness Sheikh Nahayan Mubarak Al Nahayan chairs the board. He also chairs the board of the Abu Dhabi Group, Union National Bank and Bank Alfalah. Mr. Aamir Ibrahim, the CEO, has over two decades experience in local and international market. He is assisted by a qualified and experienced senior management team.

About the Sukuk:

The company has issued a Sukuk of PKR 6,900mln in two parts; PKR 3,000mln on Dec 22, 2014 and PKR 3,900mln on Sep 3, 2015. The profit is payable quarterly at three month KIBOR plus 35bps. The first principal payment is made on Mar 22, 2017. Total outstanding amount of PKR 4,600 will be paid in eight equal quarterly instalments. The Sukuk has been provided a partial credit guarantee of PKR 966mln by GuarantCo, rated AAA by PACRA.