

Pakistan Telecom ~ Slow but steady growth

PTC | CY15E EPS of Rs2.55 ~ Dividend Yield 10.4%

- ✚ Withdrawal of ICH ~ LDI minutes to increase in future;
- ✚ Dividend yield of 10.9% makes PTC more viable;
- ✚ ARPU expected to be around Rs20,202/user for CY15;
- ✚ Reduction in overall taxes from 19.5% to 17% in order to make things easy for the sector;
- ✚ We expect CY15 EPS of Rs2.55 with incorporating ICH withdrawal case;
- ✚ Telecom policy to be in favor of the sector;
- ✚ Withdrawal of ICH will be negative in short term but we expect increased minutes will going to favor the company in upcoming months;
- ✚ Pre-ICH LDI minutes were around 1.9bn/month but went low to 400mn/month after establishment of ICH. We expect withdrawal of ICH will be beneficial for the entity in future as minutes will again start increasing gradually;
- ✚ Low profitability in CY14 was mainly due to booking of Voluntary Separation Scheme (VSS);
- ✚ Rs 907mn was charged on account of fire incidence

Domestic and International revenue represent 82.3% and 17.7% respectively of total revenue generated in CY14.

Financial Presentation ~ Ratio Analysis

Financial Ratios	CY15E	CY14	CY13
Net margin	16.0%	6.4%	15.7%
Gross margin	33.0%	31.0%	34.0%
ROCE	7.1%	3.4%	8.9%
ROE	11.9%	5.4%	12.9%
Dividend Yield	10.4%	10.9%	7.0%
EPS	2.55	1.02	2.49

source scs research

Pakistan Telecommunication Co .Ltd

Symbol: PTC

High 33.50 | Low 20

- Broadband segment customer base increased by 24%(CY14)
- Evo (wireless) subscribers base grew by 46%(CY14)
- Launching of "Charji EVO" next generation wingle
- Smart TV subscribers base grew by 65%(CY14)

Capacity	2014	2013
Access Line Installed	9.7	8.8
Access Line in Service	4.4	4

fig are in mn

Teledensity	
2014	77%
2015E	78%
2016E	80%

PTML ~ Subscribers | Market Share 19%

Annual Cellular Subscribers	
CY15E	26.6
CY16E	28.7

fig are in mn

Analyst

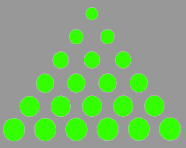
Ali Sufyan (ACCA Affiliate)

Tel: 35290460

UAN: 111-111-721

www.scstrade.com

Supervised by: Faisal Shaji (Research Head)



Valuation ~ End of ICH ~ LDI minutes to increase

We expect profitability to increase in future as withdrawal of ICH will hurt the entity in short term but increased LDI minutes will boost the profitability in longer terms.

PTC revenue would continue to grow on account of surge in broadband segment which is performing well under patronage. The segment witnessed a remarkable growth in customer base of 24% in year CY14.

We see this trend to continue in future while wireless business segment is capturing market share with inventing different products and packages.

We remain positive on PTC and expect a consistent growth in bottom line (EPS turnaround estimated in CY15).