



IIRA Maintains Ratings on Sudatel Telecom Group Limited and its SDG1bn Sukuk

Manama, October 04, 2022– Islamic International Rating Agency (“IIRA”) has reaffirmed the national scale ratings on Khartoum-based Sudatel Telecom Group Limited (“Sudatel” or “STG” or “the Company”) at ‘BBB(sd)/A3(sd)’ (Triple B/A Three), with a ‘Stable’ outlook. The assigned ratings reflect the repayment capacity of the Company in local currency terms and in the national context.

Assigned ratings derive strength from over 25% state-ownership (direct and indirect) of the Company and given its strategic importance as the only operator in Republic of Sudan (“Sudan” or “the Country”) providing both fixed broadband and mobile telecom services. STG also has overseas telecom subsidiaries in Senegal, Mauritania and UAE.

With moderate industry risk, the regulatory framework in Sudan ensures a degree of checks and balances in the face of intensifying competition. However, government-imposed restrictions amidst continuing social instability in Sudan and high taxation may impede the sector’s growth. Further, wider 4G implementation in the regions and the implementation of fibre to the home (FTTH) supported by a robust fiber-optic cable back bone network will continue to support the Company’s business profile.

Better pricing and growth in customer base supported STG’s Sudanese business, which continued to contribute sizably to overall profitability. While this trend may be expected to continue over the coming quarters, higher interest rate and inflationary trend may have a dampening effect. Consolidated cash flow generation is noted to have improved during 2021, and particularly during H1’22, which may further benefit from relatively lower planned capital outlays. Since last year the Company has deleveraged through improved profitability. However, foreign currency cash flows generation is still stressed in relation to foreign currency obligations, which may be amplified with prolonged pressure on currency.

Sudatel has been contributing towards community development over the years, and is planning ESG related projects. There is no regulatory directive on ESG front. Nonetheless, assigned ratings have not been affected by ESG related risks.

IIRA has also maintained the rating of STG’s 5-year SDG1bn Sukuk at ‘BBB(sd)’ (Triple B) on the national scale. The underlying assets comprise a specific pool of e-vouchers / call cards (airtime) that is sold to investors. The assigned Sukuk rating has been anchored at issuer ratings considering the reliance on STG for continued supply of underlying airtime / e-vouchers through the term of the instrument.

The assigned rating on the Sukuk takes into account the structured nature of the Sukuk that provides priority of sale to airtime vouchers underlying the transaction and protection of investors through the segregation of proceeds from the sale of designated e-vouchers into an escrow account. At maturity, the principal is secured given that the Fund shall receive the payments from conversion of Mudaraba assets at maturity collateralized by a floating charge from STG specific acceptable asset. Further, there is also an

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Islamic International Rating Agency

early liquidation option in 3 years from issuance i.e., in 2023, under which Financial Investment Bank (“FIBA”) in its capacity as Mudarib, shall discontinue purchase of airtime from STG.

IIRA has received the confirmation of compliance from the trustee with the terms having remained unchanged since March 2020. The trustee has also confirmed the collection of proceeds from sale of designated e-vouchers in the escrow account as per the terms set out in the Sukuk document.

FIBA’s SSB is also responsible for the operations of the Fund from a Shari’a compliance perspective. At the time of issuance, the SSB panel comprising 2 Shari’a scholars had reviewed the Sukuk structure and repayment arrangement through its Fatwa. Annual or periodic statement of compliance with Shari’a principles may be recommended for the Sukuk as per best practices.

For further information on this rating announcement, please contact IIRA at iira@iirating.com.

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