



NEPAL DOORSANCHAR COMPANY LTD.
RELATED TO SUB-REGULATION (1) OF REGULATION (26) OF SECURITIES REGISTRATION
AND ISSUE REGULATIONS, 2073
Report: 1st Quarter of F.Y. 2076/77 (2019/20)

1. Financial Statements

The Financial Statements for 1st Quarter of F.Y. 2076/77 has been shown in Schedule -1.

2. Management Analysis

Despite the challenging business environment in terms of competitive telecom landscape as well as increase in competition and operating expenses, Nepal Telecom has managed to record a noteworthy growth in performance by expanding its products/ services. It has adequate facilities in place and robust cash flows to meet its liquidity requirements for executing its business plans and meeting with any evolving requirements.

3. Details Related to Legal Proceedings

In the current period, there has been 1(one) legal case registered against the company and 1(one) legal case registered by the company.

4. Analysis of Company's Shares Transactions

- Since shares of the company are traded based on the trust of investors towards the Company and analysis of its returns, no major fluctuations are noted in the share price of the Company and there has been satisfactory trading of shares in the capital market.
- The following figures depict the transactions of the company's share in capital market for the period of 1st Quarter of F.Y. 2076/77 (2019/20):

Maximum Share Price	: Rs. 705
Minimum Share Price	: Rs. 606
Last Share Price	: Rs. 620
Total Number of Transactions	: 1778
Total Number of Shares Traded	: 308164
Total Number of Transaction Days	: 63

* Source: *As published in the website of Nepal Stock Exchange (www.nepalstock.com.np)*

5. Problems and Challenges

External:

- Market Competition
- Rapid Development and advancement in telecom technologies
- Decreasing trend of international traffic
- Changes in Tastes & Preferences of Customers
- Customers' expectation of services
- Slow growth of labour migration in key employment destinations.

Internal:

- Change in the work style of employees
- Lengthy deployment time for expansion projects affecting improvement in quality of services.
- Delay in service deliveries and maintenance.

Strategies Initiated by Management to Solve the Problems and Challenges:

- Establishing Modern Telecommunication Infrastructures for providing quality services in all the areas of Nepal and to cater customer needs and demands.
- In order to gain competitive advantage over competitors, focus has been on new technologies such as GSM (4G, 3G), FTTH, NGN, IP CDMA, EVDO & Wi-Max, for providing customers with adequate services at affordable prices.
- Increasing Value Added Services (VAS) to cater the service expectation of the customers and maximize revenue source.
- Installation of additional and new equipments of wireless services in order to cater the need created by the state restructuring and several districts of Terai Region uncovered in existing network. Initiation of regular process for monitoring and optimization of existing networks of the company.
- Initiation for introducing Strategic Partner to contribute in long term Shareholders' Wealth Maximization.
- Implementing Convergent Real Time Billing (CRTB) system for convergence of all the services of the company in order to provide one stop billing charging solution to valued customers.
- Establishing the technology related Customer Relationship Management (CRM) in order to solve the customer queries and grievances through Call Centers, Complain Desk.
- Identification of possible areas and implementation of outsourcing mechanism of job performance on regular basis to increase the efficiency as well as effectiveness of the services provided by the company, as per necessity.
- Providing counseling/ trainings to employees with customer focus to adopt in competitive business environment.
- Planning to introduce Enterprise Risk Management and Revenue Assurance technologies.
- Focusing on automation of business processes to reduce costs and manpower.

6. Corporate Governance

- Citizen Charter (Nagarik Badapatra), Employees Code of Conduct, Central level Governance Unit has been in practice in order to strengthen the Corporate Governance in the company.
- Company has been providing necessary and important information to its customers along with other public through its website as well as frequent media announcements in order to maintain transparency.
- In order to strengthen the internal control mechanism of the Company, a separate Internal Audit and Inspection Department has been established. The department carries out audits of various departments of the company on a continuous manner and makes necessary recommendations to the Audit Committee. Accordingly, the Audit Committee holds regular meetings to analyze the recommendations and bring about necessary changes.

7. Declaration by Managing Director on Truthfulness of Information

I, hereby, declare that all the information provided in this document is true, complete and factual and that I take personal responsibility to any deviations thereof. I also declare that the Company's information or data, that assist investors in making informed investment decisions, have not been misstated in any way.

Managing Director
Nepal Doorsanchar Company Limited



Nepal Telecom
(Nepal Doorsanchar Company Limited)

Interim Financial Results (Quarterly)
As at First Quarter of the Fiscal Year 2076/77

Condensed Statement of Financial Position

In NPR.

	Current Period (Unaudited) As at Ashwin 30, 2076	Previous Period (Unaudited) As at Ashad 31, 2076	Corresponding Previous Year (Unaudited) As at Ashwin 31, 2075
Assets			
Non- Current Assets			
Intangible Assets	207,160,416	223,525,899	83,078,649
Property, Plant and Equipment	38,927,717,200	40,176,193,922	39,345,016,131
Capital Work-in-Progress	8,562,131,064	6,007,205,465	3,598,494,964
Investment	12,402,001,486	11,773,338,886	10,217,940,594
Deferred Tax Asset	6,567,587,047	6,425,951,438	5,165,612,324
Employee Loan	2,079,887,513	2,084,906,323	2,101,401,675
	68,746,484,726	66,691,121,933	60,511,544,337
Current Assets			
Inventory	284,742,282	226,399,780	189,670,042
Prepayment and Current Tax Assets	1,196,256,902	1,067,913,811	858,632,971
Accruals, Advance & Others Receivables	388,035,949	549,383,141	476,780,902
Trade Receivable	2,642,489,389	2,720,002,652	3,133,962,785
Investment	46,121,960,000	43,421,960,000	44,302,640,000
Cash & Cash Equivalents	18,515,298,793	18,905,575,289	22,266,701,623
	69,148,783,315	66,891,234,673	71,228,388,323
Total Assets	137,895,268,041	133,582,356,606	131,739,932,660
Equity and Liabilities			
Share Capital	15,000,000,000	15,000,000,000	15,000,000,000
Reserve and Surplus	89,464,625,759	86,613,700,984	86,956,203,250
Total Equity	104,464,625,759	101,613,700,984	101,956,203,250
Non-Current Liabilities			
Post Employment Benefits	12,788,103,989	12,506,864,596	10,986,248,164
Subscriber Deposits	2,001,479,804	1,842,552,624	1,881,800,853
GSM License Fee Renewal	0	0	2,047,325,103
Non-Current Liabilities	14,789,583,793	14,349,417,220	14,915,374,120
Current Liabilities and Provisions			
Current Tax Liabilities	-	-	-
Provisions	2,037,721,666	2,086,033,396	2,332,111,500
Current Liabilities	16,603,336,823	15,533,205,006	12,536,243,790
	18,641,058,489	17,619,238,402	14,868,355,290
Total Equity and Liabilities	137,895,268,041	133,582,356,606	131,739,932,660
	0	0	0

Condensed Statement of Profit or Loss

In NPR.

	Current Year		Corresponding Previous Year	
	This Quarter	Year to Date	This Quarter	Year to Date
	(2076.04.01 - 2076.06.30)	(2076.04.01 - 2076.06.30)	(2075.04.01 - 2075.6.31)	(2075.04.01 - 2075.06.31)
INCOME				
Revenue from contract with customers	9,040,846,790	9,040,846,790	9,490,692,515	9,490,692,515
Other Income	1,563,077,053	1,563,077,053	1,359,761,564	1,359,761,564
Total Income	10,603,923,843	10,603,923,843	10,850,454,079	10,850,454,079
EXPENDITURE				
Employee Benefit Expenses	(1,940,890,402)	(1,940,890,402)	(1,752,225,568)	(1,752,225,568)
Operation and Maintenance Costs	(1,732,200,055)	(1,732,200,055)	(1,666,024,261)	(1,666,024,261)
Sales Channel, Marketing and Promotion Costs	(118,116,689)	(118,116,689)	(438,462,780)	(438,462,780)
Administrative Costs	(387,515,460)	(387,515,460)	(352,353,754)	(352,353,754)
Regulatory Fees, Charges and Renewals	(955,937,867)	(955,937,867)	(894,127,062)	(894,127,062)
Foreign Exchange (Loss)/Gain	274,247,813	274,247,813	455,240,367	455,240,367
Shares of results of associates	-	-	-	-
Earning Before Interest,Tax,Depreciation, Amortisation (EBITDA)	5,743,511,183	5,743,511,183	6,202,501,021	6,202,501,021
Finance Cost	(151,864,861)	(151,864,861)	(64,789,525)	(64,789,525)
Depreciation	(1,248,821,235)	(1,248,821,235)	(1,221,159,720)	(1,221,159,720)
License Fee Expense	(16,365,483)	(16,365,483)	(16,184,250)	(16,184,250)
Impairments - net of reversals	0	-	-	-
Profit Before Tax	4,326,459,604	4,326,459,604	4,900,367,526	4,900,367,526
Income Tax Expenses				
Current Income Tax	(1,221,315,992)	(1,221,315,992)	(1,556,057,549)	(1,556,057,549)
Deferred Taxes- Normal	141,635,609	141,635,609	113,212,079	113,212,079
Deferred Taxes- Due to Change in Corporate Tax Rate	-	-	-	-
Net Profit for the Period	3,246,779,221	3,246,779,221	3,457,522,056	3,457,522,056
	Condensed Statement of Other Comprehensive Income			
Profit for the period	3,246,779,221	3,246,779,221	3,457,522,056	3,457,522,056
Other Comprehensive Income	-	-	-	-
Remeasurements of defined retirement benefit plans of employees	-	-	-	-
Income Taxes relating to items	-	-	-	-
Total Comprehensive Income for the Period	3,246,779,221	3,246,779,221	3,457,522,056	3,457,522,056
Earnings Per Share (Basic) - Annualized	86.58	86.58	92.20	92.20
Earnings Per Share (Diluted) - Annualized	86.58	86.58	92.20	92.20

Major Ratios

	As at Ashwin 30, 2076	As at Ashwin 31, 2075
Closing Market Price of Share (Rs.)	620	780
P/E Ratio	7.16	8.46
Net Worth Per Share(Rs.)	696.43	679.71
Current Ratio	3.71	4.79

Notes to condensed Financial Statements:

- 1 Above presented figures are subject to change as per the directions, if any, of Statutory Auditor
- 2 The financial information has been prepared in accordance with Nepal Accounting Standard 34 “Interim Financial Reporting”. Corresponding previous financial year figures in condensed Statement of Financial Position has been presented in addition as per Securities Regulation. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the last published audited financial statements.
- 3 The company consistently follows accounting policies and applies accounting estimates on consistent basis.
- 4 There has been no material change in accounting policies from the policies that have been disclosed in the last published audited financial statements.
- 5 For quarterly unaudited interim reporting the company makes estimates and assumption, wherever required, on the basis of past experience, budget, performance achievements and annualization of transactions. Therefore, the quarterly published interim reports may, on occasions, approximate the financial position and performance of the company. The adjustments, if required, are affected on annual basis in the audited financial statements.
- 6 In recent years, due to popularity of OTT services, interconnection business was negatively affected and the result of which is seen in the company’s revenue from that service. The company has taken the effective measure to maintain the revenue and it is expected that aforementioned impact of interconnect revenue will be offset from new revenue sources.
- 7 Despite the dispute with the regulating authority on payment of GSM License second renewal fee which had become due on 2071/01/29, the company was obligated to pay NPR 20 Billion. However Government of Nepal's decision dated 2076/02/10 rescheduled the payment of NRs. 20 Billion with the due amount to be paid in 5 annual installments starting from FY 2075/76.
- 8 The issue of quantification of the GSM license renewal fee that expired on 2076.01.28 is not settled within the regulatory authority. So, the company renewed its license fee by paying NPR. 18.90 crores and has amortized the cost accordingly based on its validity period. The fee liability, if confirmed and quantified, may result in further cost to the company and hence, net profit after tax will be adjusted by that extent.
- 9 Finance costs comprises of the unwinding of the GSM License fee liability carried at fair value using the applicable discount rates. These are non-cash expenditures charged to Statement of Profit or Loss to comply with requirement of NFRS.
- 11 The corporate tax has been changed from 25% to 30% by Finance Act, 2075 with effect from Shrawan 01,2075. However, the impact of such corporate tax rate changes has been provided in Financial Statements of FY 2074/75. For comparison of current year's interim period, comparative of previous year is adjusted accordingly.
- 12 The company provides discount in recharge card sales instead of commission expenses w.e.f. 2075/12/01. The Discount of NPR 325,208,748.38 has impact on both revenue and expenses during the interim period in comparative to previous year. The reconciliation of such recharge card discount in service income is as follows:

Particulars	FY 2076-77 Ashwin	FY 2075-76 Ashwin
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Total Service Income (GSM)	6,434,169,347.52	6,212,344,993.00
Recharge Card Discount	325,208,748.38	-
Net Service Income	6,108,960,599.14	6,212,344,993.00

13 Due to the discounted data packages, customers preferences has been shifted from regular tariff to discounted data packages tariff.

14 Previous quarters' figures have been regrouped and rearranged wherever necessary.

15 The detail Condensed Financial Statements is published in the website "www.ntc.net.np" of the Company.