



Nepal Telecom
(Nepal Doorsanchar Company Limited)
Interim Financial Results (Quarterly)
As at Second Quarter of the Fiscal Year 2076/77

Condensed Statement of Financial Position

	Current Period (Unaudited) As at Poush 29, 2076	Previous Period (Audited) As At Ashadh 31, 2076	In NPR, Corresponding Previous Year (Unaudited) As at Poush 30,2075
Assets			
Non-Current Assets			
Intangible Assets			
Property, Plant and Equipment	28,162,467	41,360,967	66,894,399
Capital Work-in-Progress	41,066,278,950	43,307,528,364	39,492,936,462
Investment	11,250,272,048	6,576,010,554	4,369,852,285
Deferred Tax Asset	12,501,613,035	11,518,336,399	10,893,780,148
Employee Loan	6,539,831,394	6,427,468,562	6,292,138,239
	2,504,842,508	2,276,402,197	2,197,452,331
Current Assets	73,891,000,402	70,147,107,043	63,313,053,864
Inventory			
Prepayment and Current Tax Assets	265,624,364	278,049,683	375,920,524
Accruals, Advance & Others Receivables	2,324,473,845	613,752,059	1,736,446,963
Trade Receivable	174,161,040	341,385,056	503,708,350
Investment	2,367,366,507	2,165,132,989	2,424,220,357
Cash & Cash Equivalents	48,198,880,000	43,521,960,000	46,712,280,000
	15,010,948,164	19,007,031,019	22,752,794,687
Total Assets	68,341,453,920	65,927,310,806	74,505,370,881
Equity and Liabilities	142,232,454,322	136,074,417,849	137,818,424,745
Share Capital			
Reserve and Surplus	15,000,000,000	15,000,000,000	15,000,000,000
Total Equity	74,361,950,268	76,911,481,552	89,613,171,566
Non-Current Liabilities	89,361,950,268	91,911,481,552	104,613,171,566
Post Employment Benefits			
Subscriber Deposits	2,120,138,518	11,521,020,120	11,840,514,182
GSM License Fee Renewal	1,972,105,336	1,929,304,322	2,131,951,199
Non-Current Liabilities	9,593,448,732	8,975,923,781	2,229,080,933
Current Liabilities and Provisions	23,685,692,686	22,426,248,223	16,201,546,314
Current Tax liabilities			
GSM License Fee Renewal			
Provisions	6,462,200,000	6,462,200,000	2,500,000,000
Current Liabilities	2,807,093,208	3,321,597,782	1,856,766,136
Other Non-Financial Liabilities	17,669,194,730	8,165,597,098	10,203,263,624
	2,246,323,430	3,787,293,194	2,443,677,105
Total Equity and Liabilities	29,184,811,368	21,736,688,074	17,003,706,865
	142,232,454,322	136,074,417,849	137,818,424,745


Dilli Ram Adhikari
 Managing Director

Condensed Statement of Profit or Loss

In NPR

	Current Year		Corresponding Previous Year	
	This Quarter 2076.07.01-2076.09.29	Year to Date 2076.04.01-2076.09.29	This Quarter 2075.07.01-2075.09.30	Year to Date 2075.04.01-2075.09.30
INCOME				
Revenue from contract with customers	8,998,729,299	18,039,576,089	8,953,471,261	18,444,163,776
Other Income	2,324,188,555	3,887,265,608	1,908,517,281	3,268,278,845
Total Income	11,322,917,854	21,926,841,697	10,861,988,542	21,712,442,621
EXPENDITURE				
Employee Benefit Expenses	(1,595,015,069)	(3,535,905,471)	(1,358,951,695)	(3,111,177,263)
Operation and Maintenance Costs	(1,735,152,757)	(3,467,352,812)	(2,162,839,351)	(3,828,863,512)
Sales Channel, Marketing and Promotion Costs	(127,593,811)	(245,710,500)	(411,182,606)	(849,645,386)
Administrative Costs	(407,138,126)	(794,653,586)	(289,043,460)	(641,397,214)
Regulatory Fees, Charges and Renewals	(1,988,541,044)	(3,935,028,911)	(1,809,988,057)	(3,694,665,119)
Foreign Exchange (Loss)/Gain	(15,806,846)	258,440,967	(325,540,084)	129,700,283
Shares of results of associates				
Earning Before Interest, Tax, Depreciation, Amortisation (EBITDA)	5,453,670,201	10,206,631,384	4,504,443,290	9,716,394,311
Finance Cost	(500,777,774)	(652,642,635)	(309,458,481)	(374,248,006)
Depreciation	(1,132,144,671)	(2,480,965,906)	(966,979,426)	(2,188,139,146)
Amortisation of License Fee	2,896,983	(13,468,500)	(16,184,250)	(32,368,500)
Impairments - net of reversals				
Profit Before Tax	3,823,644,739	7,159,554,343	3,211,821,133	7,121,638,659
Income Tax Expenses				
Current Income Tax	(814,286,348)	(2,332,767,340)	(1,133,743,223)	(2,392,635,772)
Deferred Taxes - Normal	(29,272,777)	112,362,832	112,435,728	225,647,807
Net Profit for the Period	2,980,085,614	4,939,149,835	2,190,513,638	4,954,650,694
Profit for the period				
Other Comprehensive Income				
Remeasurements of defined retirement benefit plans of employees	2,980,085,614	4,939,149,835	2,190,513,638	4,954,650,694
Income Taxes relating to items				
Total Comprehensive Income for the Period	2,980,085,614	4,939,149,835	2,190,513,638	4,954,650,694
Earnings Per Share (Basic) - Annualized	79.47	65.86	58.41	66.06
Earnings Per Share (Diluted) - Annualized	79.47	65.86	58.41	66.06

Condensed Statement of Other Comprehensive Income

	As at Poush 29, 2076	As at Poush 30, 2075
Other Comprehensive Income	2,980,085,614	4,939,149,835
Remeasurements of defined retirement benefit plans of employees		
Income Taxes relating to items		
Total Comprehensive Income for the Period	2,980,085,614	4,939,149,835
Earnings Per Share (Basic) - Annualized	79.47	65.86
Earnings Per Share (Diluted) - Annualized	79.47	65.86

Major Ratios

	As at Poush 29, 2076	As at Poush 30, 2075
Closing Market Price of Share (Rs.)	645	740
P/E Ratio	9.79	11.20
Net Worth Per Share (Rs.)	595.75	697.42
Current Ratio	2.34	4.38



Dilli Ram Adhikari
Managing Director

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 interim financial 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 financial 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 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 five annual installments starting from FY 2075/76.
- 7 The corresponding previous periods figure of Regulatory fees, charges and renewal and provision for tax has been restated giving the effect of GSM license fee which was provisioned in Annual financial statements of FY 2075-76.
- 8 The third renewal of GSM license that fell due on 2076/01/28 is still uncertain and yet to be confirmed. As per the Government of Nepal's decision dated 2076/02/10, the company renewed its license by paying NPR 189 million during last financial year. A provision has been made for the financial year based on past obligation imposed by GON's decision.
- 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.
- 10 The company provides discount in recharge card sales instead of commission expenses w.e.f. 2075/12/01. The Discount of NPR 636,030,687 has impact on both service revenue and commission expenses during the interim period in comparative to previous year. The impact of such recharge card discount in service income is as follows:

Particulars	FY 2076-77 Poush	FY 2075-76 Poush
Total Service Income	18,039,576,089	18,444,163,776
Recharge Card Discount	636,030,687	0
Net Service Income	18,675,606,776	18,444,163,776
- 11 Previous interim period's figures have been regrouped and rearranged wherever necessary.
- 12 The detail Condensed Financial Statements is published in the website "www.ntc.net.np" of the Company.



Dilli Ram Adhikari
Managing Director



1. Financial Statements
 - A. Statement of Financial position and Statement of Profit or Loss
 - B. Related Party Disclosure

The Company follows requirements of NAS 24 "Related Parties" and other legal requirements for disclosures of related party transactions and balances.
The Government of Nepal - which is the principal owner of the company, employee retirement fund maintained with Citizen Investment Trust (CIT), Trishuli Jal Vidhyut Company Limited are considered to be related party to the company.
The Board of Directors, Managing Director and other Key Management Personnel and their relatives are considered to be related party of the company as well.
No transaction between the company and Key Management Personnel along with Managing Director was observed other than as prescribed under the company's regulations.

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 3 (three) legal cases 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 during the quarter:

Maximum Share Price	: NPR 678
Minimum Share Price	: NPR 607
Last Share Price	: NPR 645
Total Number of Transactions	: 1884
Total Number of Shares Traded	: 301,093
Total Number of Transaction Days	: 58

5. Problems and Challenges
- * Source: As published in the website of Nepal Stock Exchange (www.nepalstock.com.np)

- External:**
- Fierce market competition
 - Rapid development and advancement in telecom technologies
 - Shift in business from voice business to data business as per global trends
 - Negative impact in international business due to Over The Top (OTT) applications and its revenue
 - Changes in tastes & preferences of customers and available choices in the market for customers
 - Catering to fast changing customers' expectations of services as per their demands
 - Decline in flow of migrant workers in key employment destinations
 - Compliance of procurement rules and regulations
- 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 mostly in remote areas

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 quality services at reasonable prices.
- Increasing Value Added Services (VAS) to cater changing customer preferences of telecommunication services.
- Installation of additional and new equipment's 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 monitoring process for the 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 the 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 operation costs.
- Implementing performance based incentives for business units/ NT offices and employees
- Restructuring the organization structure as per its business need and National State/Province Structure
- Initiation for establishing mobile financial service company in collaboration with Rastriya Banijya Bank to explore the new avenue of revenues.
- The company has implemented the nationwide 4G/LTE services to cater the increasing demand of customers. These services are currently provided in all 77 districts of Nepal. Further expansion is continuing.
- The company has planned to substitute the PSTN/ADSL services to FTTH service which provides voice, data and IPTV services at a more efficient mode of transmission. The company has also initiated promotional offers to customers for the propose of migration from PSTN/ADSL to FTTH service.
- For providing quality telecommunication services, the company is committed to build and operate optical fiber networks under RTDF grant as awarded through agreement with NTA.
- To neutralize the decreasing trend of interconnection revenue, the company has taken effective measures to maintain the revenue and it is expected that the decreasing impact on interconnection revenue will be offset from new revenue sources such as 4G/LTE and FTTH services.

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 and other members of the 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 implement the recommendations thereof.

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 for 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.

Dilli Ram Adhikari
2079-90-25

Managing Director
Nepal Doorsanchar Company Limited
Dilli Ram Adhikari
Managing Director