

Ncell

BUILDING RESILIENCE

SUSTAINABILITY IN TELECOMMUNICATIONS SECTOR

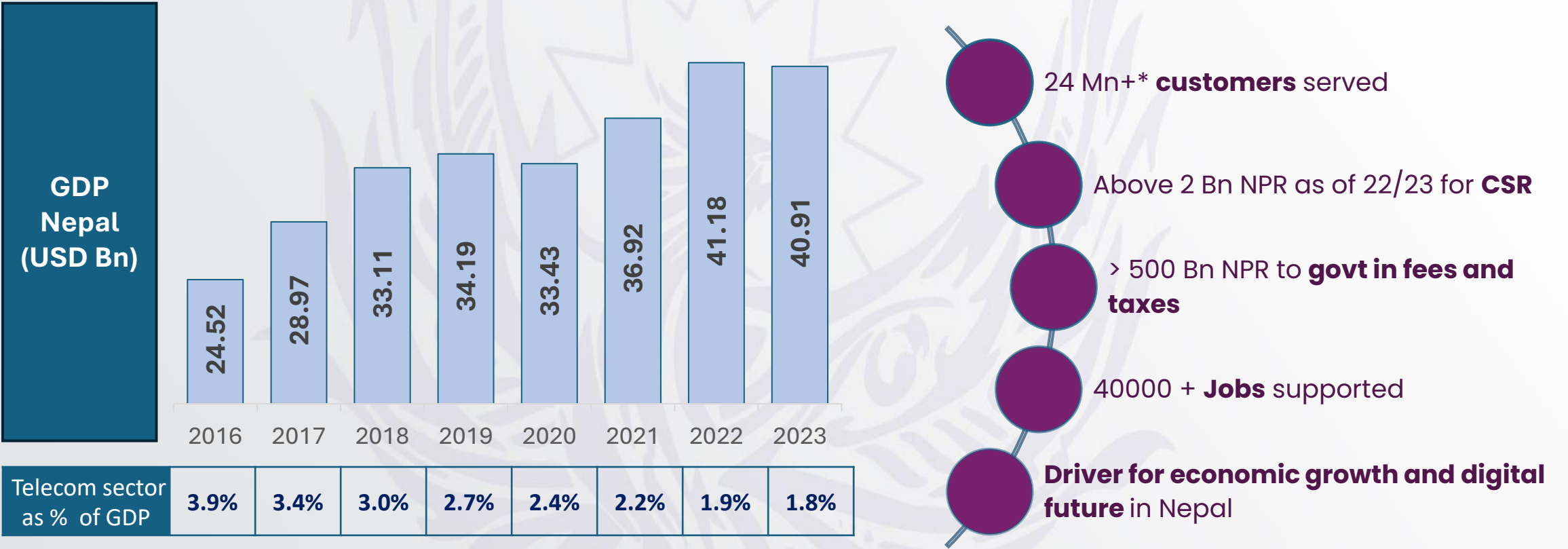


Future is **DIGITAL**, and Telecom is the key enabler



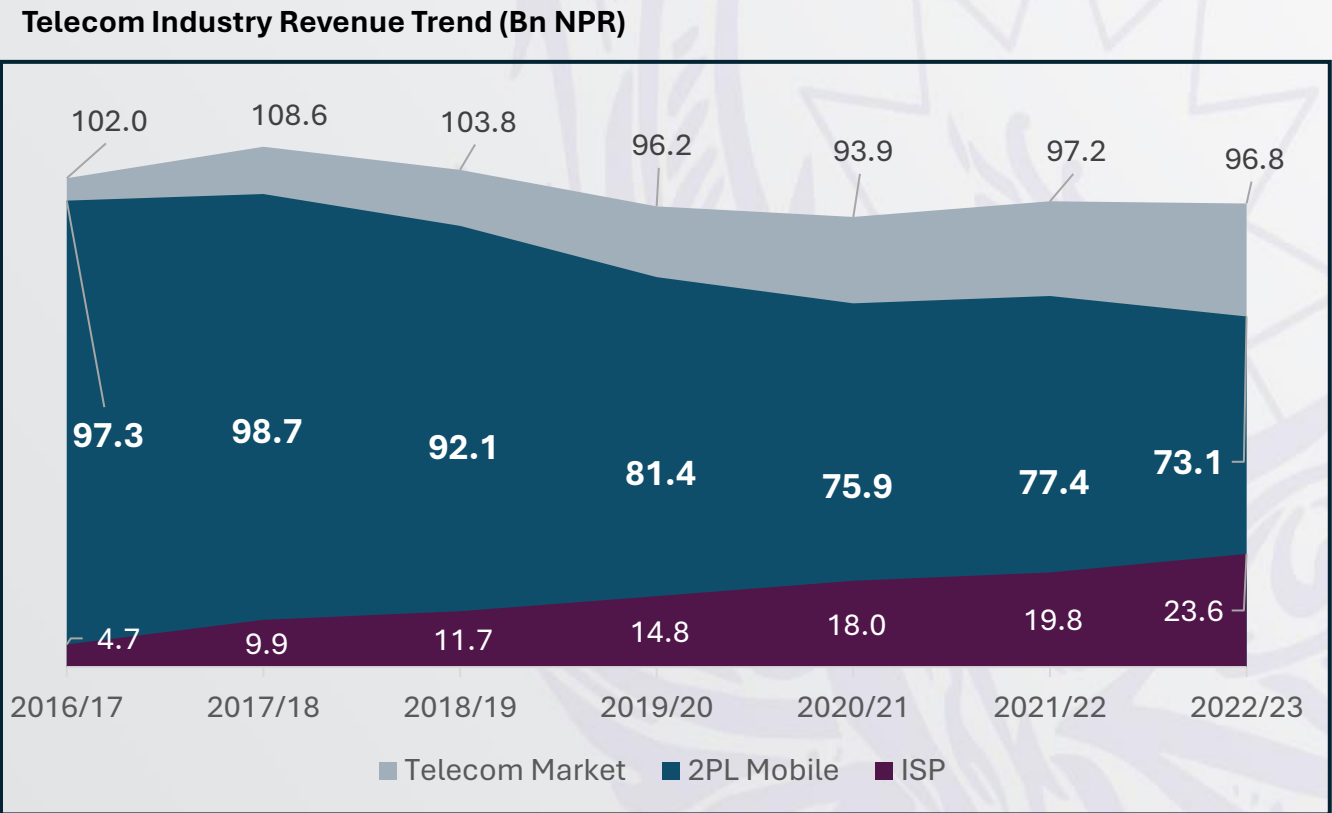
Digital Nepal Framework 2019

GDP of Nepal grew by an average rate of 7.5% annually in the last 7 years. Meanwhile, telecom contribution has halved from 3.6% to 1.8%.



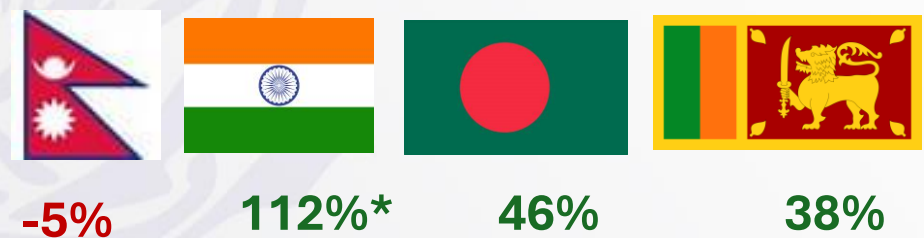
Source:
GDP: World bank
Telecom sector revenue & others : Internal estimates
* NTA (2023)

ISP revenue grew 400% but mobile declined 25% causing overall decline in Telecom sector (Mobile+ISP) by 5% over last 6 years. Neighboring markets however have shown robust growth.



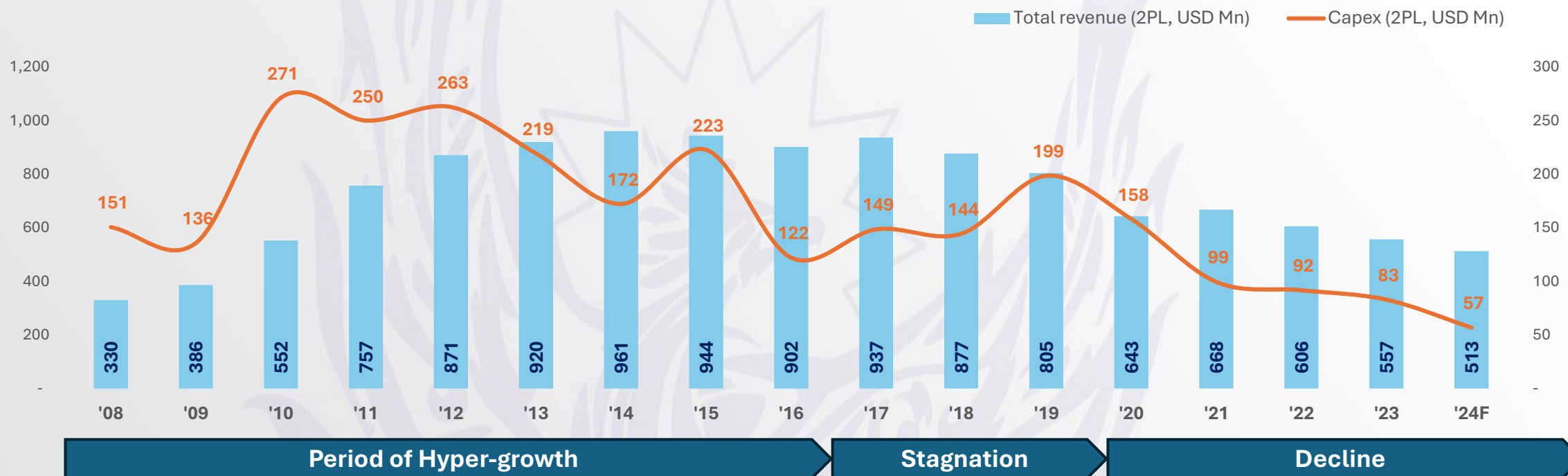
	22/23 vs 16/17 Revenue	USD
Telecom Market	-5%	-26%
Mobile (NT + Ncell)	-25%	-41%
ISP (Internet Service Providers)	401%	100%

Neighboring Markets Comparison:



Source:
 NT : Annual Reports (ntc.net.np)
 ISP revenue source : CareEdge (revenue of top 4 ISP based on which overall ISP market is estimated)
 US delta calculate based on the avg dollar rate for that particular year
 *India Growth is 2024 vs 2019 (TRAI)
 * Net Revenue w/o TSC, VAT & OT

What Happened to Mobile Industry in Nepal?

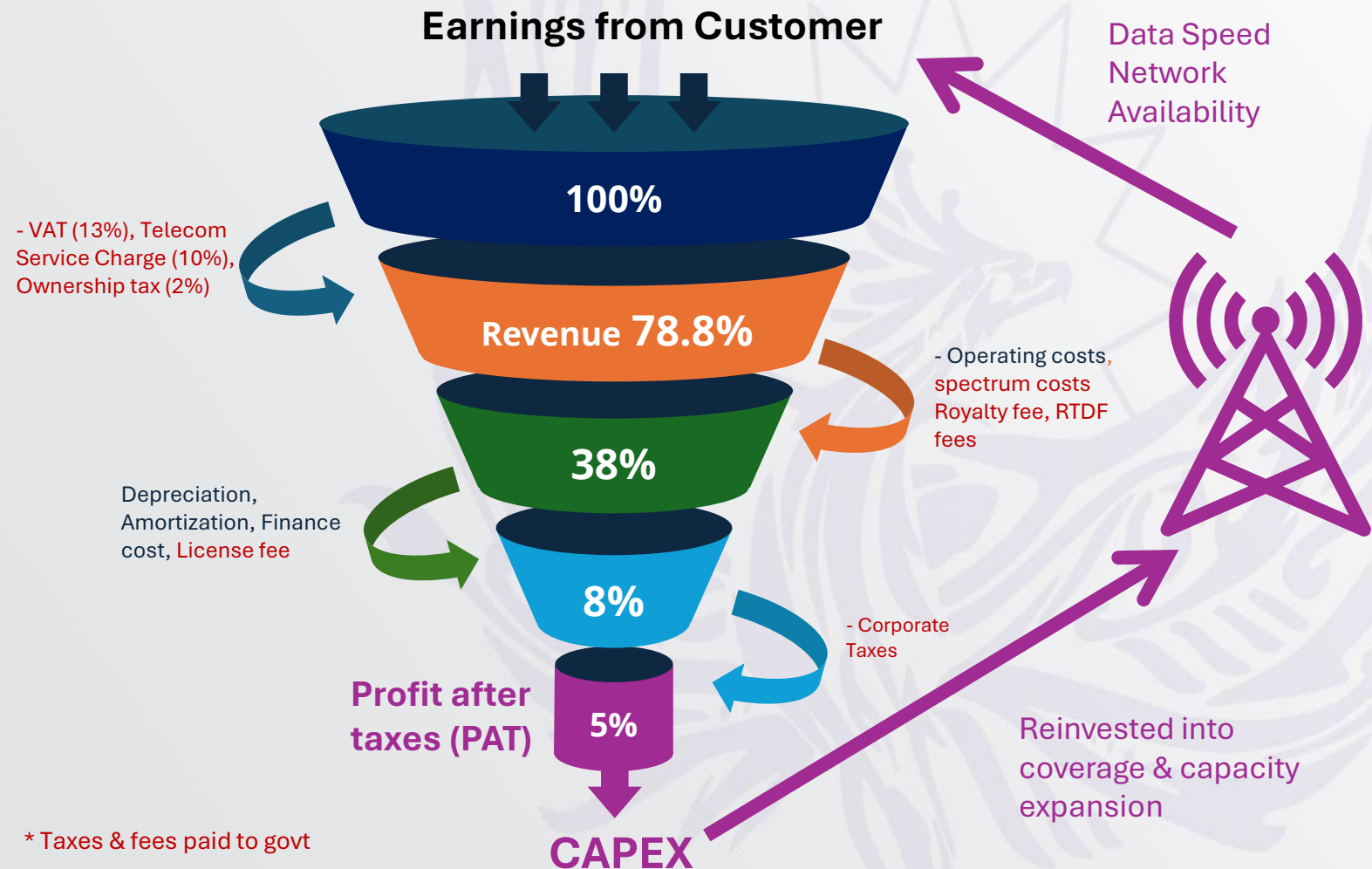


- Low mobile and smartphone penetration – rising subscribers
- Rising migrant population – International Incoming business growth
- Load-shedding upto 20hrs encouraged mobile usage

- Subs growth plateaued
- Int'l revenue decline with to OTT adoption & increased smartphone penetration
- Data growth – 4G investments

- Calls Revenue crash
- COVID hit in 2020 – data rates dropped
- ISP aggression & exponential growth
- Regulatory crack-down on revenue streams – TSC, DVAS & IUC

Telecom Industry requires massive CAPEX reinvestment to survive



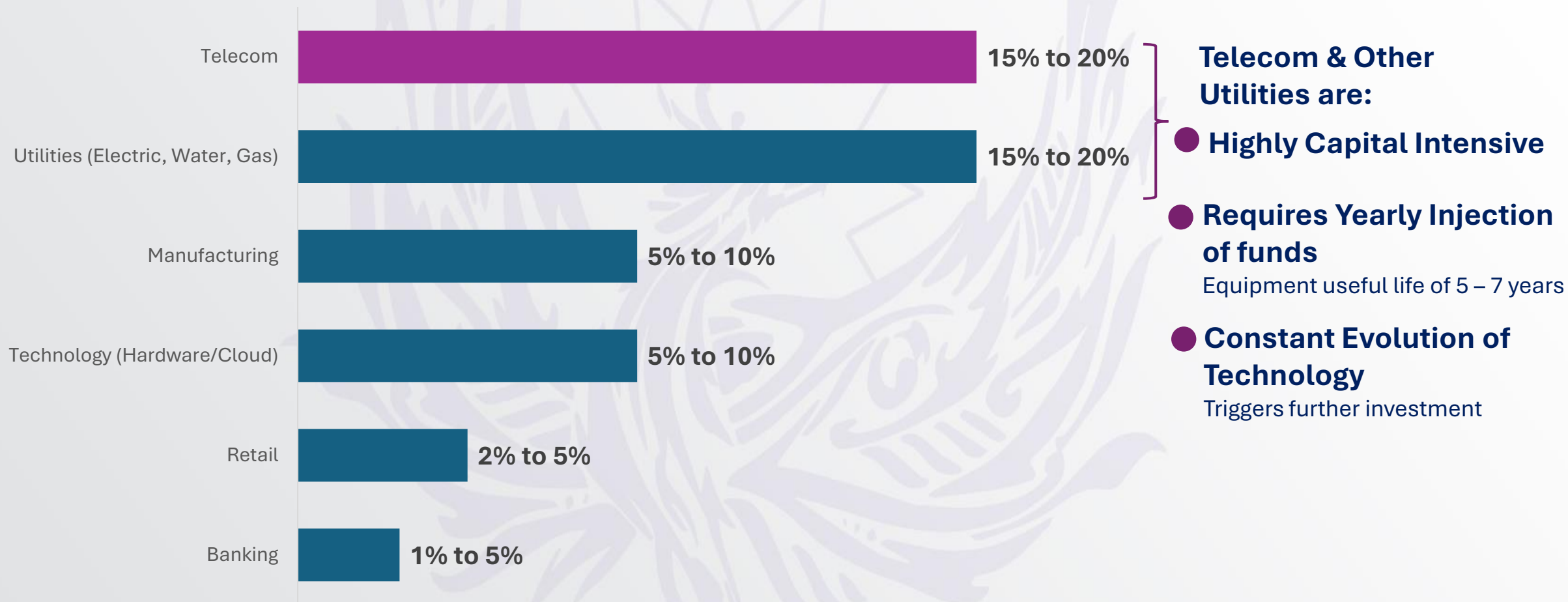
- Since 2019, Industry **CAPEX is higher than Profit** making it unsustainable
- **Minimum 6 Arba (Billion)** NPR new investment is required every year to keep lights On
- **Above 48%** of Earnings from customer goes to govt as tax and fees

* Taxes & fees paid to govt

* % estimated based on recent performance

Telecom Industry is more CAPEX intensive than most other industries

Annual Capex as % of Revenue



Source: Online global industry reports

Why Mobile Industry is declining?



Smartphone Penetration & OTT



Lack of level playing field



Regulatory set-backs



Inefficient spectrum policy

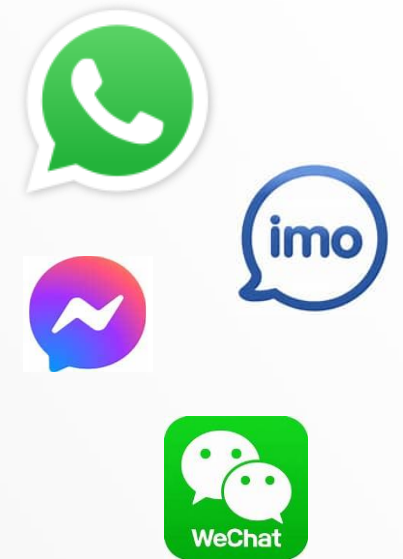
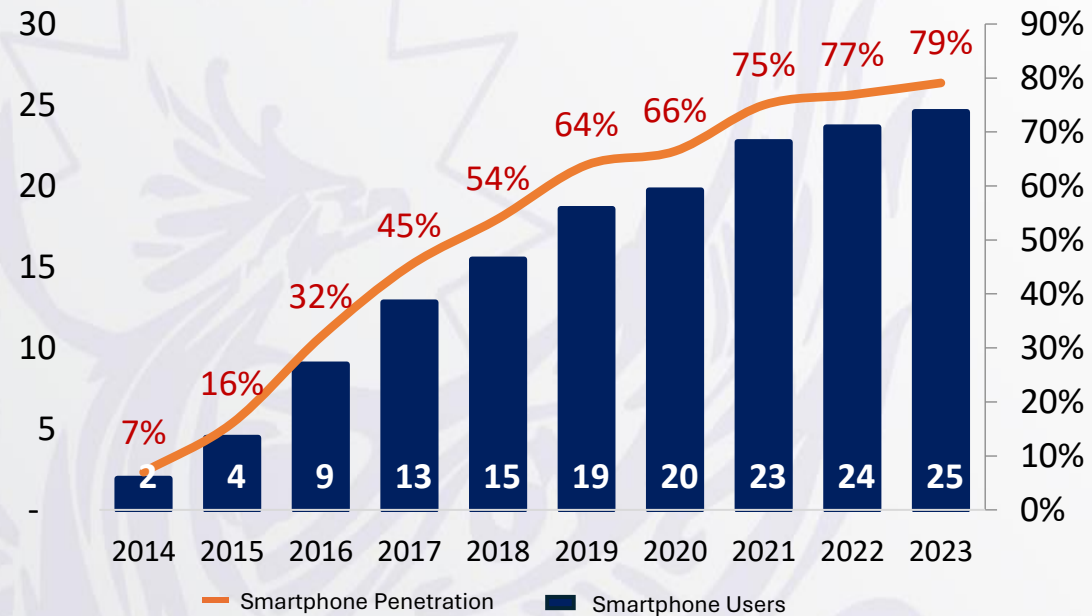


Missed FDI Opportunities



Mobile Operators Failure to Shape Industry

Smartphone Users & Penetration





- Smartphone adoption has increased rapidly, resulting growth of **>600%**
- **Above 60%** Voice Traffic is on OTT platforms on Mobile Network.

Source: Internal Estimates

Why Mobile Industry is declining?

-  Smartphone Penetration & OTT
-  Lack of level playing field
-  Regulatory set-backs
-  Inefficient spectrum policy
-  Missed FDI Opportunities
-  Mobile Operators Failure to Shape Industry

License Fee

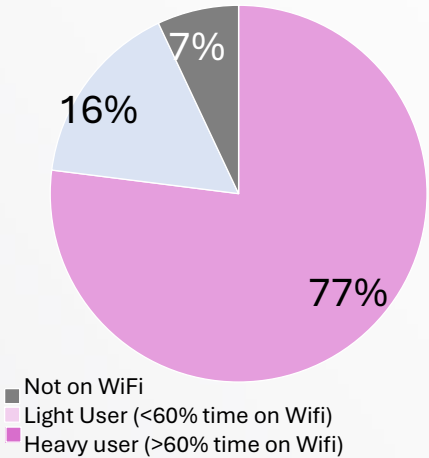
Country	GSM	ISP
	20Bn	300K
	6-10% of Gross Revenue (depending on type of circle)	8% of Gross Revenue

Rapid fixed penetration with **6,666,600%** differential in license cost in Nepal

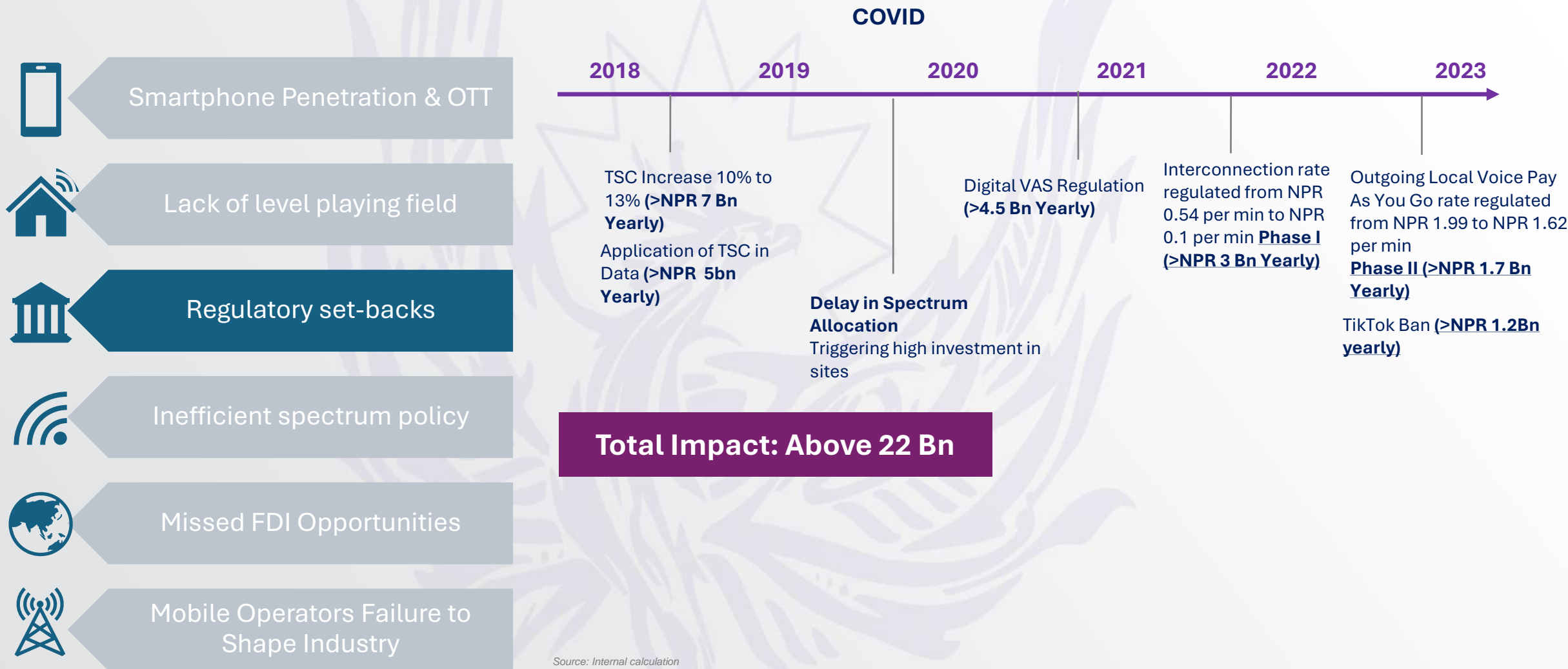
Source: Internal Estimates

Mobile is not the primary source of Internet for customers where **77% Mobile customers spend over 60% time on WiFi**

MBB User WiFi Usage



Why Mobile Industry is declining?



Why Mobile Industry is declining?



Smartphone Penetration & OTT



Lack of level playing field



Regulatory set-backs



Inefficient spectrum policy



Missed FDI Opportunities



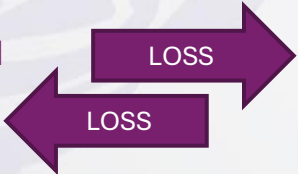
Mobile Operators Failure to Shape Industry

Frequency Bands	700	800	850	900	1800	2100	2300	2600	3500	26 GHz
Nepal Spectrum Utilization		67%		55%	53%	42%				
Nepal Spectrum Allocation										
India Spectrum Allocation										
Bangladesh Spec. Allocation										
Pakistan Spectrum Allocation										
SriLanka Spec. Allocation										

Failure to allocate the appropriate spectrum in a timely manner compared to regional counterparts results in lack of growth of the industry.

Unutilized spectrum is counter productive

Telecom operators will need to increase investment to maintain quality of service



Government misses out on potential revenue opportunities from the sector

* Only Ncell and NT considered for utilization

Why Mobile Industry is declining?



Smartphone Penetration & OTT



Lack of level playing field



Regulatory set-backs



Inefficient spectrum policy



Missed FDI Opportunities

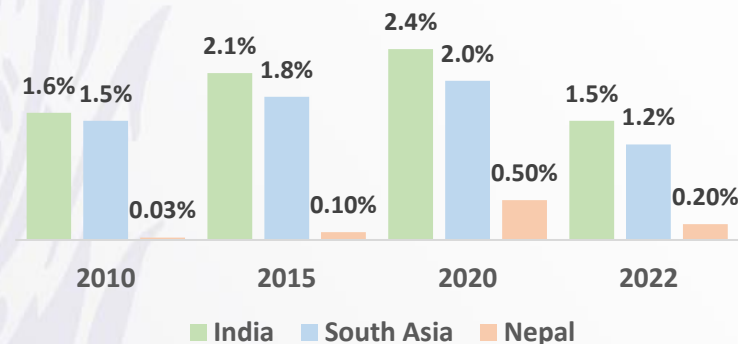


Mobile Operators Failure to Shape Industry

Big Telecom investors are investing in Regional Markets



FDI Inflows as % of GDP



Nepal's FDI inflow is among the lowest in the world
In FY 23/24, Nepal realized only 12% of the pledged FDI.

Sovereign Credit Rating S&P Indicators:

- Political Stability
- Economic Prospects
- Fiscal Flexibility
- Monetary Stability
- External Flexibility

Why Mobile Industry is declining?



Smartphone Penetration & OTT



Lack of level playing field



Regulatory set-backs



Inefficient spectrum policy



Missed FDI Opportunities



Mobile Operators Failure to Shape Industry



Calls Pay As You Go (Pay from Balance) and small sachet packs

Despite being utility service, Mobile operators encouraged sachet behavior



High SIM Validity

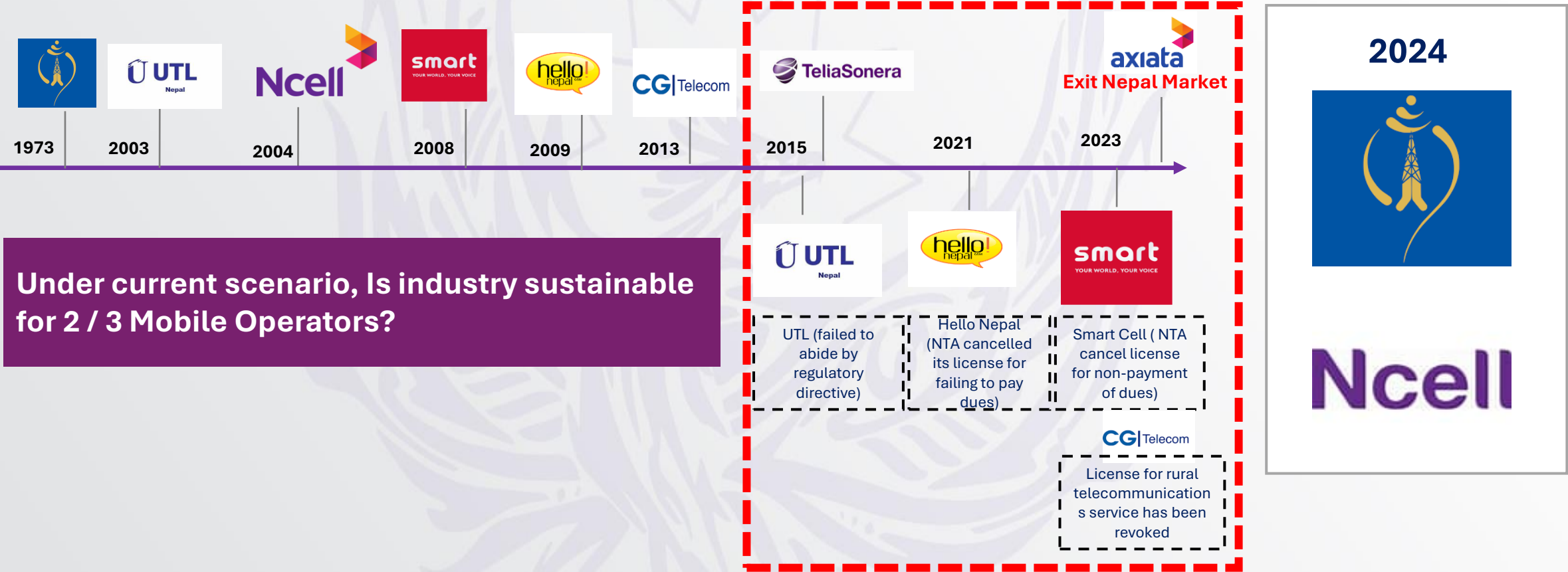
Dormant users with active SIM able to receive incoming without contributing to revenue

Data Pay As You Go (Pay from Balance) -> BILL SHOCK

Discouraged users to keep Mobile Data "ON" the go



Local and international investors have faced challenges in maintaining long-term viability.



Under current scenario, Is industry sustainable for 2 / 3 Mobile Operators?

If this decline continues without any counter-measures, **telecom industry in Nepal will FAIL**

	Past	Trending	Future
Market 2PL	2016/17	2022/23	2028/29
Revenue	97,307	73,147	56,372
EBITDA	59,678	35,620	19,082
Profit After Tax	29,646	5,587	(-1,025)
PAT %	30%	8%	(-2%)
CAPEX	18,988	11,584	6,201 (?)
CAPEX Intensity	20%	16%	11%
Taxes and Fees	43,821	34,100	21,812

Decline in Top-line and profitability

Inability to Invest

Impact on customer experience due to low quality

Loss in Govt Income from fees and taxes

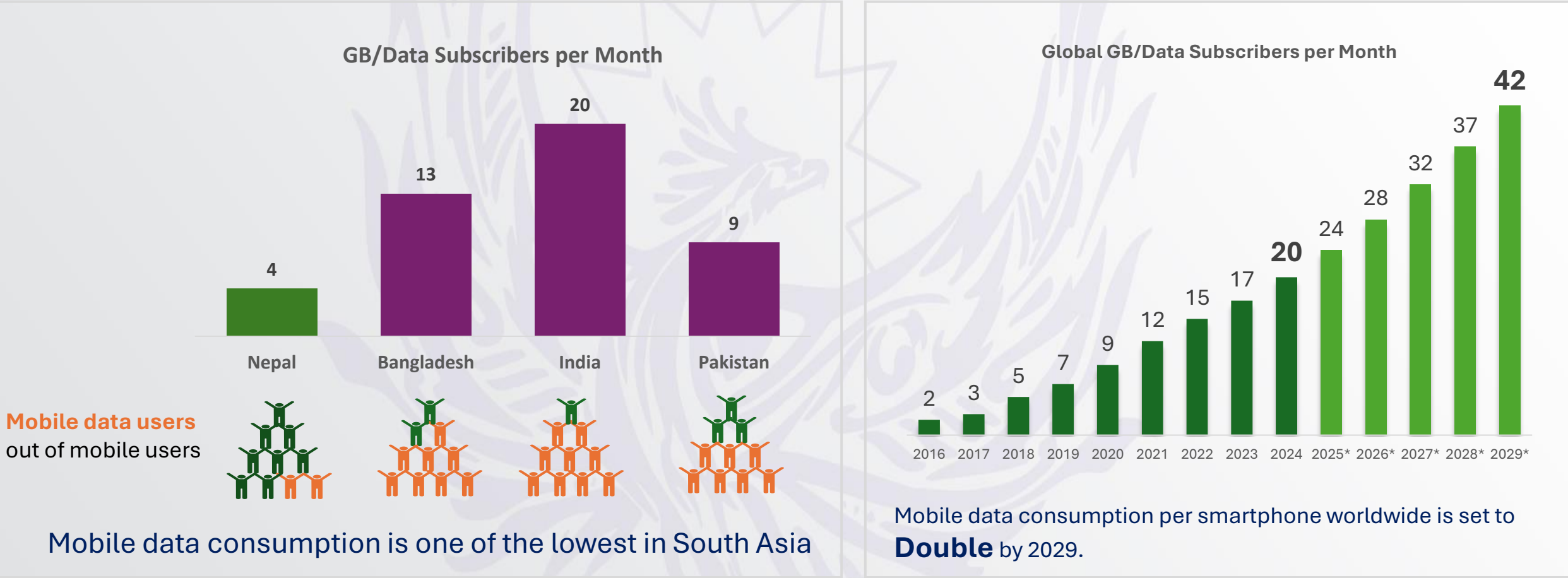
EBITDA: Earnings Before Interest, Tax, Depreciation & Amortization

6Bn NPR is the minimum CAPEX required by Industry every year to keep lights On.

* Net Revenue w/o TSC, VAT & OT

Source: NT Annual Reports (ntc.net.np) and internal estimates

Even with more than **90% 4G coverage** across the country, only **2 out of 10** subscribers use mobile data regularly. Meanwhile, data demand is growing exponentially across the world and is expected to grow by more than 2X in next 5 years.



Are we Ready to Fuel and Realize this Growth?



Our Strategy - Last 9 Months

Steps taken by Ncell to solve Mobile industry problems in last 9 months

Problems



Sachet & Pay As You Go Behavior with complicated Pack portfolio



Fear of Bill Shock & Data Pay As You Go



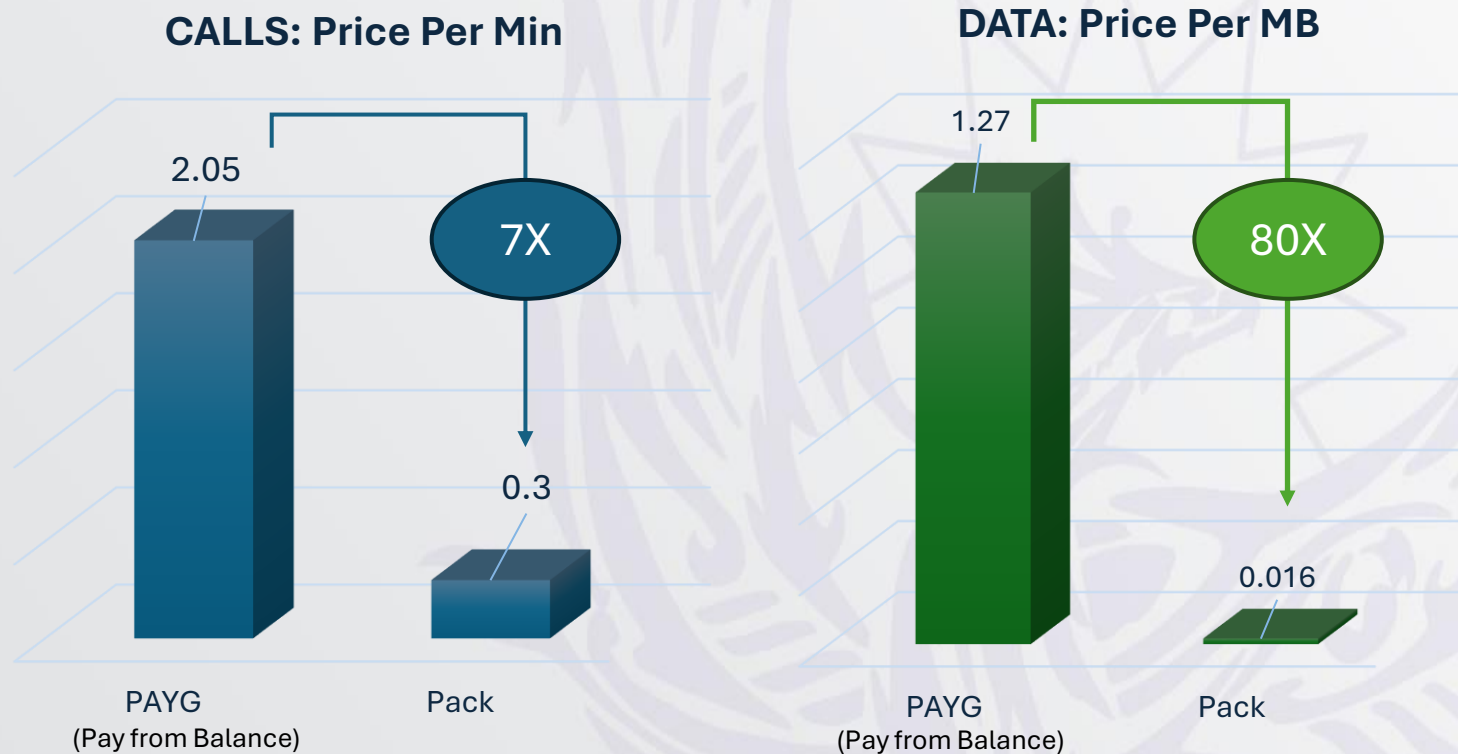
Very high Service Validity

Steps taken by Ncell

1. **Pack portfolio Simplified** by reducing >50% of packs
2. **Sadhain On and BiZ Sadhain On** - 7 and 28 Days all in one combo packs
3. Pack made exciting with –
 - **Unlimited** proposition and **2X** volume
 - **Resource Exchange**, Health Insurance and **Lionsgate** bundling
4. **Sadhain On Data Pay As You Go block** - worry-free data experience.
5. Sadhain On and certain data packs offer **carry-over** feature for inspiring repurchase.
6. **Recharge validity** revised.

3

Why packs?

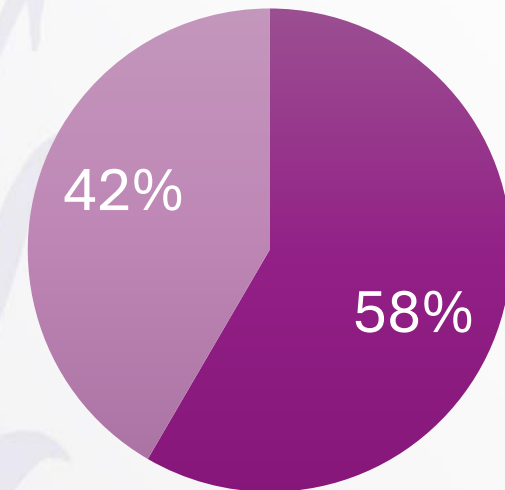


- Call Packs are **7X cheaper** and Data Packs are **80X cheaper**
- Worry-free: **Buy once and forget**

4

No Data Pay As You Go on **Sadhain On**

With Sadhain On, 58% of Ncell data subscribers balance deduction stopped for Pay As You Go – **NO BILL SHOCK!**



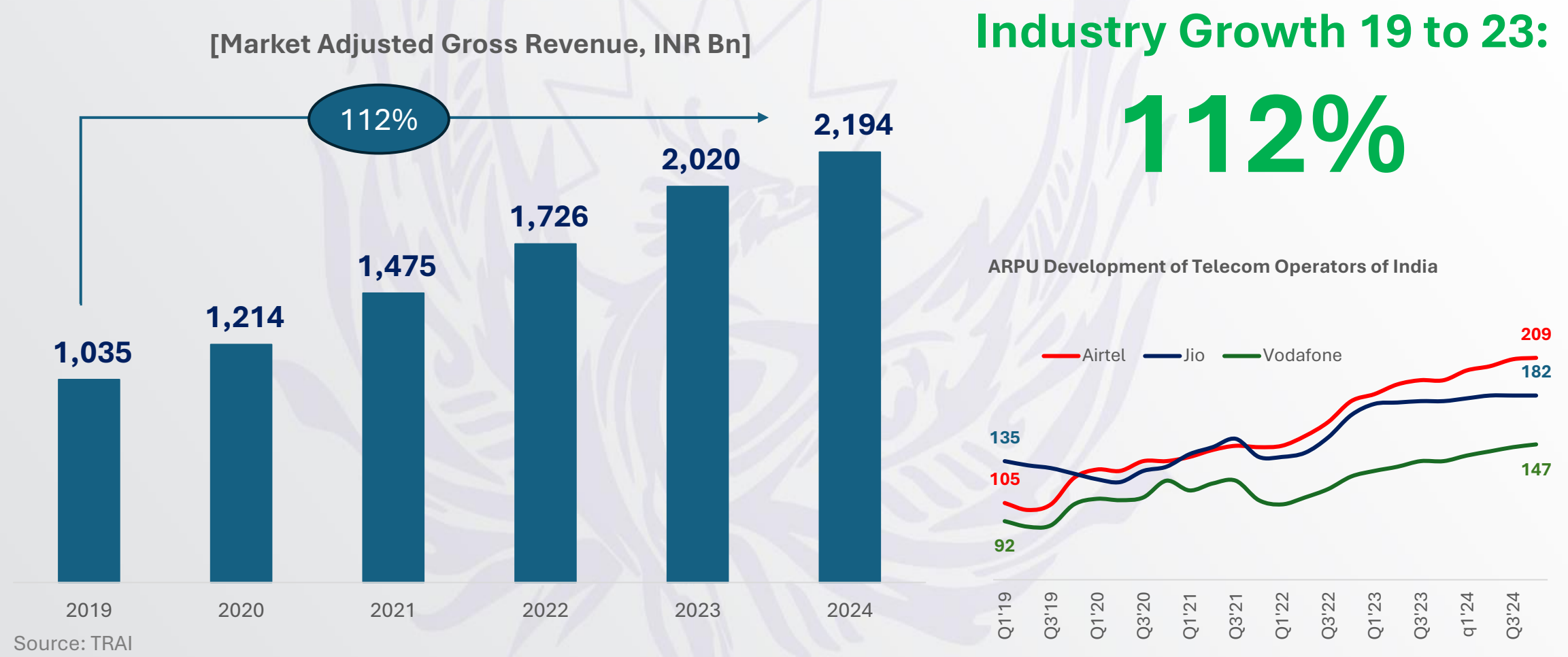
■ PAYG Blocked
(Pay from Balance blocked)



What's Next?

CASE STUDY: Indian Mobile Market

Indian Mobile Market grew by 112% in last 5 years with growth from all 3 major Telcos.



CASE STUDY: Indian Mobile Market

Subscription based model of Long Term Validity plans and regular price adjustments as per inflation has enabled India to sustain telecom industry.



Validity	Days	Data	Voice	SMS
Monthly Plan	28	1GB – 3GB per Day	Unlimited	Either unlimited or on per day basis
2-month plan	56			
3-month plan	84			
Annual Plan	365			

Validity	Days	Data	Jio	Airtel	VI
Monthly	28	2 GB	189	199	199
	28	1 GB/day	249	299	299
	28	1.5 GB/day	299	349	349
	28	2 GB/day	349		379
	28	2.5 GB/day	399	409	
	28	3 GB/day	449	449	

All prices in INR

Indian Market Packs Start from NPR ~300 while Average Nepali customer spending on Mobile is NPR ~180

MEASURES TAKEN BY TELCOS TOGETHER

Action	Impact
 28D+ Long term packs only No Pay As You Go – Subscription based	Increase in committed revenue through ARPU Fencing
 Regular Inflation Adjustments as an industry	Continuous Increase in Revenue, stabilized market approach
 I/C Calls & SMS blocked after Pack Expiry	Encourage prompt recharge
 Only 3 Data Pack Top-ups after 100% consumption	Upgradation to higher data plans

CASE STUDY: Indian Mobile Market

The government's proactive measures have positioned India as a leader in 5G deployment

MEASURES TAKEN BY GOVERNMENT

Rationalization of AGR

- Non-Telco revenue excluded from Adjusted Gross Revenue (AGR)

Spectrum Optimization

- Policies for sharing, trading and surrendering spectrum (Evolving)
- Regular spectrum auctions

Financial Support

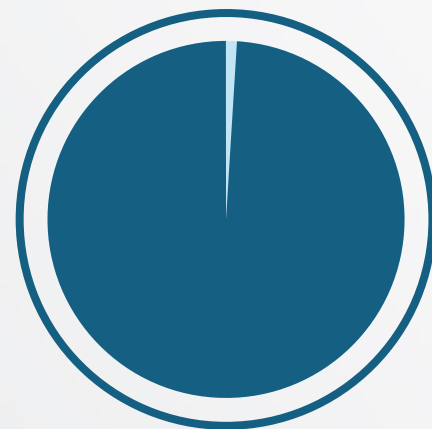
- Bank Guarantees requirements reduced by 80% for financial efficiency, also one BG for multiple service areas nationally.

Streamlined approvals

- Simplified procedures for Spectrum Allocation clearance
- Simplified Right of Way rules

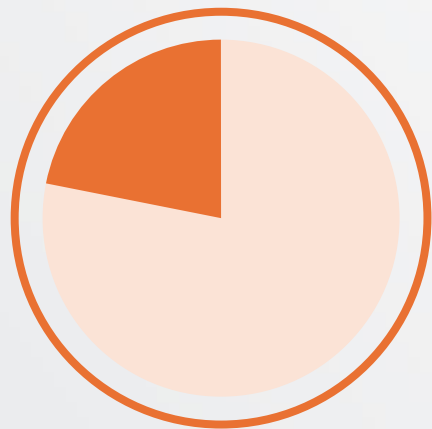
Infrastructure Development

- Government portal to expedite approvals for telecom infra installation



99%

779 out of 787 districts in India have 5G coverage



23%

India is expected to have **240 Mn** 5G subscribers (**23%** of mobile subs) by 2024 & 970 Mn (74%) by 2030

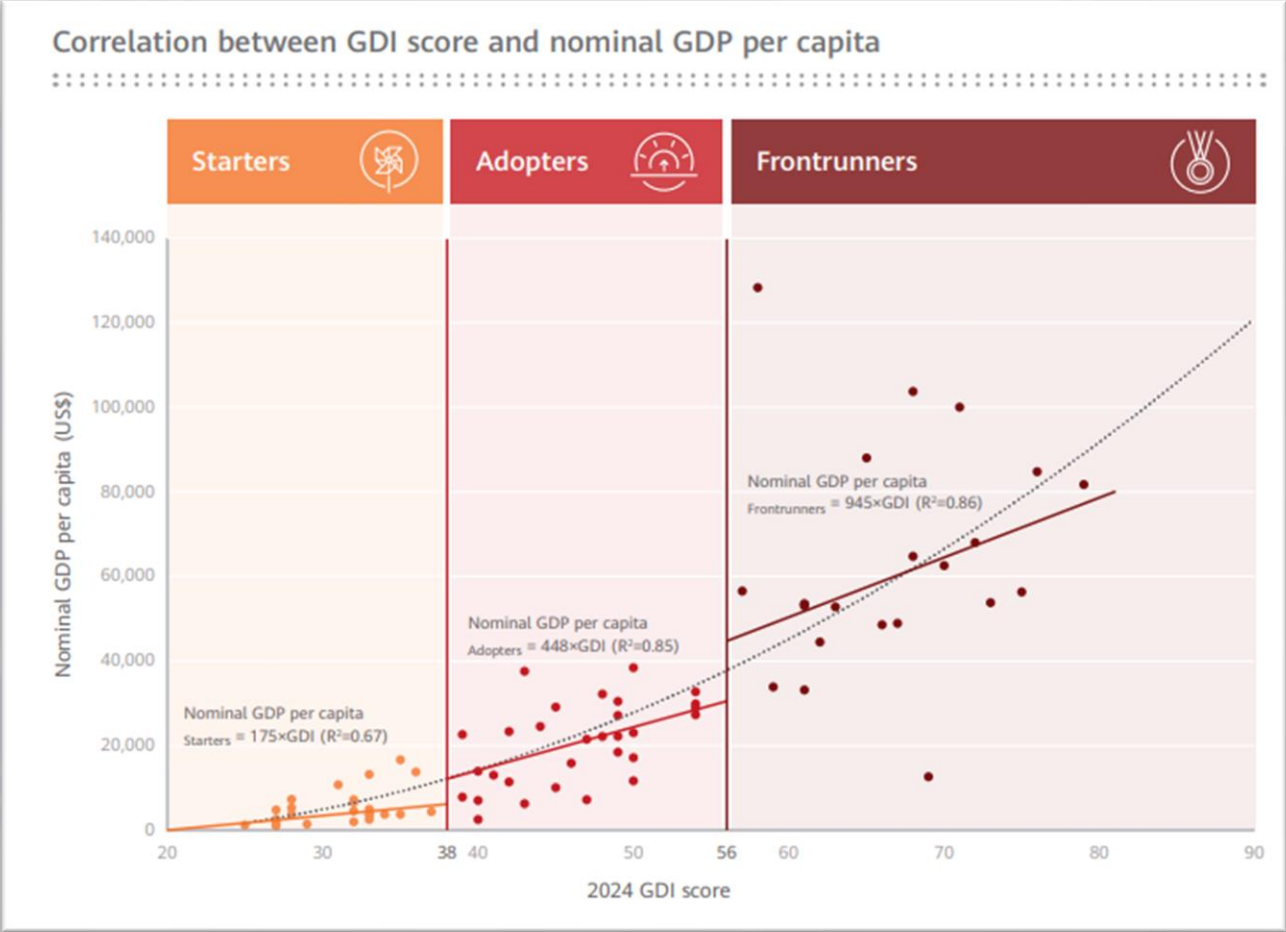
Source:

[India poised for 5G growth - The Economic Times](#)

[India's 5G growth story: Government reports 5G rollout in 779 districts, highlights infrastructure Growth - BusinessToday](#)

CASE STUDY: Indian Mobile Market

India ranks no 48 on Global Digitization Index score, highest scorer and only adopter in South Asia. Maturity of the digital infrastructure of a country has been found to be strongly correlated with GDP per capita growth.



Rank	Countries	GDI Score	Category
1	United States	78.8	Frontrunners
48	India	40.3	Adopters
68	Pakistan	28.5	Starters
76	Bangladesh	26.6	Starters

Impact of digital Infrastructure & Sustainability of Telecom Industry

- Revolutionizes entire spectrum of industries
- Enhances digital connectivity
- Drives innovation across sectors like healthcare, education, and manufacturing
- Ultimately stimulates GDP per capita growth

CASE STUDY: Nepal (Other Utilities)

All utilities in Nepal charge a minimum monthly amount. Even most ISPs offer plans starting from 3 months to 2 years to sustain and service is blocked immediately after expiry.

Local Utility Service







Utility Service	Min Amount
Electricity	80
Water	100
PSTN	200
Garbage	250

Plans	1 Month	3 Months	6 Months	1 Year	2 Years
NTC					
Wordlink					
DishHome					
Vianet					
Subisu					

Majority of Fixed Internet Operators are in 3 Months or 1 Year “Committed Prepaid Plans”

Subscription based weekly/monthly pack model is the only option to grow the industry and sustain mobile industry. This opens up opportunity to reinvest into a 5G Digital Future for Nepal.

		Move	Impact	Industry Impact	
● Jan 2024	Starting Point	Revenue depends on small deno packs and Voice Pay As You Go	Continuous decline (-3Bn to -4Bn YoY)	Unable to reinvest – slow death	
● Dec 2024	Today	Simplified portfolio with Sadhain On	Moderate management of revenue decline	Constrained investment, struggle to maintain	
● 2025	Industry Restructuring	Weekly / Monthly subscription based model	~ 40% growth in next 5 years	 5G Future	

All Stakeholders will benefit from sustainable Mobile Industry

	Past	Trending	Future As Is	Future with Industry Restructuring
Market 2PL	2016/17	2022/23	2028/29	2028/29
Revenue	97,307	73,147	56,372	96,816
EBITDA	59,678	35,620	19,082	58,028
PAT	29,646	5,587	(-1,025)	18,482
PAT %	30%	8%	(-2%)	19%

CAPEX	18,988	11,584	6,201 (?)	18,395
CAPEX Intensity	20%	16%	11%	19%

Taxes and Fees	43,821	34,100	21,812	43,300
----------------	--------	--------	--------	--------



Requires minimum investment of ~20Bn per year for 3-5 years

CUSTOMERS

- Value for Money
- Simple economic plans for all segments
- Worry-free subscription
- Better network experience

INDUSTRY

- Sustainable growth with ability to reinvest and keep up with Technological Evolution



NEPALI PEOPLE

- Growth in GDP
- Boost to Digital Nepal
- 5G centric ecosystem realization

GOVERNMENT

- Higher earnings from fees and taxes

- All numbers in Mn NPR
- 23/24 is based on 4Q rolling for NT and actuals for Ncell
- Service revenue and all financial parameters are exclusive of Finance & Other Income
- Govt earnings include estimate of Royalty, RTDF, TSC, Ownership fee, VAT, Corporate tax, license fee etc

Milestones towards Subscription Based Model



Recharge Validity Rationalization

- Recharge service validity reduction to mimic subscription behavior
- **BALANCE REMAINS UNTOUCHED**



Low Sachet Packs Removal (1 & 3 Days)

Weekly & Monthly packs to remain

Pay As You Go Block

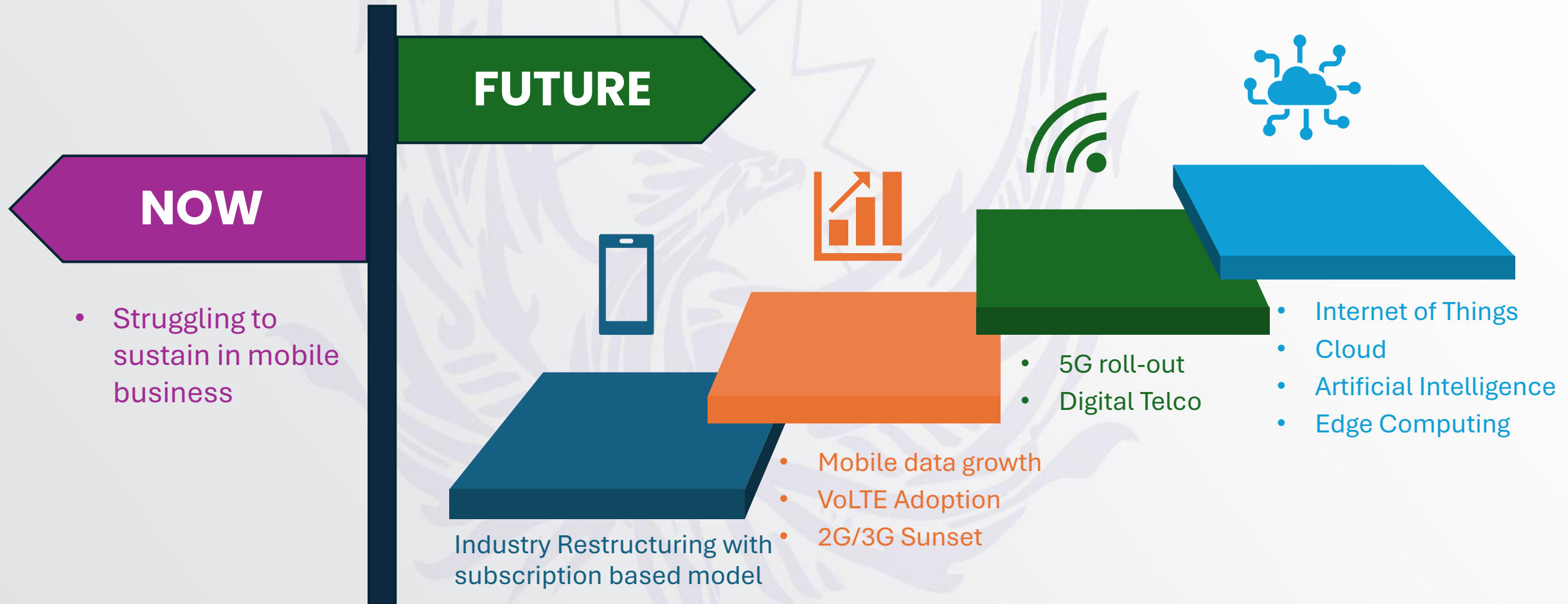
Remove expensive Pay As You Go and offer economical packs



Subscription Based Model

Model Similar to ISPs of Nepal

Mobile Operators need to move beyond voice & data offerings to match world standards for what Telecom Industry is capable of. **Future is DIGITAL**





THANK YOU