

Diversifying Nepal Telecom's Investment

By Sunil Kumar Pokhrel

Nepal Telecom remained in controversies for after the company decided to invest Rs6 billion loan and Rs600 million as share investment in Upper Tamakoshi Hydropower Project. Many raised the question that does Telecom should sell service or invest in a share. Generally, the company should focus on entering new technology and provide quality service. There is no dilemma in this regard. But in a situation where the economic condition of mega-company is worsening which indicates that the change in technology has chances of Telecommunication Company hard to sustain in the long-term if it invest only in the Telecom sector.

Why Nepal Telecom, state-owned number one telecommunication company needs to invest in another sector?

It is important to link with some contexts. The recession in energy sector sinks the US-based Enron Company 7-8 years before. The house and land recession in the US and Europe has not been able to make the growth of economics of those countries. The recession had hit hard to the automobile and banking sector as well. Till now General Motors along with nearly 116 banks in the US were the high and dry situations.

The situation in Europe was also gloomy. Many millions lost employment. However, Toyota Motors Company of Japan, Reliance of India and Mittal Group, Google of the US, Cell of Netherland including other company did not have any impact on their profit. Many of them

sustained due to their quality while many due to the diversification in their investment that saved them from financial risk and economic recession and became successful in saving the company.

Nepal Telecom is strong in terms of paying high tax and earning more profit. The investment in telecommunication business has been increasing in the last nine years. People have increased the habit of connecting. With the change in technology Telecom services have been diversified and the company is providing all the service. That is why the recession will not come in this sector hopefully. However, the reality will not be like this always. The call rates will get cheaper due to a drastic change in technology such as OTT and competition.

(Handmade sketch – Cartoon)

The Telecommunication Company if not apply the investment diversification then it is very difficult to sustain in the present fast changing technology environment and the market competition.

So Telecom sector may also be impacted by the international economic recession. Recently, after the entry of Jio Telecom in the Indian market, all other telecom operators are in the biggest problem of their history. The Jio's network quality and extremely cheapest call-rates compelled other competitors either out of the telecom market or in the process of merger and acquisition with similar companies. Nepal Telecom needs to realize these things in the current situation and develop appropriate steps so that the company's economic health will be continuously stable and making a sustainable profit. For this, it is appropriate to invest in the profitable diversified sector from 10 percent of her annual profit. Investment of the ten percent profit in the diversified sector will not affect the current profit margin and financial health of the company. This type of

investment can save Nepal Telecom from any future economic recession that can occur in the Telecom sector.

However, Nepal Telecom's major roles should not get diverted from providing telecommunication services and its investment should not be as in majority in other sectors than telecom. It is suggested that only a small amount of cash surplus, which is in the fixed deposit of commercial banks, can be used in the other sector. Supporting this vision, Nepal Telecom has already invested in the hydropower sector in partnership with the Nepal Electricity Authority. The company has already invested in Upper Tamakoshi (6 Billion as loan and 600 Million as share capital), Trishuli 3 'B' (50% as share capital). The profit from these hydropower companies for future 35 years can save Nepal Telecom at the time of economic recession if any.

The issue of investment diversification is the subject of making the company economically strong through a management agreement. If Nepal Airlines Corporation, Nepal Food Corporation, Nepal Oil Corporation have diversified some of their investment at the time of their financial surplus then these organizations might not have the sink in loan and financial troubles at present. So it is appropriate to invest in the diversified and profitable sector while the organization's financial health is strong by standing in the major objective when there is positive liquidity. That is why Nepal Telecom invested in hydropower sector which is not only appropriate but also need of the time.

Nepal Telecom should continue the policy of investing in the diversified sector from the profit not exceeding more than 10 percent of annual profit. It is suggested that Nepal telecom should establish a different fund for this purpose. To make Nepal Telecom number one, the company should diversify its profit to the diversified sector. Hydropower can be one potential sector as

Nepal Telecom itself is the biggest user of energy. In addition, analyzing the current national and international economic situations, other potential sectors can be explored accordingly. Therefore, it will not be for organization interest if any person or party protests against this policy.

Sunil Kumar Pokhrel

Ex. Member of Board of Director

Nepal Telecom Company