

# Afghan Telecom Corporation (Wireline) Analysis

*Office of the Senior Economic Advisor*

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## EXECUTIVE SUMMARY

**The presentation describes profound information regarding Afghan telecom in terms of services, coverage, and financial situation of the company.** It further provides international overview and comparison of Afghanistan with regional countries in terms of Tariff, fixed broadband subscription, and internet penetration. At the end of the presentation, we will have conclusion followed by recommendations.

**Afghan Telecom Corporation is fixed-line operator owned by government. Afghan Telecom started its operation in 24 September 2005.** In terms of financial performance; Afghan telecom invested USD\$271 since inception. The higher investment took place in network equipment which contributes USD\$207.5 million & makes 76.7% of total investment and followed by license fee which contributes USD\$41.5 million and makes 15.3% of total. Afghan telecom total revenue is USD\$617.6 million. The higher revenue generated by fiber optic network which contributes USD\$400.8 million & makes 68% of the total revenue and followed by internet services which contributes USD\$79.7 million and makes 13% of the total revenue.

**In terms of services, Afghan telecom has covered 12 different provinces of Afghanistan with 100k individual customers including Kabul, Herat, Nangarhar, Balkh, Kandahar, Helmand, Parwan, Ghazni, Baghlan, Takhar, Kunduz, and Farah.** The higher customer's contribution comes from Kabul (48k, 48%), Herat (32k, 32%) and Balkh (10k, 10%). Aftel has also 571 types of bandwidth customers across country which include ministries, Banks, NGOs, GSM operators, ISPs, embassies and others. Currently teleshops are available in 12 provinces but high presence in Kabul where its teleshops locations are in 9 different places of Kabul city. Afghan Telecom also owned afghan fiber network backbone which connects 24 provinces of Afghanistan with 4000km links.

**Based on our case study that fixed broadband services are unaffordable in Afghanistan as compared to central and south Asian countries.** The high price has direct impact on subscription and internet penetration. Currently fixed broadband subscription and internet penetration is very low in Afghanistan as compared to neighbors, Asian and African countries because of no competition.

**Based on our analysis we recommend:** (1) Expansion of coverage, (2) Reconsider the pricing strategy, and (3) Professional board should be appointed.

*source: Afghan telecom*

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# AFGHAN TELECOM OVERVIEW

The following slides will indicate the Afghan telecom details in terms of company profile, management and financials.

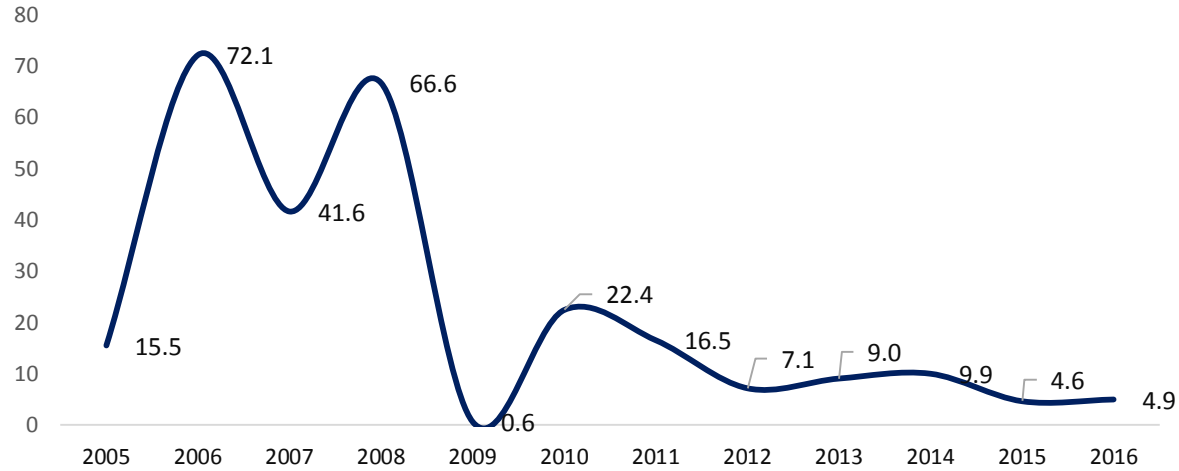
## AFTEL BRIEF PROFILE

Operation Started	September, 2005	<p>▪ Afghan Telecom corporation is fixed-line operator. Afghan Telecom started its operation in 24 September 2005 to provide unified telecommunication and various services throughout Afghanistan which includes but not limited to Mobile cellular services, Landline Telephone Network, Internet Services, Media Connectivity, Video conference, and Wholesale Internet transit through latest available technologies such as DSL, WIMAX, OFC and MICROWAVE.</p> <p><b>Management Team</b></p> <p><b>CEO</b> Gul Ahmad Rastman : Rastman has 14th grade degree from ICT institute, Kabul with 30 years of experience and has been working for Aftel for 7 years</p> <p><b>Vice President (Wireless Network)</b> Ali Mohammad Ateequi: Has Bachelor degree in Electrical Engineering from USA with 20 years of experience and has been working for Aftel for two months</p> <p><b>Vice President of (Wire Line Network)</b> Said Harres Mir: Has Bachelor degree in computer Science from USA with 20 years of experience and has been working for Aftel for two months</p> <p><b>Board of Directors</b> Chairman of BOD Sayed Ahmad Shah Sadat (Acting Minister of MCIT)</p> <p><b>Board Members</b> Hadi Hedayati (Deputy Minister of Admin &amp; Finance, MCIT) Ahmad Shafiq Qarizada (Deputy Minister of Custom &amp; Revenue, Minister of Finance) Najibullah Wardak (Director of CBR, Minister of Finance)</p>
Group Operation	None	
Sister Company	Salaam Telecom	
Ownership	Government	
Total Investment	\$370.7 m	
Total Revenue	\$582.4 m	
Total lost	-\$ 44.5 m	
Total Tax to Government	\$ 37 m	
Equity	\$ 2 bn	
Assist	\$ 1.5 bn	
Services	Fixed line	
Subscribers	100k	
Employees	1350	
Fiber optic network	4000 km	
Fiber optic connection	24 provinces	

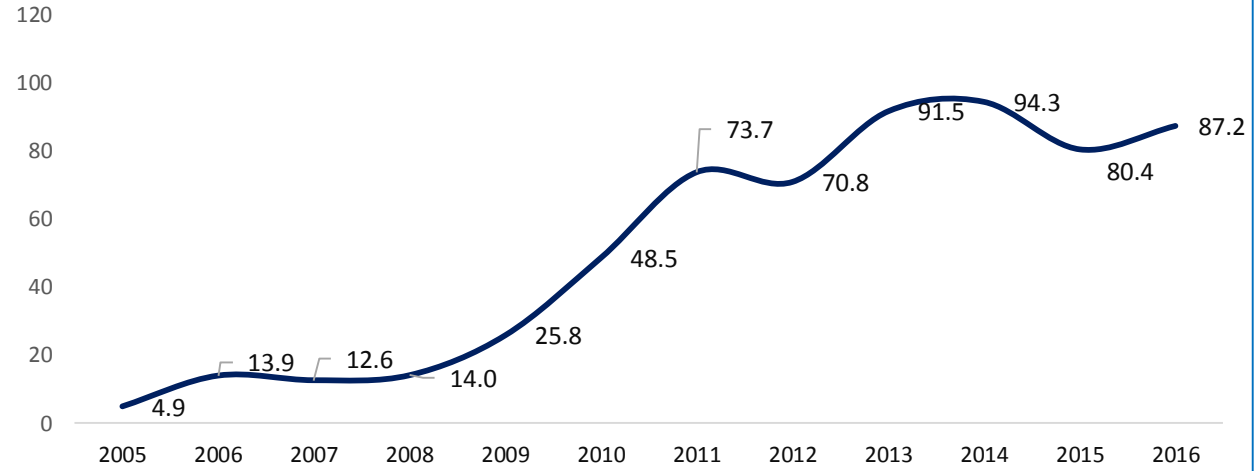
## AFTEL – Financials

**Afghan telecom invested aggregate USD\$271 and USD\$617.6 million total revenue.** The current profit of Aftel is USD\$3.1 million but in 2014, Aftel shows loss of -USD\$44.5 million. In terms of tax, Aftel paid USD\$37 million total tax to government and higher tax was paid in 2014 which was USD\$15.7 million

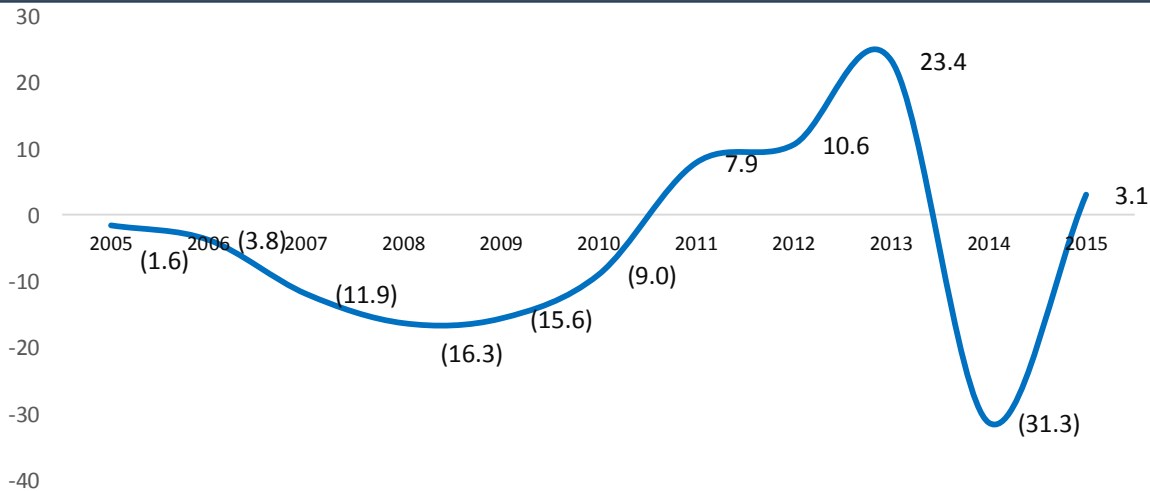
### Investment (\$ million)– AFTEL



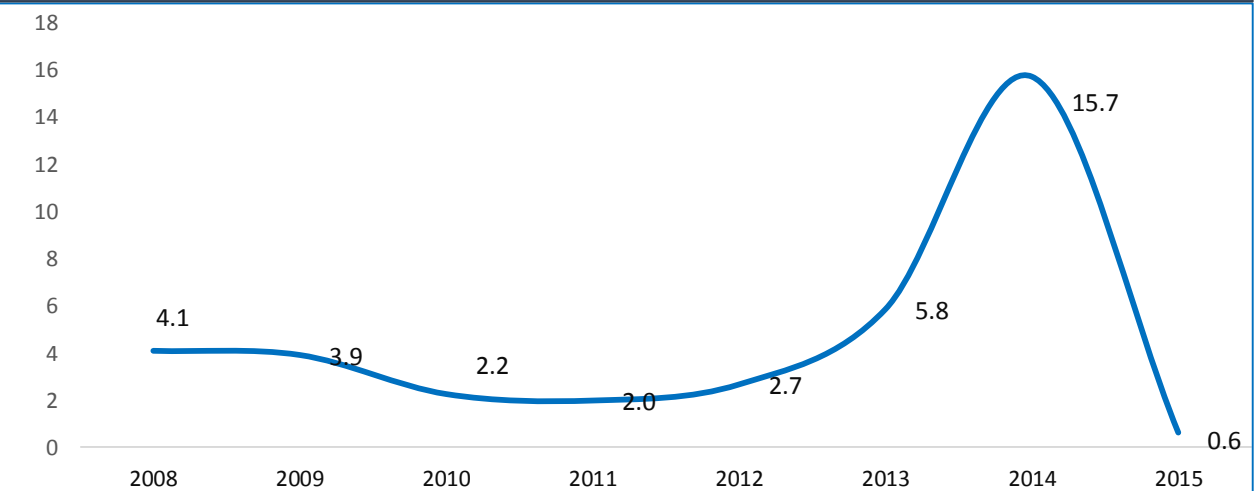
### Revenue (\$ million) – AFTEL



### Profit/loss (\$ million)– AFTEL



### Tax (\$ million)– AFTEL



# Afghan Telecom - Products & Services

The below tables indicate the customers, teleshops, Internet, and capacity prices of Afghan telecom.

## Customers

### Customers Details

**Ministries** Public works, Counters Narcotics, Transport & civil aviation, Economy, Education, Religion, Public health, Information & Culture and Ministry of Mine

**Banks** Afghan United bank, Da Afghanistan Bank, AIB Bank, Pashtany Bank

**GSM** Roshan, Etisalat, MTN

**ISPs** Wasel Telecom, Universal Telecom, Vital telecommunication, Stan Telecom, Insta Telecom, Multinet, Io Global, Netzone, Melat Network Ceretechs

**Others** Da Afghanistan Brishna Shirkat, JICA Organization, GBE, NKC, NATO, NGOs and embassies.

## Teleshops

City	Tele Shop	City	Tele Shop
Kabul	Kabul city	Kandahar	Kandahar city
Parwan	Charikar city	Helmand	Laskargah city
Nangarhar	Jalalabad city	Hirat	Hirat
Kunduz	Kunduz city	Farah	Farah
Takhar	Takhar city	Ghazni	Ghazni
Baghlan	Baghlan city	Balkh	Mazar

Note: Kabul teleshop locations: MoC, kart e naw, taimani, macroyan, khair khana, mahtab qala, kart e char,omid sabz, ahmad shah baba mena

## DSL Price

Internet Bandwidth	Cost
256 Kbps	1,000 AFS /Month
1024 Kbps	4,000 AFS /Month
2048 Kbps	8,000 AFS /Month
4096 Kbps	16,000 AFS /Month

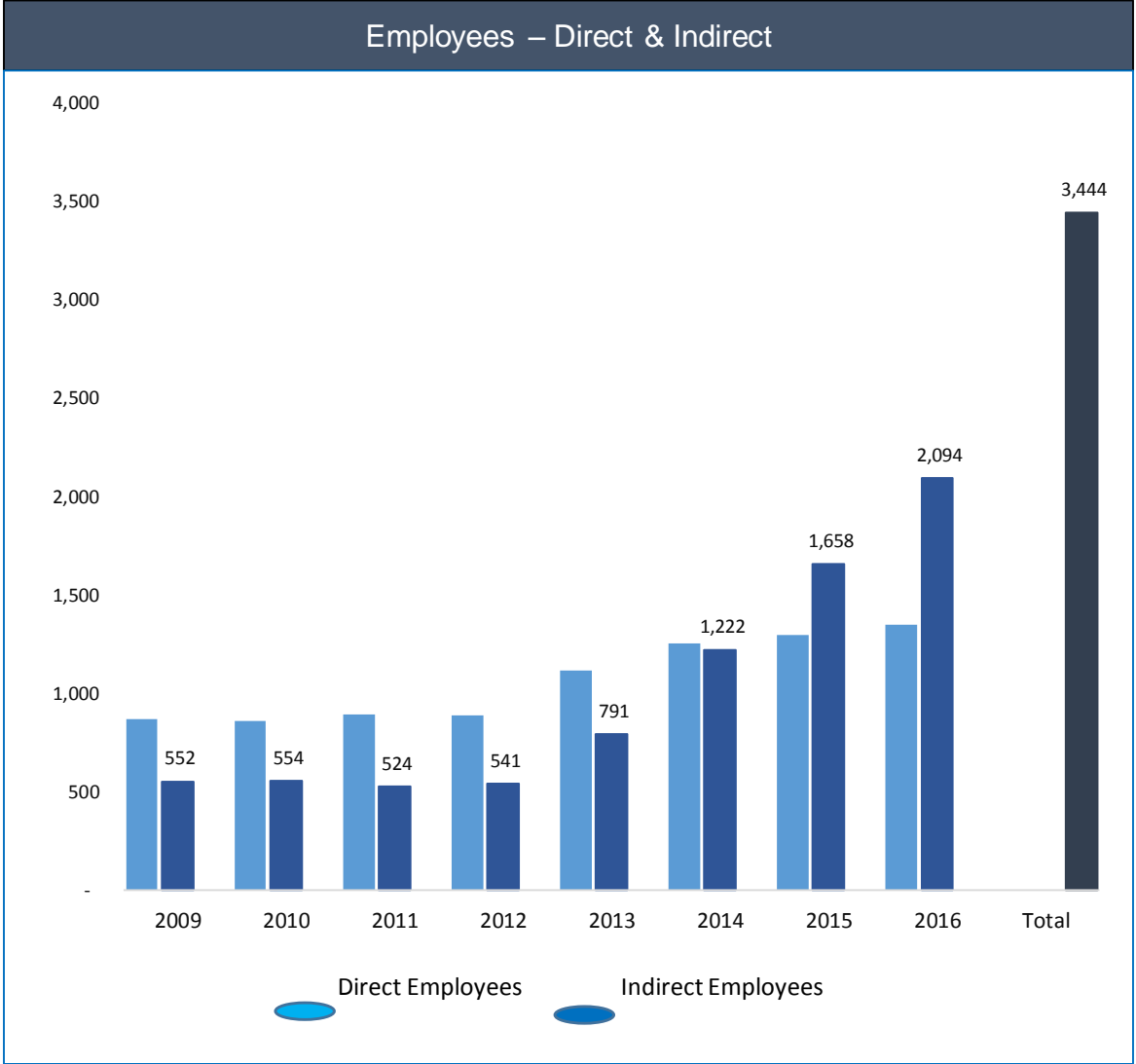
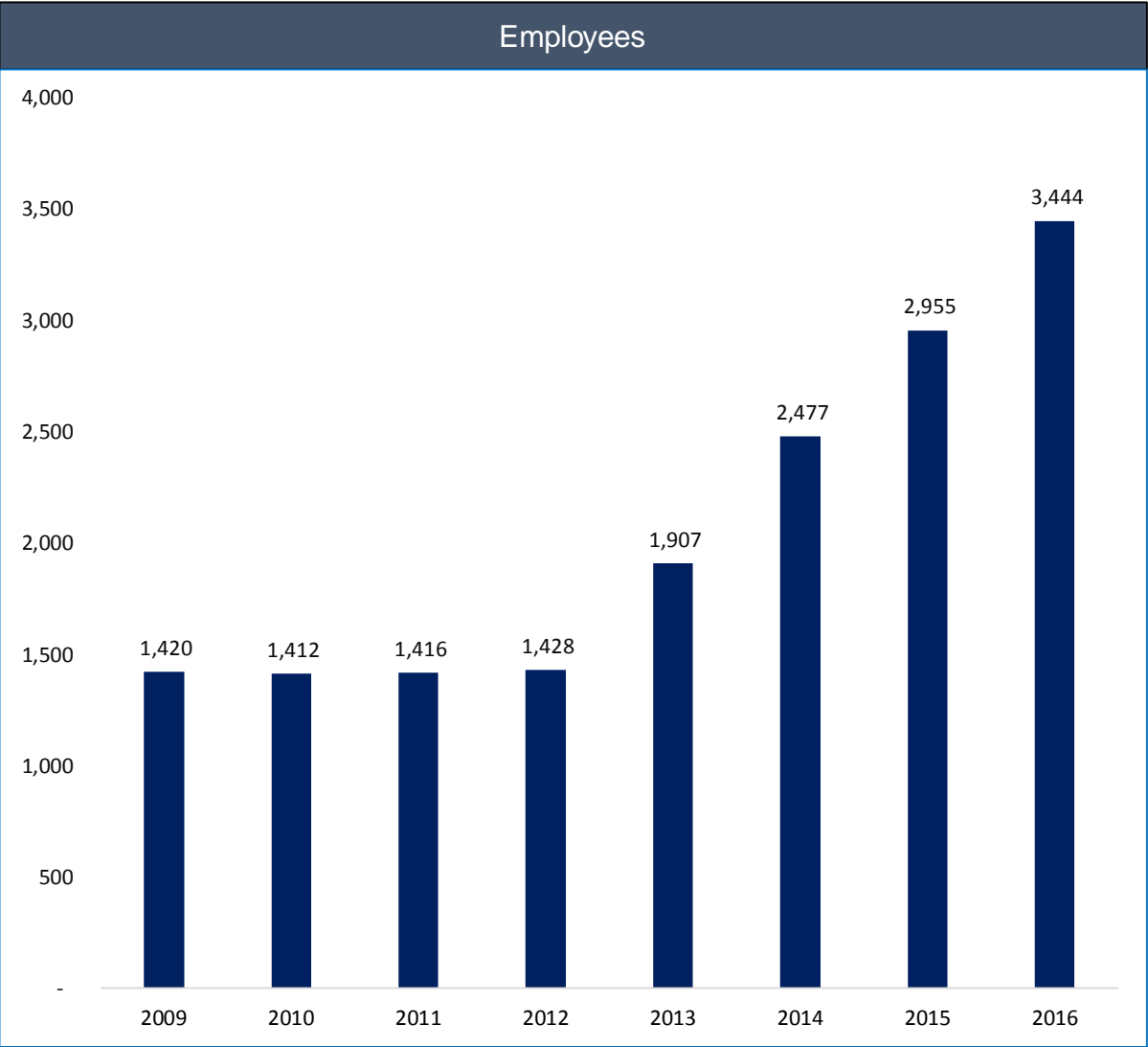
## Price capacity - ISP and GSM

Routes	Asymmetric Capacity	Cost \$ /Month	Unit
Internet access-Pakistan route	155(STM-1)	11,200	Mbps
Internet access-Pakistan route	620(STM-4)	33,600	Mbps
Internet access-Pakistan route	2,480(STM-16)	120,000	Mbps
Internet access-IRAN route	155(STM-1)	22,500	Mbps
Internet access-IRAN route	620(STM-4)	84,000	Mbps

Source: Afghan Telecom

# Afghan Telecom – Human Resource

Below are the employees both direct & indirect employees of Afghan telecom.

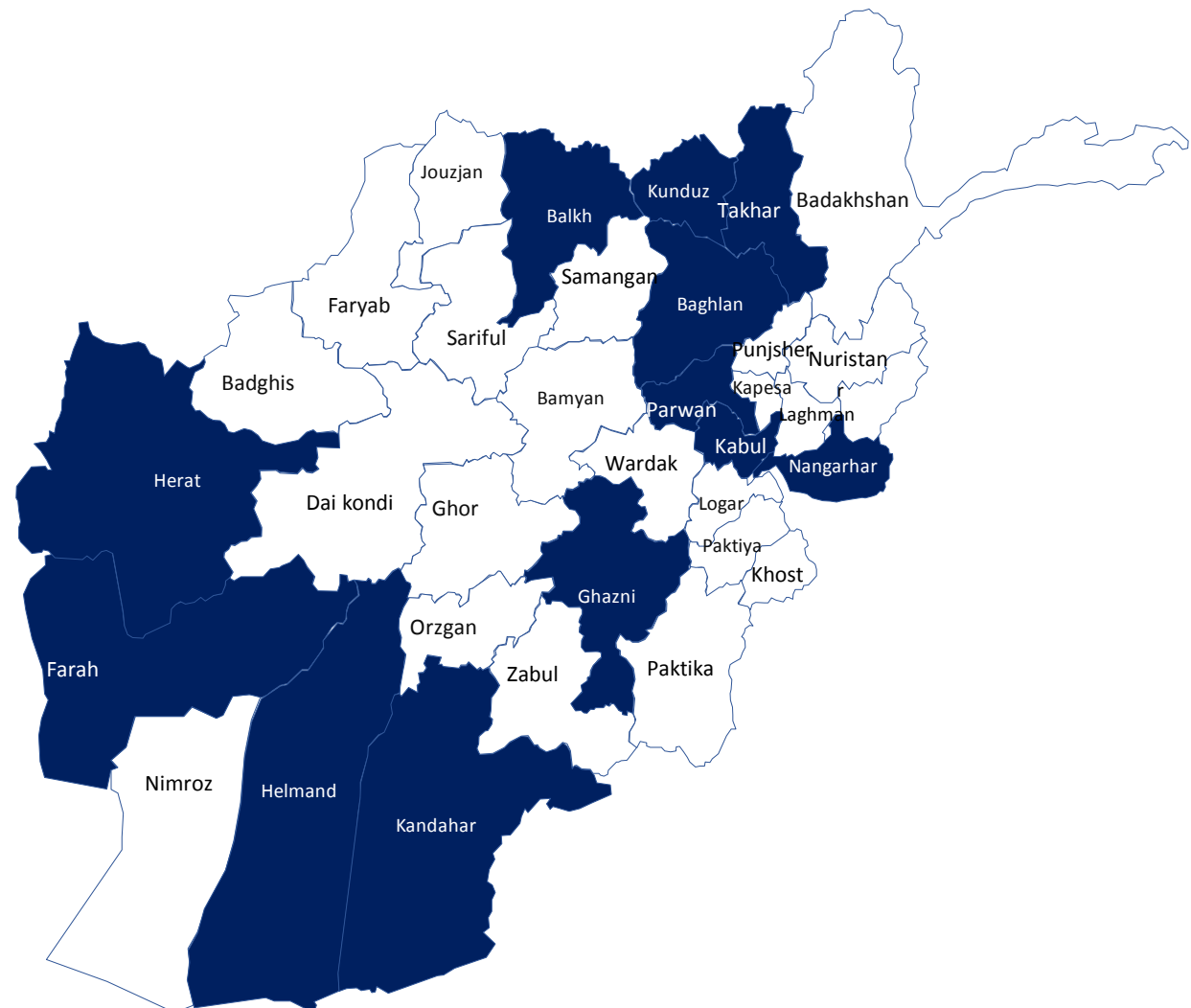




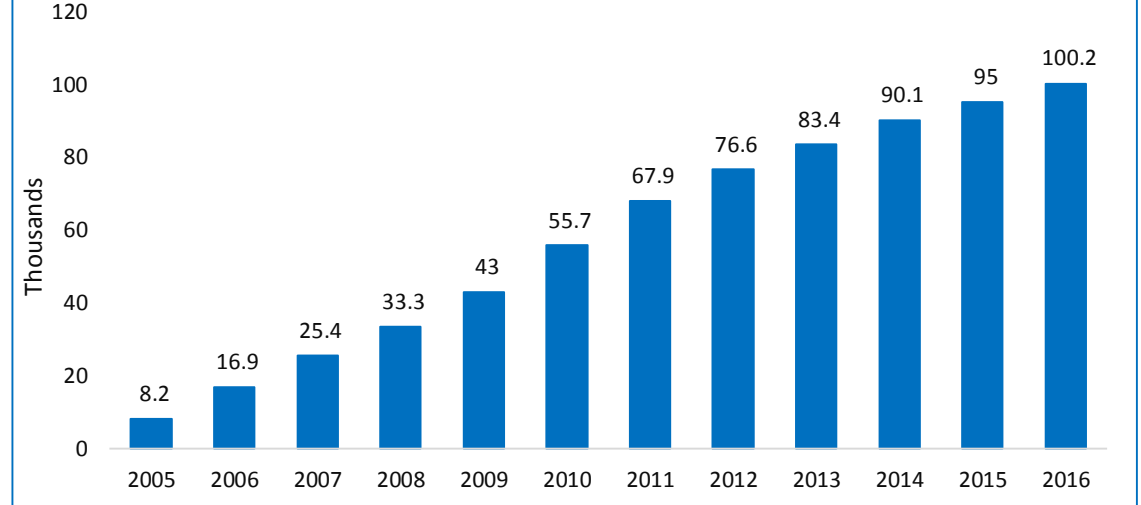
# Afghan Telecom – Coverage and Subscribers

**Afghan Telecom covers 12 provinces in terms of individual subscribers.** The current subscribers are 100k where high contribution comes from Kabul which is 48k & makes 48% of the total subscriber and followed by Herat province which is 32k & make 32% of the total subscriber.

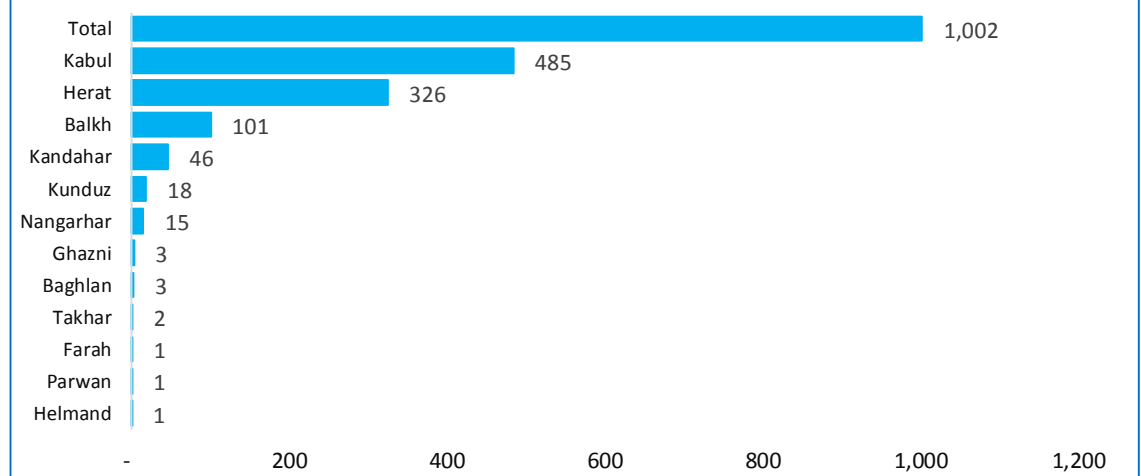
Aftel coverage (Dark Blue) - 12 Locations



Total Individual subs - wireline



Subscribers per province (Hundreds)



Source: Marketing department, Afghan Telecom

Note: Aftel has also 571 types of bandwidth customers across country which include ministries, Banks, NGOs, GSM operators, ISPs, embassies and others.

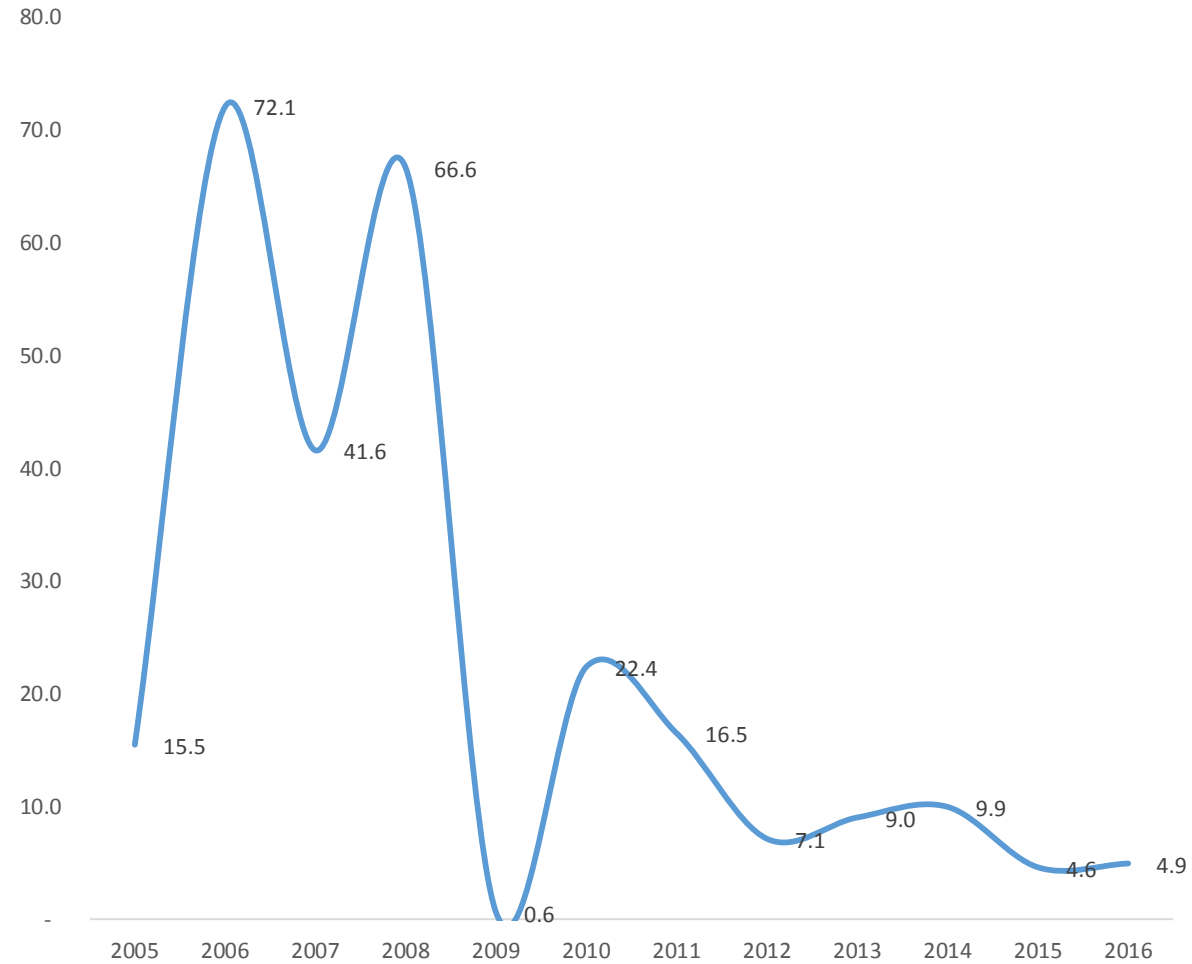
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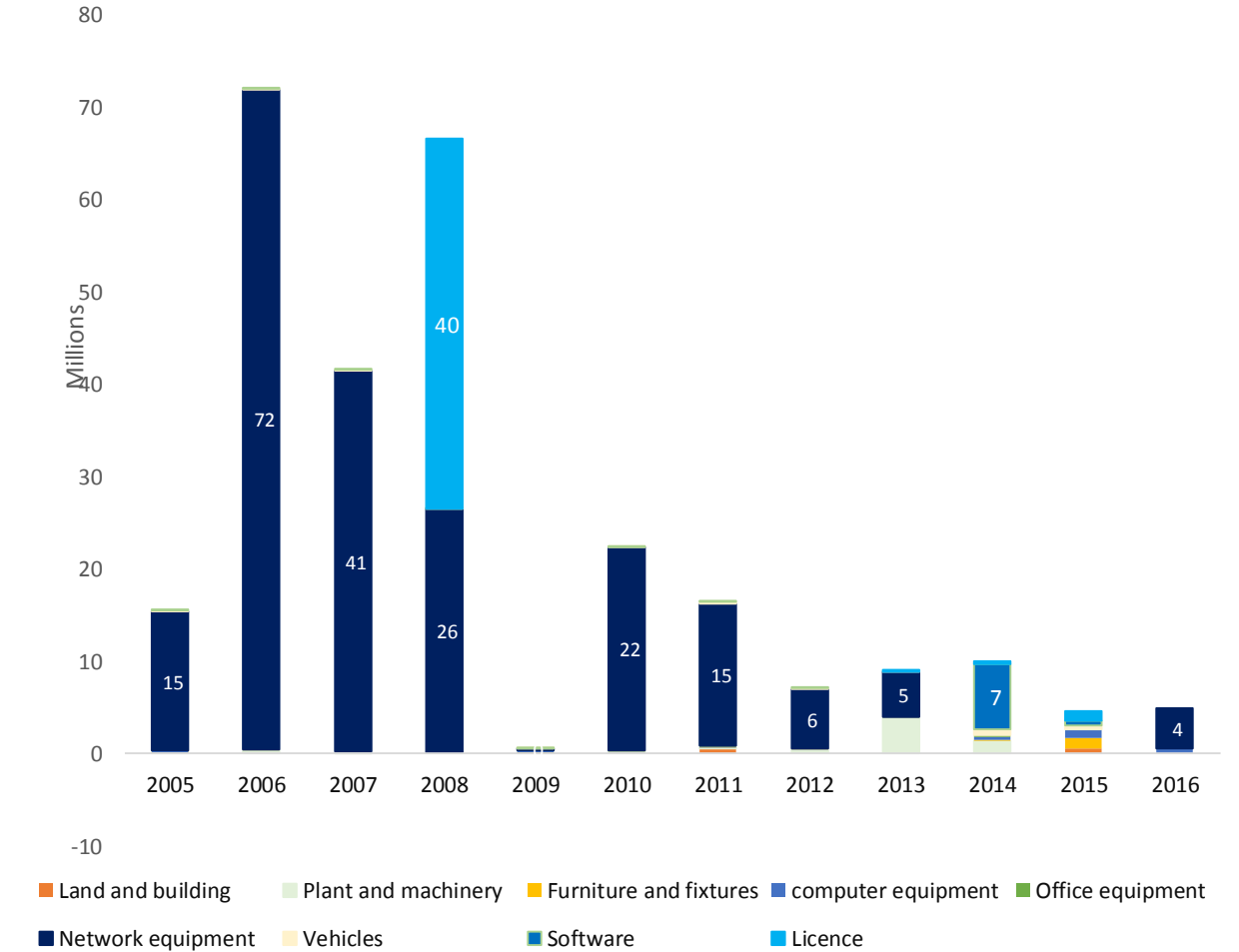
## AFTEL – Investment

Afghan telecom invested USD\$271 since inception. The higher investment took place in network equipment which contributes USD\$207.5 million & makes 76.7% of total investment.

Investment (\$ million)– AFTEL



Investment (\$ million)– Breakdown

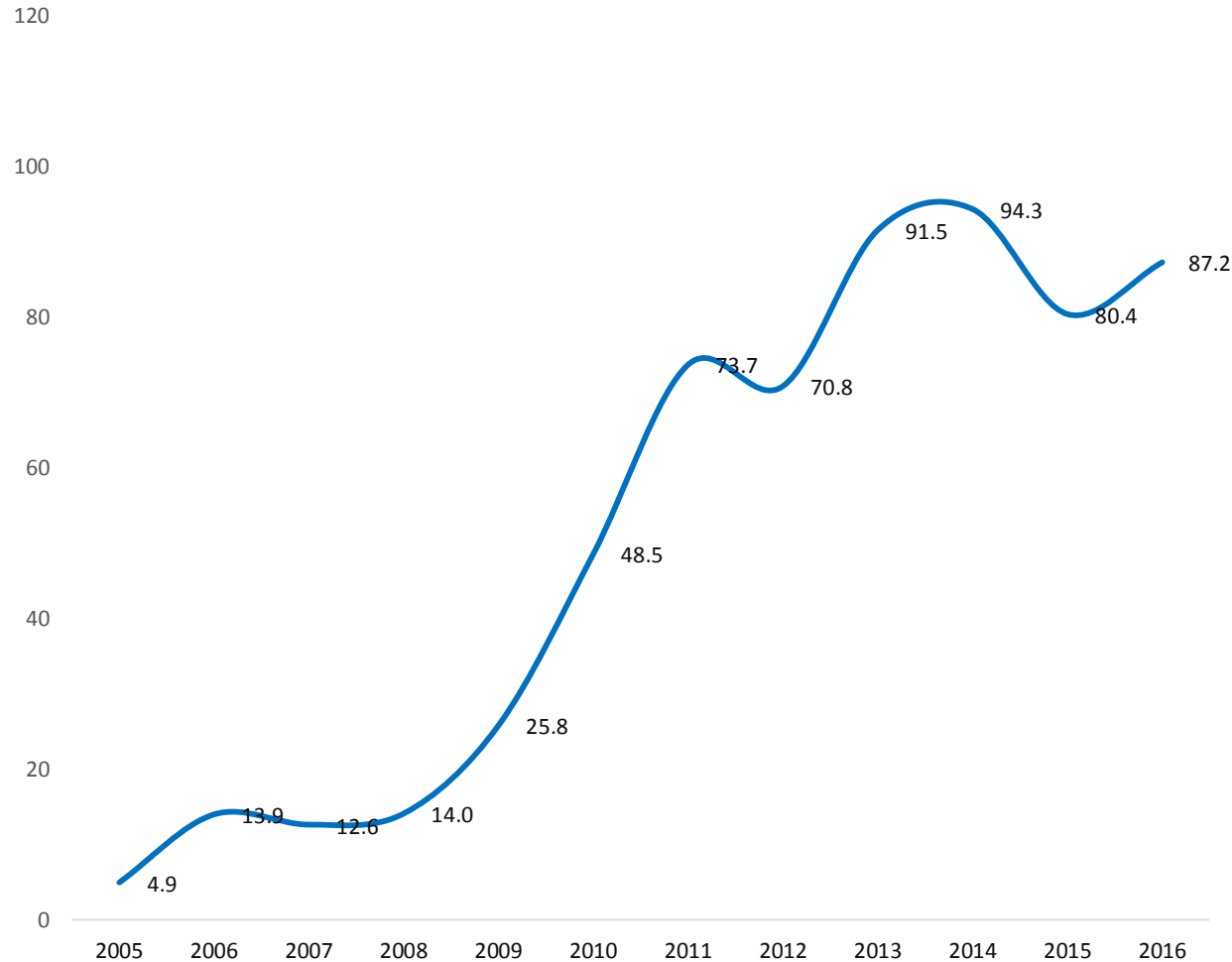


Source: CFO, Afghan telecom

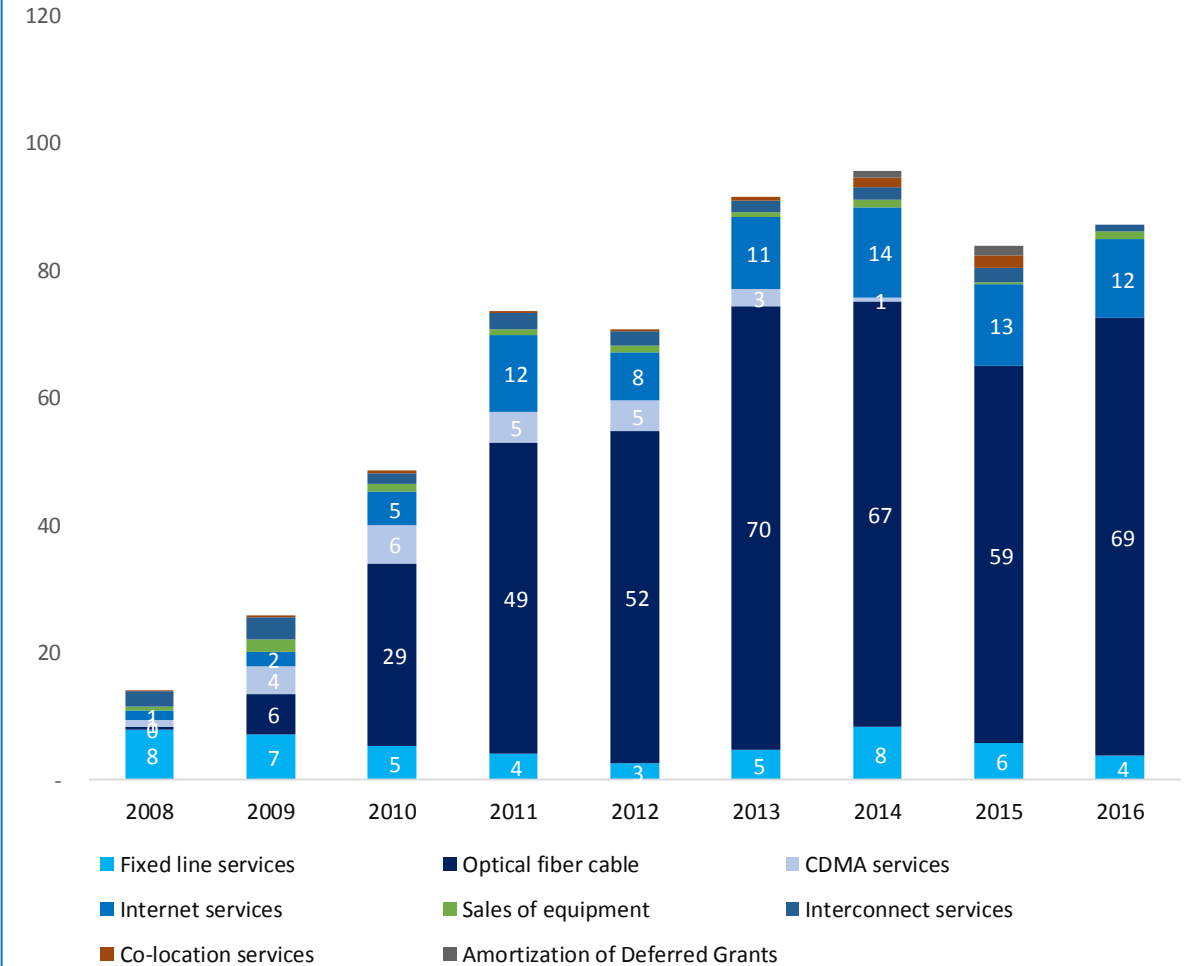
## AFTEL – Revenue

**Afghan telecom total revenue is USD\$617.6 million.** The higher revenue generated by fiber optic network which contributes USD\$400.8 million & makes 68% of the total revenue and followed by internet services which contributes USD\$79.7 million and makes 13% of the total revenue.

Revenue (\$ million)– AFTEL



Revenue (\$ million)– Breakdown

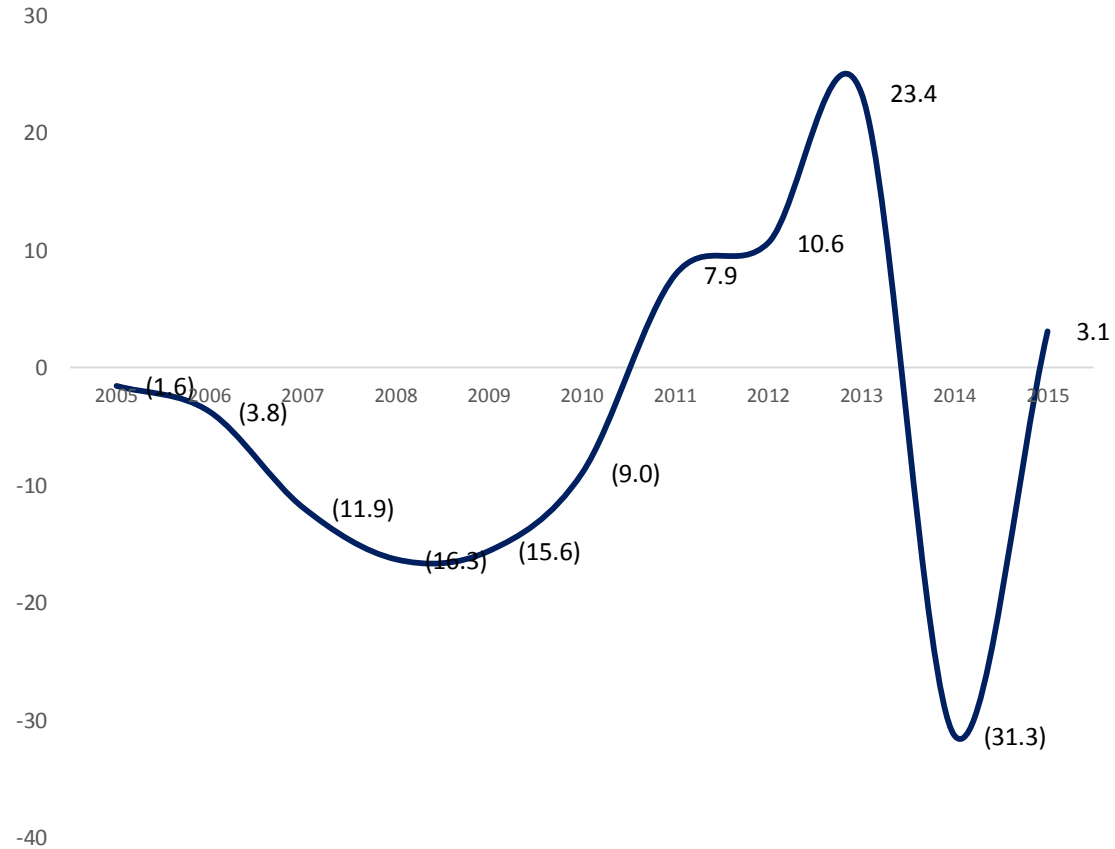


Source: CFO, Afghan telecom

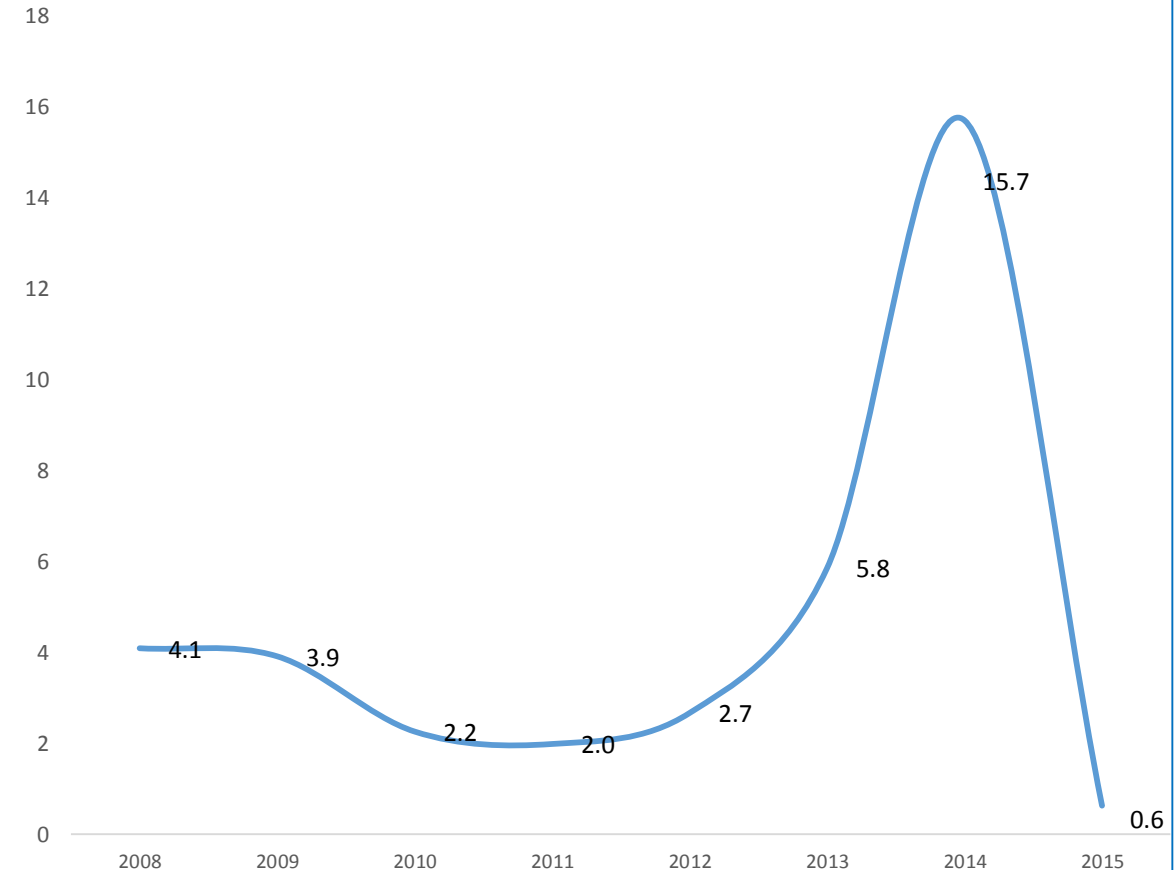
## AFTEL - Profit/loss and Tax

There is fluctuation in Aftel financials which shows lost at the beginning of operation. The current profit of Aftel is USD\$3.1 million but in 2014, Aftel shows loss of -USD\$44.5 million. In terms of tax, Aftel paid USD\$37 million total tax to government and higher tax was paid in 2014 which was USD\$15.7 million

Profit/loss (\$ million)– AFTEL



Tax (\$ million)– AFTEL



Note: In 2013, MoF assigned Audit team in order to audit Afghan Telecom tax payment from 2008-2013. Auditors charged Afghan Telecom with 5% additional Tax from 2008 till 2013, which makes total 1.7 billion Afghani (USD\$ 29.8 million). While AFTEL payed only 5% from OFC Contracts, which are signed with Department of Defense of USA. Afghan claimed that they have tax exemption if contract with USD , department of defense

Source: CFO, Afghan telecom

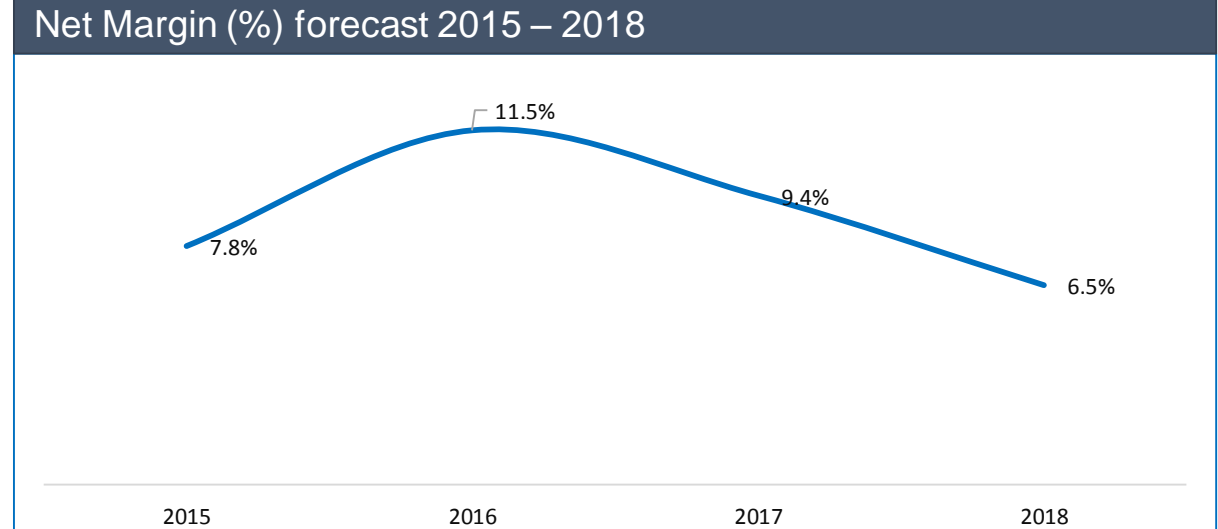
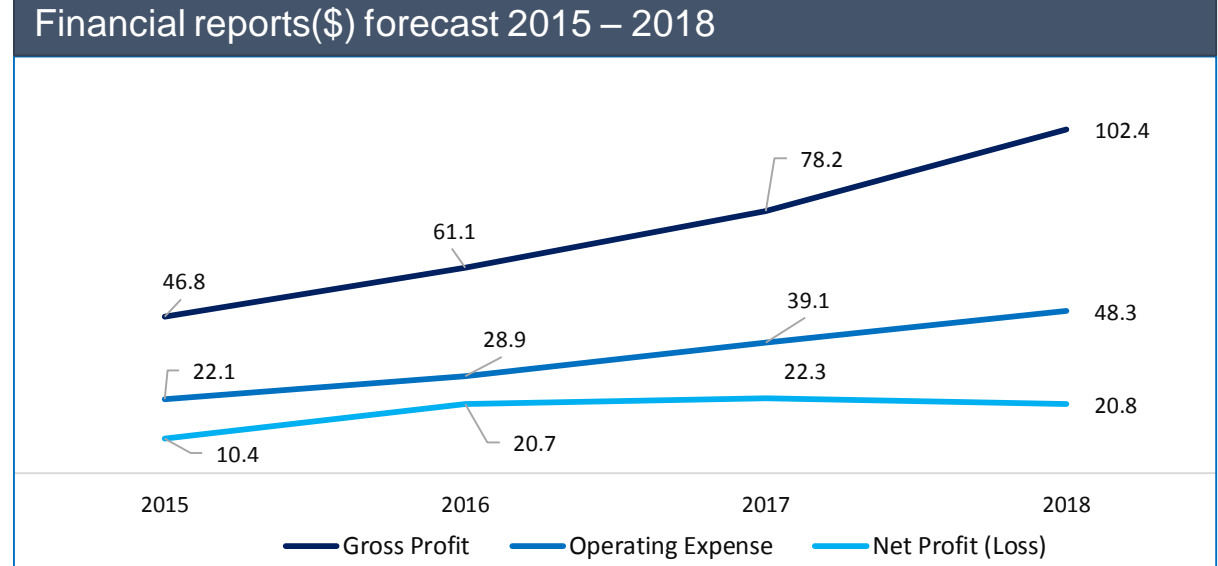
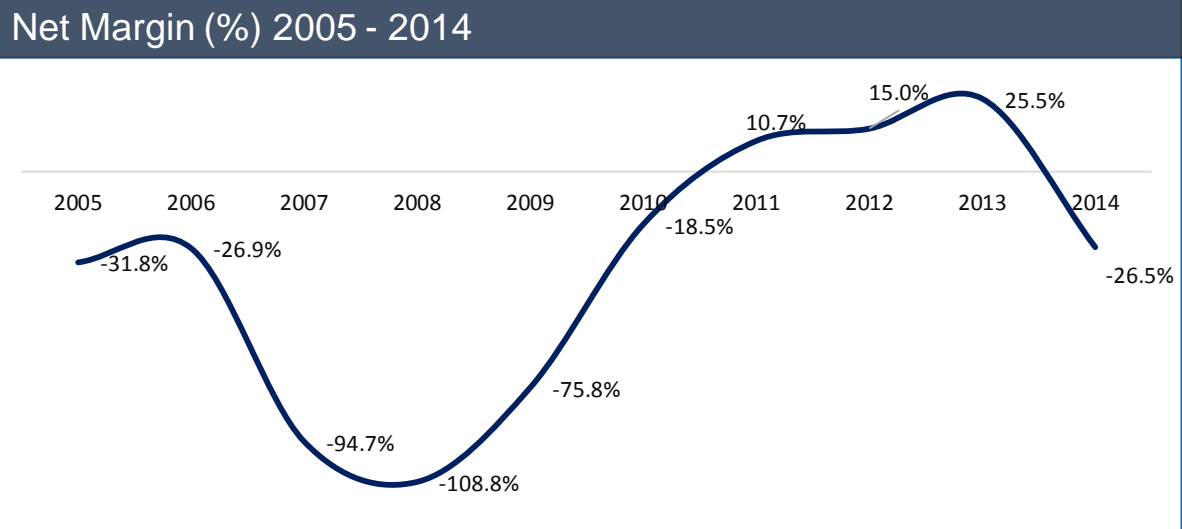
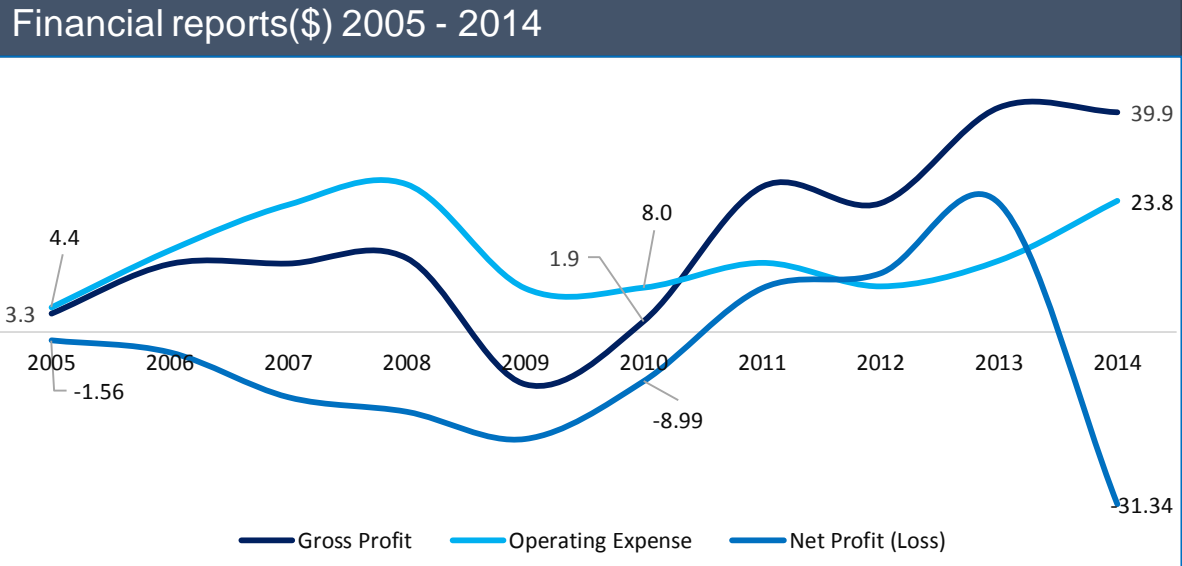
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# AFGHAN TELECOM – FINANCIAL AUDIT REPORTS

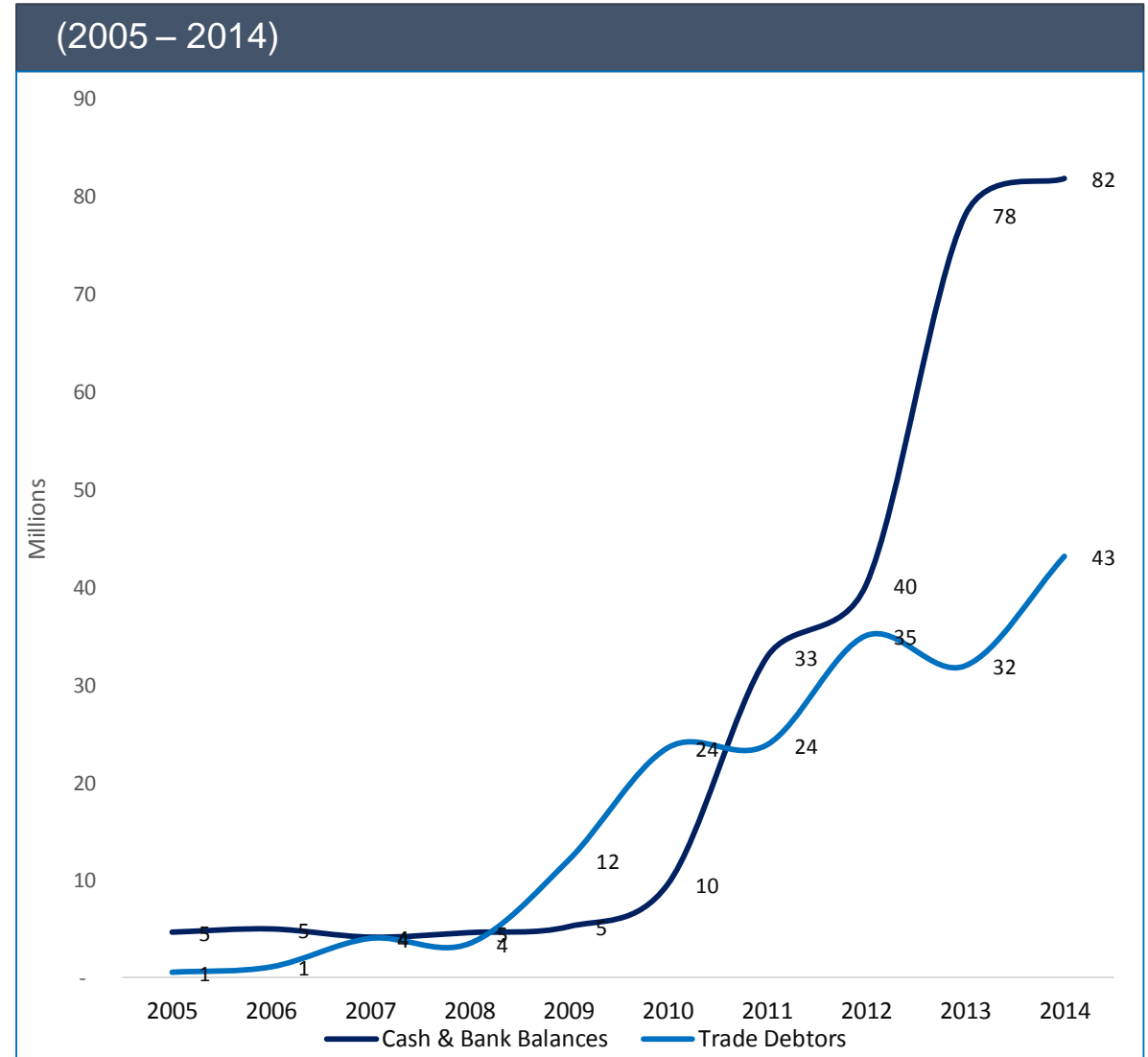
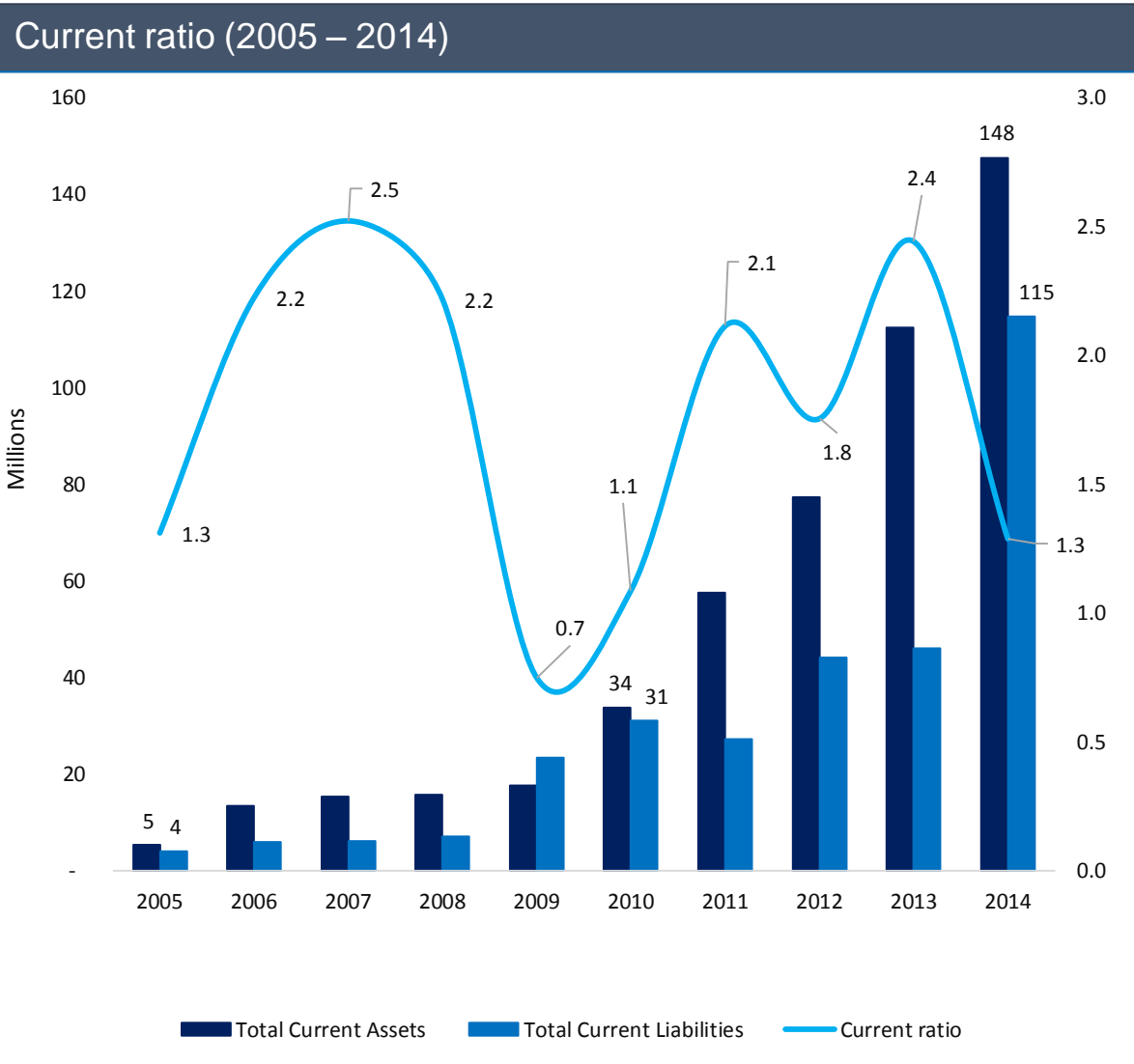
Financial reports showed loss and high contribution comes from 2014 which is USD\$ 31.3 million & which makes -26.5% of net margin but based on forecasting that the financial situation will move in positive direction in terms of net profit and net margin.



Source: Financial audit reports, CFO, Afghan telecom

# AFGHAN TELECOM – AUDIT REPORTS

The below graphs indicate the current assets vs current liabilities and its current ratio. The current ratio is 1.3% which shows the company ability to pay their short & long term liabilities. The cash & balance is USD\$82 million and Trade debtors is USD\$ 43 million in 2014.



Note: Current assets include inventories, trade & other receivables, advances, deposits & payment, and cash & bank balance. The current liabilities include , trade & other payables, withholding tax payable, security deposit and etc.

Source: CFO, Afghan telecom



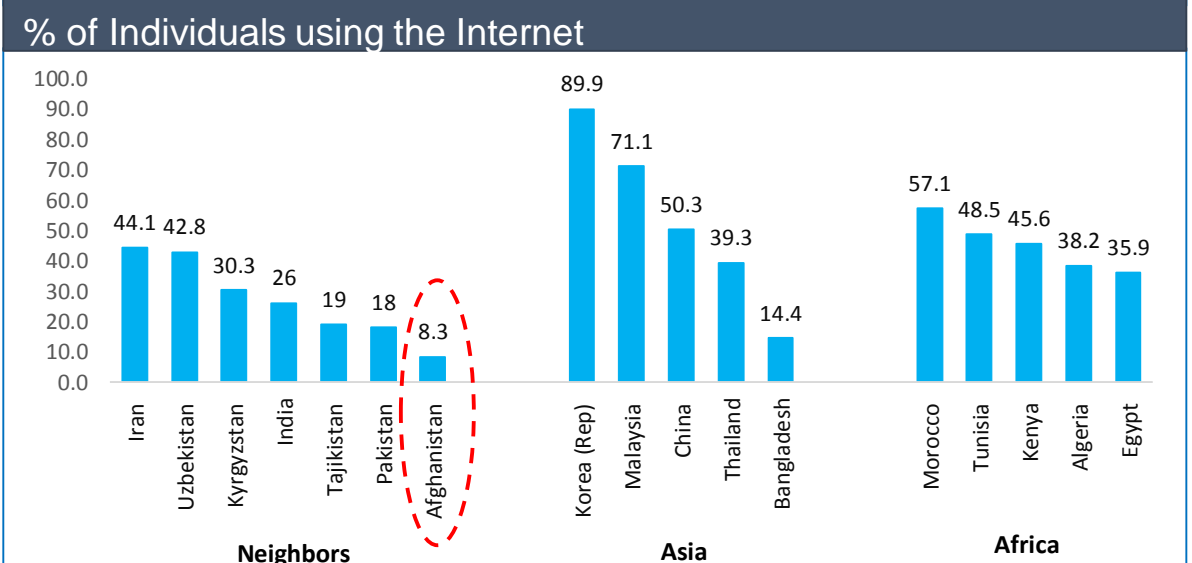
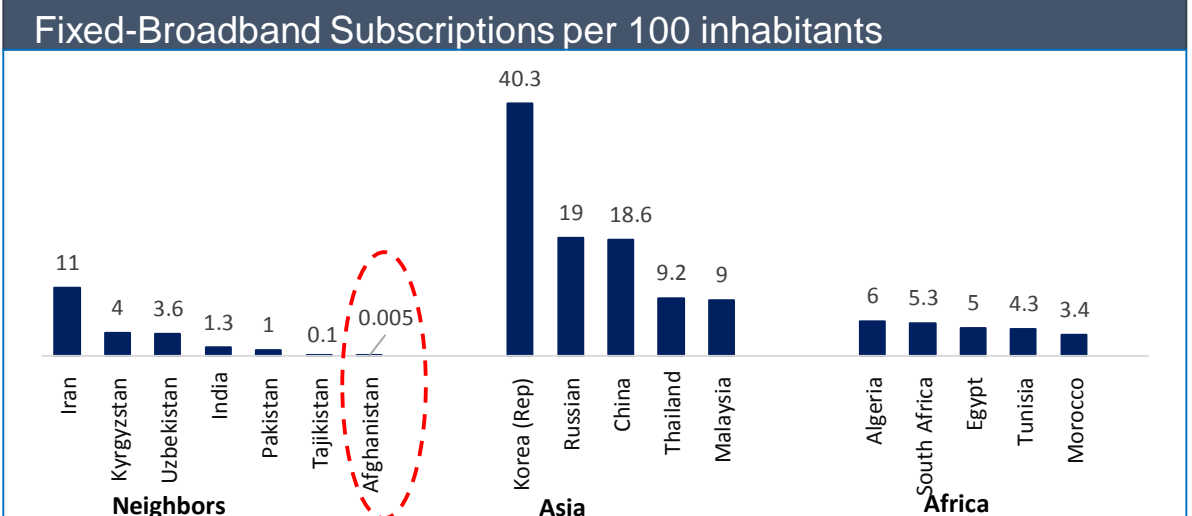
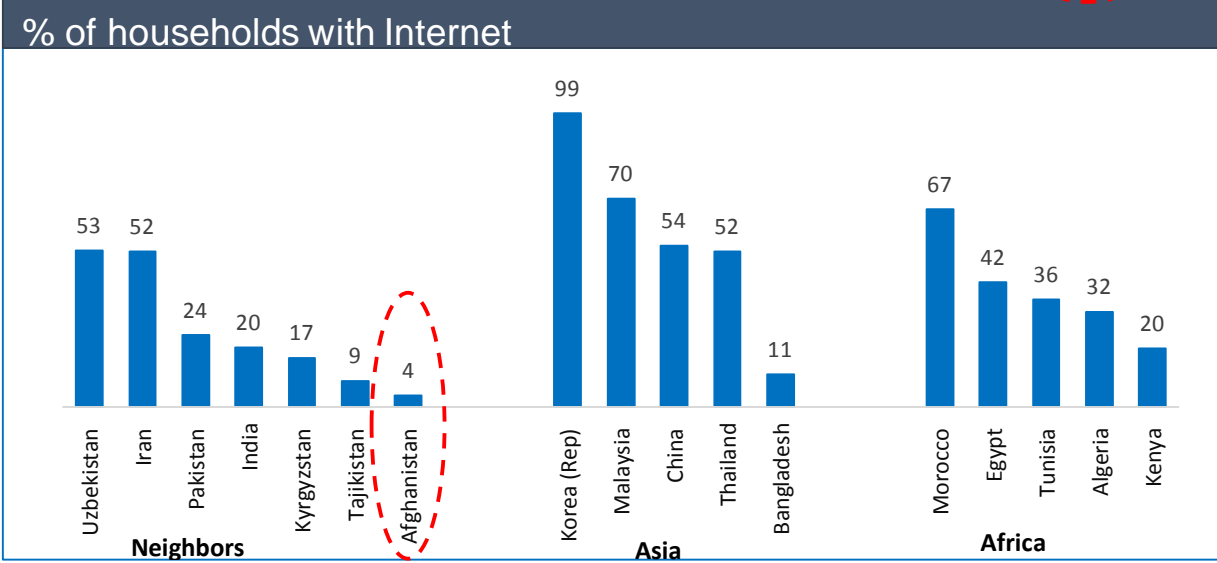
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# INTERNATIONAL OVERVIEW – COMPARISON

The below case study shows that the fixed broadband services are unaffordable in Afghanistan as compared to central and south Asian countries. The high price has direct impact on subscription and internet penetration. Currently fixed broadband subscription and internet penetration is very low in Afghanistan as compared to neighbors, Asian and African countries.

Country	Monthly subscription for fixed broadband (USD)	Cost of fixed broadband (% GNI/capita)	Cost of fixed broadband (% GNI/capita PPP)	Evaluation
Afghanistan	69.00	123.6%	42.2%	Unaffordable
Armenia	8.77	2.8%	1.2%	Affordable
Azerbaijan	9.50	1.5%	0.7%	Affordable
Georgia	8.95 (2 Mbps no cap)	2.9%	1.4%	Affordable
Kazakhstan	20.60 (4 Mbps no cap)	2.1%	1.1%	Affordable
Kyrgyz Republic	5.83	5.6%	2.2%	Moderate
Pakistan	29.40 (4 Mbps no cap)	25.0%	6.9%	Expensive
Tajikistan	58.44	64.9%	26.4%	Unaffordable
Turkmenistan*	171.40 (512 Kbps no cap) <sup>54</sup>	25.6%	14.2%	Expensive
Uzbekistan	37.50	21.5%	7.7%	Expensive



Note: Turkmenistan has a USD38 monthly subscription for a 1Mbps plan, however, it is capped at 400Mb monthly, and charges excess fees of USD0.03 per Mb.

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## CONCLUSION

Based on our analysis, we came up with the following conclusion.

### Conclusion

**In terms of individual subscribers and coverage, Afghan Telecom covers only 12 provinces across country but fiber optic backbone connects 24 provinces.** Afghan telecom currently provide services to 100k individual customers as compared to our population which covers 0.4% of entire population.

**The broadband services are unaffordable in Afghanistan.** The high prices are the main cause of low subscription and internet penetration because people cannot afford the high prices.

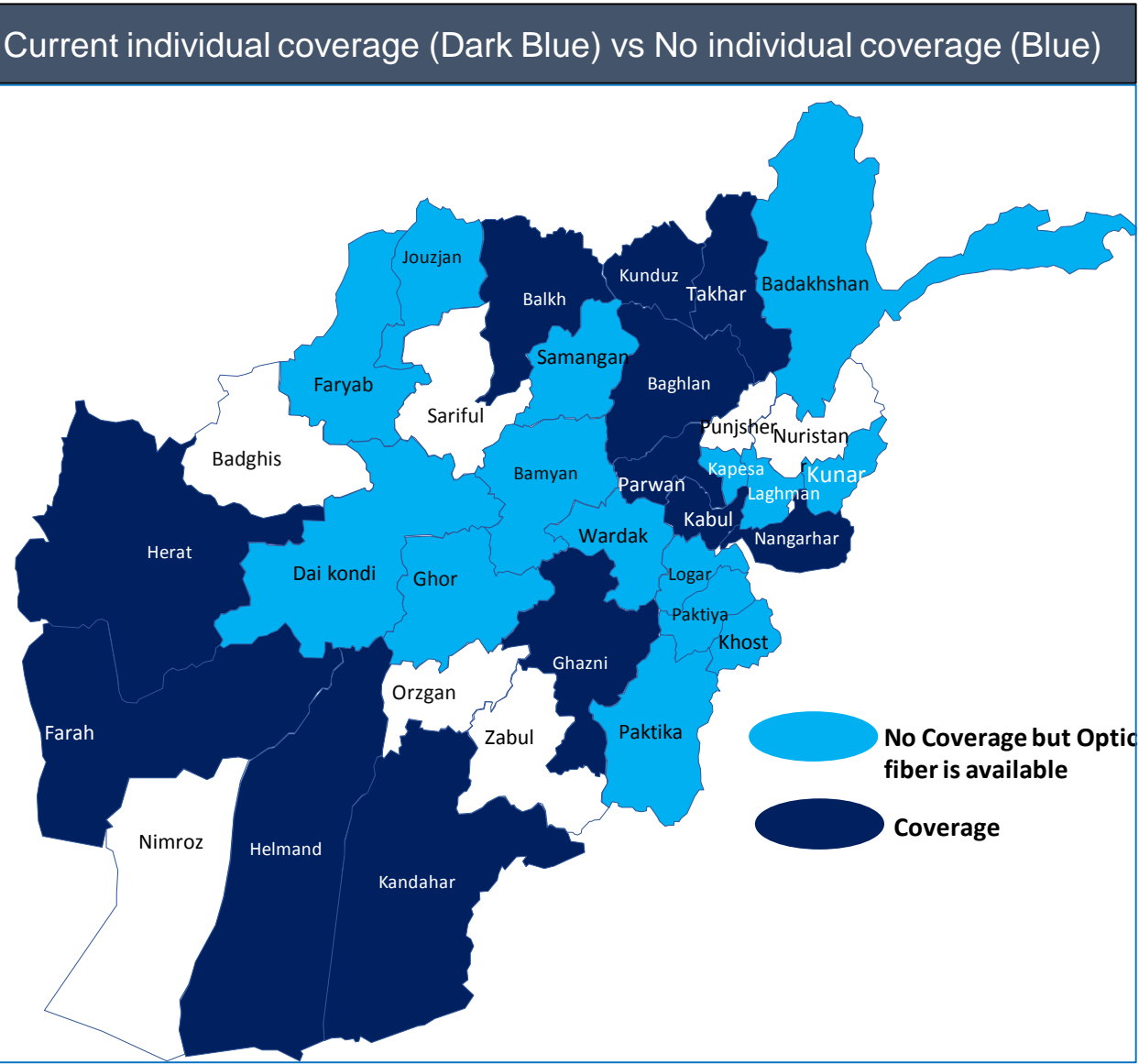
**The fixed-broadband market is monopolized by Afghan telecom where there is no competition in terms of pricing, quality and coverage.**

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# RECOMMENDTION

Based on our analysis we recommend: (1) Expansion of coverage, (2) Reconsider the pricing strategy, and (3) Professional board should be appointed.



Recommendation - Details		
Current	Recommendation	Expected date
Coverage	<b>Afghan telecom has coverage in 12 provinces and covers 100k individual subscribers.</b> Afghan telecom should provide coverage and cover individual subscribers in those provinces where fiber optic backbone network is connected.	Q4, 2017
Tariff	<b>Afghan Telecom should reconsider the pricing strategy and should provide reasonable priced services.</b> According to our case study, in Afghanistan fixed broadband services are not affordable that's why the fixed broadband subscription and internet penetration is lower in Afghanistan as compared to regional countries.	Q4, 2017

Source: Marketing department, Afghan Telecom

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# AFGHAN TELECOM - ORGANIZATIONAL STRUCTURE

Below is the current organization structure of Afghan telecom.

