

# Vodacom posts 5bn/- loss in six months

By DAILY NEWS  
Reporter

VODACOM (T) reported a net loss of 5.06bn/- in six months to September due to tax penalties dated back over 10 years ago.

Semi-annual financial results for the period painted a dire portrait of the giant telco in the country, according to some analysts.

Financials despite re-ording profits before tax of 1.74bn/- the company reported a net loss of 5.06bn/- due to tax penalties of 5.9bn/- for the treatment of capital allowances in 2006-2009.

The Court of Appeal ruled on a dispute in respect of capi-

tal allowances for these years.

Orbit Securities said in its Weekly Market Synopsis yesterday that Voda reports raised the tax rate for the period to 390.7 per cent from 30.6 per cent in 2019.

"Normalising tax penalties, net profit will stand at 835m/-, which is still 98 per cent lower compared to a similar period in 2019," Orbit said.

Vodacom is listed on Dar es Salaam Stock Exchange (DSE) and its share on the start of the week was trading at 770/-, which is drop of 9.41 per cent since January.

Its financial statement showed that operating profits fell by 78.5 per cent, as a

result of subdued revenue and constant expenses.

Topline revenue fell by 10 per cent, while total expenses fell marginally by 0.4 per cent influenced by a drop in direct expenses, while all other expenses rose.

The gross margin has lowered by 100 basis points (bps) to 69.55 per cent, while the operating margin has fallen by 10.8 percentage points to 3.39 per cent, indicating tightening revenue than expenses.

"The main challenge that led to such dire results was pricing pressure from increased competition considering the concentration of the telecom sector," Orbit's

synopsis said.

For instance, the leading stock brokerage firm said, as a result mobile data revenue fell by 4.2 per cent, while data traffic during a similar period rose by 43.8 per cent.

According to reports by the Tanzania Communications Regulatory Authority (TCRA), the price per megabyte (MB) charged by Vodacom dropped by 80 per cent during the period from 205/- per MB in September last year to 40/- per MB in this September.

Voice tariff has also fallen by 69 per cent during a similar period, and the trend is seen in almost all services.

Despite these challenges,

Vodacom was able to pay a dividend of 427.46bn/- during the week under review, further eating up the company's cash balance reported up to 630.66bn/- as at the end of this September.

Orbit has it that lowered cash balance will possibly limit finance income in the coming periods as well as limit the company's capacity to utilise expansion opportunities.

"The telco also has to step up capital expenditure to sustain maintenance of depreciable assets as depreciation expenses have been consistently exceeding capital investments," the brokerage firm said.