

BOARD OF DIRECTORS REPORT

2018



BHUTAN POSTAL CORPORATION LTD.

VISION

To deliver high quality postal and related services that will enhance the well-being of the Bhutanese people, thereby making Gross National Happiness (GNH) a reality.

MISSION

- Serve as a catalyst for country's socio- economic development
- Perform at par with best in the region
- Become financially sustainable and comfortable
- Be a preferred organization to work
- Be No. 1 in chosen areas of business

BOARD OF DIRECTORS



HON'BLE CHAIRMAN

Dasho Karma Wangchuk Penjor
Hon'ble Secretary
Ministry of Information & Communications



DIRECTOR

Mr Chhime Tshering
Director
National Statistics Bureau



DIRECTOR

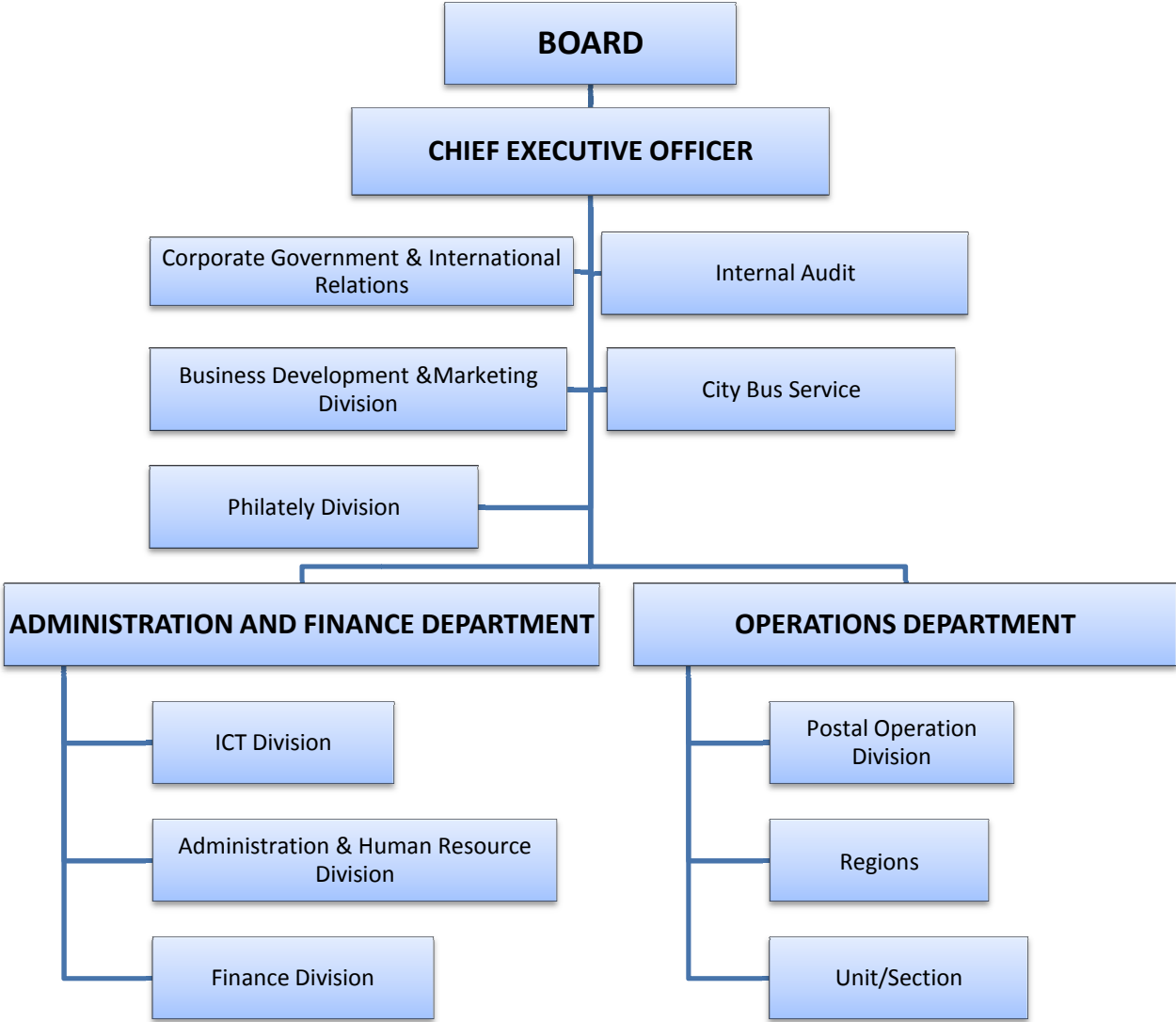
Mr Jigme Namgyel
Director
Directorate Services
Ministry of Finance



DIRECTOR (CHIEF EXECUTIVE OFFICER)

Mr Karma Wangdi
Bhutan Postal Corporation Limited

ORGANIZATION CHART



BHUTAN POST MANAGEMENT TEAM

| CORPORATE HEAD OFFICE | | |
|------------------------------|---|------------------------|
| 1 | Chief Executive Officer | Mr Karma Wangdi |
| 3 | Head. Finance Division | Mr P.K Das |
| 4 | Dy. General Manager, Postal Operations Division | Mr Jigme Tenzin |
| 5 | Dy. General Manager, Corporate & International Relations & Bhutan Postal Museum | Ms Tshering Chhokie |
| 6 | Dy. General Manager, Philately Division | Ms Norbu Zangmo Dorji |
| 7 | Head, Admin & Human Resources Division | Mr Tashi Phuntsho |
| 8 | Head , Business Development & Marketing Division | Mr Tshewang Rinzin |
| 9 | Head, e Commerce | Ms Kezang Norden Dekar |
| 10 | Head, Internal Audit Unit | Ms Yeshey Peldon |
| 11 | Head, Information & Communication Technology Division | Mr. Jamyang Phuntsho |
| 11 | Offtg. Transport Director, City Bus Service | Mr Sangay Dorji |
| REGIONAL OFFICES | | |
| 1 | Regional Manager, Western Region | Mr Thinley Wangchuk |
| 2 | Regional Manager, Southern Region | Mr Damcho Tshering |
| 3 | Regional Manager, Central Region | Ms Sonam Cheki |
| 4 | Regional Manager, Eastern Region | Mr Dawa Norbu |

BOARD OF DIRECTORS REPORT 2018

INTRODUCTION

On behalf of the Board of Directors, I am pleased to present the annual report on the performance and activities of Bhutan Postal Corporation Limited for the financial year 2018.

I am pleased to report that Bhutan Post has continued its encouraging performance in 2018 and has been successful both in enhancing its revenue and profit, and also in implementing programs and activities.

During the year the Corporation shouldered a huge responsibility of delivering postal ballots for National Council and National Assembly elections, and played a big role in the successful conduct of the parliamentary elections to the Third Parliament of Bhutan.

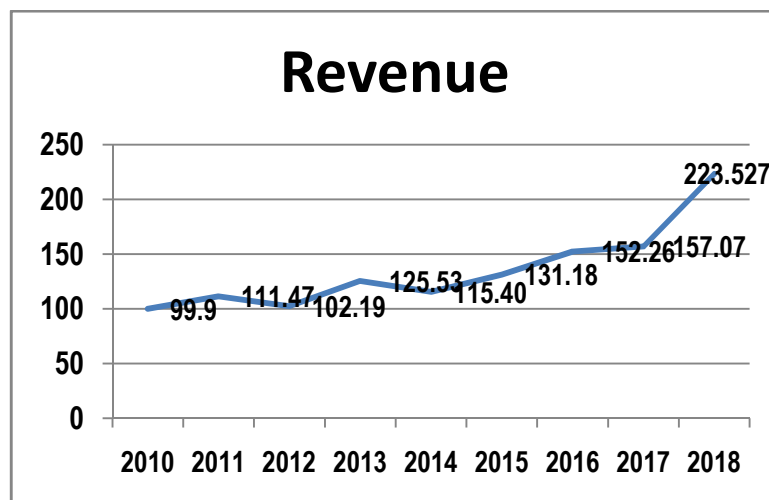
Bhutan Post has also steadfastly implemented programs under the Corporate Plan 2018-2022, which covers five thrust areas namely Postal, E-Commerce, Real Estate, Logistics and Urban Transport.

Bhutan Post has no pending RAAudit memos, and has also fully resolved all past statutory audit memos.

REVENUE, EXPENDITURE AND NET PROFIT

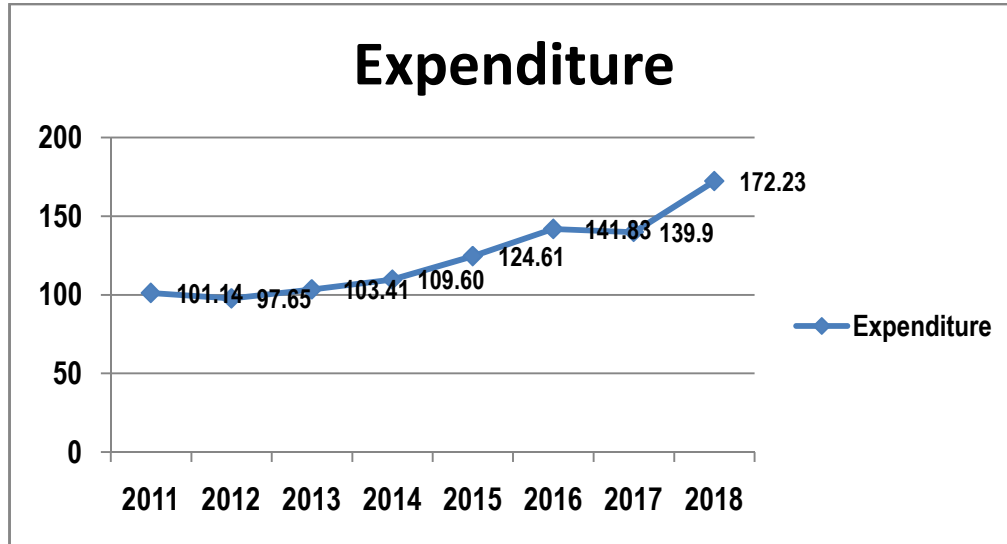
(a) Revenue

The Corporation earned gross revenue of **Nu. 223.53 million** in 2018. In 2017, the gross revenue was **Nu. 157.07 million**. Compared to 2017, the revenue in 2018 has increased by **Nu. 66.46 million** or **42.31%**.



(b) Expenditure

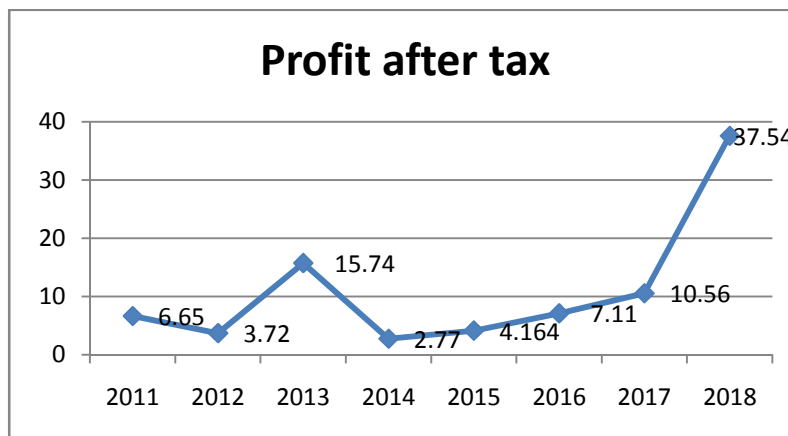
The Corporation incurred a total expenditure of **Nu. 172.234million** in 2018. The total expenditure for the financial year 2017 was **Nu. 139.90 million**. Compared to 2017, the expenditure for 2018increased by **Nu. 32.33million** or **23.11%**.



NOTE: The total expenditure for the financial year 2016 was **Nu. 141.83 million** with bonus provision for one month and adjustment (write off) of the WUMT inflated figure from 2008-2015 amounting to **Nu. 10.90 million**. Without the WUMT adjustment and bonus provision the expenditure for 2016 is **Nu. 127.43 million**.

(c) Net Profit

In 2018 the company earned a net profit of **Nu. 37.54 million**. In 2017 the net profit was **Nu. 10.56 million**. Compared with 2017, the net profit for 2018 increased by **Nu. 21.85 million** or **255.49%**.



NOTE:

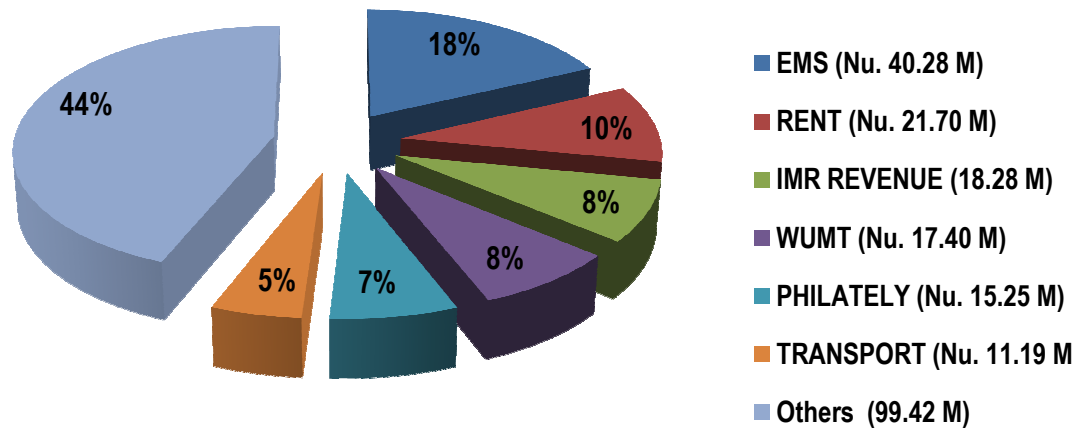
- *In 2013, net profit was **Nu. 15.74 million** with windfall earning of **Nu.20.01 million** from postal ballot revenue. The net profit without postal revenue was **Nu. 4.68 million***
- *In 2014, net profit was **Nu. 2.77 million** with salary revision, which cost the company **Nu. 12.07 million**. The net profit in 2014 would have been **Nu. 11.25 million** if there was no salary revision.*
- *In 2016, net profit was **Nu. 7.11 million**. Without incentive provision but with WUMT adjustment the net profit would have been **Nu. 10.158 million**.*
- *In 2018, net profit is **Nu. 37.41 million** with windfall earning of **Nu 44.06 million** from postal ballot.*

(d) Revenue Share of Top 6 Businesses

In 2018, the top six revenue earners were Express Mail Service (EMS), International Mail Revenue (IMR), Real Estate and Investment, Western Union Money Transfer (WUMT) and Philately and Transport. **Nu. 124.10million** of the total revenue was earned by the six businesses. This is excluding revenue from Postal Ballots. Their share of revenue as a percentage of total revenue was as follows:

| | | |
|---|---|-----|
| 1. Express Mail Service (domestic & International) | : | 18% |
| 2. Real Estate and Investment | : | 10% |
| 3. International Mail Revenue | : | 8% |
| 4. Western Union Money Transfer | : | 8% |
| 5. Philately | : | 7% |
| 6. Transport (Cargo and Logistics) | : | 5% |

TOP SIX REVENUE EARNERS



(e) Transfer to Reserves

The Corporation has transferred **Nu. 7.51 million** or **20%** of its profit after tax to reserves against Nu.2.11 million in 2017, representing an increase of **Nu. 5.40 million** or **255.92%**.

(f) Dividend

Profit after tax for 2018 is **Nu. 37.54 million**. The company paid **Nu. 12.326million** as corporate income tax to the Government. Bhutan Post would like to declare **5.35%** of distributable profit or **Nu.1.607million** as dividend for the year 2018.

(g) Statutory Audit Observations

Mookherjee Biswas & Pathak Chartered Accountants based in Kolkata, appointed by the Royal Audit Authority (RAA) as Statutory Auditors for 2018, audited the Corporation's accounts and operations for the year 2018. **Nine (9)** observations have been made by the auditors for the year 2018 against twelve (12) observations in 2017. The management has provided responses and will initiate actions on the recommendations at the earliest.

KEY ACHIEVEMENTS IN 2018

(a) Delivery of postal ballots in 2018 National Elections

Bhutan Post collected and delivered the postal ballots for 2018. It earned total revenue of Nu. 44.06 million.

In addition to the collection and delivery of traditional postal ballot, Bhutan Post also collected and delivered postal ballots from Postal Ballot Facilitation booths across the country.

(b) Bhutan Post Mobile Apps

Bhutan Post completed development of mobile application in mid December 2018. Chusey (transport & Logistics) and postal services are clubbed in one app. The mobile app was launched in January 2019. The mobile app will be available for Android and iOS users.

A customer can locate post offices, calculate rates and contact details for postal services and hire trucks, boleros etc. using the App when fully implemented.

(c) Construction of residential building in P/ling

In 2018, Bhutan Post completed the construction of G+4 premium residential building in Phuentsholing. The construction was started in beginning of 2016. The consecration ceremony was conducted on 21 January 2019, and tenants moved in on 1st February 2019.

The total project cost Nu 44.5 Million. Steel, cement, aggregate, bricks and sand were sourced departmentally. It is a big achievement for the future sustainability of the Corporation.

(d) Construction of multi-storeyed building in Gelephu

Bhutan Post started construction of B+G+4 storey office and commercial building in Gelephu. The design and drawing of the building was done by NHDCL. The tender was floated in the early part of 2018. The estimated cost is **Nu. 180 million** and the project duration has been fixed at 3 years. Like the building in Phuntsholing construction, steel, cement, and bricks are sourced departmentally.

(e) APPU Regional Awards

The Asia Pacific Postal Union launched the first APPU regional awards in 2018 with the objective to highlight, reward and share good practice in the Asia Pacific Region. The awards were instituted in 5 categories as follows:

1. Best customer service /feedback
2. Best corporate video /website /branding
3. Best sustainability project and initiative
4. Best corporate social responsibility project or initiative
5. Best employee engagement activity or people development project

Bhutan Post won in the “Best corporate video, website or branding” and was runners up in “Best employee engagement activity or people development project”. It was a proud moment for Bhutan to receive the awards and to represent not only Bhutan Post but Bhutan as a country.

(f) Delivery of e-commerce packages from Amazon India

Bhutan Post launched e-Commerce delivery from Amazon India (www.amazon.in) to customers in Bhutan on 15th June 2018. Customers are using Bhutan Post Kolkata address to buy from

Amazon.in. The packages are delivered by Amazon to Bhutan Post office in Kolkata, from where the packages are forwarded to Phuntsholing GPO, which acts as the office of exchange. The packages are then forwarded from Phuntsholing to post offices across the country for final delivery.

Since online payment is still a problem, to facilitate those that do not have credit cards, Post offices are issued with Domestic Visa cards. This enables customers will to use Bhutan Post credit cards to buy online by paying a small fee. The customers go to post offices and the postmasters order on behalf of the customers.

The service was launched in June 2018 and details of items delivered at the end of December 2018 are as follows:

| SI No | Region | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC | TOTAL |
|-------|-----------------|----------|-----------|------------|------------|-------------|-------------|------------|-------------|
| 1 | Central Region | | 5 | 80 | 148 | 190 | 169 | 141 | 733 |
| 2 | Eastern Region | | 11 | 288 | 469 | 379 | 373 | 165 | 768 |
| 3 | Southern Region | 1 | 10 | 27 | 100 | 69 | 119 | 53 | 379 |
| 4 | Western Region | 6 | 48 | 124 | 230 | 422 | 470 | 271 | 1571 |
| | TOTAL | 7 | 74 | 519 | 947 | 1060 | 1131 | 630 | 4368 |

(f) GNHCorner

Bhutan Post started development of an eCommerce website (<https://www.ghncorner.com>) in early 2017. This website was to sell Bhutan stamps and promote eCommerce from Bhutan. However, it faced difficulty in integrating payment gateway. The issue was resolved in mid November 2018. This was been possible by changing the underlying e-commerce platform from Shopify to Magento, and by engaging a local IT expert. Bhutan Post is now able to sell stamps to international customers online and receive credit card payments. As of on December 2018, it had received around USD 400/- . The plan is also to sell handicraft products on the site.

(g) EMS from Australia

Bhutan has finally started receiving EMS from Australia. The first EMS package was received in March 2018. This is the outcome of multi-level and persistent pursuit by Bhutan Post for more than two years to get Australia Post start the service.

The service is expected to benefit Bhutanese working and living in Australia by providing them a cost effective choice of service to send things home. The service is slowly picking up and Bhutan Post is reaching out to Bhutanese living in Australia through social media, personal contacts and others.

(h) Participation in UPU EDI Compliance Project

To improve end-to-end customer satisfaction and universal service, the UPU has implemented quality of service programs. The idea is to enhance the efficiency of delivery networks by analyzing both the structure and the content of the digital data exchanged via IT systems. Increased compliance is critical for improving quality of service. Bhutan Post was among the 87 countries that participated in the project in 2018.

(i) Procurement of Bus under QSF Project

The Quality of Service Fund (QSF) set up in 2001 following a decision of the 22nd Congress in Beijing in 1999, finances projects aimed at improving the quality of inbound letter-mail flows, making national postal services and international mail flows more speedy, reliable and secure.

Under the project titled “*Improve mail delivery conveyance from Phuntsholing to Thimphu GPO*”, Bhutan Post, procured a coaster bus with the budget of USD 67,948. The new bus replaced the old one for carrying mail and passengers in between Phuntsholing and Thimphu. It is expected to improve reliability and security of mails.

(j) Bikes for mail delivery

To improve the last mile delivery of mails, Bhutan Post provided 20 bikes to delivery personnel in 2016. With positive feedback received from the field staff and improvement in mail delivery, Bhutan Post provided additional 8 bikes in 2017 and 17 bikes in 2018. Currently mail delivery to 181 of the 205 Gewogs are served using 45 postal bikes.

(k) EMS Ranking in Asia Pacific Region and the World

Bhutan Post adopted EMS Award Standard as one of the targets since 2014 for providing quality service to its customers which is comparable to other countries. Bhutan’s EMS Performance for 2016, 2017 and 2018 were as follows:

| Quarter | Year | World Ranking | Asia Pacific Ranking |
|--------------------|------|---------------|----------------------|
| 1 | 2016 | 60 | 13 |
| 2 | 2016 | 33 | 11 |
| 3 | 2016 | 56 | 15 |
| 4 | 2016 | 61 | 17 |
| Annual 2016 | | 40 | 13 |
| 1 | 2017 | 9 | 5 |
| 2 | 2017 | 5 | 2 |
| 3 | 2017 | 2 | 1 |
| 4 | 2017 | 4 | 3 |
| | | | |

| | | | |
|--------------------|------|--|----------|
| Annual 2017 | | 11 | 5 |
| 1 | 2018 | 7 | 5 |
| 2 | 2018 | 3 | 2 |
| 3 | 2018 | 14 | 5 |
| 4 | 2018 | 8 | 3 |
| Annual 2018 | | Ranking not notified by the UPU yet | |

(l) Delivery of Chharo Service of BOB

Bhutan Post signed an agreement with Bank of Bhutan (BOB) as their delivery partner for Chharo domestic e-Commerce service in July 2018. As per the agreement, Bhutan Post will provide door-to-door delivery service within core Thimphu city, and from Post Offices in other parts of the country.

IMPROVEMENT IN CIY BUS SERVICE

(a) City bus service Plan 2019-2023

The City Bus Service developed a plan for the period 2019 -2023. Led by Bhutan Post (CBS) the plan was developed jointly and in close consultation with key stakeholders viz. MOIC (RSTA and PPD), MOF (DMEA), GNHC, ThimphuThromde and RBP. The plan contains augmentation of City Bus Service with additional fleet, changes in the routing system to a more efficient one, a plan for Rapid Inner City Shuttle, and modernizing the management of the service including implementation of smart card system for fare collection, GPS and CCTV.

The plan has been submitted through MOIC to MOF for approval and is reflected under RSTA activities in the 12 FYP.

(b) Smart Card System

A pilot test for smart card fare collection system was carried out on one bus at Dechencholing route under the support of UNDP through the Low Emission Capacity Building (LECB) project in 2016. The pilot was successful and the commuters who used the system were happy.

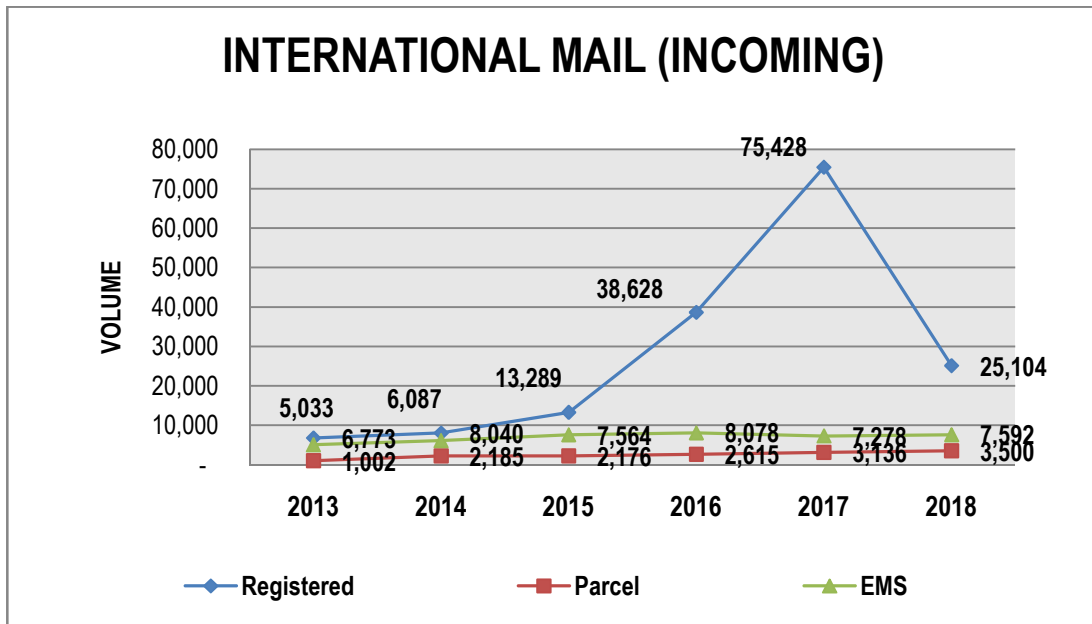
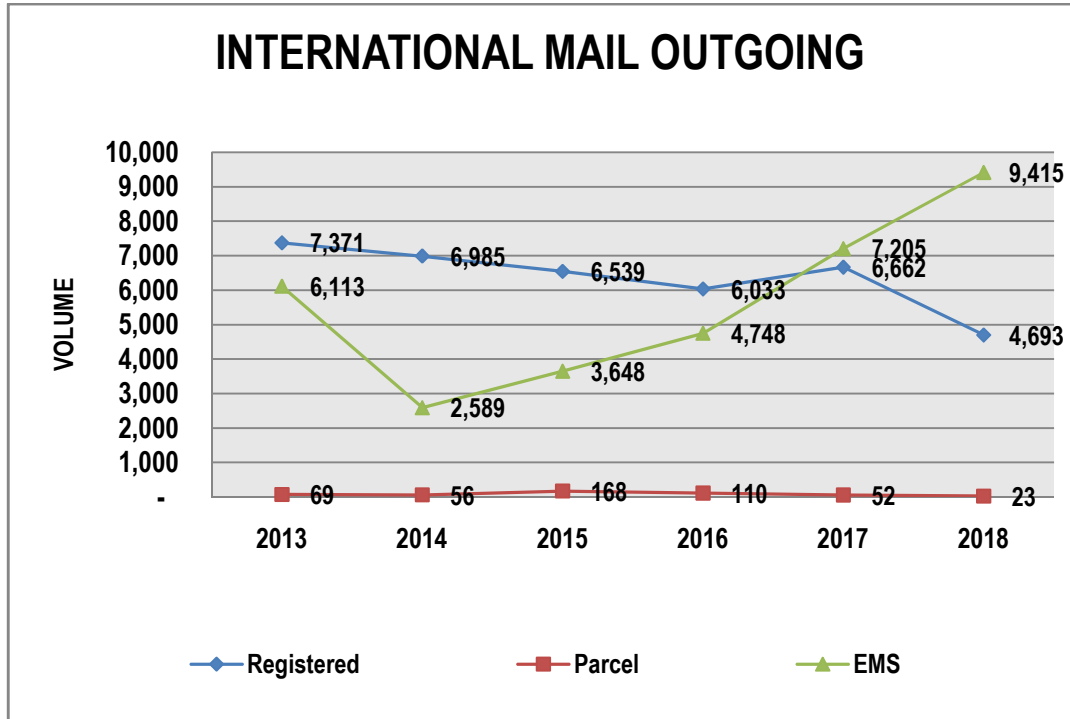
The CBS team and Management met with a number of local firms interested to participate in providing a full fledged smart card system for the CBS. The consultations have helped determine the kind of system that the CBS would like to see deployed.

The Government has released an amount of Nu. 7.5 million to undertake a full-fledged implementation of smart card system in the CBS.

OPERATIONAL HIGHLIGHTS

i) International Mail Volume:

The outgoing mail volume for Registered and Parcels saw a slight decrease in 2018 while there is an increase in the volume of outgoing EMS in 2018 compared with 2017.



ii) Transport, Cargo & Logistics:

The revenue from transport, cargo and logistics for the year 2018 was **Nu. 11.190 million** against **Nu.10.185million** in 2017. There was an increase by **Nu. 1.01million** or **9.92%** compared with its revenue in 2017.

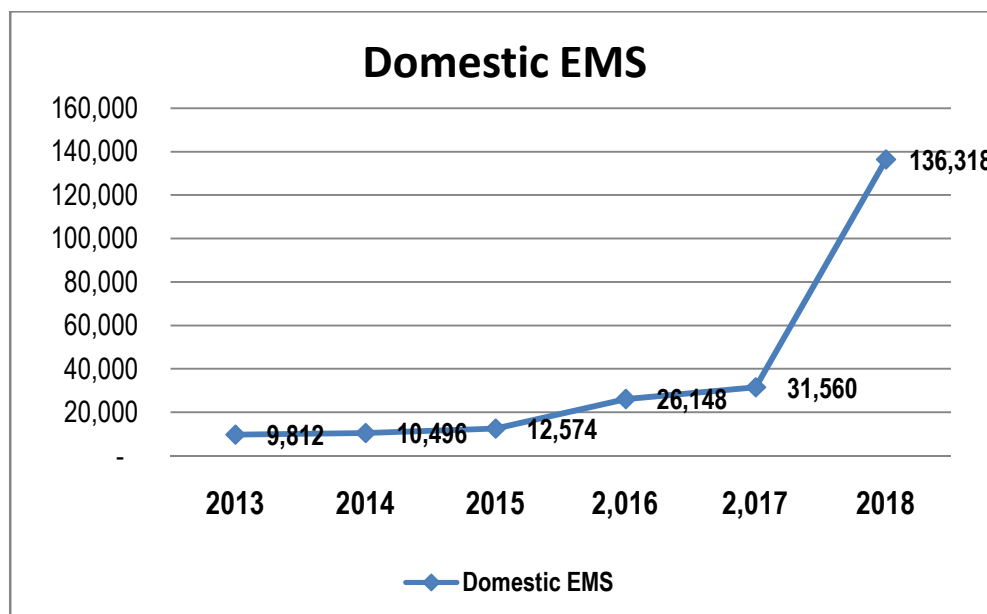
iii) Philately:

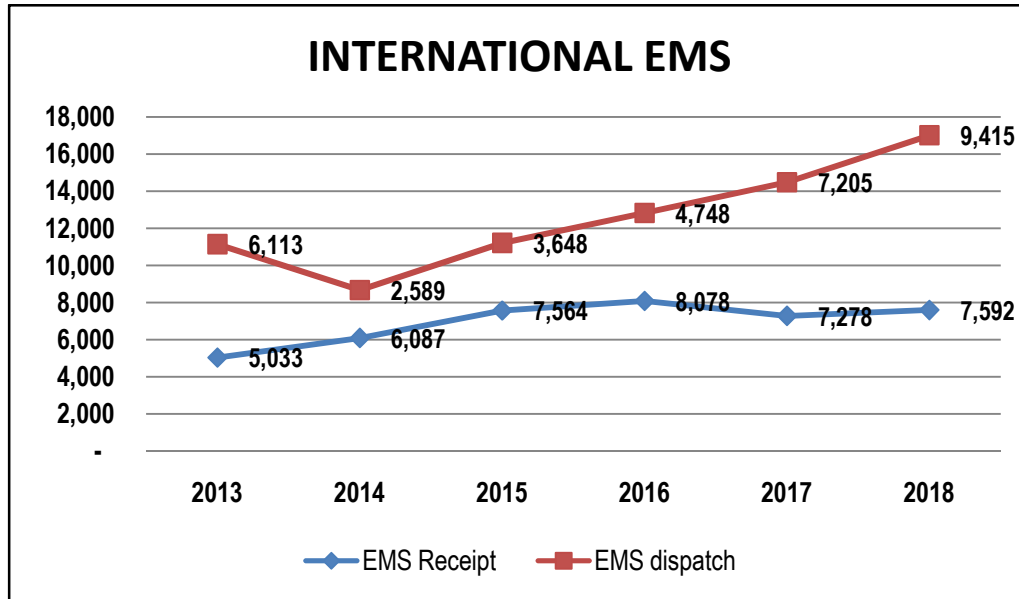
The revenue from Philately for the year 2018 was **Nu. 15.25 million** against **Nu.14.93million** in 2017. Compared to the revenue in 2017, the revenue in 2018 has increased by **Nu. 0.33 million** or **2.19%**. Bhutan Post issued the following stamps in 2018:

1. Lunar Dog Year 2018
2. Dragon Flies of Bhutan
3. 50th Anniversary of Golden Jubilee on Diplomatic Relations between Bhutan and India
4. UNDP Special Grant Program
5. 3-D Lenticular
6. Personalized Stamps IX

iv) Express Mail Service (EMS)

The revenue for domestic and international EMS for the year 2018 was **Nu. 40.28 million** against **Nu.33.34million** in 2017. Compared to the revenue for EMS in 2017, there is an increase by **Nu. 6.94 million** or **20.82%** in 2018. The increase is largely due to increase in traffic and destination countries.





v) Real Estate & Investment

In 2018, revenue from Real Estate & Investment was **Nu.21.70million** against **Nu. 19.35** million in 2017. Compared with the revenue in 2017, there is an increase by **Nu. 2.35 million** or **12.14%**.

vi) Western Union Money Transfer (WUMT)

Bhutan Post has been collaborating with the Western Union since 2002 for transfer of money between Bhutan and about 200 countries (inbound remittances and outbound only to India). The revenue for 2018 was **Nu. 17.40** against **Nu. 15.33 million** in 2017, which is an increase of **Nu. 2.07million** or **13.52%**. The decrease in revenue was due to decrease in inbound remittances.

The total number of inbound remittances in 2018 was **37,816** against **39,966** in 2017. In addition to being the source of revenue to the corporation, WUMT service also contributes to the country's foreign reserves.

vii) FedEx and TNT

Bhutan Post signed Joint Operating Agreement with TNT on 22 January 2017 for providing TNT service to customers in Bhutan. The service is expected to provide our customer with more options for importing and exporting urgent documents and non-document items.

The revenue in 2018 was **Nu. 14.37million** for FedEx and TNT against **Nu. 3.24million** in 2017, which is an increase of **Nu 11.13 million** or **343.85%**.

OTHER SERVICES

The revenue earned as commission from Express Money Order (eMO) with India decreased from **Nu. 0.570 million** in 2017 to **Nu.0.214 million** in 2018 recording a decrease of **Nu 0.36 million** or **62.46 %**.

The revenue earned as commission from Fax Money Order revenue in 2018 saw a decrease from **Nu. 1.53 million** in 2017 to **Nu.0.84 million** in 2018 recording a decrease of **Nu.0.69 million** or **82.17 %**. This is due to increasing reach of Financial Institutions and ATM machines. However, the service is popular where commercial banking services are not available.

Delivery of Pension

Bhutan Post renewed its MoU for disbursing pension and revised annual pension delivery fees from Nu. 250,000 to 500,000 effective July 2017 for the next 5 years.

As of 31st December 2018, Bhutan Post paid pensions to **1298** pensioners and the total amount paid from our Post Offices was over **Nu. 5.740 million**.

HUMAN RESOURCE

As of December 2018, there are a total number of **332** employees in Bhutan Post. Of these **103** are females and **229** are males. There are **231** regular employees at the headquarters and post offices, and **101** in the city bus service.

| | | |
|------------------------------|---|-----|
| Regular employees | : | 215 |
| Contract Employees | : | 16 |
| Temporary employees | : | 57 |
| City Bus employees (regular) | : | 101 |

Recruitment: During the year 2018, Bhutan Post recruited eighteen (18) employees as follows to take up various positions in the Corporation:

| | | |
|------------------------|---|---|
| a) Civil Engineer | : | 1 |
| b) Accountant | : | 2 |
| c) Postal Assistant | : | 5 |
| d) Marketing Assistant | : | 2 |
| e) Gallery attendant | : | 1 |
| f) Postmen | : | 5 |
| g) Driver | : | 1 |
| h) Assistant Manager | : | 1 |

2) **Transfers:** A total of seven (7) staff members at various levels were transferred within the Corporation, which included an Postal Assistant, Supervisor, Postmen and driver

3) **Separation and Resignation:** During the year, a total of eighteen (18) employees left the corporation, including Postal Assistant, Postmen, cleaner, drivers and conductors.

CORPORATE SOCIAL RESPONSIBILITY

As part of its corporate social responsibility Bhutan Post changed all lighting of Thimphu GPO to LED lights.

CONCLUSION

2018 was a good year for Bhutan Post. The revenue of the corporation grew as did the profit margin. It achieved a net profit before bonus of **Nu.37.54 million**, which is **145%** more than the profit target set by the Board. For a social service organization like Bhutan Post this is noteworthy.

The implementation of the 5 year Corporate Plan 2018-2022 is also on track. The corporation is doing well not only in the present but also investing for the future. In its business, it has been able to move with time and provides modern services such as e-commerce delivery, while continuously improving the quality of its traditional services. Even in terms of the back end operations, such as in the areas of accounts and finance, the corporation has modernized many aspects of it and is still in pursuit of more improvement.

We are confident of being able to continue on this trajectory of all round improvement and growth, and service to the people of Bhutan.

Acknowledgement

I would like to congratulate the Chief Executive Officer and the employees of Bhutan Post for yet another year of good performance. The achievements have been commendable both in terms of financial performance and implementation of activities.

I would like to thank the Board of Directors for their valuable contributions and stewardship of the Corporation.

I also wish to express our gratitude to the Royal Government of Bhutan, Universal Postal Union, Asian and Pacific Postal Union, India Post, among others, for their continued support to Bhutan Post.

Our appreciation and thanks are due also to the Royal Audit Authority and Statutory Auditors for their continued support and guidance.

Finally, I thank our valued customers for their continued patronage.

Tashi Delek

(Dasho Karma Wangchuk Penjor)
Chairman