



## PERFORMANCE AUDIT REPORT ON TAX ON MINING AND QUARRYING SECTOR

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OCTOBER 2014

#### **DISCLAIMER NOTE**

*The audit was conducted in accordance with the RAA's Auditing Standards and Performance Audit Guidelines. The review was confined to activities and operations pertaining to the mining and quarrying sector. The audit was based on the audit objectives and criteria determined in the audit plan and program prepared by the RAA and the findings are based on the information and documents made available by the audited agencies.*

*This is also to certify that the auditors during the audit had neither yielded to pressure, nor dispensed any favour or resorted to any unethical means that would be considered as violation of the Royal Audit Authority's Oath of Good Conduct, Ethics and Secrecy.*



# ROYAL AUDIT AUTHORITY

*Bhutan Integrity House*

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/AG-SP/2014/2905

30<sup>th</sup> October 2014

Hon'ble Chairperson  
National Council of Bhutan  
Thimphu

**Subject: Report on 'Performance Audit of Tax on Mining and Quarrying Sector'**

Sir,

Enclosed herewith, please find a copy of report on the **"Performance Audit of Tax on Mining and Quarrying Sector in Bhutan"**. The audit was conducted as per the directive of the National Council received vide letter reference No. NC/GEN/36/940 dated 17<sup>th</sup> October 2013, and as mandated under the Constitution of the Kingdom of Bhutan 2008 and the Audit Act 2006.

The audit was conducted with an objective to ascertain whether due regard was given in ensuring economy, efficiency and effectiveness in the operations of mining and quarries in the country. In pursuing the overarching objective, the RAA reviewed the adequacy and effectiveness of legal and policy instruments governing the sector besides reviewing monitoring and enforcement mechanism in place, particularly the tax administrations.

The audit covered the operation of mines and quarries for the period from 2008-2012. During the period from 2008-2012, there were 33 mines and 48 quarries that were either leased or operating. The audit team visited sites of all 33 mines and 26 quarries falling under the jurisdiction of the Regional Revenue & Custom Offices (Thimphu, Phuentsholing, Samtse and Samdrup Jongkhar). The field visit by the team covered 100% of mines and 54% of quarries (26 out of 48) in the country.

The report is divided into two parts, **Part I** and **Part II**. Part I contains findings that are general in nature and issues that are common across the mining sector. Part II contains findings on specific minerals, namely Dolomite, Gypsum, Coal, Quartzite, Limestone & Talc, and construction materials.

The RAA also made an attempt to present in so far as practicable and appropriate a balanced and fair reflection of mineral operations by reporting both positive aspects and deficiencies. Therefore, contributions from mining sector in terms of revenue through taxes, royalty, mineral rent and other levies, as well as the benefits accrued to the society in the form of CSR activities

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carried out by major mining companies and employment generated by the sector are also reported.

For providing better perspective of contributions made by mining companies, the RAA analyzed the distribution of value additions in respect of three major minerals amongst various groups i.e., government, employees, providers of capital and retained in the business. As would be seen from this analysis, the major portion of value addition accrues to the government followed by providers of capital (owners).

Although in percentage terms mining sector contributed on an average of about 2.20% of the total GDP during the period 2008 to 2012, in absolute term the contribution of mining sector is quite significant. The mining sector on aggregate contributed Nu. 8,164.58 million to overall GDP during the years 2008 to 2012.

Notwithstanding the contributions from the sector, the RAA also observed many shortcomings, inadequacies and inconsistencies in the operations and management of minerals. The RAA had worked out overall financial implication of **Nu. 1,125.832 million** on account of notional losses and irregularities, out of which **Nu. 39.679 million** ascertained as recoverable.

The RAA's review showed that the problems are primarily rooted to inadequacies in the legal, institutional and regulatory framework governing the mining sector and weak enforcement and administration of relevant rules and regulations by authorities. Such shortfalls occurred at various levels cutting across the ministries, agencies and actual mining operations which are classified under Legal & Institutional Framework and Monitoring & Enforcement as briefly mentioned below:

#### **(i) Legal & Institutional Framework**

As per the Government policy, some of the mining companies were required to float thirty percent shares to the general public. The policy is, however, not backed by legislative protection of minority shareholders except certain disclosure requirements of related party transactions stipulated in the Companies Act of the Kingdom of Bhutan 2000. Some of these companies have entered into transactions which appeared prima-facie prejudicial to the interest of minority shareholders. Disclosure requirements alone considering the shareholding pattern of minority interest with relatively insignificant interest that are mostly confined to rural population as against decisive and controlling position enjoyed by promoters seem inadequate at least in the present context where minority shareholders rarely express their reservations.

Some of the pertinent cases of transactions entered into or practices adopted by promoters which may be detrimental to the interest of minority shareholders or may create conflict of interest situations are briefly mentioned below:

- Establishing a business unit by promoter(s) or directors of the public limited company and awarding contracts year after year directly to such units without competitive bidding process

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of huge magnitude giving rise to conflict of interest situation as well as transactions entered into not being on arm's length basis. **(Refer Para 4.3.1, 5.3.1, 6.3.1);**

- Creating a subsidiary company (*a different legal entity*) for marketing or processing mineral extracted thereby effectively diluting the interest of minority shareholders. Although the legality of creating a subsidiary may not be questionable, the Government and the Parliament may like to look into as to whether such arrangements which effectively dilute the interest of minority shareholders are consistent with the policy intent of privatization and requirement of floating shares to local communities. It may be noted that the incremental benefits of value addition or direct export through such subsidiary company largely accrue to promoters or their relatives by dilution of interest of minority shareholders in the principal company acquiring the mineral rights. **(Refer Para 4.3.1);**
- Huge remunerations in the form of commission as high as Nu. 9.000 million per annum and donations aggregating to Nu. 4.900 million being drawn by the directors between 2008-12. **(Refer Para 4.3.2B(i) and B(iii);**
- Salary of as high as Nu. 500,000.00 per month paid to CEO of JMCL, which is far in excess of the level of salary paid in any other public companies including those with much higher market capitalization and business volume. While the legality of payment of such a large salary may not be questionable, considering the salary level across public companies in the country, the morality and rationality of such a salary package is questionable. **(Refer Para 4.3.2A)**

Though the companies claim that the payment of huge salaries and commissions to directors and CEOs are in conformity to international practices, such practices in our context are seen to disregard the stewardship and fiduciary duty of promoters to protect the interest of minority shareholders that is implicit in mineral rights auction conditions.

Thus, the Parliament and policy makers may like to consider the need for reviewing the extant practices adopted by the promoters of major mining companies vis-à-vis the protection of minority interest so as to bring in appropriate legislative reforms for promoting fair, transparent and equitable practices in mining operations addressing inter-alia following aspects:

- Related Party transactions involving conflict of interest
- Creation of subsidiary companies and dilution of interest of minority shareholders
- Fixation of remuneration of Board Members and executives
- Institution of a system to look after the interest of minority shareholders in mining companies

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## (ii) Monitoring and Enforcement

The specific legislations mandate relevant authorities in enforcement of the law and rules governing the mining sector. The RAA's review showed that several issues were attributable to weak and ineffective monitoring and control system in place in the enforcement by relevant authorities which are summarized below:

- Except a few mines, rest are not auctioned and directly allotted thereby impeding competitiveness, fairness and transparency. The RAA computed notional loss of Nu. 307.392 million by allocating mines on '**first-come, first-serve**' basis. **(Refer Para 3.4.2);**
- Minerals have not been mapped comprehensively. The need for increasing the scope and coverage of mineral mapping needed to be considered for ensuring prudent, rational and more sustainable mining operation. **(Refer Para 3.4.1);**
- Royalty and other levies were not found revised for long in some cases which may not be reflective of considerable surge in market prices. The RAA computed revenue forgone of Nu. 328.860 million on account of low export rates of dolomite during 2008-12. **(Refer Para 4.3.6);**
- There were cases of non-collection of Environmental Restoration Bonds amounting to Nu. 9.718 million thereby violating the extant laws. Non-collection of ERB is also likely to give rise to incidences of mining companies not carrying out environmental restoration works. **(Refer Para 3.4.4);**
- Proper data base of minerals was lacking which would impede effective decision making and sustainable use of minerals. **(Refer Para 3.5.2);**
- ERB was found allowed as tax-deductible expense on the strength of letter issued by the DGM as being non-refundable deposit, which is not as per extant laws. ERB is a refundable deposit and collected to require the mining companies to carry out environmental restoration works. The government had forgone revenue of Nu. 12.472 million by allowing ERB as deductible expenses. **(Refer Para 4.3.4 and 5.3.3);**
- There were a few cases of non-registration of quarries under RRCOs indicating incompleteness of information and possible inadequacies in the information management system **(Refer Para 8.3.5).**

Based on the audit findings and comments received, the RAA has made series of recommendations that may be desirable for efficient and effective administration and management of natural resources.

In conducting the audit, the RAA has been mindful of the country's development discourse and importance attached to the mining sector by the Royal Government of Bhutan. While it is not an intention of the RAA to pre-empt any policy decision of the government, the RAA strongly feels that the government's intent of forming 'State Mining Corporation' is a conscious decision,

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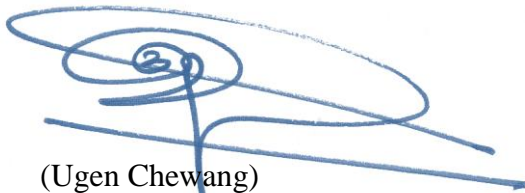
provided it remedies the persisting weaknesses observed in the sector and a clear policy guideline on its operation is drawn. Such a policy direction may augment sustainable use of country's non-renewable mineral resources and promote equitable distribution of wealth amongst citizen. Therefore, considering the relevance and usefulness, the RAA hopes that the information, findings and recommendations contained in the report would be insightful in formulating any policy decision by the Parliament.

We have issued the draft report to the Ministry of Finance, Ministry of Economic Affairs, Department of Geology and Mines, Company Registry Division, Department of Revenue and Customs, relevant RRCOs and individual mining and quarrying companies for factual confirmation and comments. We have also received their responses on the stipulated timeframe, and the report had been finalized after reviewing and incorporating their comments. The detailed written responses received from the audited agencies are appended in this report as **Appendix A**.

The RAA would appreciate receiving an **Action Taken Report** with definite timeframe for implementation of audit recommendations from the relevant authorities **on or before 1<sup>st</sup> February 2015**. The RAA would request the relevant Ministry to direct its concerned Department to submit the report within the stipulated timeframe.

We would once again like to acknowledge officials of DGM, DRC, Company Registry Division, RRCOs, RTIOs and individual mining and quarrying companies for extending full cooperation and support to the audit team which facilitated timely completion of audit.

Yours sincerely,



(Ugen Chewang)  
**Auditor General**

**Copy to:**

1. The Hon'ble Lyonchhen, Royal Government of Bhutan, Thimphu;
2. The Hon'ble Gyalpoi Zimpon, His Majesty's Secretariat, Tashichho Dzong, Thimphu;
3. The Hon'ble Speaker, National Assembly of Bhutan, Thimphu;
4. The Hon'ble Minister, Ministry of Economic Affairs, Thimphu;
5. The Hon'ble Minister, Ministry of Finance, Thimphu;
6. The Hon'ble Chairperson, Anti-Corruption Commission, Thimphu;

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7. The Hon'ble Chairperson, Public Accounts Committee, National Assembly, Thimphu (enclosed five copies of report);
8. The Hon'ble Chairperson, Natural Resources and Environment Committee, National Council, Thimphu (enclosed five copies of report);
9. The Secretary, Cabinet Secretariat, Royal Government of Bhutan, Thimphu;
10. The Secretary, Ministry of Economic Affairs, Thimphu;
11. The Secretary, Ministry of Finance, Thimphu;
12. The Secretary, National Land Commission Secretariat, Thimphu;
13. Dzongdags, (Twenty Dzongkhags);
14. The Officiating Director, Department of Geology and Mines, MoEA, Thimphu;
15. The Director, Department of Revenue and Customs, MoF, Thimphu;
16. The Regional Directors, RRCOs (Phuentsholing, Paro, Samtse and Gelephu);
17. CEO, Royal Securities Exchange of Bhutan Limited, Thimphu;
18. Registrar, Company Registry Division, MoEA, Thimphu;
19. Head, Mining Division, MoEA, Thimphu;
20. CEO, Jigme Mining Corporation Ltd., Gomtu, Samtse;
21. CEO, Jigme Industries Pvt. Ltd., Gomtu, Samtse;
22. CEO, Druk Satair Corporation Ltd., Samdrup Jongkhar;
23. CMD, S.D Eastern Bhutan Coal Company Ltd., Samdrup Jongkhar;
24. Proprietor, RSA Private Ltd., Thimphu;
25. Managing Director, Bjemina Stone Quarry, Singye Group of Companies Pvt. Ltd., Thimphu;
26. Office Copy;
27. Guard File.

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## TITLE SHEET

1.	Title of the Report	:	Performance Audit on Tax of Mining and Quarrying Sector
2.	Audit Identification Number	:	002-01-12473
3.	Audited Entities	:	Mining and Quarrying Sector
4.	Schedule of Audit	:	December 2013 to July 2014
5.	Audit Team	:	1. Chandra Bdr. Gurung, Deputy Chief Audit Officer 2. Sonam Wangmo, Sr. Audit Officer 3. Chhoden, Sr. Audit Officer 4. Chime Dorji, Sr. Audit Officer 5. Tenzin Chhoedup, Audit Officer 6. Bikram Gurung, Audit Officer 7. Sonam Phuntsho, Audit Officer 8. Dawa Tshering, Assistant Audit Officer 9. Leki Tshering, Assistant Audit Officer
6.	Supervising Officer	:	Tashi Tobgay, Assistant Auditor General
7.	Advisory Group	:	1. Jamtsho, Deputy Auditor General 2. P.M Pradhan, Assistant Auditor General 3. Tempa Gyeltshen, Assistant Auditor General 4. Karma Tenzin, Assistant Auditor General 5. Dorji Wangchuk, Assistant Auditor General



## ACRONYM

AGM	:	Annual General Meeting
BIT	:	Business Income Tax
BMTS	:	Bhutan Merchandise Trade Statistics
CEO	:	Chief Executive Officer
CIT	:	Corporate Income Tax
CSR	:	Corporate Social Responsibility
DCCL	:	Dungsam Cement Corporation Limited
DGM	:	Department of Geology and Mines
DHI	:	Druk Holding & Investments
DGPL	:	Druk Gyp-products & Chemicals Limited
DoT	:	Department of Trade
DPCL	:	Druk Plaster and Chemicals Limited
DRC	:	Department of Revenue and Customs
DSCL	:	Druk SATAIR Corporation Limited
EME	:	Earth Moving Equipment
ERB	:	Environment Restoration Bond
FMFS	:	Final Mines Feasibility Studies
GDP	:	Gross Domestic Product
GSI	:	Geological Survey of India
GVA	:	Gross Value Added
JiPL	:	Jigme Industries Private Limited
JMCL	:	Jigme Mining Corporation Limited
MD	:	Managing Director
MDP	:	Mineral Development Policy
MMMA	:	Mines and Minerals Management Act 1995
MMMR	:	Mines and Minerals Management Regulations 2002
MoEA	:	Ministry of Economic Affairs
MoF	:	Ministry of Finance
MT	:	Metric Tons
NCRP	:	National Cadastral Re-Survey Programme
NRDCL	:	Natural Resources Development Corporation Limited
NSB	:	National Statistics Bureau
NVA	:	Net Value Added
PAT	:	Profit After Tax
PAVA	:	Property Assessment Valuation Agency
PBT	:	Profit Before Tax
PIT	:	Personal Income tax
PoP	:	Plasters of Paris
RAA	:	Royal Audit Authority
RMA	:	Royal Monetary Authority
RTIO	:	Regional Trade and Industries Office
RRCOs	:	Regional Revenue and Customs Offices
SDEBCL	:	S.D. Eastern Bhutan Coal Company Limited
SYB	:	Statistical Yearbook





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## CHAPTER 1: ABOUT THE AUDIT

### 1.1 BACKGROUND

Article 25 (1) of the Constitution of the Kingdom of Bhutan 2008 and Section 3 of the Audit Act of Bhutan 2006 provide that *“There shall be a Royal Audit Authority to audit and report on the economy, efficiency, and effectiveness in the use of public resources”*. Further, Section 40 of the Audit Act requires that *“Notwithstanding the provisions of any laws relating to the accounts and audit of any public authority, the Parliament, if satisfied that the public interest so requires, shall direct that the accounts of such authority be audited by the Auditor General”*. In line with this constitutional responsibility and in terms of the directive received from the National Council vide letter reference No. NC/GEN/36/940 dated 17th October 2013, the Royal Audit Authority (RAA) carried out the *'Performance Audit on Tax of Mining and Quarrying Sectors'*.

### 1.2 OBJECTIVES OF AUDIT

The RAA conducted the audit with an overall objective to ascertain whether due regard was given in ensuring economy, efficiency and effectiveness in the operations of mining and quarries in the country. The specific objectives are as provided below:

- a) To determine the adequacy and effectiveness of legal and policy instruments and enforcement mechanism in administering mining and quarrying operations in the country;
- b) To ascertain the extent of contribution from mining and quarrying operations in the country in terms of revenues and other social benefits;
- c) To ascertain whether there is a proper system in place which ensures correct amount of taxes, royalties, mineral rent and other levies are collected, in particular:
  - i. To assess whether the systems and controls in place enable the institution to administer the tax and mineral levies efficiently and effectively; and
  - ii. To determine and assess compliance to and uniformity in application of rules and regulations governing allowable deductions and calculations of income tax, royalties, and other levies.
- d) To ascertain the adherences to the principles and good practices of the corporate governance in the management of affairs of the companies engaged in mining operations.

### 1.3 SCOPE OF AUDIT

The audit covered the operation of mines and quarries for the period from 2008-2012. The review focused, among others primarily on ascertaining taxes and levies payable to the government, and regulatory functions of the authorities in managing the mineral resources.

During the period from 2008-2012, there were 33 mines and 48 quarries that were either leased or operating.<sup>1</sup> Some of the quarries have not yet started its operation and some had started only in 2013. The audit team visited sites of all 33 mines and 26 quarries falling under the jurisdiction of the Regional Revenue & Custom Offices (Thimphu, Phuentsholing, Samtse and SamdrupJongkhar) as exhibited in **Appendix B**. The field visit by the team covered 100% of mines and 54% of quarries (26 out of 48) located in various parts of the country.

There were 21 closed mines and 17 closed quarries as exhibited in **Appendix C**. The review did not include the closed mines and quarries.

#### 1.4 METHODOLOGY

Given the vastness of the scope and cross-cutting nature of the audit topic, the team applied various audit methodologies as discussed below:

- a. Understanding of legislations, underlying rules and regulations, government policies that are directly related to mines and quarries and other major legislations that have bearing on the mining operations in the country. Some of the important Acts referred to are: Mines and Mineral Management Act 1995, Land Act 2007, National Environment Protection Act 2007, Companies Act of the Kingdom of Bhutan 2000, Income Tax Act of the Kingdom of Bhutan 2001 and its subsequent regulations and guidelines promulgated through these Acts;
- b. The team also referred the Mineral Development Policy (Draft 2011), Economic Development Policy 2010, Foreign Direct Investment Policy 2010, Corporate Governance Code (DHI), the Middle Path (National Environment Strategy for Bhutan) and other studies conducted by government and professional bodies;
- c. Review of documents, correspondences and financial statements provided by mining and quarrying companies;
- d. Cross-verification of records of quantities of minerals recorded at DGM against the records provided by the Company and records maintained by RRCO exit gates;
- e. Interview with key company officials namely, the Chief Executive Officers, Sales and Marketing officials and Financial Managers of the company;
- f. Site visits of mines and quarries and collection of pictorial evidences; and
- g. Observation – walk-through of the system, starting from extraction of the minerals to final dispatch of minerals for export.

<sup>1</sup> Source: DGM, MoEA

## CHAPTER 2: INTRODUCTION

### 2.1 MINING OPERATIONS IN THE COUNTRY

Mining in Bhutan started in the early 1970s and it was mostly carried out by the government enterprises. Gradually, with the policy of privatization, mining sector operations were privatized over the years. Mining activities are now mostly carried out by private agencies, except for a few captive mines that are operated by government owned/controlled enterprises such as PCAL, DCCL and NRDC. Currently, there are 33 mines and 48 quarries operated in the country, the details of which are exhibited in **Appendix B**.

Bhutan is endowed with rich mineral resources such as dolomite, limestone, gypsum, slate, and coal. It also has small deposits of marble, quartzite, granite, talc, iron ore, and pink shale. The country has further potential of discovery of many more minerals as only about 33% of the country has been geologically mapped. The status of minerals as provided by the DGM is tabulated below:

Mineral	Location	Reserve (in million tons)
Copper ore	Gongkhola in Black Mountain, Zhemgang	2.5 (inferred)
Lead-Zinc ore	Genekha, Thimphu	<ul style="list-style-type: none"> <li>• 3.116 in Chakula (proved)</li> <li>• 0.514 in RomegongRi (probable)</li> </ul>
Tungsten Ore	Dholpani and Bhurkhola, Gelephu	0.45 estimated down to 30 m depth in Dholpani
Coal	Deothang and Bangtar, S/jhongkhar	Reserve very tentative
Dolomite	All along the foothill of Southern Bhutan	Very huge reserve (No documents available)
Graphite	Khepchishi (above 3,992 m altitude) Paro, Dzongkhag	23.53 proved by drilling
Gypsum	Khothakpa and Uri Chu, Pema Gatshel Dzongkhag	<ul style="list-style-type: none"> <li>• 56.45 proved (in Khothakpa)</li> <li>• 13.60 estimated (in Uri Chu and Khar)</li> </ul>
Limestone	<ul style="list-style-type: none"> <li>• Pagli – Titi, Samtse</li> <li>• Gholtey, Gelephu</li> <li>• Kanamakra, Gelephu</li> <li>• Korungri and Kerungri, S/jhongkhar</li> </ul>	<ul style="list-style-type: none"> <li>• Reserve almost exhausted by PCAL</li> <li>• Reserve being assessed</li> <li>• Huge Reserve of high grade</li> <li>• Huge reserve of cement grade</li> </ul>
Marble	<ul style="list-style-type: none"> <li>• Khanku, Paro</li> <li>• In northern region of Bhutan such as, Haa (Wangtsa, Chaylaila), Thimphu (Jemina), Wangdue (ShaBhel), Paro (Hasilo and Pangpeysa) and Chukha (Bunakha)</li> </ul>	<ul style="list-style-type: none"> <li>• 12.44 (proved)</li> <li>• 29.59 (probable) – reserve not proven</li> </ul>
Slate	Bhel (Bonsegeoma) and Kobja, Wangduephodrang	<ul style="list-style-type: none"> <li>• 16 million cubic meters</li> <li>• A large portion is already extracted for roofing purposes.</li> </ul>
Talc	All in foothill belts in South-West Bhutan	Reserve not assessed properly, because the deposit is very erratic and patchy in nature
Ferro Silicon Grade Quartzite	Quartzite in Shumar Formation	Reserve not assessed systematically

Minerals being non-renewable and limited in nature, it is of paramount significance that it should be extracted and utilized considering the government's development policy of inter-generational equity which is also enshrined in the Constitution of the Kingdom of Bhutan. Further, the farsighted leadership of the successive Monarchs have always emphasized the importance of environmental protection for a fragile Bhutanese eco-system and has passionately sustained the concept of 'Gross National Happiness'.

Emulating these considerations, the country's developmental discourse centers around the concept of GNH and sustainable development that are enunciated primarily through the Constitution of the Kingdom of Bhutan and other policy documents such as Economic Development Policy, the Middle Path and the Vision 2020. Article 2(c) of the Constitution of the Kingdom of Bhutan states that, *'The Government shall secure ecologically balanced sustainable development while promoting justifiable economic and social development'*.

Therefore, it is imperative that the policy on mining sector is formulated in accordance with broad vision provided in the Constitution that balances the merits and demerits on economy, society and environment.

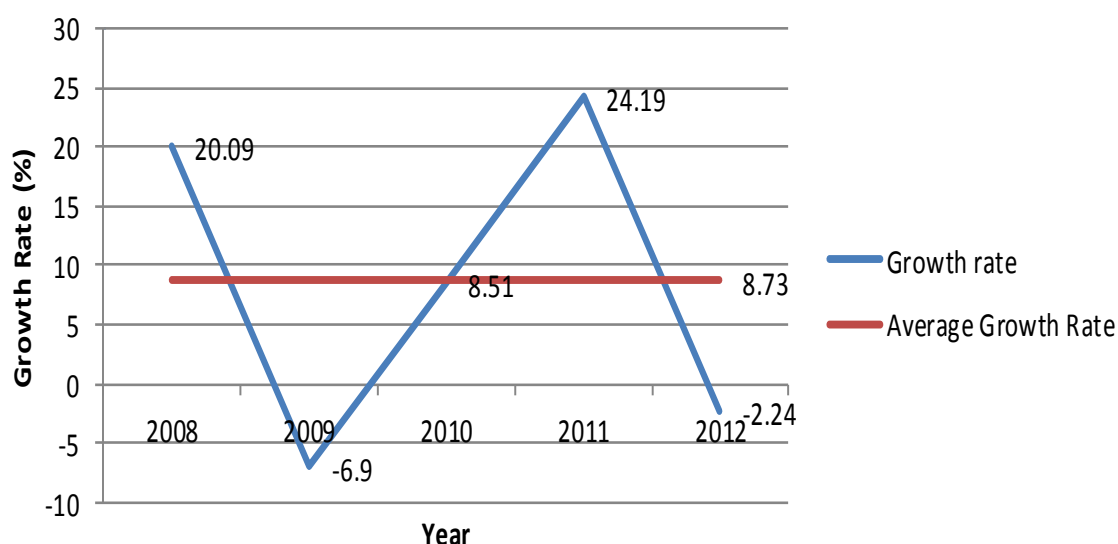
On average, the mining and quarrying sectors had an overall growth rate of 8.73%. The growth rate of the sectors recorded a sharp increase in 2008 and 2011 of 20% and 24% respectively, otherwise in the year 2009 and 2012 it had a negative growth rate as depicted below in the table and **Figure 2.1**:

Years	2008	2009	2010	2011	2012	Average growth
Growth rates of Mining & Quarry in constant prices (in %)	20.09	-6.9	8.51	24.19	-2.24	8.73

The Department of Geology and Mines under the Ministry of Economic Affairs is the key organization responsible for administration and management of the mineral resources in the country. It is responsible for geological mapping, exploring for additional mineral deposits and over-all management of the resources including the monitoring of mining activities.

■

**Figure 2.1: Chart showing trend of growth rate of mining sector**



Besides the DGM, the National Environment Commission is the focal agency responsible for overseeing and monitoring the compliance of environmental standards by mining companies.

The environmental standards are usually determined in the 'environment clearance' issued prior to commencement of mining operations as development consent.

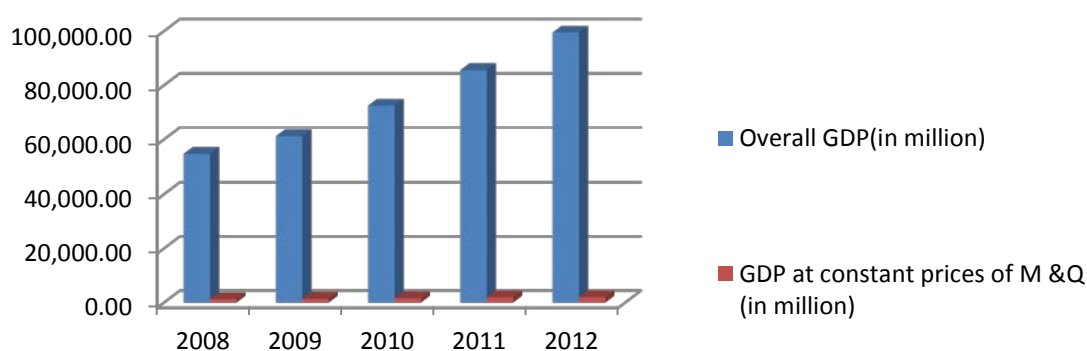
## 2.2 IMPACTS OF MINING ON SOCIO-ECONOMIC DEVELOPMENT

Bhutan's socio-economic development to a large extent can be associated with the abundant presence of its natural resources. For instance, hydro-power sector is the highest revenue generator of the country. Other than hydropower and tourism industry, mining sector is widely regarded as a '*low hanging fruit*' that has the potential to accelerate the country's economy.

On average, the contribution of mining and quarrying sector to the overall GDP for the year 2008-2012 has remained at 2.20%. Both year-wise and consolidated contribution through mining and quarrying sector are summarized and depicted in the graph below:

Years	2008	2009	2010	2011	2012	Total
Overall GDP (in million Nu.)	54,712.89	61,223.50	72,477.61	85,580.58	99,455.05	373,449.63
GDP at current prices of M & Q (in million Nu.)	1,252.00	1,392.00	1,616.89	1,941.73	1,961.96	8,164.58
Percentage share of M & Q to total GDP (in %)	2.29	2.27	2.23	2.27	1.97	2.20

Source: Statistical Yearbook of Bhutan 2013



The contribution from mining and quarrying sectors to the overall GDP have consistently remained sluggish and is one of the lowest compared to other similar economic sectors such as construction, forestry & logging, and manufacturing sectors over the years.

It is worth noting that amongst the mining and quarrying sectors, the three auctioned public mines, namely Jigme Mining Corporation Ltd. and its subsidiary Jigme Industries Pvt. Ltd. (Dolomite), S.D. Eastern Bhutan Coal Company Ltd. (Coal) and Druk Satair Corporation Ltd. (Gypsum) contributed the maximum revenue to the government. Major contributions to government come in the form of CIT, royalty, mineral rent, auction fees and Corporate Social Responsibilities aggregated to Nu. 3,283.32 during 2008 to 2012.

Besides direct contributions, the mining and quarrying sector had also generated employment opportunities in the country. The government in its draft MDP has proposed some form of cash compensation to the affected society calculated on the volume of minerals extracted as a part of companies' Corporate Social Responsibility that would benefit the affected communities.

Despite its economic importance in terms of its potential to accelerate socio-economic development and value accrued to various stakeholders, it also brings about adverse social and environmental impacts if not managed properly. For better clarity this report has been divided into two parts, **Part I and Part II**. **Part I** contains common issues that are cross-cutting the entire mining sector whereas **Part II** contains the specific issues that are unique to individual minerals.



## CHAPTER 3: GENERAL FINDINGS

The chapter highlights the contributions of the mining and quarrying sector to the economy as well as common shortcomings and deficiencies in the overall regulatory functions and management of the mining and quarrying operations.

### 3.1 PROGRESSIVE DEVELOPMENTS AND CONTRIBUTIONS OF MINING AND QUARRYING SECTOR

Despite relatively lesser contribution of mining sector in terms of share of GDP and other macro-economic indicators, in absolute terms the contribution of mining sector to the national exchequer cannot be undermined. Moreover, there have been some positive initiatives and developments at various levels including the policy and legal framework. Some of the pertinent contribution and initiatives are summarized below:

- a) As the nation treads the path of economic growth, the provision of regulatory framework is a precondition to undertaking development of mining sector in the most sustainable way. The existence of regulatory framework delineates responsibilities for responsible agencies and facilitates attainment of national goals and objectives. The Mines and Minerals Management Act 1995 and the Mines and Mineral Management Regulations 2002 provide overall framework for administration and management of mining operations in the country.
- b) The Economic Development Policy (EDP) 2010 provides a clear policy directive to ensure that the mining sector plays an important role in supply of raw material for industries and construction materials for development projects in the country.
- c) The drafting of Mineral Development Policy is under process, which is expected to drive national plans and strategies for exploration and exploitation of minerals for sustainable economic development of the country.
- d) In anticipation of adverse impacts that accompany exploitation of natural resources for economic growth, there are notable strides in enforcing stricter environmental laws to protect and conserve environment through enhanced awareness and concerns amongst various stakeholders.
- e) The contribution from the mining sector in terms of its share to the GDP though not significant, has the potential to spur economic activities and drive economic development of the country. The contribution of mining and quarrying sector to the GDP aggregated to Nu. 8,164.58 million constituting about 2.20% on average for the period 2008-2012 as show in Table 3.1.

**Table 3.1: Table showing share of mining sector to GDP from 2008-2012**

Years	2008	2009	2010	2011	2012	Total
<b>Overall GDP (in million Nu.)</b>	54,712.890	61,223.500	72,477.610	85,580.580	99,455.050	373,449.630
<b>GDP at current prices of M &amp; Q (in million Nu.)</b>	1,252.000	1,392.000	1,616.890	1,941.730	1,961.960	8,164.580
<b>Percentage share of M &amp; Q to total GDP</b>	2.29	2.27	2.23	2.27	1.97	2.2

Source: Statistical Year Book of Bhutan

- f) The direct contributions of mining and quarrying sectors in the form of taxes, other levies and mining companies' CSR amounted to Nu. 3,283.32 million during 2008 to 2012. The mineral wise break-up of various forms of contributions made by mining and quarrying sector from 2008 to 2012 are as given in **Table 3.2**.

**Table 3.2: Contributions from Mining and Quarrying Sector to Government for the period 2008 to 2012**

Minerals	Mineral Rent (in mil. Nu.)	Surface Rent (in mil. Nu.)	Royalty (in mil. Nu.)	CSR (in mil. Nu.)	Taxes (in mil. Nu.)	Auction Fee (in mil. Nu.)	Grand Total (in mil. Nu.)
Dolomite	48.803	0.261	227.603	2.944	411.641	136.500	827.752
Gypsum	14.780	0.195	147.800	8.237	224.510	157.884	553.406
Coal	3.828	0.230	38.282	15.674	246.456	521.00	825.470
Quartzite	5.984	0.546	16.436	0.00	17.607	0.00	40.573
Limestone	22.193	1.322	99.533	0.831	892.270	0.00	1,016.149
Talc	0.308	0.033	4.113	0.00	0.435	0.00	4.890
Other Minerals (Granite, Blackstone & Calc Tufa)	0.595	0.331	2.371	0.00	0.00	0.00	3.297
Construction Materials	1.312	0.794	5.234	0.470	3.975	0.00	11.786
<b>Total</b>	<b>97.803</b>	<b>3.712</b>	<b>541.372</b>	<b>28.155</b>	<b>1,796.893</b>	<b>815.384</b>	<b>3,283.320</b>

The contributions in cash or kind made by mining companies as part of Corporate Social Responsibilities (CSR) have provided some benefits to the local communities in building infrastructures and initiating other developmental activities. Though sporadic in practice, the CSR initiatives undertaken by some companies have apparently created some positive impacts in the society through participation in various developmental activities.

The mining and quarrying sector also contributes in terms of providing employment. During 2012, the sector had employed 1,505 Bhutanese and 247 Non-Bhutanese in various mining and quarrying units. The mineral wise employment statistics is as

**Table 3.3: Employment in the mining & quarrying sector**

Minerals	Bhutanese	Non-Bhutanese
Dolomite	190	31
Gypsum	75	0
Coal	98	0
Quartzite	158	20
Limestone	527	104
Talc	31	10
Other Minerals (Granite, Blackstone & Calc Tufa)	3	0
Construction Materials	423	82
<b>Total</b>	<b>1,505</b>	<b>247</b>

Source: DGM & individual companies

provided in **Table 3.3**.

- g) However, the Labour Force Survey Report 2012 published by the MoLHR revealed that the sector only employed 0.1% of the total labour force, which is 499 out of total active labor force of 329,492.
- h) Besides the above contributions, the mining and quarrying sector is seen to have potential to stimulate and drive economic growth through appropriate regulatory and policy reforms and emulating practices of corporate governance. In recognizing the potential of mining and quarrying sector, it has been recognized as one of the five jewels to strengthen the country's economy and had assigned development priority to this sector.

### 3.2 COMMON LAPSES AND DEFICIENCIES

Despite the significance of mining sector and contributions, there are still severe drawbacks and inherent problems persisting in the mining sector. The problems are primarily rooted to inadequacies in the legal, institutional and regulatory framework governing the mining sector and weak enforcement and administration of relevant rules and regulations by authorities. While policy of privatization seeks to promote wider shareholdings, there are no anti-trust laws in the country to protect the interest of minority shareholders.

In absence of such laws, controlling shareholders or promoters are able to enter into transactions which are prima-facie prejudicial to the interest of the company, in particular, the interest of minority shareholders. The absence of strict business code of ethics and anti-trust law has provided opportunities to promoters to create sister business units with minimal commercial or marketing benefit accruing to the principal company.

The arrangements seemed to have facilitated passing of large proportion of income to the promoters and their close relatives in the form of huge remuneration to CEOs and executives in the sister concern (either as promoters or their relatives), differential dividend due to dilution of effective shareholding of minority shareholders in the sister concern, huge amounts of commission and sitting fees, donations etc. Absence of strong enforcement and regulatory mechanism are paving way for poor safeguards and control mechanisms to protect the larger interest of the society. Such practices apparently had undermined the practices of good corporate governance and appeared that fiduciary roles were breached.

The RAA had worked out the total financial implication of Nu. 1,125.832 million over the period of 2008 to 2012 on account of profits forgone by public companies as a result of related party transactions, revenue forgone by the government due to inconsistencies in provisions and ineffective enforcement of tax laws and issues related to corporate governance in the management of affairs of public mining companies.

The subsequent paragraphs describe the issues that are general and prevalent across all mines. These issues are synthesis of specific issues that are discussed in detail under each mineral. Therefore, the RAA has attempted to establish causative linkages of these issues to overall legislations, monitoring and control framework and information management systems in the administration of mining operations.

### 3.3 LEGAL AND INSTITUTION FRAMEWORK

Mining operations are governed by the Mines and Mineral Management Act 1995 and Mines and Mineral Management Regulations 2002 although there are other environmental regulations that the mining companies have to adhere to for scientific mining practices. In accordance with these mandates, the Department of Geology and Mines (DGM) under the Ministry of Economic Affairs is entrusted with the overall responsibility to manage the mines and mineral resources of the country, while the NEC is the nodal agency mandated to oversee and monitor the environmental standards.

The Income Tax Act of the Kingdom of Bhutan 2001 and the Rules on Income Tax Act of the Kingdom of Bhutan 2001 govern the taxation of mining companies and business units. The

Department of Revenue and Customs is entrusted with the responsibility of assessment and collection of taxes from mining businesses.

The Companies Act of the Kingdom of Bhutan 2000 provides framework for governance of companies incorporated and registered with the Companies Registry.

Despite having a clear mandate through the above legislations, the mining sector still suffers from various setbacks and systemic deficiencies that undermine good corporate governance in the mining sector. The paragraphs that follow explain inadequacies and shortcomings of the relevant acts and rules governing mining companies.

### 3.3.1 Inadequate provision for the protection of minority shareholders

- a) As mentioned briefly in the earlier paragraph, the policy of privatization and floating shares to general public is not supported by appropriate legislations to ensure that the promoters of mines will be bound by good business ethics and fair trade practices and they pursue their fiduciary duties with honesty and sincerity. Absence of appropriate legislation or stipulations in the extant laws provided opportunities for promoters indulging in practices, which may not be regarded as in the interest of the Government as well as the minority shareholders. The public companies controlled by few promoters have substantial influence over the business decision of the companies by virtue of holding substantial shares. The minority shareholders on the other hand hold very less shares and do not have adequate voice in management of the company.
- b) The provisions of the Companies Act of the Kingdom of Bhutan 2000 on delineating specific rights to every shareholder for voting and share of dividends provide basis of protecting interest of individual shareholders to certain extent. However, such rights does not provide adequate check on the controlling shareholders' leeway to make business decisions which may be prejudicial to the interest of minority shareholders.
- c) One of the common practices embraced by the controlling shareholders (promoters) of the public companies in mining sector is reduction in the interest of the minority shareholder by bringing about fundamental change in the overall structure in ownership by creating associated or subsidiary private companies in which holding companies hold certain percentage of shares. As a result, the promoters' interests were substantially increased by way of additional shares held in these intermediary companies whereas the effective shareholdings of minority shareholders were diluted. The evidences were clearly seen in Dolomite and Gypsum mining business as reproduced below:
  - i. In case of dolomite mining, Jigme Mining Corporation Limited (JMCL), a public company was initially formed with 70% holdings by promoters and 30% holdings by public for extraction of dolomite. Later, the Jigme Industries Private Limited (JIPL) was formed as private company for crushing and screening of dolomite boulder for export and supply to domestic markets. JMCL held 51% shares and promoters of JMCL held 49% of the shares in JIPL. The proportion of shareholdings of minority shareholders was decimated to mere 15% in JIPL whereas promoters' interest had effectively increased to 85% in JIPL. **(Para 4.3.1)**
  - ii. Similarly, for gypsum mining too, the formation of Druk Gypproducts and Chemical Limited (DGCL) by the DSCL, a public mining company had resulted in substantial

reduction in minority shareholder interest and enhancement of interest of controlling shareholders. The shareholdings of promoters had increased from 35% to 51% and minority interest had decreased from 31% to mere 8.99%, and remaining held by institutions and others. **(Para 5.3.1)**

Thus, in the absence of specific provisions or law for protection of minority interest, the minority shareholders are left at the mercy of controlling shareholders exposing to the risk of oppression and elimination from the business. The current law does not provide opportunity for redressal for any act that is seen to infringe upon the rights of minority interests.

- d) Despite such practices persisting for many years, neither regulators nor policy makers paid serious thought and attention to address the problem. If the practice remain unabated, policy objective will be impaired and public faith and confidence on such policy initiatives will be dented. The regulatory bodies such as the Companies Registry, the Royal Securities Exchange of Bhutan and the Royal Monetary Authority mandated with the oversight responsibilities are required to initiate measures to curb such practices. As a corporate governance practice, the relevant legislation must provide for embracing the principles and good practices by the companies in day to day management of their affairs.

### **3.3.2 Lack of provision for fixation of remunerations of board members and executives**

- a) The Companies Act of the Kingdom of Bhutan 2000 does not contain any specific stipulations providing basis for fair and just remunerations such as salaries, commissions, donations and fees of Directors of the Board and Chief Executive Officers of the companies. Nor there are any guidelines or other directives issued in fixation of remuneration, fees and commission payable to executives and directors. The remunerations paid to executives were not determined on the basis of industry benchmark or company performances. Stipulations in the labour laws regarding minimum wage is at best good enough only for ensuring that prescribed minimum wages are applied while determining the remuneration of the employees. These stipulations do not address the wide disparities and abnormally higher compression ratios in the salary of executives and other low paid employees.
- b) In absence of such legal stipulations and guidelines, most of the public mining companies, by virtue of holding substantial shares, the controlling shareholders elect themselves to the post of directors to the board and also as Chief Executives of the companies. This is a common practice among these companies to draw substantial part of company's profit by way of excessive salaries, commissions and bonuses as discussed below.
  - i. The CEO of JMCL engaged in dolomite business had drawn salaries of 247% to 513% higher than those drawn by CEOs of other SOEs in the country. There is a huge disparity in the salary structure of the company as evident from high salary compression ratio as high as 63.21 times between the CEO and average of other employees' salaries which is approximately 6,300%. **(Para 4.3.2)**
  - ii. The Chairman-cum-Managing Director of S.D. Eastern Bhutan Coal Company Limited (SDEBCL) had drawn salaries of 155% to 351% higher than those drawn

by CEOs of other SOEs in the country. The salary compression ratio between the CEO and average salary of lower level management was 33.88 times which is approximately 3,300%. **(Para 6.3.2)**

- c) Besides the salaries, huge drain of profits were in the form of unjustified commissions and personal expenses such as medical and travel expenses, thereby, benefitting only a few shareholders and disadvantaging the minority shareholders and employees as discussed below:
  - i. The commissions drawn by the promoters in the capacity of directors in JMCL and JIPL aggregated Nu. 60.00 million and Nu. 30.00 million respectively during the period from 2010 to 2013. These expenses constituted a significant portion of companies' expenditure, second only to direct cost of the companies. **(Para 4.3.2)**
  - ii. The JMCL's other irregular expenses included donations paid to its directors and other individuals, which were disallowed by the tax authorities for tax purposes. The donations of Nu. 4.900 million was made during 2009 to 2012 for unspecified purposes to directors and other individuals. **(Para 4.3.2)**
  - iii. In case of SBDECCL, personal expenses aggregating to Nu. 8.015 million was borne by the company on account of medical and travel expenses of CMD during 2009 to 2012. The tax authorities had disallowed the expenses for tax purpose but were charged to company's profit and loss account. **(Para 6.3.2)**
- d) The controlling shareholders thus, derive maximum benefits through employment in the company as directors and executives in the form of salaries and perks and compensations that are not regulated in the absence of any regulatory provisions.
- e) Apparently, these companies' expenses on account of unregulated salaries, commissions, bonuses, unspecified donations, and personal expenses in the form of medical and travel expenses to the directors and executives of the companies erode substantial portion of companies' profit.
- f) The minority shareholders are not only ousted in their representations but also in sharing the profits of the company proportionate to their investments. Such practices result in distribution of wealth in a disproportionate and unjust manner which otherwise could be done through dividends if there are regulations to restrict reducing of company's profits through such means.
- g) Thus, it appeared that the anomaly was facilitated in the absence of any statute governing remunerations in the public company. The public limited companies representing the various stakeholders are expected to function in a manner that does not undermine the interest of minority shareholders. The practices of drawing huge remunerations by few controlling shareholders from the public company have not only undermined the good corporate practices but also appeared to contribute towards widening the gap between the haves and have-nots.

***MoEA agreed to the observations and stated that certain enabling provisions are already inserted in the company's bill which is soon to be tabled in the Parliament to remedy these lacunas in the present law. (Refer Appendix A(i))***



### 3.3.3 Lack of provision or guidelines for Corporate Social Responsibility

- a) The companies provide contributions either in the form of cash or kind to beneficiaries as a part of their CSR initiatives. However, within the broader meaning of CSR, which encompasses larger aspects and context, the practice of CSR is yet to find appropriate place in their business models through clear cut policies and strategies in absence of overarching guidelines.
- b) The review of CSR initiatives of companies indicated that total contributions aggregating to Nu. 28,193,473.63 were made to various communities and individuals as part of CSR initiatives during the period from 2008 to 2012 as shown in the table below:

Name of the Company	Product	2008	2009	2010	2011	2012	TOTAL
RSA Pvt. Ltd, Thimphu	Limestone	138,783.00	138,783.00	153,889.00	224,473.00	174,730.00	830,658.00
SD Eastern Bhutan Coal Company Ltd.	Coal	744,414.00	1,057,029.50	1,115,805.00	5,139,573.00	7,616,885.00	15,673,706.50
Druk Satair Corporation Ltd.	Gypsum	884,868.00	2,247,708.00	1,213,752.00	1,964,821.00	1,925,920.00	8,237,069.00
Jigme Mining Corporation Ltd.	Dolomite	N/A	N/A	N/A	1,031,712.25	1,040,959.12	2,072,671.37
Jigme Industries Pvt. Ltd.	Dolomite	N/A	N/A	N/A	535,503.33	335,460.35	870,963.68
Nortak Mines and Minerals Pvt. Ltd	Marble	N/A	N/A	N/A	N/A	38,000.00	38,000.00
Wangchuk Duppa Stone Private Ltd.	Quartzite	N/A	N/A	N/A	40,500.00	0.00	40,500.00
Tenzing Thinley and Sonam Pelzom	Construction Material	N/A	25,000.00	56,567.00	137,011.00	96,000.00	314,578.00
Bhutan Stones and Minerals Company	Construction Material	N/A	N/A	115,327.08	0.00	0.00	115,327.08
<b>TOTAL</b>		<b>1,768,065.00</b>	<b>3,468,520.50</b>	<b>2,655,340.08</b>	<b>9,073,593.58</b>	<b>11,227,954.47</b>	<b>28,193,473.63</b>

- c) Besides the direct cash contributions, the companies had also contributed in kinds through provision of roads, drinking water, medical and educational facilities, employment to various beneficiaries and supporting sporting events and renovations of monuments in the communities.
- d) However, in the absence of appropriate guidelines, prevailing practices of undertaking CSR initiatives are sporadic and lack clear strategies. The present practice lack mechanism to ensure that the funds/contributions made in the name of company's CSR reach the intended beneficiaries and persons initiating activities funded through such funds are made to account appropriately. The CSR must be seen as governance practice to ensure compliances to regulatory requirements, ethical and moral standards and being sensitive and responsive to environment in which it operates including stakeholders.

*While MoEA agreed on the need for guidelines to properly regulate CSR contributions, the need for CSR is stated to have been addressed in the Draft Mineral Development Policy which if approved, portion of sales value will be contributed directly as mandatory CSR for the communities. (Refer Appendix A(i))*

### 3.3.4 Unspecified authority to oversee propriety issues of companies

- a) The Companies Act of the Kingdom of Bhutan 2000 requires companies to be audited by statutory auditors appointed as per Section 72 of the Act. Schedule XIV, General Terms and Conditions of the Act amongst other, requires the auditors to conduct propriety audit of the company and report on cases of excessive, extravagant, unnecessary expenditures and also on whether personal expenses have been charged to the company accounts.
- b) The RAA noted instances in JMCL and JIPL where huge amount of commissions and donations were paid to directors. **(Para 4.3.2)**
- c) In SDEBCCL, personal expenses such as medical and travel expenses were charged to company's account but were disallowed by tax authorities as they were found to be expenses of personal nature. **(Para 6.3.2)**
- d) Though it was established that such expenditures were not incurred for business of the company, it was already charged to the company. This had resulted in reduction of company's profit and subsequently on the share of dividends affecting minority shareholders and government in terms of taxes.
- e) Therefore, the Companies Act does not specify adequate remedial measures in cases where ineligible expenses are charged to the company affecting other stakeholders in terms of reduced share of dividends. Nor, appropriate authorities are designated to pursue such cases to prevent such practices resulting in draining of company's resources.

***MoEA agreed to the observations and stated that certain enabling provisions are already inserted in the companies bill which is soon to be tabled in the Parliament to remedy these lacunas in the present law. (Refer Appendix A(i))***

### 3.3.5 Irrational basis for exemption of tax on income from other sources

- a) Section 11.1 of the Income Tax Act of the Kingdom of Bhutan 2001 stipulates that, "*For the purpose of this Act, income from other sources shall mean income from hire of privately owned vehicles, plant and machinery, and from intellectual property rights.*" However, Clause 2.6 of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001 excludes income earned from hire of trucks and taxis in the computation of income from other sources for the purpose of Personal Income Tax. The instances of non-declaration of incomes earned by transporters are as explained below:
  - i. Transporters engaged by JIPL for transportation of dolomite had earned aggregate income of Nu. 157,918,157.58 during 2010 to 2013. The government had forgone tax amounting to **Nu. 25,900,583.64** computed as 10% after allowing 30% statutory deduction. **(Para 4.3.8)**
  - ii. Transportation charges aggregated to Nu. 621,685,303.49 for the transportation of gypsum by DSCL during 2008 to 2012. The taxes computed amounted to **Nu. 43,517,971.24** after allowing statutory deduction of 30%. **(Para 5.3.2)**



- iii. SDEBCCL had incurred domestic transport expenses of Nu. 211,765,277.17 during 2008 to 2012. The taxes computed amounted to **Nu. 14,823,569.40** after allowing 30% statutory deductions. **(Para 6.3.4)**
- b) Thus, on aggregate, the government had forgone tax revenue of **Nu. 84,242,124.28** as a result of exemptions granted for income derived from hire of private vehicles from the business operations of three minerals.
- c) The RAA could not comprehend the rationale behind such exemption. Notwithstanding the intent of the law, the RAA found that this provision had provided opportunity to few individuals to escape taxes despite earning huge incomes from hire of private trucks.
- d) Therefore, it does not appear to uphold the principle of equity and the policy of progressive taxations, as people earning income from hire of private trucks are exempt from taxes.

*MoF responded that until the Income Tax is amended, incomes earned by the unlicensed private transporters cannot be taxed under PIT since the Rules on the Income Tax specifically exempts income from hire of trucks. For CIT purposes, the MOF explained that transportation charges were allowed as deductible expenses as admissible under Rule No. 2.4.6, Part I of the Rules on the Income Tax Act. The Ministry assured to look into the issue when the Department undertakes the amendment of the Income Tax Act 2001 to protect the revenue base. (Refer Appendix A(ii))*

### **3.3.6 Absence of maximum time limit for availing exemptions and tax holidays**

- a) Section 8 of the Income Tax Act of the Kingdom of Bhutan 2001 provides that “*On satisfaction and in the public interest, the Ministry may grant exemption and tax holidays to certain companies.*” Further, Clause 1, Part I of the Rules on Income Tax Act of the Kingdom of Bhutan stipulates that “*the Ministry of Finance may announce, from time to time, such tax holidays and tax incentives and prescribe the conditions and procedures thereof, in the interest of the public and in line of the government policy in vogue.*”
- b) In line with the above provisions, many quarrying business units which were making losses were exempted from taxes. The review of the financial accounts of the quarrying units showed that some of the units have incurred losses for consecutive five years, while some had shown erratic trend of profitability. **(Para 8.3.2)**
- c) There is no maximum time limit for granting such exemptions. Apparently, it may not be in the interest of the government to continue with such exemptions if units continue to run into losses throughout its existence.
- d) Especially concerning mining and quarrying businesses which use natural resources of the country, the impact is seen to be multi-dimensional. The nation bears huge cost through depletion of natural resources and environmental destruction for which there is virtually no return.

### 3.3.7 Inconsistency in provisions for off-setting of losses

- a) As per Rule No. 1 of Part II (BIT) of Rules on the Income Tax Act of the Kingdom of Bhutan 2001, the losses of business units engaged in trading sector are not allowed to offset against the profit of another entity except for manufacturing and service sectors subject to certain conditions. However, there is no similar provision for business units operating under incorporated company.
- b) The provision is not seen to be consistent as business units under incorporated company enjoy unjustified privilege to offset losses within the business units under it irrespective of nature of business. For instance, the trading units can offset their losses against profit of totally different business units such as quarrying business units.
- c) Further, the argument can also be justified on the ground that some of the units under incorporated companies can be larger than the business units which pay taxes under BIT.
- d) In a case study done on Singye Stone & Sand Factory under Singye Group of Companies Pvt. Ltd., the RAA found that the government had lost revenue of **Nu. 15,986,266.56** during 2008-12 after off-setting losses of other units against the profit of Singye Stone & Sand Factory. The analysis showed that if offsetting of losses of other business units were not allowed, Singye Stone & Sand Factory would have paid CIT of Nu. 30,978,570.78. The company had paid CIT of only Nu. 14,992,304.22 for five years after off-setting losses of several units. (**Para 8.3.1**)
- e) As such, the premises on which different provisions are applied for off-setting of losses seem to be totally devoid of rationality. The practices are also not seen to be justifiable in view of the huge societal cost involved in the business of natural resources for which there is no commensurate returns to the society.

***MoF validated the RAA's observation and provided assurances to take into consideration when Income Tax Rules is amended. (Refer Appendix A(ii))***

### 3.3.8 Lack of provision restricting formation of intermediaries

- a) The Companies Act of the Kingdom of Bhutan 2000 provide overall framework for formation and organization of companies in forms and designs suitable to nature of business and mode of funding. The companies are formed on fulfillment of requirement prescribed by the provisions of the Act. However, there is no requirement for the licensing/regulating authorities to exercise additional checks so as to ensure that formation of companies will not give rise to situations of conflict of interest in business dealings that the company would undertake after its formation. The mere fulfillment of formalities provisioned in the Act do not appear to guarantee conformity to the principles and practices of good corporate governance as no checks on the purpose, intent and implications of approving the existence of companies were exercised by competent authorities. Therefore, the current practice appears to pave way for numerous undesirable and unethical practices.
- b) The RAA noted cases wherein layers of intermediary companies were formed in the chain of mining business, particularly in dolomite and gypsum business. Formations of

such intermediaries are permissible as long as they fulfill basic minimum criteria prescribed in the Companies Act of the Kingdom of Bhutan.

- c) As discussed in numerous issues, the RAA strongly felt that these intermediaries were formed merely to promote the interests of the few controlling directors and the Chairman of the Board invariably jeopardizing the interests of the Company and remaining shareholders. The current mining business is characterized by existence of related companies owned by few individuals who are either family members or relatives of promoters and owners. Further, the regulations do not provide whether an intermediary in the form Private Company could be formed out of Public Company. If such practices are not regulated through appropriate policy interventions, the possibilities of formation of such intermediaries could not be ruled out that would have major impact on the corporate governance of Bhutanese businesses.

***MoEA agreed to the observations and stated that certain enabling provisions are already inserted in the companies bill which is soon to be tabled in the Parliament to remedy these lacunas in the present law. (Refer Appendix A(i))***

### 3.4 MONITORING & ENFORCEMENT

The RAA reviewed the monitoring and control systems in the enforcement of acts and rules by relevant authorities. The specific legislations mandate relevant authorities in enforcement of the laws and rules. The RAA's review showed that several issues were attributable to weak and ineffective monitoring and control system in place in the enforcement by relevant authorities namely DGM, DRC, Companies Registry, etc.

#### A. MINING AUTHORITIES

DGM is mandated with the overall responsibility of management and administration of mining operations in the country. The RAA noted following inadequacies that apparently impeded effective monitoring and control in the administration of the mining operations. As a result of this, the RAA worked out total financial implications of Nu. 1,006.053 million representing under-realization of royalties by the government and revenues forgone by public companies through formation of intermediary companies. Besides, lack of monitoring and strict enforcement of mining regulations has appeared to weaken the administration mechanism which would potentially impact on the overall management of mining operation in the country.

##### 3.4.1 Non mapping of mineral resources of the country

- a) Minerals being non-renewable and limited in nature, it is of paramount significance that it should be extracted and utilized considering the government's policy of inter-generational equity which is also enshrined in the Constitution of the Kingdom of Bhutan.
- b) Despite endowment of huge mineral resources in the country, the DGM has reportedly completed geological mapping of only 33% of the mineral resources of the country.
- c) Since the information of overall stock of natural resources in the country is a basic requirement for overall management of the sector, the non-availability of requisite

information would impede formulation of appropriate policies and strategies to translate these noble visions.

- d) Therefore, it is imperative that the government expedite the exploration and existence of mineral resources in the country to facilitate effective management and control to realize the national objective of ecologically balanced and sustainable development.

*The responses of MoEA besides explaining technicalities of geological maps, expressed concerns on the practicality of carrying out detailed geological mapping of the entire country. It maintained that it would not be prudent to undertake detailed commercial mapping of the whole country as the scope of geological mapping is dependent on the purpose of the map. It stated that no country undertakes detailed geological mapping unless for specific purpose. However, the Ministry acknowledged that making or otherwise acquiring a geological map is invariably the first step in any mineral exploration and mining, including drilling, geochemistry, geophysics, geostatistics and mine planning.*

*The Ministry stated to have reported that about 6500 square kilometers have been geological mapped in the scale of 1:500,000 in the Mineral Development Policy. (Refer Appendix A(i))*

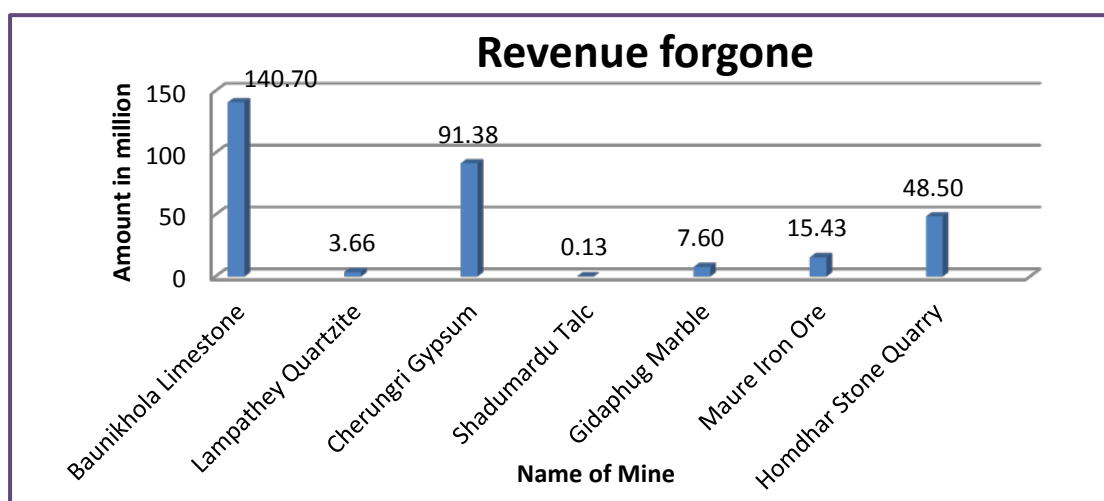
### 3.4.2 Non-auction of mines and quarries

- a) Clause 15 of the Mines and Mineral Management Regulations (MMMR) 2002 states that, 'In case the government decides to lease a pre-identified mineral deposit for commercial exploitation, it shall be done through public notification and sealed/open tendering process'. In cases where the mineral deposit is explored by individuals or companies, proponents' applications will be processed on 'first come first serve' basis.
- b) However, the DGM had leased out most of the mines and quarries on 'first come first serve' basis instead of leasing through public auction though the records showed that those mines were commercially mapped and explored by the DGM and the then Geological Survey of India. Thus, it was not proper to directly allot pre-identified mineral deposits to individuals or companies on 'first-come, first-serve' basis.
- c) So far only three minerals were allocated through public auction and have earned a significant amount of revenue to the government as summarized below:

Sl. No	Name of company	Minerals	Locations/Dzongkhag	Auction Value (Million)
1	SD Eastern Bhutan Coal Company Ltd	Coal	Samrang, Borila, Deothang and Bhangtar/S/Jongkhar	521.00
2	Druk Satair Corp. Ltd	Gypsum	Khothakpa/Pemagatshel	413.50
3	Jigme Mining Corporation Ltd	Dolomite	Sunargoan and Chunaikhola/Samtse	390.00
<b>Total</b>				<b>1,324.50</b>

- d) On the basis of auction values of above three minerals, the projected reserve as per FMFS and the prevailing market rates of each mineral, the RAA computed the implied loss on account of seven minerals (one mine site for each mineral) which were not allocated through public auctions. The analysis showed that the government had lost **Nu. 307.392** million by allocating seven mines on the basis of "first-come, first-serve" as

shown below and detailed in **Annexure I**. However, if all mines which were allocated in the same manner were taken into account, the resultant figures would be substantially higher.



- e) Besides loss of revenue, the existing system of directly awarding mines to proponents had impeded transparency, fairness and competitiveness in the mining operations. The practice may also provide opportunities for indulgence in corrupt practices, favoritism and nepotism including disclosure of sensitive information on selective basis.
- f) The prevailing system of enforcement and administrations showed lack of adequate safeguards to protect the interest of the government and render conducive system to flout and circumvent rules to extend undue benefits to privileged few.

*MoEA in its responses provided references to responses provided earlier for the Performance Audit Report on Leasing of Government Land, GRF Land and Mines on the same issue in 2013. Further, it had expressed its opinion that best three mineral reserves were auctioned and that comparing the auction values of those with that of other inferior mineral deposits and projecting notional loss does not sound logical. (Refer Appendix A(i))*

### 3.4.3 Non-revision of royalty and other levies

- a) Royalty is a payment to the government by the mining companies in return for extraction of minerals. The royalty, mineral and surface rent and auction fee constitute a significant portion of government revenue besides taxes from the mining business.
- b) Section 50 (viii) of the MMM Act empowers the Ministry of Economic Affairs to prescribe fees, rentals and royalties and others levies through issuance of regulations. In furtherance of the Act, clause 51 of the Mines and Minerals Management Rules and regulations 2002, states that the “The Minister may amend the rates of royalty and mineral rent set out in Annex 5 of these Regulations from time to time”.

In addition to above mandates, Article 42 of the MMMA 1995 stipulates that ‘A lessee shall pay royalty and mineral rent to the Government for any mineral mined from the mining area at the rates prescribed by the Government and officially notified from time to time’.

- c) Despite the requirement to revise royalty and mineral rent on timely basis, the same was not done for duration ranging from 8 years to 13 years since 2002. The latest revision of rates was done in October 2006 for some minerals while rates for others were maintained as determined in 2002. The existing rates of royalty and minerals rents for some of the minerals along with its average selling (export) rates are as produced in the table below:

Sl. No	Name of minerals	Royalty rate (Nu./MT)	Mineral rent rate (Nu./MT)	Surface rent rate (Nu./acre)	Average selling price in Nu./MT of minerals recorded at various check post					
Existing rates revised since 2006 for Royalty and mineral rent. Surface rent revised in the year 2009					2008	2009	2010	2011	2012	2013
1	Dolomite	40	10	640	1,250	1,400	1,400	1,400	1,370	1,475
2	Quartzite	100	10	640	195	226	200	200	428	271
3	Limestone	100	10	640	1,300	1,400	1,700	2,000	1,800	1,800
4	Coal	100	10	640	2,200	3,100	3,400	3,100	4,000	4,000
5	Gypsum	100	10	640	1,400	1,500	1,500	1,500	1,600	1,600
6	Talc	100	10	640	1,200	1,300	1,300	1,000	1,000	2,000

Source: BACS, DRC

- d) Further, even the revision made for some were very minimal. For instance, the royalty for dolomite was increased from Nu. 34 to Nu.40 (17.6%) and mineral rent from Nu.8.5 to Nu.10 per metric ton. The highest revision was for quartzite (of export quality) from Nu. 34 to Nu. 100 (194%). Further, the basis for fixation of rates was not on record.
- e) The fact that royalty rates and mineral rents have not been revised for a long time, ranging from 8 to 13 years shows that there is a lack of regulatory mechanisms to safeguard the interest of the government. The government apparently forgoes huge revenue which otherwise would have collected if rates were revised on a regular basis as envisaged by the MMMA 1995.
- f) The comparison of royalty rates of minerals carried out by RAA showed that the export rate applied for dolomite was lower than the rates fixed for other major minerals. It was found that unlike other major minerals the export rates were fixed at par with domestic rate. The RAA computed the notional loss of **Nu.328,860,252.72** on account of inconsistent rate fixed for dolomite if the export rate was fixed at Nu. 100 per MT like other minerals. (Para 4.3.6)

*MoEA in its response stated that it had sought legal opinion on the matter when the draft revised rates were being considered and had come to the understanding that the Ministry does not have executive power to revise tax or levies which can only be approved by the Parliament.*

*On the lower export royalty rates for dolomite, the Ministry provided justification that dolomite has comparatively lower sales value. (Refer Appendix A(i))*

- g) The RAA noted the discrepancies in payment of royalty aggregating to **Nu. 10,410,175.00** on comparison of royalty worked out on the basis of sales quantity as per audited accounts of JMCL from 2009 to 2012 and the quantity dispatched as per DGM. (Para 4.3.3)



*MoEA stated that as far as Department is concerned, the sales quantity of dolomite is well monitored and there should not be any inconsistency from their side. The variation would have resulted from the dispatch of mineral from the number of dolomite powdering units directly, where the royalty levied was charged and recorded in the name of respective powdering units. (Refer Appendix A(i))*

- h) In the absence of any basis for fixation of rates, the RAA is not in position to comment on the rationality of rates derived for different minerals. Besides, the rationality on computation of royalty on the basis of sales quantities of JIPL for minerals extracted by the JMCL could not be understood.

#### **3.4.4 Non-collection of Environmental Restoration Bond (ERB)**

- a) Section 56 of the Mines and Minerals Management Regulations 2002 requires “*the lessee to deposit an environmental bond to the Government as security for mine reclamation and environmental restoration in the mine and for ensuring that the negative impacts on the surrounding environment are minimized*”.
- b) However, the RAA noted that there are 19 mines and quarries operated and closed that have either partially deposited or not deposited the Environmental Restoration Bond as given in the **Annexure II (a)**. There are 17 mines and quarries that have not deposited the ERB and the extent of ERB payable could not be ascertained as shown in the **Annexure II (b)**.
- c) The enforcement authorities have not revised the lease agreement to include the specific clause on ERB invoking clause 44 of MMMA 1995 which states that, “*The holder of a mining lease shall pay taxes and other government levies in accordance with the rates and terms laid down by the Government which may be revised from time to time*”.
- d) Therefore, the government had not been able to collect mandatory deposit of ERB amounting to **Nu. 9,717,944.00** as shown in the **Annexure II (a)**. There were 17 mines and quarries whose contribution in the form of ERB could not be ascertained as shown in the **Annexure II (b)**. It appeared that enforcement authorities have not acted in the interest of the government and environmental concerns were subordinated by inactions and callousness of those responsible.

*MoEA provided specific reference to its response letter provided for Performance Audit on Leasing of Government Land, GRF and Mines (2013) which expressed their inability to collect ERBs from the old abandoned mines. The Ministry indicated that in respect of Annexure II (a) five mines were closed, five were suspended and nine mines were restored. Pertaining to Annexure II(b), the Ministry stated that mines were closed permanently in the category of old cases with either restoration not necessary or naturally restored. (Refer Appendix A(i))*

#### **3.4.5 Lack of controls in transportation of minerals from mine site**

- a) A review of system of transportation of minerals from mine sites to stockyards pertaining to dolomite, gypsum, and coal showed lack of appropriate monitoring controls by the DGM. The common issues noted in all minerals were as discussed below:

- i. In most of the mine sites, mine inspectors from DGM were not fielded at the mine site;
  - ii. The issue of Transport Permits for transportation of minerals from mine site to stockyard was merely a formality. The practice of issuing TP varied and there was no authenticity of information contained in it. The RAA noted that pre-signed TPs were directly issued to company officials at the mine site;
  - iii. There were no weigh bridge installed at the mine site;
  - iv. There were no reconciliations of quantities of materials extracted at mine site and quantities received at stockyards being carried out.
- b) On the basis of above deficiencies, it appeared that there was hardly any control mechanism to keep track of information on actual extraction at the mine site as well as quantities dispatched to stockyard.
- c) These inadequacies have potential for deflection of quantities to places other than stockyards that would result in loss of royalty and other levies to the government.

*MoEA in its response indicated shortage of mine inspectors to cater to large number of mining sites and stated that their presence is mandatory in the check posts, stockyards, weighbridges and other strategic points and thus, dispatches from mining sites to stockyards were adjusted with pre-signed transport permit which were issued only to ensure that the material is transported from the mine. The Ministry ruled out the possibility of deflection, stating that the export is all routed through regulated exits and there is no other exit through which they can export minerals. (Refer Appendix A(i))*

#### **3.4.6 Incorrect information contained in Final Mines Feasibility Study (FMFS)**

- a) The FMFS is the final mineral deposit assessment report containing, in reasonable detail, the technical, financial, environmental and social impact analyses required prior to the approval of a mining lease. Through the review of some of the FMFS, it was noted that there were instances of incorrect information contained in the report, some of which are reproduced below:
- i. The quantities of planned production as per FMFS vis-à-vis actual production varied as high as 279% to -91% indicating incorrectness of information reflected in FMFS;
  - ii. FMFS of most stone quarries in Wangduephodrang indicated requirement for blasting though there was no requirement as most sites were loose soils and also confirmed from mining operators indicating improper studies being conducted;
  - iii. There were instances where mine developers could not construct approach roads as per FMFS but had to realign due to steep gradients or rocky conditions;
  - iv. FMFS had ruled out the presence of any houses close by Hauri Khola in its assessment of social impacts of mining. However, on physical verifications, the RAA noted that there were six households located just above the mine site. Their lands were found severely affected by the mining;



- v. The FMFS and EMP of mine site had indicated dumpsites for overburdens in locations not permissible by the Forest and Nature Conservation Act of Bhutan. It pertained to Damchulum Stone Quarry, Thimphu for which designated dumpsite fell on Damchulum Stream;
  - vi. There were cases of suspension or premature closure of mines due to poor quality of deposits contrary to what was indicated in FMFS deemed to have been validated by technical committee as per Rule 23 of MMR 2002.
- b) Thus, the FMFS which was intended to provide vital information on mining prospects within the technical, economic and social context, on the basis of which approval for mining lease was to be sought, was rendered mere a formality in fulfillment of requirement. There appeared to be total lack of professionalism and monitoring by authorities concerned.
- c) The apathetic attitude manifested as above have potential to undermine nation's aspiration to carry out exploitations of its minerals in a manner compatible with its socio and economic policies and giving due regards to protection of environment and preservation of its religious and cultural heritage.

***MoEA responded that variation in production figure may have resulted due to various reasons such as fluctuations of market which is beyond the control of the mine operators. It also provided justification for errors in determining requirement of blasting as being complicated geological nature of Himalayas. (Refer Appendix A(i))***

## B. COMPANIES REGISTRY

### 3.4.7 Non regulation on related party transactions

- a) Section 89(a) of the Companies Act of the Kingdom of Bhutan 2000 states that *“Except with the consent of the Board of directors of a company, a director of the company or his relative, a partnership firm in which such a director or his relative is a partner, any other partner in such a firm, or a private company of which the director is a shareholder or director shall not enter into any contract with the company for the sale, purchase or supply of any goods, materials or services”*
- b) The RAA noted instances of related party transactions in which public companies entered into business contract with business entity owned by director of the company. The prices were not comparable with prevailing market prices and thus, favouring the business units by mere transfer of secured profits by the company. Some of the instances were as shown below:
- i. The involvement of JIPL a private company formed by promoters of JMCL as intermediary company was seen to give rise to situations of conflict of interest. The rates charged to JIPL was determined in 2005 and it was found never revised since then. **(Para 4.3.1)**
  - ii. RSA Pvt. Ltd owned by Chairman of Druk Satair Corporation Ltd, a public company was involved as intermediary for export of gypsum to Bangladesh and Nepal. The prices charged to the RSA Pvt. Ltd was lower than those charged to

other domestic companies, indicating undue favours extended to the company. As a result, the DSCL had forgone the profit to the tune of **Nu. 45,665,029.58 (Para 5.3.1).**

Besides, it was also noted that 10-12 trucks owned by the spouse of General Manager, Sales Department of DSCL were engaged for outward transportation of gypsum. The involvement of key personnel in the business decision was a clear case of conflict of interest.

- iii. SDEBCCL, a public company engaged in the operation of coal mines had engaged Sherja Hiring Units, a sole proprietorship owned by Chairman cum Managing Director of SDEBCCL for mining and restoration activities. The comparison of hire charges with the BSR showed that the firm was paid at exorbitantly higher rates, due to which the SDEBCCL had forgone the profit amounting to **Nu. 177,844,714.71 (Para 6.3.1).**
- c) The favours extended to the business units owned by directors/MD of the public company were therefore, apparent in the prices charged and rates paid to these business units. These were clear cases of conflict of interest which had affected the company and other stakeholders.
- d) The prevalence of such practice seemed to be facilitated by absence of appropriate mandate for the Registrar of Companies to oversee the related party transaction.

*MoEA responded that there is lack of clarity on the statutory mandate of their office to monitor related party transactions under section 89 of the Act. This is because section 89(1) clearly mandates the board of directors to review the implication of the transaction by a director or its affiliates with the company and give consent to enter into such transaction, if such transaction is not prejudicial to the interest of the company or shareholders. Further, section 75 read with schedule XIV of the Companies Act mandates the statutory auditors to conduct proprietary audit, Performance Audit, Management Audit and Compliance Audit, over and above certification of financial statements and report the same in their report to regulators and the shareholders of the company. Also section 284 of Financial services Act, 2011 subjects all the listed companies under the regulation and supervision of Royal Monetary Authority of Bhutan.*

*The Ministry stated that they have been fully dependent on the disclosure made by the Board of directors in their report and the statutory auditors' report. Further, the statutory auditors have consistently reported, every year, that the related party transactions are not prejudicial to the interest of shareholders and the company, as they found such transactions to be made at reasonable prices when compared with market prices of such transaction between the company and third parties.*

## C. TAX AUTHORITIES

The RAA's review of tax administration of mining companies showed that weak enforcement of taxation laws and rules had resulted in huge revenue loss aggregating to Nu. 119.779 million during the period under review. There were several shortcomings and

weaknesses that impeded effective administration and enforcement of taxation laws and rules as explained below:

### 3.4.8 Inadequate safeguards in assessment of taxes

- a) The review noted instances where ineligible expenses were allowed as deductible expenses which had resulted in substantial reduction in taxable income of the business and resulting in reduced taxes paid to the government. Such instances were as briefly explained below:

- i. The security deposit of Environmental Restoration Bond was allowed as tax deductible expenses for the tax purpose. The ERB is a security deposit which is refundable in nature and not the expenses of the company. The government had forgone aggregate tax of **Nu. 12,471,952.02** by allowing ERB as deductible expenses for JMCL & DSCL (Para 4.3.4 and 5.3.3).

*MoF responded that though it was disallowed initially, the regional tax appeal committee had dropped the disallowance based on the letter provided by the DGM which stated that the ERB was non-refundable in nature. (Refer Appendix A(ii))*

- ii. The RAA noted that fines of **Nu. 5,467,745.00** paid by DSCL were allowed as deductible expenses in contravention to Clause 2.12 of the Rules on Income Tax of the Kingdom of Bhutan 2001. The government was deprived of the revenue of **Nu. 1,643,023.50** on account of such allowance. (Para 5.3.4)

*MoF responded that owing to ambiguity regarding the treatment of this expense booked as being punitive in nature or otherwise, the RTAC had decided to give the benefit of doubt to the tax payer by allowing the deduction on interim basis. The reversal of the deduction permitted by the RRCO is to be reviewed based on the court verdict on the case. (Refer Appendix A(ii))*

- b) This had resulted in reduced taxable profit and taxes paid to the government. The RAA computed revenue forgone aggregating to **Nu. 14,114,975.52** on account of allowing such expenditures as allowable deductions contrary to the provision of the Act.
- c) The RAA noted that ERB was allowed as deductible expenses only for two companies, JMCL and DSCL. Whereas, such charges were not claimed as deductible expenses by SDEBCCL.
- d) The violation to the rules apparently occurred due to lack of safeguards and control mechanisms to check on such unlawful practices.

### 3.4.9 Potential tax payers escaping tax obligations

- a) As per Clause 14, Part II of the Income Tax Act of the Kingdom of Bhutan 2001, the businesses are required to register with the Department within 3 months from the date of establishment. Further, Clause 3, Part II of the Act obliges the businesses for full tax liability from the date when the Business License/Permit is issued. However, the RAA noted that some of the mining units were not registered with the concerned RRCOs. (Para 8.3.5)

- b) Further, there were individual transporters engaged by mining companies not brought within the tax bracket by virtue of Clause 2.6, Part III of the Income Tax Act of the Kingdom of Bhutan which exempts tax on incomes from hire of privately owned vehicles. In most of the cases, these individual transporters do not operate under business licenses but engage as transporters of companies and earn huge income. The companies also do not deduct TDS on incomes earned by transporters as they are not required to pay tax. Clause 2.6, Part III of the Income Tax Act of the Kingdom of Bhutan 2001 requires TDS to be deducted only on payment made to “tax paying entity”. The government had forgone tax revenue of **Nu. 87,990,620.65** (inclusive non-deduction of 3% TDS from non-Bhutanese transporters) on account of such exemptions granted for transporters of JIPL, DSCL and SDEBCL (Para 4.3.8, 5.3.2, 5.3.5, 6.3.4).

*MoF responded that until the Income Tax Act is amended, incomes earned by the unlicensed private transporters cannot be taxed under PIT since the Rules on the Income Tax specifically exempts income from hire of trucks. For CIT purposes, the MOF explained that transportation charges were allowed as deductible expenses as admissible under Rule No. 2.4.6, Part I of the Rules on the Income Tax Act. The Ministry assured to look into the issue when the Department recommends the amendment of the Income Tax Act 2001 to protect the revenue base. (Refer Appendix A(ii))*

- c) An instance of non-declaration of income by one director was noted in JMCL and JIPL. It pertained to commission of Nu. 6,750,000.00 received in 2011. The government was deprived of revenue to the extent of **Nu. 1,687,500.00** on account of PIT. (Para 4.3.2)

*MoF responded that the case of non declaration of commission was detected after cross check of PIT declarations at RRCO based on the information received from RRCO, Samtse on the commission payout to its directors by JIPL and JMCL. The tax and penalty dues were partly realized and the balance amount to be recovered in installments. (Refer Appendix A(ii))*

- d) It appeared that the current database of taxpayers maintained by RRCOs is flawed and incomplete. Though there is a requirement to submit tax clearance certificates for renewal of business licenses, the RAA was not able to understand how some of the business units are excluded from the database. It would be possible only if established controls and procedures were bypassed.
- e) Besides, the tax exemptions granted to individuals owning truck do not seem to be objective in view of huge incomes earned by them. The RAA noted instance of individual transporter earning as high as Nu. 5.292 million in a year but was exempted from paying tax. Such relaxations without instituting appropriate mechanisms to prevent undesired practices only provides incentives to individuals to own multiple trucks without operating through licensed business.
- f) Thus, the inadequacies in the system of registering business firm and individuals and anomalies in provisions of the laws not only cost the government by way of revenue forgone but also undermine the principle of equity and policy of progressive taxations in the society.

### 3.4.10 Non-maintenance of books of accounts by medium & small mining business units

- a) Section 24(I) of Income Tax Act, 2001, states that *“All taxpayers shall maintain and submit accounts and any other documents relevant for the assessment as prescribed in rules by the Ministry”*. Further, Rule 4.2 of the Rules on Income Tax Act provides an exhaustive list of documents/records to be maintained by the business units for correct assessment of taxes and other government levies. The lists includes from basic cash book to final accounts and its associated records.
- b) However, RAA observed that many medium and small scale business units have not maintained proper books of accounts and associated records as required. The cases of non-maintenance of fixed asset registers, stock registers, sales registers, HSD log books, original invoice and lack of supporting documents were practiced rampantly among the mining business units. The business units had also failed adhere to Rules on Income Tax Act, where it specifies that business units need to submit accounts as per the standard formats specified for each scale of business units.
- c) In absence of vital documents pertaining to business units, the team could not vouch for veracity of the information submitted by these business units.
- d) The maintenance of proper books of accounts would undoubtedly facilitate in determining correct amount of tax to be paid and provide appropriate measures to improve the performance of the business.
- e) While the tax authority had repeatedly warned or emphasized on above sets of documents, the individual business units had not heeded or complied with the recommendations. It appeared that business units are not sufficiently encouraged through appropriate incentives to maintain requisite records and make it preferred choice of every business.

## 3.5 INFORMATION MANAGEMENT SYSTEM

The RAA reviewed the information management systems of the Department of Geology and Mines to see reliability, correctness and completeness of information through adequate documentations as required by the MMMA 1995. Several systemic deficiencies were noted in the documentation process and information management in the Department as well as the regional offices which are explained below:

### 3.5.1 Non-establishment of registry titles

- a) The clause 8 of Mines and Mineral management Rules and Regulations 2002 states that *“The Registry of Mineral Titles is established within the DGM to maintain accurate registers, maps, and technical and financial records of mining leases under Article 14(vii) of the MMMA”*. Further, clause 9 of MMR 2002 specifies that *“The Registry of Mineral Titles shall collect and maintain the documents listed in Annex 3 of this Regulation”*. The regulation specifies various documents to be stored by DGM and make available to any person upon demand within a reasonable time. Some of the documents are listed as follows; reference maps of explorations programs, Index of lessees & approved mineral prospectors, FMFS & EMP reports, Royalties charged, updated mining plans etc.

- b) However, there is no such establishment in the DGM. At present, all the related documents were maintained by respective engineers responsible for the assignments. There is no specified data manager or common data management system. As a result, RAA noted that documents from DGM offices were not managed properly. Instances were noted where documents such as official notifications, financial records on government levies, annual, quarterly, and monthly reports submitted by individual business units were misplaced.
- c) The establishment of such unit would help to provide reliable, up-to-date and comprehensive information to the concerned agencies. This would also help the mining division to maintain and disseminate accurate information for users and aid in effective and efficient decision making. Besides, as a regulatory body in the mining sector, proper documentation would facilitate effective monitoring and enforcement on the basis of information contained in it.

***MoEA agreed on the need to establish registry titles to facilitate information dissemination for improved decision making and monitoring. (Refer Appendix A(i))***

### 3.5.2 Lack of database on minerals

- a) Section 14 (vii) of Mines and Mineral Management Act 1995 states that “*The functions of the mining division shall be....to maintain registers, maps and appropriate technical and financial records of all the mining leases*”.
- b) On review, it was noted that DGM does not have central database on mines as required under the mining regulations. The current practice of information management is rather ad-hoc and unsystematic as observed during the audit:
- The hardcopies of records were not managed systematically rendering difficulty in retrieving;
  - The forms and formats adopted by different units under department and regional offices were not consistent;
  - The reconciliation of figures at points of entry and exit were not carried out with figures maintained by business units, raising question on information integrity and reliability;
  - There were instances of irregular submission of report by the operating mines. The following table shows variation in maintenance of financial records by regional offices and DGM head offices.

Sl. No.	DGM Head & Regional Offices	Data management system	Annual/half-yearly/Quarterly/monthly reports
1	Thimphu Head office	No consolidated financial records	Mostly missing
2	Khasadrapchu Regional Office	Financial year wise	Mostly missing
3	Samtse Regional Office	Financial year wise	No records
4	Gomtu Regional office	Financial year wise	Mostly missing
5	Phuntsholing regional office	Financial year wise	Mostly missing
6	Samdrup Jongkhar regional	Income year wise	Mostly missing



	office		
7	Wangdue Regional Office	Financial year wise	No records

- c) It appeared that these reports were collected merely for fulfilling the mandates specified in the MMR 2002. The way these documents were maintained, it is doubtful if these documents were of any use.

***MoEA responded that problem of information management is not confined to mining sector but is a national issue with differences in data records across all sectors. Based on the urgency of issue, the Ministry insisted RAA to highlight it as an urgent priority action to be taken by the Royal Government. The Ministry also shared some of the recent initiatives undertaken to improve the information management system. (Refer Appendix A(i))***

### 3.6 SERVICE DELIVERY

The Department of Geology and Mines as the authority for enforcement of MMR 2002 is charged with the overall administration of mining leases. The department is entrusted with the responsibility of approving mine leases as per the procedures laid down in the MMR 2002. The RAA reviewed the approval process of mining leases submitted by various mine proponents to see whether the department had complied with the rules in processing of applications and that the services are delivered within the prescribed timeframe through adoption of clear procedures and delineation of responsibilities within the department and relevant authorities.

The review showed that there were huge delays in the approval of applications caused by unsystematic procedures, unclear delineation of responsibilities within the department and lack of proper coordination with relevant authorities in obtaining clearances. The issues are as discussed below:

- a) The analysis of data provided by the DGM showed that there were 587 applications received during the period June 2009 to January 2014. It was found that only 10 applications were approved.
- b) The approved applications had taken minimum of 64 weeks to 176 weeks for its final approval and commencement of the lease.
- c) However, it was noted that lease application of Dungsam Cement for limestone mine had taken only 16 weeks.
- d) Delays were caused at various levels within the department, Dzongkags and NEC. As on date of audit (June 1, 2014), the pending applications had already exceeded the prescribed timeframe by 118 to 1,711 days.
- e) Of the 587 applications made, 361 applications were pending at DGM and relevant authorities. The remaining 226 applications included those already approved, rejected by department on not being suitable on further appraisals and others being rejected by relevant authorities.
- f) Of the 361 pending applications, 158 applications were pending at the DGM because the sites were not visited by the department, 78 applications remained pending with the department for other reason, 108 applications remained pending at Dzongkhag, 8

applications remained pending at the NEC and 9 applications remained pending at the DGM because the proposed sites coincided with other applications.

- g) As apparent from the analysis, except for the Dungsam Cement's application, none of the applications were processed within the time prescribed by the MMR 2002.
- h) Further review of the systems adopted for processing lease applications showed that there were no systematic processes designed for receiving of applications appropriately by recording the receipt and control procedures to track movement of applications within various Divisions/units or relevant agencies such as Dzongkhags and NEC.
- i) Thus, it appeared that control procedures are flawed through unsystematic procedures adopted in processing of applications. The monitoring of applications is therefore, rendered ineffective as there were no recorded movement of applications within divisions and to/from other agencies.

***MoEA in its responses stated various reasons for not being able to carry pre-feasibility study of all the mining applications received by the department such as failure of applicants to report to site, unable to track applicants, shortage of manpower and constraint of travel budget. (Refer Appendix A(i))***



## CHAPTER 4: DOLOMITE

### 4.1 BACKGROUND

The potential reserve of dolomite in the country is estimated to be very high. As per the Corporate Profile of M/s Jigme Mining Corporation Ltd. (JMCL), the reserve is estimated to be about 10 billion metric tons (MT) spreading over 50 kilometers in the south-west part of Bhutan.

In 2005, Lhaki Group had won the rights to dolomite mines at Chunaikhola and Sunargaon for a period of fifteen years at the bid value of Nu.390.00 million. As required under the auction regulations, the Lhaki Group formed JMCL, a public company, for extraction and operations of the mines. The company had started the mining operations at Chunaikhola Dolomite Mine which has a proven reserve of 21 million MT. However, the operations at Sunargaon Dolomite Mine has not started.

M/s JMCL extracts the dolomite boulders and sells it to Jigme Industries Private Limited (JIPL), a company formed by promoters of JMCL. The JIPL engages in crushing and screening dolomite boulders and making it into assorted sizes. It sells the product to India and Bangladesh. It also supplies to domestic firms like, Jigme Polytex Pvt. Ltd., Bhutan Crushing Unit, Chundu Crushing Unit, Kenpa Crushing Unit and Samden Crushing Unit, which further export to India and Bangladesh. The chain of dolomite business is exhibited in Figure 4.1.

**Figure 4.1: Flow Chart showing the current practice of exporting dolomite business**



**Note:** Average selling price for export to India by JIPL was provided by the company and selling price to JPPL and others are average prices (mode) prevailing in December 2012

Dolomite mining is a lucrative venture operated by the Jigme Mining Corporation Limited (JMCL), a public company formed with 70% of shares held by three promoters and 30% owned by general public. Its shares are traded at Nu. 900 per share, which is the highest traded share in the Royal Securities Exchange of Bhutan Limited. The proportion of shareholdings of the company is as shown in **Table 4.1**.

**Table 4.1: Shareholding pattern of the JMCL**

Sl. No.	Name of the Shareholders	Initial Shareholding Pattern		Existing Shareholding Pattern (as on 31 <sup>st</sup> Dec. 2013)	
		% of shareholdings	No. of Shares	% of shareholdings	No. of Shares
1	Dasho Ugyen Dorji (Chairman)	28%	79,600	27.99%	1,592,000
2	Dasho Ugyen Tshechup Dorji	28%	79,600	29.15%	1,657,930
3	Mr. Rinzin Ongdra Wangchuk	14%	39,800	13.99%	796,000
4	General Public	30%	85,300	29.15%	1,641,700
	<b>TOTAL</b>	<b>100%</b>	<b>284,300</b>	<b>100%</b>	<b>5,687,630</b>

The JMCL earns income by selling dolomite boulders to Jigme Industries Pvt. Limited (JIPL) at a price (Nu 260 per MT) agreed between the two companies in 2005. The JMCL owns 51% shares in JIPL as shown in **Table 4.2**.

**Table 4.2: Shareholding pattern of the JIPL**

Sl. No.	Name of the Shareholders	% of shareholdings	No. of Shares	Value of shares (in Nu.)
1	M/s JMCL	51.00%	44,610	4,461,000.00
2	Dasho Ugyen Dorji	19.60%	17,144	1,714,400.00
3	Dasho Ugyen Tshechup Dorji	19.60%	17,144	1,714,400.00
4	Mr. Rinzin Ongdra Wangchuk	09.80%	8,572	857,200.00
	<b>TOTAL</b>	<b>100%</b>	<b>87,470</b>	<b>8,747,000.00</b>

## 4.2 CONTRIBUTION FROM MINING OF DOLOMITE TO THE COUNTRY'S ECONOMY

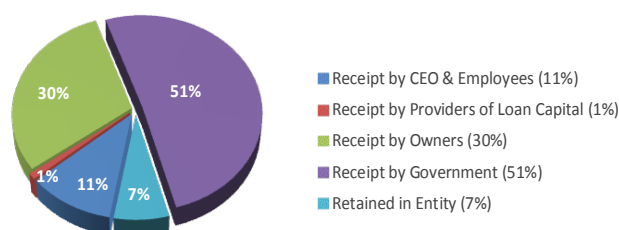
The operations of the dolomite mining have benefitted the country's economy through revenue contribution to the government in the form of taxes and other levies aggregating to Nu. 920.98 million during the last five years 2008-2012 as shown in the **Table 4.3**. Besides, there are also other contribution through generation of employment and spurring economic activities in the country.

As can be seen from the **Table 4.3**, there had been sizable amount of wealth generated from dolomite mining during the last five years from 2008 to 2012, aggregating net worth contribution of Nu. 1,789.74 million from JMCL and JIPL. The benefits of wealth created through dolomite mining were accrued to various stakeholders viz., government in the form of taxes and levies, owners in the form of dividends, employees in the form of salary and other benefits, financial institutions in the form of interest on loans, and companies in form of retained earnings. The benefits accrued to different stakeholders during the last five years (2008-2012) are shown in the **Table 4.3** and **Figure 4.2** representing Value Added Statement (being the amount of total value added by the business distributed among various stakeholders).

**Table 4.3: Distribution of wealth generated from the dolomite mining during the period from 2008 to 2012**

Particulars	JMCL		JIPL		TOTAL	
	Amount (in million Nu.)	% Share	Amount (in million Nu.)	% Share	Amount (in million Nu.)	% Share
<b>Net Value Added (NVA)</b>	<b>1,170.59</b>		<b>619.14</b>		<b>1,789.74</b>	
<b>Receipt by CEO &amp; Employees:</b>	<b>72.84</b>	<b>6</b>	<b>118.41</b>	<b>19</b>	<b>191.25</b>	<b>11</b>
(a) CEO	20.19	2	4.22	1	24.41	2
(b) Others	52.65	4	114.19	18	166.84	9
<b>Receipt by Providers of Loan Capital:</b> □	<b>8.09</b>	<b>1</b>	<b>12.12</b>	<b>2</b>	<b>20.21</b>	<b>1</b>
(a) Bank Charges	0.58	0	3.09	0	3.66	0
(b) Interest on Loans	7.51	1	9.02	1	16.52	1
(c) Interest on Overdraft	0.01	0	0	0	0.01	0
<b>Receipt by Owners:</b> □	<b>253.44</b>	<b>22</b>	<b>270.78</b>	<b>44</b>	<b>524.21</b>	<b>30</b>
(a) Promoters/Directors	191.58	16	233.04	38	424.62	24
(b) Public (Dividend)	61.85	5	37.74	6	99.59	6
<b>Receipt by Government:</b>	<b>761.23</b>	<b>65</b>	<b>159.75</b>	<b>26</b>	<b>920.98</b>	<b>51</b>
(a) CIT (incl. Tax paid for earlier yr.)	298.21	25	145.25	23	443.46	25
(b) Royalty & Mineral Rent	332.43	28	14.50	2	346.93	19
(c) Surface Rent	0.51	0	-	0	0.51	0
(d) Lease Charges	130.08	11	-	0	130.08	7
<b>Retained in Entity:</b>	<b>75.00</b>	<b>6</b>	<b>58.08</b>	<b>9</b>	<b>133.08</b>	<b>7</b>
Transfer to General Reserve	75.00		58.08		133.08	
<b>TOTAL</b>	<b>1,170.59</b>	<b>100</b>	<b>619.14</b>	<b>100</b>	<b>1,789.74</b>	<b>100</b>

The combined value added statement for JMCL and JIPL as shown in **Figure 4.2** show proportion of wealth distribution to different stakeholders. The highest share of 51% was accrued to the government, 30% to owners, 11% to employees, 1% to financial institutions and 7% retained in the business.

**Figure 4.2: Distribution of aggregate wealth generated from dolomite business over a period of 2008-12**

### 4.3 FINDINGS

The RAA's review and analyses of the dolomite business process showed that, besides the extraction company JMCL, there are other business units engaged as intermediaries in purchase and export of minerals. The biggest intermediary business unit, JIPL is owned by promoters of JMCL and it is the only intermediary company that purchases dolomite from JMCL. Other intermediary business units purchase dolomite from JIPL for further processing and sale.

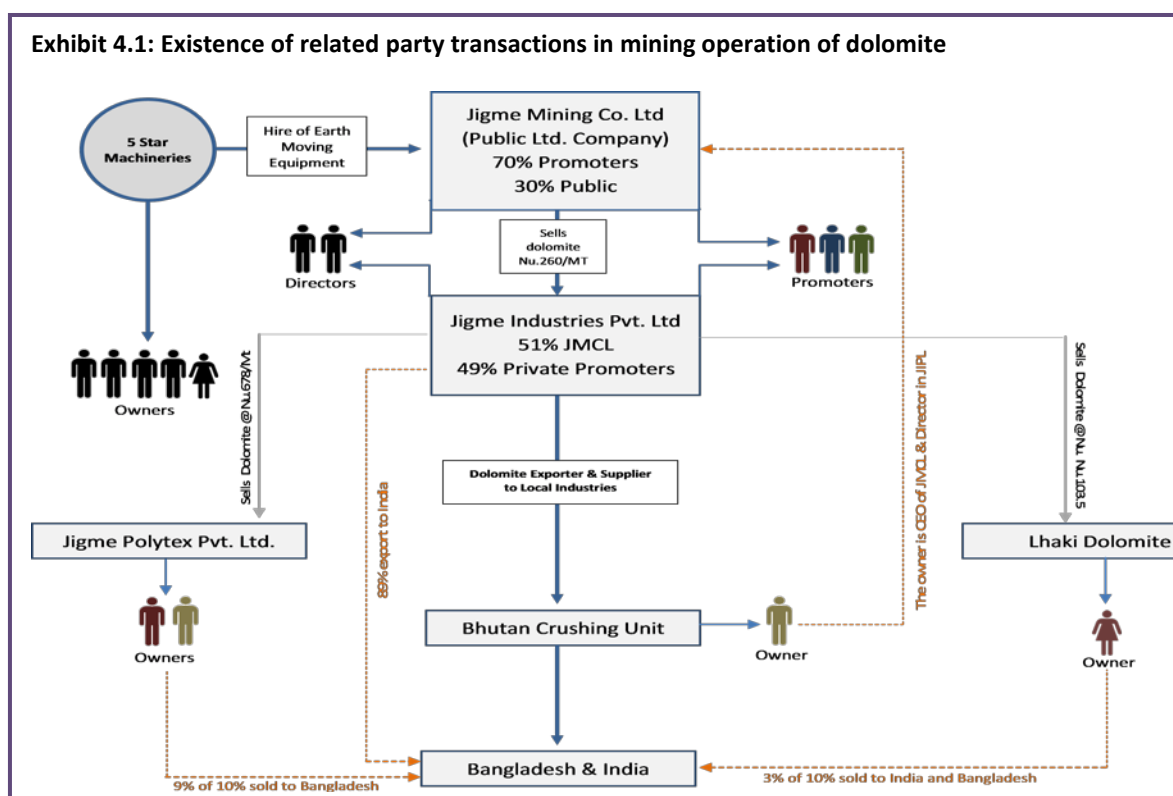
The review revealed that the existence of relationships between major companies, especially JMCL and JIPL by way of common ownership and their substantial shareholdings in both companies had apparently resulted in confinement of almost whole dolomite business within these related parties. Confining the dolomite business only with the JIPL was not in line with the objectives of spreading the business as outlined in the Government notification issued by the Department of Geology and Mines under notification no X-

11/DGM/2004/2639 dated 8<sup>th</sup> March 2005. It appeared that the business transactions were basically driven by common interest of the promoters. The existence of conflict of interest was apparent and the business contracts entered into between JMCL and JIPL did not seem to be carried out at arm's length basis. Such practices were seen to be prejudicial to the interest of minority shareholders as well as other stakeholders.

The RAA noted the existence of related party transactions and numerous inconsistent practices that had ensued from inadequacies either in legal and policy framework or oversight and control mechanisms in the enforcements of regulations. These inconsistent practices besides, undermining good practices and principles of corporate governance had also acted against the interest of other stakeholders particularly, the government and minority shareholders.

#### 4.3.1 Existence of related party transactions in dolomite mining

- a) The extraction of dolomite is carried out by JMCL which further sells to JIPL, a private intermediate company formed by JMCL and its promoters. There are few other private business units which buy dolomite from JIPL and export after crushing the boulders into powder form. The analysis showed that JIPL sells 90% of minerals directly to India, 9% to JPPL, owned by Chairman of JMCL and JIPL and 1% to other local business units as shown in the **Figure 4.1**.
- b) The relationship among business units involved in dolomite business in the form of ownership and control is as depicted in **Exhibit 4.1**. As can be seen from the Exhibit, parties are related by virtue of share holdings of promoters in multiple business units in mining business.



*While JMCL had agreed on the existence of relationship among business units involved in dolomite business, it justified that these are all legal business units, which are also disclosed in the annual audited accounts. (Refer Appendix A(iii))*

- c) The JMCL sells dolomite to JIPL at agreed prices fixed in 2005 @ Nu 260 per MT. Average sale price of JIPL for export to India was Nu 518.22 per MT (2012) which was about 99% over the sale price of JMCL. Since then the prices were never revised which showed to prove that prices were not based on prevailing market rates or at arms-length basis. Such arrangements only revealed the strategy of transferring profit margin of JMCL to JIPL and such business dealings could have been possible only due to the common ownership of the promoters in both the companies.

*JMCL responded that under normal circumstances, the unit price should have reduced with the increase in sales volume. The company maintained that the JIPL had increased the sale volumes of JMCL with little fluctuations in realization price from 2008-12. However, they have not responded on the issue of selling price to India, which is 99% over the selling price of JMCL. (Refer Appendix A(iii))*

- d) On review of nature of operations carried out by JIPL, it appeared that its creation as a separate private company was not necessitated. Formation of JIPL apparently had not entailed huge investment and advanced technology as it is engaged merely for crushing, screening and marketing of dolomite which could have been retained by JMCL as extension to its line of business. Creation of JIPL as a separate private company provided avenues for promoters to further their interests at the cost of a public company particularly minority shareholders.
- e) As required by the Terms and Conditions of auction document, JMCL was formed with 30% public holdings and 70% by three promoters. An intermediary company, JIPL was formed with 51% shareholding by JMCL and 49% by three promoters of JMCL. With the formation of JIPL, the overall holdings of minority shareholders have been reduced to 26.5% as illustrated in **Table 4.4**.

**Table 4.4: Illustration of combined shareholdings in JMCL & JIPL based on initial holding pattern**

Shareholders	JMCL		JIPL		Total	
	No. of shares	% Holding	No. of shares	% Holding	No. of shares	% Holding
Promoters	199,000	70%	74,087	84.70%	273,087	73.46%
Public	85,300	30%	13,383	15.30%	98,683	26.54%
<b>Total</b>	<b>284,300</b>	<b>100%</b>	<b>87,470</b>	<b>100%</b>	<b>371,770</b>	<b>100%</b>

- f) The above analysis showed that the effective holdings of minority shareholders were reduced from 30% to 26.54% after formation of JIPL. On the other hand, the holdings of promoters had increased from 70% to 73.5%.
- g) Thus, the formation of JIPL was not in the interest of minority shareholders as it had resulted reduction in their effective shareholdings.
- h) The creation of separate intermediate private company besides diluting the holdings of minority and enhancing the interest of the promoters may have violated the terms and conditions as laid down in the auction dated 8<sup>th</sup> March 2005 which requires

*“successful bidder must form a company and float 30% shares from his total shares, to the public of twenty Dzongkhags”.*

*JMCL responded that it was formed with 30% shares made available to public in line with the conditions of the Auction and stated that neither the auction terms nor the Companies Act of the Kingdom of Bhutan 2000 prohibited JMCL from forming a subsidiary company. All the decisions were said to be made by the JMCL Board within the legal framework of the country. (Refer Appendix A(iii))*

- i) As responded by JMCL the formation of subsidiary company is not prohibited by any law. However, RAA's concern was on dilution of minority shareholdings with the formation of subsidiary company. Such practices by public companies do not appear to be fair and just.

#### **4.3.2 Distribution of wealth generated from the Dolomite businesses**

The financial statements of JMCL and JIPL during the period 2008-12 showed significant profits and value additions in the dolomite business. The RAA intended to review distributional pattern of wealth generated from dolomite business and values accrued to different stakeholders namely government in the form of taxes and levies, shareholders in the form of dividend payouts, employees in the form of salaries and other remunerations, and the company in terms of plough back of profits as shown in **Table 4.3** and detailed in **Exhibit 4.2 and 4.3**.

The review provided to show disparities in the incomes derived by the directors, CEOs, promoters, employees and minority shareholders. The disparities in income distribution among different stakeholders may be expected on account of varying stakes in the form of shareholdings of owners and competencies of employees. However, the concern is on disproportionate incomes derived by controlling shareholders who elect themselves to the board and their direct family member occupying top executive position drawing huge remunerations in the form of salaries, commissions and donations undermining principles and practices of good corporate governance as a public limited company. The absence of specific law or regulations on such practices apparently has provided avenues for furtherance of the interest of the controlling shareholders as discussed below:

##### **A. CEO and Employees**

- i. The two companies, JMCL and JIPL provide employment to 53 and 160 employees respectively. As shown in the **Table 4.3**, an aggregate of 10% of the wealth generated by the two companies for the last five years (2008-2012) goes to CEO and employees of the companies.

The analysis to ascertain the proportion of wealth derived by the CEO and other employees as shown in the **Exhibit 4.2 and 4.3** revealed disparities to the extent of 1:2 and 1:19 in JMCL and JIPL respectively. The ratios of strength of CEO to employees were 1:52 and 1:159 in JMCL and JIPL. In other words, CEO of JMCL draws Nu. 20.19 million and 52 other employees draw Nu. 52.65 million in the form of salaries and other remunerations (i.e, on average a CEO earns Nu. 4.038 million per annum and an employee on an average earns Nu. 0.203 million per annum). Similarly, the CEO of JIPL draws Nu. 4.22 million and 159 other employees draw Nu. 114.19 million (i.e on

Exhibit 4.2: Value Added Statement for Jigme Mining Corporation Limited (Period: 1st January 2008 to 31st December 2012)

Particulars	2008		2009		2010		2011		2012		TOTAL	
	Amount in mil Nu.	% Share	Amount in mil Nu.	% Share	Amount in mil Nu.	% Share	Amount in mil Nu.	% Share	Amount in mil Nu.	% Share	Amount in mil Nu.	% Share
<b>Sales</b>	212.14		252.56		304.39		314.59		353.22		1,436.90	
Add: Income from services (dividends, etc.)	8.94		10.93		24.06		34.76		41.74		120.44	
<b>Gross Income</b>	<b>221.08</b>		<b>263.49</b>		<b>328.44</b>		<b>349.35</b>		<b>394.97</b>		<b>1,557.33</b>	
<b>Less: Bought-in-goods and services from outsiders</b>	<b>27.10</b>		<b>29.85</b>		<b>34.77</b>		<b>48.11</b>		<b>67.71</b>		<b>207.54</b>	
(a) Earth Moving Equipment - Hiring	17.92		13.67	-	14.51		15.65		21.17		82.91	
(b) Others (Repairs & Maint., Selling & Distb., etc)	9.18		16.19	-	20.27		32.46		46.54		124.63	
Add: Balance b/f from previous year	4.75		33.31		67.45		103.62		135.39		344.52	
Less: Balance carried to Balance Sheet	33.31		67.45		103.62		135.39		171.56		511.33	
<b>Gross Value Added (GVA)</b>	<b>165.43</b>		<b>199.50</b>		<b>257.49</b>		<b>269.47</b>		<b>291.08</b>		<b>1,182.98</b>	
Less: Depreciation	1.87		2.08		2.18		2.13		4.14		12.38	
<b>Net Value Added (NVA)</b>	<b>163.56</b>		<b>197.43</b>		<b>255.32</b>		<b>267.35</b>		<b>286.95</b>		<b>1,170.59</b>	
<b>Receipt by Workers/Employees: □</b>	<b>7.57</b>	<b>5</b>	<b>9.24</b>	<b>5</b>	<b>15.07</b>	<b>6</b>	<b>18.13</b>	<b>7</b>	<b>22.82</b>	<b>8</b>	<b>72.84</b>	<b>6</b>
(a) CEO:	2.00	1	2.59	1	3.41	1	6.07	2	6.13	2	20.19	2
Salary	1.80		2.34		2.34		6.00		6.00		18.48	
Sitting Fees	0.05		0.05		0.05		0.07		0.13		0.35	
LTC	0.15		0.20		0.20		-		-		0.54	
Others (Medical Expenses, etc.)	-		-		0.82		-		-		0.82	
(b) Others	5.57	3	6.65	3	11.67	5	12.06	5	16.69	6	52.65	4
<b>Receipt by Providers of Loan Capital: □</b>	<b>0.59</b>	<b>0</b>	<b>0.18</b>	<b>0</b>	<b>7.14</b>	<b>3</b>	<b>0.16</b>	<b>0</b>	<b>0.03</b>	<b>0</b>	<b>8.09</b>	<b>1</b>
(a) Bank Charges	0.09		0.13		0.18		0.16		0.03		0.58	
(b) Interest on Loans	0.50		0.05		6.96		-		-		7.51	
(c) Interest on Overdraft	0.00		0.01		-		-		-		0.01	
<b>Receipt by Owners: □</b>	<b>20.20</b>	<b>12</b>	<b>30.14</b>	<b>15</b>	<b>58.00</b>	<b>23</b>	<b>72.47</b>	<b>27</b>	<b>72.63</b>	<b>25</b>	<b>253.44</b>	<b>22</b>
(a) Director:	14.23	9	21.19	11	45.20	18	55.41	21	55.56	19	191.58	16
Dividend	13.93		20.90		29.87		39.81		39.81		144.32	
Sitting Fees	0.30		0.29		0.33		0.59		0.75		2.26	
Commission	-		-		15.00		15.00		15.00		45.00	
(b) Public (Dividend):	5.97	4	8.96	5	12.80	5	17.06	6	17.06	6	61.85	5
<b>Receipt by Government:</b>	<b>120.20</b>	<b>73</b>	<b>142.87</b>	<b>72</b>	<b>160.10</b>	<b>63</b>	<b>161.59</b>	<b>60</b>	<b>176.47</b>	<b>62</b>	<b>761.23</b>	<b>65</b>
(a) CIT (incl. Tax paid for earlier year)	45.46		61.21		63.78		64.11		63.66		298.21	
(b) Royalty & Mineral Rent	48.69		55.59		70.13		71.34		86.68		332.43	
(c) Surface Rent	0.05		0.05		0.18		0.11		0.11		0.51	
(d) Lease Charges	26.00		26.02		26.02		26.02		26.02		130.08	
<b>Retained in Entity:</b>	<b>15.00</b>	<b>9</b>	<b>15.00</b>	<b>8</b>	<b>15.00</b>	<b>6</b>	<b>15.00</b>	<b>6</b>	<b>15.00</b>	<b>5</b>	<b>75.00</b>	<b>6</b>
Transfer to General Reserve	15.00		15.00		15.00		15.00		15.00		75.00	
<b>Net Value Added (NVA)</b>	<b>163.56</b>	<b>100</b>	<b>197.43</b>	<b>100</b>	<b>255.32</b>	<b>100</b>	<b>267.35</b>	<b>100</b>	<b>286.95</b>	<b>100</b>	<b>1,170.59</b>	<b>100</b>



**Exhibit 4.3: Value Added Statement for Jigme Industries Private Limited (Period: 1st January 2008 to 31st December 2012)**

Particulars	2008		2009		2010		2011		2012		TOTAL	
	Amount in mil Nu.	% Share	Amount in mil Nu.	% Share	Amount in mil Nu.	% Share	Amount in mil Nu.	% Share	Amount in mil Nu.	% Share	Amount in mil Nu.	% Share
<b>Sales</b>	416.39		507.36		619.78		657.03		839.14		3,039.71	
Add: Other income (House rent, misc., etc)	0.29		0.55		0.25		1.73		0.31		3.13	
Add: Increase/Decrease in stock of finished goods	14.09		(0.78)		(5.82)		31.04		(16.06)		22.48	
<b>Gross Income</b>	<b>430.78</b>		<b>507.13</b>		<b>614.21</b>		<b>689.80</b>		<b>823.39</b>		<b>3,065.32</b>	
<b>Less: Bought-in-goods and services from outsiders</b>	<b>338.84</b>		<b>413.34</b>		<b>490.53</b>		<b>532.72</b>		<b>663.47</b>		<b>2,438.91</b>	
(a) Consumption of raw materials	265.11		304.23		366.39		399.38		438.63		1,773.74	
(b) Earth Moving Equipment	16.41		16.63		16.17		19.69		53.45		122.35	
(c) Loading & Unloading	13.60		20.43		32.00		32.29		54.54		152.86	
(d) Agents' Commission	25.22		33.02		47.33		54.87		75.25		235.70	
(e) Others	18.50		39.03		28.64		26.49		41.61		154.27	
Add: Balance b/f from previous year	31.14		27.82		30.58		23.31		15.45		128.30	
Less: Balance carried to Balance Sheet	27.82		30.58		23.31		15.45		4.96		102.12	
<b>Gross Value Added (GVA)</b>	<b>95.26</b>		<b>91.02</b>		<b>130.95</b>		<b>164.94</b>		<b>170.41</b>		<b>652.59</b>	
Less: Depreciation	5.94		6.70		6.80		6.83		7.17		33.44	
<b>Net Value Added (NVA)</b>	<b>89.32</b>		<b>84.32</b>		<b>124.16</b>		<b>158.11</b>		<b>163.24</b>		<b>619.14</b>	
<b>Receipt by Workers/Employees: □</b>	<b>16.94</b>	<b>19</b>	<b>21.12</b>	<b>25</b>	<b>22.99</b>	<b>19</b>	<b>25.66</b>	<b>16</b>	<b>31.70</b>	<b>19</b>	<b>118.41</b>	<b>19</b>
(a) CEO:	0.87	1	0.90	1	0.70	1	0.78	0	0.97	1	4.22	1
Salary	0.78		0.78		0.62		0.67		0.81		3.66	
Sitting Fees	0.04		0.05		0.03		0.09		0.13		0.33	
LTC	0.05		0.07		0.05		0.03		0.03		0.23	
(b) Others	16.07	18	20.22	24	22.29	18	24.88	16	30.73	19	114.19	18
<b>Receipt by Providers of Loan Capital: □</b>	<b>3.21</b>	<b>4</b>	<b>1.44</b>	<b>2</b>	<b>4.85</b>	<b>4</b>	<b>2.19</b>	<b>1</b>	<b>0.44</b>	<b>0</b>	<b>12.12</b>	<b>2</b>
(a) Bank Charges	1.33		0.43		0.85		0.17		0.32		3.09	
(b) Interest on Loans	1.88		1.01		3.99		2.02		0.13		9.02	
<b>Receipt by Owners: □</b>	<b>31.72</b>	<b>36</b>	<b>31.70</b>	<b>38</b>	<b>60.27</b>	<b>49</b>	<b>73.49</b>	<b>46</b>	<b>73.60</b>	<b>45</b>	<b>270.78</b>	<b>44</b>
(a) Director:	26.90	30	26.88	32	52.24	42	63.45	40	63.57	39	233.04	38
Dividend	15.43		15.43		25.72		32.15		32.15		120.87	
Sitting Fees	0.23		0.21		0.29		0.39		0.50		1.61	
Commission	-		-		7.50		7.50		7.50		22.50	
(b) Public (Dividend):	4.82	5	4.82	6	8.03	6	10.04	6	10.04	6	37.74	6
<b>Receipt by Government:</b>	<b>27.45</b>	<b>31</b>	<b>21.49</b>	<b>25</b>	<b>24.75</b>	<b>20</b>	<b>42.34</b>	<b>27</b>	<b>43.72</b>	<b>27</b>	<b>159.75</b>	<b>26</b>
(a) CIT (incl. Tax paid for earlier year)	27.45		21.49		24.75		38.72		32.83		145.25	
(b) Royalty	-		-		-		3.61		10.89		14.50	
<b>Retained in Entity:</b>	<b>10.00</b>	<b>11</b>	<b>8.56</b>	<b>10</b>	<b>11.30</b>	<b>9</b>	<b>14.44</b>	<b>9</b>	<b>13.78</b>	<b>8</b>	<b>58.08</b>	<b>9</b>
Transfer to General Reserve	10.00		8.56		11.30		14.44		13.78		58.08	
<b>Net Value Added (NVA)</b>	<b>89.32</b>	<b>100</b>	<b>84.32</b>	<b>100</b>	<b>124.16</b>	<b>100</b>	<b>158.11</b>	<b>100</b>	<b>163.24</b>	<b>100</b>	<b>619.14</b>	<b>100</b>



average, the CEO earns Nu. 0.844 million per annum and an employee earns Nu. 0.144 million per annum).

- ii. The CEO of the JMCL currently draws monthly salary of Nu. 500,000.00. A comparison of the monthly salary drawn by the CEO of the JMCL with that of the CEOs of State Owned Enterprises (SOEs) operating in the country as shown in the **Table 4.5** revealed disparities ranging from 247% to 513%.

Sl. No.	Position level	Salary per month (in Nu.)	Differences (in %)
1	CEO, Jigme Mining Co. Ltd.	500,000.00	N/A
2	CEO, Druk Holdings & Investments	144,064.00	247%
3	MD, Druk Green Power Corporation Ltd.	137,593.00	263%
4	MD, Bhutan Power Corporation Ltd.	112,500.00	344%
5	CEO, Bhutan Telecom Ltd.	101,500.00	393%
6	CEO, Bank of Bhutan Ltd.	108,288.00	362%
7	CEO, Drukair Co. Ltd	106,500.00	369%
8	CEO, Natural Resources Development Corporation Ltd.	81,500.00	513%

*Note: Salaries of CEOs as on December 2012*

The Compression Ratio reflecting salary differential in JMCL was compared with the civil service and overall salary compression ratio ascertained by the Second Pay Commission Report as shown in the **Table 4.6**.

Position Level	JMCL	Civil Service	Public Sector
Highest Level	CEO's salary	EX1/ES1's salary	Prime Minister's salary
Lowest Level	Grade XVII (Lowest) Salary inclusive of 30% corporate allowance	O4 (Lowest level in the Occupational category)	P5 (Entry level in professional category in Civil Service)
Compression Ratio	63.21	6.7	7.5

*Note: Compression ratio for Civil Service and Public Sector as computed by the Second Pay Commission*

As seen from the **Table 4.6**, salary compression ratio in JMCL is 63.21 times as compared to 6.7 and 7.5 in Civil Service and Public Sector respectively, indicating the existence of huge disparity in salary structure in a public limited company. The JMCL employs 52 workers with lowest grade (XVII) salary of Nu. 7,910.00 (including 30% corporate allowance) per month while the CEO draws Nu. 500,000.00 per month.

***JMCL provided the justification that remuneration of CEO was decided by the Board and ratified in the Annual General Meeting based on the performance of the company. Further, it pointed out that there is no governing policy regulating remunerations to CEOs. (Refer Appendix A(iii))***

- iii. Besides, the CEO of JMCL in the capacity of a Vice-Chairman cum Managing Director of the Lhaki Cement Pvt. Limited is also drawing a separate monthly salary of Nu. 108,000.00 from Lhaki Cement Pvt. Ltd.

***JMCL replied that Lhaki Cement is a sole proprietorship business under the ownership of Dasho Ugen Dorji. Thus, as a sibling of the proprietor, the CEO was engaged for***

*monitoring the affairs of Lhaki Cement on remuneration for which PIT was paid. (Refer Appendix A(iii))*

## B. Shareholders

- i. The owners comprise of three promoters who have 70% shareholdings in JMCL and 84.70% in JIPL and minority shareholders having 30% and 15.30% in JMCL and JIPL respectively. As shown in the **Table 4.3**, an aggregate of Nu. 524.21 million, representing 30% of the wealth generated by the two companies for the last five years (2008-2012) was accrued to shareholders of two companies.

Further analysis showed that the promoters/directors had drawn Nu. 191.58 million and Nu.233.04 million from JMCL and JIPL respectively in the form of dividends, commissions and sitting fees over the five years. The minority shareholders in JMCL and JIPL get Nu. 61.85 million and Nu. 37.74 million respectively. In other words, three promoters have drawn 24% of total wealth generated in dolomite business, while 6% is drawn by 411 minority shareholders. Thus, of the total benefits accruing to the owners 80% of benefits were derived by the promoters and meager 20% by minority shareholders.

Besides dividends, the three promoters have also drawn commissions aggregating Nu. 90,000,000.00 during the period from 2010 to 2013 as shown in **Table 4.7**.

**Table 4.7: Huge commission paid to Directors of JMCL and JIPL during the period 2010 to 2013**

Year	Amount in Nu.	
	JMCL	JIPL
2010	15,000,000.00	7,500,000.00
2011	15,000,000.00	7,500,000.00
2012	15,000,000.00	7,500,000.00
2013	15,000,000.00	7,500,000.00
TOTAL	60,000,000.00	30,000,000.00

The commissions drawn by the promoters constitute significant portion of expenditure, second only to direct cost which reduces the PBT substantially. It was observed that the commission aggregating to Nu. 9,000,000.00 per annum was paid to an individual director. The commission of Nu. 15,000,000.00 represented on average about 9% profit before tax of JMCL annually paid directly to the three promoters as directors of the Company. In absence of any laws limiting the amount of commissions to be drawn by the promoters, the RAA could not determine the rationality of about 9% profit before tax of JMCL paid to promoters.

*JMCL responded that the payment of commissions to directors is a global practice and were paid as percentage of net profit. It claimed that directors' commission is a legitimate business expenditure, the payment of which is not prohibited by the Companies Act of the Kingdom of Bhutan 2000. (Refer Appendix A(iii))*

The unregulated payment of commission may result in drain of resources from a public company besides rendering opportunities to few to derive maximum benefits at the cost of minority shareholders. The Parliament may review the propriety, equity and fairness of payment of such huge commissions to the directors cum promoters keeping in view the practices of other public limited companies such as PCAL, SDEBCCL, DSCL,

STCBL, RICBL, BNBL and sanctity of overall policy of government of extending shareholdings and to ensure trickle down of benefits to local communities and general public at large.

- ii. Further one director of JMCL and JIPL had not declared income received in the form of commission aggregating to Nu. 6,750,000.00 (Nu. 4,500,000.00 from JMCL and Nu. 2,250,000.00 from JIPL) in 2011 while filing the Personal Income Tax. Thus, the government had been deprived revenue to the extent of Nu. 1,687,500.00 (25% of Nu. 6,750,000.00) on account of personal income tax.

***MoF responded that the case of non declaration of commission was detected after cross checking PIT declarations at RRCO based on the information received from RRCO, Samtse on the commission payout to its directors by JIPL and JMCL. The tax and penalty dues were partly realized and the balance amount to be recovered in installments. (Refer Appendix A(iii))***

The Parliament may review the adequacy of action initiated by MoF of realizing the unpaid taxes in installments considering the nature of offence committed.

- iii. Donations were found paid to the directors and individuals from JMCL aggregating to Nu. 4,900,000.00 during the period from 2009 to 2012 as shown in the **Table 4.8**.

**Table 4.8: Donations paid to individuals**

Year	Donations	Amount (in Nu.)
2012	Amount paid to Maj. Karma Tshering (Director)	250,000.00
	Amount paid to Dasho Sonam Tobgay Dorji	100,000.00
2011	Cash at Bank-870 paid to Board of Directors	1,500,000.00
	Amount paid to Dasho Dzongdag, Samtse for Puja	300,000.00
2010	Amount paid to Phunstho Wangyel Dorji as donation	150,000.00
	Ch.No.111198 amount paid to Lhaki Cement, Thimphu	250,000.00
	Amount paid to Thinley Wangchuk as donation	200,000.00
	Amount paid to Ugyen Kesang, CEO, JIPL as donations	200,000.00
	Amount paid to Rinzin Ongdra Wangchuk as donation	200,000.00
	Amount paid to Dasho Ugyen Tshechup Dorji as donation	200,000.00
	Amount paid to Maj. Karma Tshering as donation	200,000.00
	Amount paid to Sonam Tobgay Dorji as donation	200,000.00
	Amount paid to Rinzin Ongdra Wangchuk as donation	100,000.00
	Amount paid to Thinley Wangchuk as donation	100,000.00
2009	Amount paid to Maj. Karma Tshering as donation	100,000.00
	Amount paid to Phunstho Wangyel Dorji ex-CEO of JIPL as donation	100,000.00
	Amount paid to Board of Directors	750,000.00
	<b>TOTAL</b>	<b>4,900,000.00</b>

As per Part I, Chapter 4, Section 16.4 of the Income Tax Act of the Kingdom of Bhutan 2001, “Donations shall be allowed as deductions within limits prescribed by the Ministry provided that the donation is made for one of the following purposes: a) Domestic fund for natural calamities in Bhutan; b) Preservation and Promotion of religious and cultural purpose in Bhutan; or c) Promotion of sporting, education and scientific activities in Bhutan.” The RAA found that these donations were disallowed by tax authorities while assessing the tax. However, it was noted that the expenses on donations were made consistently during the years and had constituted significant portion of company’s expenditure.

The payments of donations to the Board of Directors and CEO were not covered under the Companies Act of the Kingdom of Bhutan 2000.

*JMCL provided the justification that donations were normally paid directly by the company for various purposes and for better reach to society, institutions and needy individuals of the nation, some donations were routed through the Directors and CEO and appropriately booked as donations which were added back to compute CIT. (Refer Appendix A(iii))*

As inferred from the payment vouchers, the directors appeared to be direct recipients of such donations as there were no supporting evidence of disbursement to parties other than directors. In the absence of legal provisions and procedures for donations, practices of drawing company's resources inappropriately in the name of donations cannot be ruled out.

#### 4.3.3 Discrepancies in royalty collections

The RAA carried out the analysis on collection of royalty from JMCL and other units. Based on the responses provided by DGM, the RAA reworked the short collection of royalty as shown in **Table 4.9**:

**Table 4.9: Difference in payment of royalty on Dolomite as per the records of JMCL and DGM**

Year	Qty. of sales as per JMCL's company accounts (MT)	Qty. of sales as per other units (Incl. JIPL)	Qty. dispatched as per DGM (MT) for JMCL	Total of JMCL & Others	Qty. Difference (MT)	Royalty Rate (Nu.)	Diff. in Royalty (Amount Nu.)
2008	847,884.63	N.A	682,340.54	682,340.54	N.A	50	0.00
2009	1,047,895.22	78,487.48	889,541.40	968,028.88	79,866.34	50	3,993,317.00
2010	1,184,177.66	137,521.81	1,066,081.26	1,203,603.07	-19,425.41	50	-971,271.00
2011	1,358,904.96	152,964.60	1,065,966.32	1,218,930.92	139,974.04	50	6,998,252.00
2012	1,651,142.21	149,166.57	1,494,178.28	1,643,344.85	7,797.36	50	389,877.00
<b>Total</b>					<b>208,212.33</b>		<b>10,410,175.00</b>

The reworking including the royalty paid by other units still showed short collection of royalty to the tune of Nu. 10,410,175.00 for the year 2009-2012.

*JMCL explained that DGM collects royalty at the time of actual dispatch of the minerals in a finished goods form. Accordingly, royalties collected are on sales quantities of JIPL and other local powdering units and not on quantities dispatched from JMCL.*

The sales quantity of JMCL is the actual mineral extracted and the computation of royalty on the basis of sales quantities of intermediate companies such as JIPL and smaller units does not seem to be rational. The difference is therefore quantities not accounted for in the computation of royalty, which needs to be recovered.

#### 4.3.4 Environment Restoration Bond (ERB) of Nu. 18,957,798.50 allowed as deductible expenses

- ERB is a security payable proportionate to the amount specified in the approved FMFS in the first month of each lease year during the first half of the lease period for mine

reclamation and environmental restoration in the mine and for ensuring that the negative impacts on the surrounding environment are minimized. The ERB is refundable on surrender, termination or expiry of the lease if the restoration or rehabilitation activities are carried out.

- b) JMCL had paid ERB of Nu. 8,478,846.30 and Nu. 10,478,952.20 for the income years 2008 and 2009 respectively. The amount was paid as security and not as expense for environmental restorations. The tax assessment team had also disallowed on the same ground in 2011. JMCL had appealed the case to the Regional Tax Appeal Committee in 2011. Subsequently, the Appeal Committee allowed the expenses based on the letter No. X-11/DGM/2005/2700 dated 24/03/2005 of the DGM which stated that the ERB fee is non-refundable in nature. The letter of the DGM stating that the ERB is not refundable contradicted the Clause 59 MMR 2002 which specifically states that ERB is a refundable deposit.
- c) Therefore, the basis for Tax Appeal Committee's decision to allow it as deductible expenses was rendered flawed. This apparently showed inconsistency in application of rules and laws by the regulating authorities. The existence of anomalies and inconsistent practices have not only resulted in violation of laws but also deprived the government of huge tax revenue amounting Nu. 5,687,339.55 (30% of 18,957,798.50).

*JMCL responded that ERB was claimed as deductible expenses as per DGM's stand as non-refundable deposit. However, the company assured that should the DGM reverts its stand and treat it as a refundable security, it shall be recognized as income in the year. (Refer Appendix A(iii))*

- d) The allowance of ERB as deductible expense was in violation to the MMR 2002. Further, there had been inconsistent practices as SDEBCCL had not claimed ERB as tax deductible expense. The clarification issued by the DGM contradicts the MMR 2002. Such practices may encourage companies not to carry out restoration works if the deposits are not refundable. Moreover, the clarification provided by the DGM extended benefits only to JMCL which raises the question of legality, propriety and ethical practices.

#### 4.3.5 Payment of huge amount as Commission to agents

- a) JIPL as a major exporting company of dolomite have deployed selling agents based in India and had been paying a huge sum of money as commission on annual basis as shown in the **Table 4.10**:

**Table 4.10: Commission paid to selling agents in India during the period 2008-2012**

Year	Agent's Commission (Nu.)	Total Sales (Nu.)	Sales to India (90%)	Percentage of commission to Sales
2008	33,021,767.60	416,393,975.94	374,754,578.35	8.81
2009	25,224,463.55	507,358,298.55	456,622,468.70	5.52
2010	47,331,908.00	619,783,476.95	557,805,129.26	8.49
2011	54,870,520.60	657,032,623.52	591,329,361.17	9.28
2012	75,248,005.70	839,143,229.76	755,228,906.78	9.96
<b>TOTAL</b>	<b>235,696,665.50</b>	<b>3,039,711,605.00</b>	<b>2,735,740,444.25</b>	<b>8.41 (Average)</b>

- b) Over the period of five years, the company paid an amount of Nu. 235,696,665.50 as commission representing 8% of the sales volume on average. While the service of the agents in India could be necessary, it is of paramount concern that the amount has been on constant rise and is one of the highest expenditure heads within 'Selling and Distribution' expenses of the company. Written agreements if any with sales agents were not made available.
- c) Noticeably, the commission was paid based on the volume of sales made by the company during the year, which is one of the basis widely practiced. However, as there is apparently not much competition in the regional market for dolomite, such aggressive marketing reflected through payment of huge commissions to the agents do not seem to be rational.

*JMCL responded that almost 100% of the market was dependent on Indian Market and procurement of dolomite by Indian consumers are based on global tenders. The company maintained that in fact, commission payment had facilitated the agents to work harder to garner the customer base for Bhutan dolomite even during the recession period and stated that assumption of no competition in the regional markets has to be further analyzed. Further, the company stated that the payment of commissions was objective business decision. (Refer Appendix A(iii))*

*On the other hand, MoEA responded that Bhutanese dolomite, limestone and gypsum are of high quality and buyers in the region have preference for our minerals. It further stated that the proximity to eastern Indian and Bangladeshi markets make our minerals more competitive and there is need to capitalize on this strategic advantage. (Refer Appendix A(i), paragraph 3, page 2)*

#### 4.3.6 Inconsistency in rates of royalty for dolomite resulting in loss to the government

- a) The latest revision of royalty and mineral rent applicable for various types of minerals for export and domestic use was done in October 2006. The rates of royalty and mineral rent of few minerals for the purpose of comparisons are as presented in the **Table 4.11**.

**Table 4.11: Existing royalty and mineral rent rate of various minerals**

Mineral	Grade	Place of use	Unit of measure	Royalty (Nu. per MT)	Mineral Rent (Nu. per MT)
Dolomite	All Grade	Export	MT	40.00	10.00
		Captive/Domestic	MT	40.00	10.00
Gypsum	All Grade	Export	MT	100.00	10.00
		Captive/Domestic	MT	50.00	5.00
Coal	Block	Export	MT	100.00	10.00
	Slabs/Tiles	Export	MT	50.00	5.00
Quartzite	High grade white	Export	MT	100.00	10.00
		Captive/Domestic	MT	30.00	5.00
Limestone/ Marble	All Grade	Export	MT	100.00	10.00
		Captive/Domestic	MT	35.00	8.50
Marble	All Grade	Export	Cum	160.00	40.00
		Captive/Domestic	Sq.ft	1.00	0.25
Construction Materials	Quarries	Domestic	MT	2.20	0.55
		Export	MT	4.00	1.00



As shown in the **Table 4.11**, royalty and mineral rates for all other minerals have different rates for export and domestic use, except for dolomite.

- a) Unlike other minerals, the rate of royalty for export of dolomite was fixed at par with domestic consumption. The RAA could not establish the reasonability of applying same rates for export and domestic consumption for dolomite. Though there was no documented basis for fixation of royalty rates, the RAA felt that there must be consistency and uniformity in the application of rates across all minerals. On this basis, the RAA attempted to compute revenue forgone by the government on account of having same rates for export and domestic consumption of dolomite. If the export rate of dolomite was fixed at Nu. 100 per MT similar to other major minerals, the government would have realized additional royalty of Nu. 328,860,252.72 during five years as shown in the **Table 4.12**.

**Table 4.12: Revenue forgone by government on account of royalty due to non-fixation of higher rates for export of Dolomite during the period 2008-2012**

Year	Sales as per JMCL's accounts (MT)	Quantity Exported in MT (90% of Sales)	Difference in Royalty Rate of Export and Domestic (in Nu.)	Additional Royalty (in Nu.)
2008	847,884.63	763,096.17	60.00	45,785,770.02
2009	1,047,895.22	943,105.70	60.00	56,586,341.88
2010	1,184,177.66	1,065,759.89	60.00	63,945,593.64
2011	1,358,904.96	1,223,014.46	60.00	73,380,867.84
2012	1,651,142.21	1,486,027.99	60.00	89,161,679.34
<b>Total</b>	<b>6,090,004.68</b>	<b>5,481,004.21</b>		<b>328,860,252.72</b>

- b) In the absence of standard basis for fixation of royalty rate, it not only raises question of objectivity and fairness but also provides opportunity to exercise the discretion by the authorities which may be detrimental to the larger interest of the society.

*MoEA responded that rates must be set low because the sales value of dolomite is much lower than that of other minerals. It explained that the current royalty and mineral rent could be the highest possible that time for dolomite export as there are no end users in Bhutan except for few powdering plants. It argued that computation of loss in revenue would be wrong as the minerals were of enormously varying sales value. (Refer Appendix A(iii))*

- c) The justification provided by the Ministry on dolomite having low sales value does not conform to the prices prevailing for all major minerals during 2008-12 as per Bhutan Automated Customs System, Department of Revenue and Customs. The Parliament may review the practices adopted by MoEA resulting in huge losses of revenue.

#### **4.3.7 Use of JMCL and JIPL fund for Lhaki Group's CSR commitment**

- a) JMCL and JIPL had donated amount of Nu. 3,144,501.66 as shown in **Table 4.13** for various development works under Phuentshopelri Gewog Administration, Samtse as a part of their CSR initiatives during the year 2011 and 2013.

**Table 4.13: CSR amount paid from the JMCL & JIPL during the period from 2008-12**

Year	Company	Amount (in Nu.)
2011	JMCL	1,000,000.00
2011	JIPL	500,000.00
2013	JMCL	314,501.66
2013	JMCL	1,330,000.00
<b>Total</b>		<b>3,144,501.66</b>

- b) A review of the related documents showed that the Gewog Administration had requested for funding of construction activities from M/s Lhaki Group and was approved by the Vice Chairman of M/s Lhaki Group. As transpired from the letter vide SD/PLG-Dev/2020/3276 dated November 30, 2010 of Dzongdag, Dzongkhag Administration, Samtse, the working modalities for implementation of budget were worked out between the Dzongkhag and Lhaki Group. The letter explicitly indicated Lhaki Group as the donor to contribute the fund.
- c) However, the actual payment of CSR was made from the JMCL for the commitments made by Lhaki Group. Therefore, the payment on behalf of Lhaki Group was not legitimate as these companies are two separate legal entities.

*JMCL responded that the decision to contribute was made by JMCL board taking into account the objective and cause of such contribution. The company refuted the existence of Lhaki Group as a separate legal entity but explained that it was commonly referred to businesses owned by Dasho Ugen Dorji. It claimed that it was not uncommon to address the CEO as Vice Chairman of Lhaki Group as made by Dzongdag. (Refer Appendix A(iii))*

*MoF provided clarification that while expenses for income years 2011 and 2012 were disallowed, CSR amounting to Nu. 1,644,501.66 pertained to IY 2013 which will be verified when RRCO undertakes the assessment (Refer Appendix A(ii))*

As inferred from the correspondences, the CSR expenses actually pertaining to Lhaki Group were paid by JMCL and charged to its accounts which was an illegitimate expenditure on JMCL, a public limited company. The relevant authorities such as Registrar of Companies and Royal Securities Exchange of Bhutan should review the acceptance of such accounts. The Parliament may also look into the legitimacy of such practices.

#### **4.3.8 Non declaration of income earned by the private transporter**

- a) JIPL had hired vehicles owned by various individuals for transportation of materials. During the period from 2010 to 2013, transportation costs aggregated to Nu. 157,918,157.58 as shown in **Table 4.14**.
- b) Clause 2.6 of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001 defines one of the sources of income from other sources as “*income from hire of privately owned vehicles, but excluding trucks and taxis.*” However, as the Income Tax Act of the Kingdom of Bhutan 2001 does not specify anything to that effect, the RAA could not understand the policy intent of such exemption. Notwithstanding the underlying basis for such exemptions, this had huge implications on the tax revenue and also undermining principles of equity and fairness. The RAA has computed the total revenue forgone of Nu. 25,900,583.64 due to such exemptions as shown in the **Table 4.14** and detailed in **Annexure III**.



**Table 4.14: Revenue forgone on account of non-application of PIT on income earned through hiring private trucks during the period from 2010 to 2013**

Year	Transportation Expenses (in Nu.)	Taxable income after 30% Statutory Deductions	Applicable PIT (Nu.)
2010	20,456,887.55	14,319,821.29	3,362,082.96
2011	29,019,180.17	20,313,426.12	4,388,190.13
2012	45,317,939.99	31,722,557.99	7,478,737.47
2013	63,124,149.87	44,186,904.91	10,671,573.08
<b>TOTAL</b>	<b>157,918,157.58</b>	<b>110,542,710.31</b>	<b>25,900,583.64</b>

- c) As can be seen from the table, the exemption of such incomes had resulted in huge revenue loss to the government. It was found that some truck owners had earned annual income as high as Nu. 5.292 million in 2012 (refer Annexure III) for which the government did not benefit at all. Such fallacy in the policy intents may prove to be counter-productive in government's intent of promoting equitable society through the policy of progressive taxation.
- d) Further, it was observed that the company had claimed such expenses as deductible expenses for income tax purposes.
- e) Clause 2.4.6, Corporate Income Tax (Part I) of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001 explicitly states that "*The hire of plant, machinery and vehicles plus any associated costs referred to in the lease agreement shall be treated as an allowable deduction, provided that the expenditure is incurred for the purpose of business and the services are availed from another tax entity.*" The truck owners may not be considered as tax paying entity within the meaning of Clause 2.6 of the Rules on the Income Tax Act of the Kingdom of Bhutan that defines one of the sources of income from other sources as "*income from hire of privately owned vehicles, but excluding trucks and taxis.*"
- f) The private truck owners do not qualify as tax paying entity, as they are not liable to pay tax as per Rules on Income Tax Act of the Kingdom of Bhutan 2001.

*MoF responded that until the Income Tax Act is amended, incomes earned by the unlicensed private transporters cannot be taxed under PIT since the Rules on the Income Tax specifically exempts income from hire of trucks. For CIT purposes, the MOF explained that transportation charges were allowed as deductible expenses as admissible under Rule No. 2.4.6, Part I of the Rules on the Income Tax Act. The Ministry assured to look into the issue when the Department undertakes the amendment of the Income Tax Act 2001 to protect the revenue base. On allowance of transportation expenses as deductible expenses, MoF explained that expenses were not only incurred for business purposes but the services were also availed from a taxable entity as private truck owners pay Motor Vehicle Tax to the RSTA on bi-annual basis. It further stated that the tax paid by the truck owners are considered as full and final discharge of the tax liability and it is implied that the truck owners are distinct tax entities. (Refer Appendix A(ii))*

#### 4.3.9 Irregularities in the appointment of public directors

The review of the composition of the Board of Directors in the JMCL showed that one of the members included serving police official. Section 39 of the Royal Bhutan Police Act 2009 provides that "...every police person shall: (f) Not resort to any trade practices during the

*course of employment*". Therefore, the appointment of police personnel as director of a company may contravene the provision of the Royal Bhutan Police Act. Besides, the approval, if any from the HQ, RBP for appointment of police personnel in the Board of a public company was not produced to audit.

***JMCL in the response had invited attention to Section 79 of the Companies Act of the Kingdom of Bhutan 2000 which provides for disqualification for appointment of directors. The company maintained that the Companies Act govern the conduct of any company incorporated under it and the same does not require to look beyond exhaustive list of disqualifications provisioned in the Act. (Refer Appendix A(iii))***

The relevant authorities should review and provide appropriate directives to regulate such representations of police personnel in the boards of public limited companies and claiming exorbitant pecuniary benefits in the form of sitting fees and donations.

#### **4.3.10 Formation of private company by public company**

- a) JIPL is a private company formed by three promoters of JMCL with 51% of shares held by JMCL and 49% by three promoters. Though majority of shares are held by a public company, the business affairs of JIPL is conducted as private company. The Companies Act of the Kingdom of Bhutan 2000 does not contain provision for creation of private company by a public company.
- b) Part XIII, Schedule I, 73(a) of the Companies Act of the Kingdom of Bhutan 2000 restricts the number of shareholders in private company to twenty five. However, proviso to section 2(xxvii) of the Companies Act of the Kingdom of Bhutan states that, *"Provided that where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this definition, be treated as a single"*. By virtue of this Section, though JMCL holds 51% of shares, it may be treated as a single entity. The three promoters are rendered opportunity to conveniently relegate the representations of minority shareholders in JIPL and partake in decision-makings that may be prejudicial to the interest of the minority shareholders.
- c) The practice of allowing public company to form private companies undermines principles and practice of good corporate governance.
- d) The legality of the incorporation of JIPL as a private company by JMCL, a public limited company through a change of ownership pattern may be questionable, particularly when the JIPL has indirect minority public shareholdings.

***MoEA agreed to the observations and stated that certain enabling provisions are already inserted in the company bill which is soon to be tabled in the Parliament to remedy these lacunas in the present law. (Refer Appendix A(i))***

## CHAPTER 5: GYPSUM

### 5.1 BACKGROUND

The gypsum mine is located at Khothakpa, Pemagatshel covering an area of 26.77 hectares. The Geological Survey of India (GSI) carried out the geological survey in the year 1960. The report showed a proven reserve of 25.942 MT of gypsum in Cherung Ri. The Khothakpa gypsum mine forms a part of Cherung Ri block.

Gypsum mining dates back to 1983. The Royal Government of Bhutan with an objective to utilize the reserve for economic development and optimization of revenue granted the mining rights and license to Shumar Gypsum Mine. It was then a government undertaking and later operated as a subsidiary to Penden Cement Authority. Ten years later, the government auctioned an area of 26.77 hectares at Khothakpa with an aim to encourage private business in industrial ventures. The mining right was awarded to Druk SATAIR Corporation Limited (DSCL) for an auction fee of Nu. 26.70 million for a period of ten years starting from 1993 to 2003. As per the government policy, the promoters were allowed to own 70% of the total equity and rest 30% was floated to the general public, providing preference to the public of six eastern Dzongkhags. Upon completion of the initial lease period, the company again placed its bid in the auction held on 21<sup>st</sup> July 2003 with a record bid value of Nu. 413.50 million for a period of fifteen years (2004-2018).

DSCL is a public limited company incorporated under the Companies Act of the Kingdom of Bhutan 2000. It has paid-up capital of Nu. 91,308,600.00 as shown in the **Table 5.1**.

**Table 5.1: Ownership Structure of DSCL**

Sl. No.	Name of Shareholders	No. of Shares	% Holdings
1	Tashi Commercial Corporation, Thimphu (Promoter)	45,568	5%
2	Dasho Dorji Norbu, Bhutan Engg Co. Pvt. Ltd., Thimphu (Promoter)	45,568	5%
3	Goob Thinley Dorji, Nima Tshongkhang, Thimphu (Promoter)	45,568	5%
4	Mr. A.K Pradhan, A.K Technology Consultancy, P/ling (Promoter)	45,568	5%
5	Mr. Tshenchok Thinley, Tashi Tours and Travels, Thimphu (Promoter)	45,568	5%
6	Mr. Tshering Wangdi, Nanglam Bazar, Pemagatshel (Promoter)	45,568	5%
7	Mr. Rinchen Droji, RSA Pvt. Ltd., Phuentsholing (Chairman/Promoter)	45,568	5%
8	Central Monk Body, Tashichhoedzong, Thimphu	310,224	34%
9	General Public (1268 Shareholders)	283,886	31%
	<b>TOTAL</b>	<b>913,086</b>	<b>100%</b>

The details of quantity dispatched/exported for the period from 2008 to 2012 are shown in the **Table 5.2**.

**Table 5.2: Details of Gypsum consumed domestically and exported during the period 2008 to 2012**

Year	Opening Balance (in MT)	Quantity Raised/ Extracted (in MT)	Domestic (in MT)		Export (in MT)			Closing Balance (in MT)
			Pemagatshel	Others	India	Nepal	Bangladesh	
2008	26,301.06	273,039.32	22,501.39	38,363.91	199,139.69	6,770.18	4,170.91	28,394.30
2009	28,394.30	317,163.20	25,679.13	16,594.67	260,611.50	14,439.45	6,201.11	22,031.65
2010	22,031.65	343,992.94	22,681.70	14,817.10	276,873.68	12,357.36	7,159.05	32,135.70
2011	32,135.70	364,523.50	21,888.92	17,974.26	277,433.60	29,352.82	5,584.35	44,425.26
2012	44,425.26	295,669.09	19,502.97	15,466.64	248,946.19	24,329.72	4,984.44	26,864.39
	<b>153,287.97</b>	<b>1,594,388.05</b>	<b>112,254.11</b>	<b>103,216.58</b>	<b>1,263,004.66</b>	<b>87,249.53</b>	<b>28,099.86</b>	

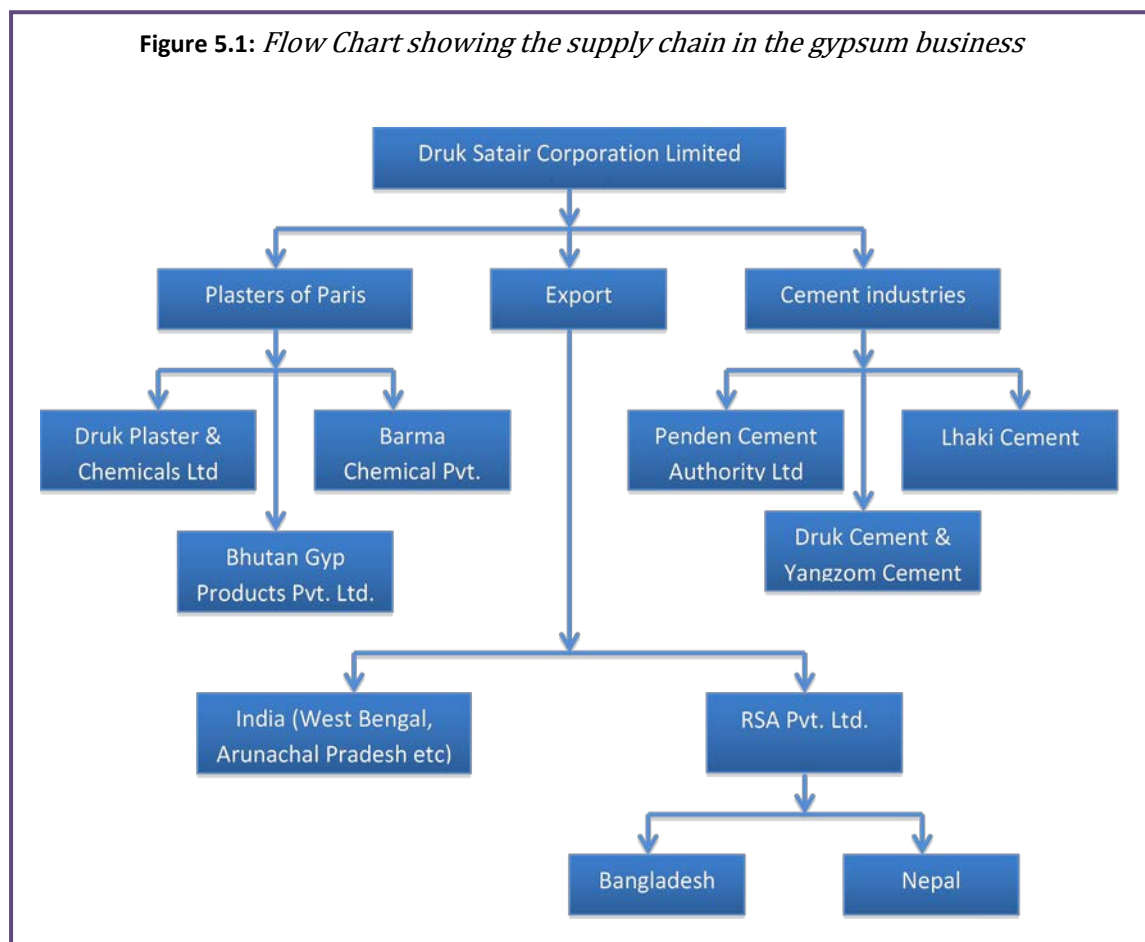
Source: DGM

During the last five years (2008-2012), DSCL had extracted a total of 1,594,388.05 MT, out of which 215,470.69 MT was consumed by local industries (cement plants and powdering units) and 1,378,354.05 MT exported to India, Nepal and Bangladesh.

The gypsum quality found in Bhutan is of high purity, snow white and used in manufacturing cement and for the production of Plasters of Paris. The domestic sales are made mainly to cement industry in Bhutan (PCAL, Lhaki Cement Pvt. Ltd. and Dungsum Cement Corporation Limited), and Plaster of Paris making companies (Barma Chemicals, Druk Plaster & Chemicals Ltd, Druk Gyp-products & Chemicals and Bhutan Gypsum & Chemicals). DSCL directly exports the mineral to India, and exports to Nepal and Bangladesh through RSA Pvt. Ltd.

The supply chain is exhibited in the **Figure 5.1**.

**Figure 5.1: Flow Chart showing the supply chain in the gypsum business**



## 5.2 CONTRIBUTION FROM MINING OF GYPSUM TO THE COUNTRY'S ECONOMY

Druk SATAIR Corporation Ltd is one of the highest corporate income tax payers in the mining sector. The company had contributed Nu. 553.212 million to the government in the form of CIT, royalty, mineral rent, surface rent and auction fee during the period 2008-12 as shown in Table 5.3.

**Table 5.3: Revenue contribution from the DSCL to the government exchequer**

Year	CIT (in Nu.)	Royalty (in Nu.)	Mineral Rent (in Nu.)	Surface Rent, listing fee (in Nu.)	Bid Value (in Nu.)	TOTAL (in Nu.)
2008	27,249,483.90	22,926,254.00	2,292,625.00	811,987.00	31,576,800.00	84,857,149.9
2009	38,975,600.94	30,238,896.00	3,023,890.00	1,381,187.00	31,576,800.00	105,196,373.94
2010	43,689,033.06	31,513,946.00	3,151,395.00	2,056,494.00	31,576,800.00	111,987,668.06
2011	61,943,796.65	33,230,186.00	3,323,019.00	2,291,581.00	31,576,800.00	132,365,382.65
2012	52,652,016.54	29,574,516.00	2,957,452.00	2,044,411.00	31,576,800.00	118,805,195.54
<b>TOTAL</b>	<b>224,509,931.09</b>	<b>147,483,798.00</b>	<b>14,748,381.00</b>	<b>8,585,660.00</b>	<b>157,884,000.00</b>	<b>553,211,770.09</b>

Source: RRCO and DGM, Samdrup Jongkhar

Besides, the company had also contributed Nu. 8.237 million towards CSR and carried out environmental restoration works or deposited ERB amounting to Nu. 15.754 million during the last five years as shown in the Table 5.4.

**Table 5.4: Contribution in the form of CSR and environmental restoration**

Year	CSR (in Nu.)	ERB (in Nu.)	TOTAL (in Nu.)
2008	884,868.00	2,540,827.73	3,425,695.73
2009	2,247,708.00	3,171,632.08	5,419,340.08
2010	1,213,752.00	3,440,157.02	4,653,909.02
2011	1,964,821.00	3,645,080.85	5,609,901.85
2012	1,925,920.00	2,956,690.91	4,882,610.91
<b>TOTAL</b>	<b>8,237,069.00</b>	<b>15,754,388.59</b>	<b>23,991,457.59</b>

Source: DSCL

The DSCL had shown consistent trend in its profitability since 1993-94 and had paid dividends to its shareholders on a continued basis, except for the year 2002 and 2003. The distribution of wealth created through gypsum mining amongst stakeholders, viz., government in the form of taxes and levies, owners in the form of dividends, employees in the form of salaries and other benefits, financial institutions in the form of interest on loans, and balances retained in the business during the last five years (2008-2012) is shown in the Table 5.5 and Exhibit 5.1.

**Table 5.5: Distribution of wealth generated from Gypsum mining and trading during the year 2008 to 2012**

Particulars	2008		2009		2010		2011		2012		Total	
	Amount (mil. Nu.)	% Share	Amount (mil. Nu.)	% Share	Amount (mil. Nu.)	% Share	Amount (mil. Nu.)	% Share	Amount (mil. Nu.)	% Share	Amount (mil. Nu.)	% Share
<b>Net Value Added (NVA)</b>	<b>128.86</b>		<b>179.15</b>		<b>197.41</b>		<b>264.52</b>		<b>227.89</b>		<b>997.83</b>	
<b>Receipt by CEO &amp; Employees:</b>	<b>12.87</b>	<b>9.99</b>	<b>16.64</b>	<b>9.29</b>	<b>18.59</b>	<b>9.42</b>	<b>24.26</b>	<b>9.17</b>	<b>21.79</b>	<b>9.56</b>	<b>94.14</b>	<b>9.43</b>
(a) CEO	1.62	1.26	2.02	1.13	1.86	0.94	2.51	0.95	2.80	1.23		
(b) Others	11.25	8.73	14.61	8.16	16.73	8.48	21.75	8.22	18.99	8.33		
<b>Receipt by Owners:</b>	<b>20.91</b>	<b>16.23</b>	<b>46.09</b>	<b>25.73</b>	<b>55.23</b>	<b>27.97</b>	<b>69.08</b>	<b>26.12</b>	<b>64.38</b>	<b>28.25</b>	<b>255.69</b>	<b>25.62</b>
(a) Promoters/Directors	14.55	11.29	31.94	17.83	38.24	19.37	47.85	18.09	44.56	19.55		
(b) Public (Dividend)	6.37	4.94	14.15	7.9	16.98	8.6	21.23	8.03	19.81	8.69		
<b>Receipt by Government:</b>	<b>80.54</b>	<b>62.5</b>	<b>102.04</b>	<b>56.96</b>	<b>107.37</b>	<b>54.39</b>	<b>127.84</b>	<b>48.33</b>	<b>114.16</b>	<b>50.09</b>	<b>531.94</b>	<b>53.31</b>
(a) CIT (incl. CIT for earlier yrs.)	27.18	21.09	40.07	22.37	43.5	22.03	61.72	23.33	52.29	22.95		
(b) Royalty	22.93	17.79	30.24	16.88	31.51	15.96	33.23	12.56	29.57	12.98		
(c) Mineral Rent	2.29	1.78	3.02	1.69	3.15	1.6	3.32	1.26	2.96	1.3		
(d) Surface Rent	0.02	0.01	0.02	0.01	0.06	0.03	0.04	0.01	0.04	0.02		
(e) Land Lease Right	0.56	0.43	1.13	0.63	1.58	0.8	1.97	0.74	1.72	0.76		
(f) Mining Lease Right	27.57	21.39	27.57	15.39	27.57	13.96	27.57	10.42	27.57	12.1		
<b>Retained by Entity (Reserves &amp; Surplus):</b>	<b>14.53</b>	<b>11.28</b>	<b>14.38</b>	<b>8.03</b>	<b>16.23</b>	<b>8.22</b>	<b>43.34</b>	<b>16.38</b>	<b>27.58</b>	<b>12.1</b>	<b>116.06</b>	<b>11.63</b>
<b>Net Value Added (NVA)</b>	<b>128.86</b>	<b>100</b>	<b>179.15</b>	<b>100</b>	<b>197.41</b>	<b>100</b>	<b>264.52</b>	<b>100</b>	<b>227.89</b>	<b>100</b>	<b>997.83</b>	<b>100</b>

The Value Added Statement shows that the Gross Value Added (GVA) and Net Value Added (NVA) of DSCL have increased over the years except in the year 2012.

The analysis of the performance of DSCL on the basis of value added figure reveals the distributional pattern of wealth and benefits accrued to various stakeholders. DSCL's value added statement shows that, over the period of five years as exhibited in the **Exhibit 5.1**, the majority of the share of wealth generated through mining of Gypsum goes to the government in the form of taxes and other levies representing 53.31%, followed by shareholders (25.62%) and employees (9.43%). The company had retained 11.63% of the total shares over the period.

### 5.3 FINDINGS

DSCL engages in extraction and sale of gypsum to local industries as well as export to other countries. The domestic consumers constitute mainly two industries engaged in the manufacture of cement and Plasters of Paris (PoP). For the export of gypsum, DSCL uses two channels of distribution, viz., direct sale to India and sale through RSA Pvt. Limited.

The review of business operations of gypsum revealed that there was a conflict of interest between parties involved in business. The existence of interest of Chairman of DSCL in a private company (RSA Pvt. Ltd.) and its business relationship and involvement of a senior employee (GM Sales) in business contracts with the company showed that related party transactions had occurred in the conduct of business. The transactions apparently were not carried out at arm's length basis or prices fixed were not based on prevailing market prices. These practices have had impacts on the public company by way of reduced profits which ultimately affected the minority shareholders and government in terms of dividend payouts and taxes.

The RAA attempted to analyze the existence of related party transactions and its impact on the government and the minority shareholders through examination of records made available to the RAA. The RAA also noted inconsistent practices that have apparently resulted from inadequacies of or in deviation from laws and rules, and ineffective monitoring and control mechanisms in the enforcement of regulations. These practices had undermined the principles and practices of good corporate governance and affecting general interest of the stakeholders.

#### 5.3.1 Existence of related party transactions in gypsum mining

- i. For the export of gypsum, DSCL uses two channels of distribution, viz., direct sale to India and sale through RSA Pvt. Limited which is owned and operated by Chairman of DSCL for export of minerals to Nepal and Bangladesh. The relationship between DSCL and RSA Pvt. Limited in the form of ownership and control is as depicted in **Exhibit 5.2**.

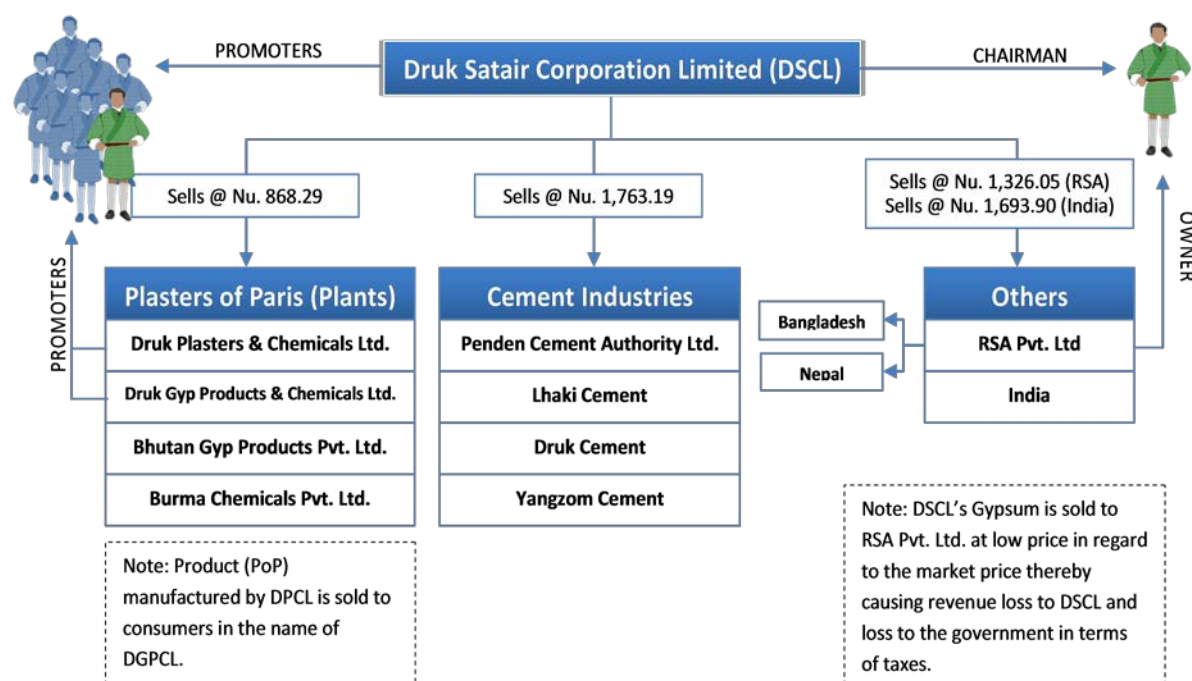


**Exhibit 5.1: Value Added Statement for Druk Satair Corporation Limited (Period: 1st January 2008 to 31st December 2012)**

Particulars	2008			2009			2010			2011			2012			Total	
	Amount in mil Nu.	% Share		Amount in mil Nu.	% Share		Amount in mil Nu.	% Share		Amount in mil Nu.	% Share		Amount in mil Nu.	% Share		Amount in mil Nu.	% Share
<b>Sales Turnover</b>		<b>337.98</b>			<b>468.74</b>			<b>472.67</b>			<b>527.49</b>			<b>494.59</b>		<b>2301.47</b>	
ADD: Other Receipt		01.77			05.0			04.58			06.82			08.19		26.37	
Change in Stock		01.02			-06.13			04.13			06.13			-07.98		-02.84	
<b>GROSS OUTPUT</b>		<b>340.77</b>			<b>467.61</b>			<b>481.38</b>			<b>540.44</b>			<b>494.80</b>		<b>2325.01</b>	
LESS:Brought-in-goods and services		205.54			281.04			274.03			267.61			257.36		1285.58	
(a) Carriage Inward	96.29			123.84			143.35			163.69			145.70				
(b) Carriage Outward (incl. loading & unloading)	73.97			109.39			77.01			45.81			44.25				
(c) Mining Expenses	20.42			28.25			33.46			34.36			42.74				
(d) Other Expenses (incl. Sales Commissions, R&M, etc.)	14.85			19.55			20.21			23.74			24.67				
<b>Gross Value Added (GVA)</b>		<b>135.23</b>			<b>186.57</b>			<b>207.35</b>			<b>272.83</b>			<b>237.44</b>		<b>1039.43</b>	
LESS: Depreciation		06.37			07.42			09.94			08.31			09.55		41.60	
<b>Net Value Added (NVA)</b>		<b>128.86</b>			<b>179.15</b>			<b>197.41</b>			<b>264.52</b>			<b>227.89</b>		<b>997.83</b>	
<b>Receipt by Workers/Employees:</b>		<b>12.87</b>	<b>9.99</b>		<b>16.64</b>	<b>9.29</b>		<b>18.59</b>	<b>9.42</b>		<b>24.26</b>	<b>9.17</b>		<b>21.79</b>	<b>9.56</b>	<b>94.14</b>	<b>9.43</b>
(a) CEO		01.62	1.26		02.02	1.13		01.86	0.94		02.51	0.95		02.80	1.23	10.81	1.08
Salary	0.85			0.88			0.90			01.84			01.50				
Production Allowance	0.08			0.08			0.31			0.10			0.55				
Bonus	0.47			0.18			0.22			0.27			0.44				
Leave Encashment	0.07			0.73			0.08			0.09			0.0				
Others (Medical Exp, HRA, PF)	0.16			0.16			0.36			0.20			0.31				
(b) Others	11.25	11.25	8.73	14.61	14.61	8.16	16.73	16.73	8.48	21.75	21.75	8.22	18.99	18.99	8.33	83.33	8.35
<b>Receipt by Owners:</b>		<b>20.91</b>	<b>16.23</b>		<b>46.09</b>	<b>25.73</b>		<b>55.23</b>	<b>27.97</b>		<b>69.08</b>	<b>26.12</b>		<b>64.38</b>	<b>28.25</b>	<b>255.69</b>	<b>25.62</b>
(a) Promoters/Directors		14.55	11.29		31.94	17.83		38.24	19.37		47.85	18.09		44.56	19.55	177.14	17.75
Dividend	14.18			31.50			37.80			47.25			44.10				
Sitting Fees	0.37			0.44			0.44			0.60			0.46				
(b) Public (Dividend)	06.37	06.37	4.94	14.15	14.15	7.90	16.98	16.98	8.60	21.23	21.23	8.03	19.81	19.81	8.69	78.55	7.87
<b>Receipt by Government:</b>		<b>80.54</b>	<b>62.50</b>		<b>102.04</b>	<b>56.96</b>		<b>107.37</b>	<b>54.39</b>		<b>127.84</b>	<b>48.33</b>		<b>114.16</b>	<b>50.09</b>	<b>531.94</b>	<b>53.31</b>
(a) CIT (incl. CIT for earlier yrs.)	27.18		21.09	40.07		22.37	43.50		22.03	61.72		23.33	52.29		22.95		
(b) Royalty	22.93		17.79	30.24		16.88	31.51		15.96	33.23		12.56	29.57		12.98		
(c) Mineral Rent	02.29		1.78	03.02		1.69	03.15		1.60	03.32		1.26	02.96		1.30		
(d) Surface Rent	0.02		0.01	0.02		0.01	0.06		0.03	0.04		0.01	0.04		0.02		
(e) Land Lease Right	0.56		0.43	01.13		0.63	01.58		0.80	01.97		0.74	01.72		0.76		
(f) Mining Lease Right	27.57		21.39	27.57		15.39	27.57		13.96	27.57		10.42	27.57		12.10		
<b>Retained in Entity:</b>		<b>14.53</b>	<b>11.28</b>		<b>14.38</b>	<b>8.03</b>		<b>16.23</b>	<b>8.22</b>		<b>43.34</b>	<b>16.38</b>		<b>27.58</b>	<b>12.10</b>	<b>116.06</b>	<b>11.63</b>
(a) Reserves & Surplus	14.53			14.38			16.23			43.34			27.58			116.06	
<b>Net Value Addeddd (NVA)</b>		<b>128.86</b>	<b>100.00</b>		<b>179.15</b>	<b>100.00</b>		<b>197.41</b>	<b>100.00</b>		<b>264.52</b>	<b>100.00</b>		<b>227.89</b>	<b>100.00</b>	<b>997.83</b>	<b>100.00</b>





**Exhibit 5.2: Related Party Transaction in gypsum business**

*Note: Rates are average of Selling Price prevailing in 2012*

- ii. The RAA noted that RSA Pvt. Limited was involved as mere intermediary in the export channel. The engagement of RSA Pvt. Ltd. in the chain of business showed clear case of conflict of interest as there had been common ownership of controlling shareholders in both the DSCL and RSA Pvt. Ltd. It had contravened Section 89 of the Companies Act of the Kingdom of Bhutan 2000 on pre-conditions to be fulfilled by the directors before entering into any contract with the company in a capacity of a director. There was no consent of the Board that allowed the Chairman to enter into business contract with the company.
- iii. The comparison of prices charged to RSA Pvt. Ltd. with that of other local industries indicated that RSA Pvt. Ltd. was extended undue favours in engaging in business and charging of prices that were not seen reasonable or reflective of prevailing market prices. On the basis of lower prices charged to RSA Pvt. Ltd., it appeared that involvement of RSA Pvt. Ltd. was driven by personal interest of Chairman rather than the business interest of the DSCL. Due to apparent intervention of Chairman in determining differential pricing, DSCL had forgone a profit of Nu. 45,665,029.58 as explained in **Para Ai (below)**. The **Table 5.6** shows the comparison of prices charged by DSCL to various parties including RSA Pvt. Ltd.:

**Table 5.6: Druk Satair effective rate per MT of Gypsum to different parties during the period 2008-12**

Year	RSA Pvt. Ltd. (Nu./MT)		India (Nu./MT)	Druk Cement (Nu./MT)	Lhaki Cement (Nu./MT)	PCAL (Nu./MT)	Yangzom Cement (Nu./MT)
	Bangladesh	Nepal					
2008	997.46	1,000.00	1,470.00	1,350.00	1,371.76	1,971.48	1,357.00
2009	1,150.00	1,138.70	1,479.00	-	1,400.00	2,070.00	1,400.00

2010	1,150.00	1,227.63	1,600.00	1,513.25	1,508.51	2,150.00	1,512.21
2011	1,170.51	1,416.63	1,550.54	1,636.21	1,641.61	1,678.53	1,647.74
2012	1,207.78	1,444.32	1,693.90	1,761.28	1,731.87	1,783.97	1,775.64

- iv. Further, the different rates charged to RSA Pvt. Ltd. for export to Nepal and Bangladesh suggested that DSCL had accommodated the business interest of RSA Pvt. Ltd. This is a reflective of Chairman influencing the decisions of DSCL taking into account the market segments of RSA Pvt. Ltd.
- v. The RAA's review also showed that there were around 10-12 Indian registered trucks owned by spouse of General Manager, Sales Department of DSCL deployed for transportation of gypsum from Samdrupjongkhar to Rangia, India. The RAA could not rule out the possibility of similar engagements of additional trucks in absence of ownership certificates. Thus, the key personnel entering into contracts with company in which individual is employed proved the existence of conflict of interest in the business dealings. Further, it was also noted that there were no agreements entered into between the transporters and the company unlike for inward transportations. Therefore, it raises doubt on whether transportation charges fixed were based on prevailing market rates or at arm's length basis.
- vi. The establishment of new companies, Druk Plaster and Chemicals Ltd. (DPCL) and Druk Gyp-products & Chemicals Ltd. (DGPL) to undertake value addition operations had resulted in substantial reduction in the interest of minority shareholders as explained later in this chapter.
- vii. The closely knitted relations of various parties through common ownerships had paved way for various inconsistent practices that were prejudicial to the interest of the other stakeholders. The RAA reviewed the existence of related party transactions between various parties and analysed the impacts on various stakeholders in terms of taxes and dividends paid to the government and the minority shareholders. To study the impact, the RAA computed the profit forgone by DSCL by entering into contract and allowing RSA Pvt. Ltd. to take over the part of DSCL's business of supplying gypsum to Nepal and Bangladesh. Further, the analysis also carried out to see the impact if the prices charged to RSA Pvt. Ltd. was fixed at prevailing market rates.

#### A. Reduction in Profit

- i. The review of relationship between DSCL and RSA Pvt. Ltd., showed that the engagement of RSA Pvt. Ltd. by the DSCL was purely driven by common interest of the Chairman. It appeared that the business dealings between the two were merely to transfer the business profits of DSCL to the RSA Pvt. Ltd. If DSCL had not entered business contract with RSA Pvt. Ltd. and managed the export to Bangladesh and Nepal on its own, the company could have earned additional profit of Nu. 45,665,029.58 as shown in **Table 5.7**.

**Table 5.7: Profit earned by RSA Pvt. Ltd. in the export of gypsum over the period from 2008 to 2012**

Year	Countries	Sales Qty (MT)	Cost to RSA (Nu./MT)	Export Price(Nu./MT)	Diff. in Export Price and Cost (Nu./MT)	Additional Profit (Nu.)
2008	Bangladesh	7,736.66	997.46	2,099.83	1,102.37	8,528,661.88
	Nepal	3,733.59	1,000.00	1,050.00	50.00	186,679.50
2009	Bangladesh	5,962.78	1,150.00	2,142.00	992.00	5,915,077.76
	Nepal	13,366.62	1,138.70	1,244.54	105.84	1,414,723.06
2010	Bangladesh	6,894.66	1,150.00	2,080.23	930.23	6,413,619.57
	Nepal	12,749.47	1,227.63	1,279.75	52.12	664,502.38
2011	Bangladesh	6,074.86	1,170.51	2,676.26	1,505.75	9,147,220.45
	Nepal	27,438.37	1,416.63	1,506.82	90.19	2,474,666.59
2012	Bangladesh	4,984.44	1,207.78	3,252.51	2,044.73	10,191,834.00
	Nepal	21,706.75	1,444.32	1,477.86	33.54	728,044.39
<b>TOTAL</b>						<b>45,665,029.58</b>

Source: RSA Pvt. Ltd.'s Financial Statements

- ii. For the analysis, the price paid by RSA Pvt. Ltd. was considered as the final cost. The RSA Pvt. Ltd. did not have office establishment at Samdrupjongkhar and hence there was no likelihood of incurring any overhead costs on its own. Instead as observed in the field, the purchases as well as sales of RSA Pvt. Ltd. were being handled by officials of DSCL. Therefore, the engagement of RSA Pvt. Ltd. had deprived the DSCL of huge profits which otherwise would have been realized by DSCL.

*RSA Pvt. Ltd. responded that cost components, such as transportation cost, handling (loading & unloading) cost, bank charges were missed out, and computed its own profit margin aggregating to Nu. 6.263 million only as against Nu. 45,665,029.58 as worked out by the RAA. (Refer Appendix A(vi))*

- iii. Even considering the domestic sales, the DSCL would have made minimum profit of Nu. 33,039,745.69 had it fixed the price at least at the level of prices charged for other domestic companies as shown in the **Table 5.8**. The discriminative pricing strategy was simply to transfer the price to extend undue favour to the RSA Pvt. Ltd. The loss as computed by RAA using the average of prices charged for other domestic companies (Lhaki Cement, Druk Cement and Yangzom Cement) are as given in the **Table 5.8**.

**Table 5.8: Loss sustained by DSCL on account of sale at lower price to RSA**

Year	Countries	Sales Qty (MT)	Price charged to RSA (Nu./MT)	Average price(Nu./MT)	Diff. in average price and price charged to RSA (Nu./MT)	Profit (Nu.)
2008	Bangladesh	7,736.66	997.46	1,359.59	362.13	2,801,676.69
	Nepal	3,733.59	1,000.00	1,359.59	359.59	1,342,561.63
2009	Bangladesh	5,962.78	1,150.00	1,400.00	250.00	1,490,695.00
	Nepal	13,366.62	1,138.70	1,400.00	261.30	3,352,615.63
2010	Bangladesh	6,894.66	1,150.00	1,511.32	361.32	2,491,178.55
	Nepal	12,749.47	1,227.63	1,511.32	283.69	3,012,954.75
2011	Bangladesh	6,074.86	1,170.51	1,641.85	471.34	2,863,324.51
	Nepal	27,438.37	1,416.63	1,641.85	225.22	6,179,669.69
2012	Bangladesh	4,984.44	1,207.78	1,756.26	548.48	2,733,865.65
	Nepal	21,706.75	1,444.32	1,756.26	311.94	6,771,203.60
<b>TOTAL</b>						<b>33,039,745.69</b>

- iv. Further, the engagement of employee's trucks for outward transportation of gypsum from Samdrupjongkhar to Rangia was apparently not done at arm's length as the employee held key position in the company capable of influencing business decisions of

the company. As it transpired, one single individual had represented both the parties and appeared to be a deliberate act by employee concerned to avoid entering into any form of legally binding agreements to protect and further their own personal interest. Though the RAA could not monetize the loss that the company would have borne but it was undoubtedly an act to pursue ulterior motives of individual to reap undue benefits at the cost of the company. The company appeared to be at the mercy of such business dealings which possibly would have deteriorated the profitability of company through enhanced costs.

*DSCL responded that the RAA had preempted certain facts and drawn negative conclusion without delving into the facts of the matter. The company maintained that RSA Pvt. Ltd. had entered into agreement following the approval in 2<sup>nd</sup> Board Meeting of the Company held on 24<sup>th</sup> August 1994 and disclosure of transactions was also made in its annual audited financial reports.*

*The company had explained that the RSA Pvt. Ltd. was engaged ever since the establishment of DSCL to explore market for gypsum in Bangladesh and Nepal as DSCL lacked required skills. It claimed that Sales to Bangladesh and Nepal, which is made by RSA Pvt. Ltd. constituted only 1% and 8% respectively with chances of further decline due to global competitions and low capacity utilization of consumers in destination countries.*

*The company contested the profitability analysis of RAA expressing that, "...without proven evidence and understanding the market dynamics tantamount to undermining the basic marketing principles and logics, which are at times complicated and need to be understood by experiencing the same through field experience." It had challenged RAA's discounting on expenses and costs incurred by RSA related to sale of minerals including overhead costs at the stockyard in Samdrup Jongkhar.*

*The company also challenged on comparisons made between material price offered to RSA Pvt. Ltd and rates offered to domestic consumers as "Unjust and defying basic product pricing principles." The company reasoned that prices for domestic consumers would be higher owing to close proximity to point of sale and higher transport, freight and customs for sales in farther places. They argued that if DSCL charge domestic price to RSA Pvt. Ltd., customers in Nepal and Bangladesh would not buy it as it would be substantially uncompetitive.*

*DSCL maintain that RSA Pvt. Ltd. instead has helped DSCL to introduce and market gypsum to Bangladesh and Nepal, increase mining capacity and reducing DSCL's per unit operational cost through increased sales.*

*On fixation of transportation price, the company stated that it is being fixed by management committee as and when necessary and that the GM sales manager has least chance to influence in fixing the rates. (Refer Appendix A(iv))*

- v. The validity of agreement dated 24<sup>th</sup> August 1994 signed between RSA Pvt. Ltd. and DSCL is questionable. The latest agreement signed on 28<sup>th</sup> February 2014 does not fall within the auditing period. The company's claim of severe global competitions does not conform to DGM's stand on Bhutanese minerals namely dolomite, gypsum and limestone being superior and preferred quality within the regional market. The basis of

comparison of profitability was on the differential rates offered to RSA in comparison to prices charged to domestic consumers as well as for export to India which the company had contested as principally wrong and defying basic marketing logics. However, it is still not understood why prices charged are different as the minerals are lifted by the buying parties from the same place (Samdrupjongkhar) at their own cost in a similar way that is done for other buyers. Further, RAA did not consider the overhead costs at Samdrupjongkhar as there is no office establishment and personnel at the stockyard, which was also confirmed by the company in the response.

## B. Reduction in interest of minority shareholders

- a) DPCL and DGCL were formed by promoters of DSCL as public companies to undertake processing of Plasters of Paris (POP) at Pemagatshel and Nganglam respectively. The shares of these companies are held by DSCL, individual promoters, Central Monastic body and general public in proportions shown in the **Table 5.9**.

Table 5.9: Proportionate shareholdings in DSCL, DPCL and DGCL

Shareholders		Percentage Holdings in DSCL	Percentage Holdings in DPCL	Percentage Holdings in DGCL	Effective shareholding in DPCL	Effective shareholding in DGCL
<b>A</b>	<b>Promoter</b>	<b>35%</b>	<b>21%</b>	<b>39%</b>	<b>31%</b>	<b>51%</b>
1	Tashi Commercial Corporation, Thimphu	5%	3%	7%	4.40%	8.71%
2	Dasho Dorji Norbu, Bhutan Engg Co. Pvt. Ltd., Thimphu	5%	3%	8%	4.40%	9.71%
3	Gup Thinley Dorji, Nima Tshongkhang, Thimphu	5%	3%	8%	4.40%	9.71%
4	Mr. A.K Pradhan, A.K Technology Consultancy, P/ing	5%	3%	1%	4.40%	2.71%
5	Mr. Tshenchok Thinley, Tashi Tours and Travels, Thimphu	5%	3%	3%	4.40%	4.71%
6	Mr. Tshering Wangdi, Nanglam Bazar, Pemagatshel	5%	3%	4%	4.40%	5.71%
7	Mr. Rinchen Dorji, RSA Pvt. Ltd., Phuentsholing	5%	3%	8%	4.40%	9.71%
<b>B</b>	<b>Central Monk Body, Tashichhoedzong, Thimphu</b>	<b>34%</b>	<b>18%</b>	<b>7%</b>	<b>27.52%</b>	<b>18.51%</b>
<b>C</b>	<b>General Public (1268 Shareholders)</b>	<b>31%</b>	<b>33%</b>	<b>16%</b>	<b>41.68%</b>	<b>27.49%</b>
	DSCL general public				8.68%	8.99%
	DGCL general public				0.00%	16.00%
	DPCL general public				33.00%	2.50%
	Druk Satair Corporation Limited		28%	29%		
	Druk Plaster and Chemical Limited		0%	6%		
<b>D</b>	<b>Employees of DSCL, DPCL &amp; DGCL</b>	<b>0%</b>	<b>0%</b>	<b>3%</b>	<b>0.00%</b>	<b>3.00%</b>
	<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- b) The formation of companies had resulted in the changes in structure of shares held by different categories of shareholders as can be seen from the **Table 5.9**. This had resulted in substantial reduction in the shareholdings of general public and Central Monastic Body.
- In case of DPCL, though there were no significant structural changes in the shareholdings, there had been slight decrease in the shareholdings of promoters and Central Monastic Body. The shareholdings of general public had increased to 41.68%. However, it must be noted that the increase was due to new shareholders representing public. The interest of original shareholders representing general public who held shares in DSCL was significantly reduced to 8.68% in the DPCL as compared to its holding of 31% in DSCL. The increase was apparently not in favour of original minority shareholders.
  - With the formation of DGCL, noticeably the shares held by seven promoters in the DGCL had increased substantially, while there had been reduction of proportion of shares held by Central Monastic Body and the general public. In aggregate, the shareholdings of promoters have increased to 51% compared to only 35% in the



DSCL. The shareholdings of 31% by general public in DSCL was reduced to 8.99% though the total proportion of general public including the new shareholder is 27.49%.

- c) Therefore, the formation of intermediary companies, DGCL and DPCL had resulted in structural changes in the proportion of shareholdings favouring the promoters by diffusing the shareholdings of minority.
- d) The legality of the incorporation of DGCL, diluting ownership pattern of the original minority shareholders appeared questionable and may be subject to legal consequences.

*DSCL responded that RAA's report have not given due recognition to the government policy of promoting industrial units that add value to domestic resources and promote broad based ownership. In respect of creation of DPCL, the company stated that it was created with the primary objective of setting up domestic resources base industry in Bhutan for better value addition and claimed that creation of DPCL has not only created host of economic activities and benefits in the country but also maximize the wealth of the shareholders. DPCL was stated to have contributed Nu. 23.858 million to the government by way of CIT besides payment of dividends between 15% to 60% during 2008-12. The company stated that it failed to understand the basis on which there had been substantial reduction in the interest of the minority shareholders.*

*With regard to DGCL, it was responded that the company was initiated with a view to continue business of DSCL post 2018 after expiry of the lease period as its renewal is not guaranteed. With initial 16.16% of the equity to be floated to the public through IPO, the company stated that its public holdings had increased to over 40%.*

*The company argued that it is neither possible nor necessary to maintain same ownership pattern in DGCL as being a separate legal entity. The company maintained that obviously promoters' interest in DGCL is more as they have invested more money from their pockets and also that promoters are exposed to more risks. The company attributed reduction of shareholdings to the choice of investment. (Refer Appendix A(iv))*

### 5.3.2 Non-declaration of income earned by private transporters

- a) DSCL had hired vehicles owned by individuals for outward and inward transportation of materials. Running expenses in form of fuel and tyres were provided by the Company to the transporters, which was deducted from the total payment at the end of the month. During the period from 2008 to 2012, transportation costs aggregating to Nu. 621,685,303.49 were incurred by DSCL as shown in the **Table 5.10**.
- b) Clause 2.6 of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001 defines one of the sources of income from other sources as "*income from hire of privately owned vehicles, but excluding trucks and taxis.*" However, as the Income Tax Act of the Kingdom of Bhutan 2001 does not specify anything to that effect, the RAA could not understand the policy intent of such exemption. Notwithstanding the underlying basis for such exemptions, this has huge implications on the tax revenue and also undermining principles of equity and fairness. The government had forgone tax revenue of Nu. 43,517,971.24 computed at minimum taxable slab and applying 10% tax on



transportation cost after providing standard deduction of 30% as per Rules on Personal Income Tax as shown in the **Table 5.10** and detailed in **Annexure IV**.

**Table 5.10: Revenue forgone on account of non-application of PIT on income earned through hiring of private trucks during the period 2008-2012**

Year	Transportation Expenses (Nu.)	Taxable income after 30% Statutory Deductions (Nu.)	Applicable PIT @ 10%(Nu.)
2008	73,643,498.15	51,550,448.71	5,155,044.87
2009	113,803,006.10	79,662,104.27	7,966,210.43
2010	136,054,443.90	95,238,110.73	9,523,811.07
2011	156,278,312.59	109,394,818.81	10,939,481.88
2012	141,906,042.75	99,334,229.93	9,933,422.99
<b>Total</b>	<b>621,685,303.49</b>	<b>435,179,712.45</b>	<b>43,517,971.24</b>

Source: DSCL

- c) As can be seen from the table, the provisions exempting such incomes has resulted in huge revenue loss to the government and the few people earning sizeable incomes do not come within the tax brackets. Such ambiguities in the policy intents may prove to be counter-productive in promoting equitable society through the policy of progressive taxation.
- d) Further, it was observed that the company had claimed such expenses as deductible expenses for income tax purposes.
- e) The Clause 2.4.6, Corporate Income Tax (part I), of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001 explicitly states that *"The hire of plant, machinery and vehicles plus any associated costs referred to in the lease agreement shall be treated as an allowable deduction, provided that the expenditure is incurred for the purpose of business and the services are availed from another tax entity."* The truck owners may not be considered as tax paying entity within the meaning of Clause 2.6 of the rules on the Income tax Act of the Kingdom of Bhutan 2001 that defines one of the sources of income from other sources as *"income from hire of privately owned vehicles, but excluding trucks and taxis"*
- f) The private truck owners do not qualify as tax paying entity, as they are not liable to pay tax as per Rules on Income Tax Act of the Kingdom of Bhutan 2001.

*MoF responded that until the Income Tax Act is amended, incomes earned by the unlicensed private transporters cannot be taxed under PIT since the Rules on the Income Tax specifically exempts income from hire of trucks. For CIT purposes, the MOF explained that transportation charges were allowed as deductible expenses as admissible under Rule No. 2.4.6, Part I of the Rules on the Income Tax Act. The Ministry assured to look into the issue when the Department undertakes the amendment of the Income Tax Act 2001 to protect the revenue base. On allowance of transportation expenses as deductible expenses, MoF explained that expenses were not only incurred for business purposes but the services were also availed from a taxable entity as private truck owners pay Motor Vehicle Tax to the RSTA on bi-annual basis. It further stated that the tax paid by the truck owners are considered as full and final discharge of the tax liability and it is implied that the truck owners are distinct tax entities. (Refer Appendix A(ii))*

### 5.3.3 Environment Restoration Bond allowed as tax-deductible expenses

- a) ERB is a security payable proportionate to the amount specified in the approved FMFS in the first month of each lease year during the first half of the lease period for mine reclamation and environmental restoration in the mine and for ensuring that the negative impacts on the surrounding environment are minimized. The ERB is refundable on surrender, termination or expiry of the lease if the restoration or rehabilitation activities are carried out.
- b) DSCL had paid ERB of Nu. 22,615,374.89 since its operation in 2004. The amount was paid as security and not as expense for environmental restorations. However, the security was allowed as deductible expense though the amount was not expensed out by the company.
- c) The RAA computed that the government had forgone tax revenue of Nu. 6,784,612.47 (30% of Nu. 22,615,374.89) by allowing ERB paid from 2004 to 2012 as tax-deductible expense. The existence of anomalies and inconsistent practices had not only resulted in violation of laws but also deprived the government of huge tax revenues.

***DSCL responded that since ERB is deposited with the government and the same may not be refunded to the company at the end of lease period. In the event if it is released to the company, the government could deduct 30% tax (Refer Appendix A(iv))***

- d) The allowance of ERB as deductible expense was in violation to the MMR 2002. Further, there had been inconsistent practices as SDEBCL had not claimed ERB as tax deductible expense.

### 5.3.4 Avoidable expenses and tax implication thereof

- a) DSCL had paid fines and penalties amounting to Nu. 5,467,745.00 to Indian Railway for rake overloading of gypsum consignment in the rail at Rangia, India. As transpired from the minutes of the Board, overloading had occurred due to negligence of permanent employee and GM, Sales who was overseeing the loading of the consignment. The lapse had occurred despite being repeatedly cautioned by railway officials in the past. The discussion of the Board also hinted malicious intentions of dealing officials for which administrative actions on individuals were proposed to be taken. However, no actions were found taken and the DSCL had incurred huge loss at the cost of its stakeholders.
- b) Though several discussions on the issue have taken in the Board Meeting, it was not brought to logical conclusions. There was no evidence of any action being taken on officials concerned. The inactions of the company have had huge implications on its profitability and on its stakeholders.
- c) Further, the fines paid by the company were allowed as deductible expenses for taxation purposes. The tax authorities allowed the fines as allowable deduction since the case was still under litigation at High Court, Guwahati. The company was recommended to pay proportionate tax in the event the case was decided in favour of the company.
- d) The allowance of such expenses as tax deductible was in contravention to Clause 2.12 of the Rules on Income Tax Act of the Kingdom of Bhutan, 2001 which specifies that “penalties, fines, penal interest, forfeiture, etc” shall not be allowed as deductions for tax

purpose. Therefore, the allowance was not within the law and had cost the government of Nu. 1,643,023.50 (30% of 5,467,745.00) by way of tax revenue.

- e) The basis on which the deductions were allowed was not justified as it was a clear case of violation of laws. Nor the discretions of authorities to allow it as deductible expenses were founded on reasonable grounds.

*The company responded that over-load penalty was imposed due to defective weigh bridge at New Bogaigoan and the case is being pursued through advocate to recover the penalty paid. The company claimed that the chances of recovery is promising. The company was stated to have appealed to the RRCO to allow it as deductible expenses and that the tax would be paid upon recovery from NF Railways (Refer Appendix A(iv))*

### 5.3.5 Non-deduction of 3% TDS from non-Bhutanese Transporters

- a) The DSCL engages non-Bhutanese transporters for outward carriages of gypsum to Rangia, India railway station and other destinations within India. As per records provided by the company, a total amount of Nu. 124,949,879.00 was spent on transportation over the last five years (2008-2012).
- b) However, the company had not deducted 3% TDS from these transporters. The non-deduction of TDS was in violation of Clause 3.2.2(g) of the General Provision (for contractors under limited tax liability) of the Rules on the Income Tax Act of the Kingdom of Bhutan which provides that “*The contract awarder shall deduct contractor’s tax at source at the rate of 3% of the gross amount on the day of payment as final tax of the contractor*”
- c) The RAA computed 3% TDS amount applicable to total transportation cost of Nu. 124,949,879.00 incurred from 2008 to 2012. The government was deprived of tax revenue of Nu. 3,748,496.37 (i.e., 3% of Nu. 124,949,879.00) by not complying with the relevant rules.

*The company had explained that given the unstable political situation in Assam, it is difficult to replace Indian trucks with Bhutanese trucks as they had been engaged for a very long time. The company argued that if 3% TDS is imposed on transporters, it would lead to increase transport expenses of the company, which would reduce the CIT. (Refer Appendix A(iv))*

*MoF responded that 3% TDS deduction was not raised during the assessment on the ground that the company did not have any transportation contract signed with Indian transporters and that the justification provided by the company was pro-revenue which was accepted by RTAC. (Refer Appendix A(ii))*

- d) Notwithstanding the basis for considerations, the practice was in violation of the Income Tax Act of the Kingdom of Bhutan 2001. The relevant authorities should take appropriate action for violation as per Income Tax Act of the Kingdom of Bhutan 2001.

### 5.3.6 Unlawful land transactions involving Board Director of DGCL

- a) The DGCL had bought land measuring 6.11 acres at Nu. 17,108,000.00 (Nu. 2,800,000.00 per acre) from Tshering Wangdi, Director to establish DGCL for manufacturing of Plaster of Paris (POP). He holds 5% shares in DSCL, 4% in DGCL and 3% in DPCL.

The transaction was carried out in June 2012. The land is located at Baringmo, Nganglam under Pemagatshel about 7 kms towards, Gyalpoishing-Nganglam Highway.

- b) The RAA noted that the land legally belonged to Sonam Tshering. As transpired from the sale deed, the transfer of ownership from Sonam Tshering to Mrs Sangay Zangmo, the spouse of Tshering Wangdi had not been completed. It was further noted that the original registered area of 1.10 acre had increased to 6.11 acre during the National Cadastral Re-Survey Programme (NCRP). The excess area measuring 5.01 acres was yet to be regularized which can only be effected through Royal prerogatives. Therefore, the legality of sale of land without regularizing the excess area raised question of legality. Besides, the sale of *Kidu* land even after regularization through *Kasho* shall be annulled as such land shall not be permitted to be sold within 10 years of its allotment. Section 232 of the Land Act of Bhutan 2007 provides for taking over of such land as State land in the event *Kidu* land is transacted within 10 years of allotment.
- c) Further, the existence of conflict of interest in the transaction was apparent as the director had substantial influence in the business decisions of the company. The purchase of land at higher prices as compared to existing 2009 PAVA rates also indicated that the transactions were not carried out at arm's length basis particularly as the transactions were carried out by a Director of a company who may have had inside information for the requirement. The total excess amount paid to the Director amounted to Nu. 11,119,589.00 as shown in the **Table 5.11**.

**Table 5.11: Excess amount paid for purchase of land from Director**

Total acreage (in decimal)	Agreed rate (Nu.)	PAVA rate (Nu.)	Difference in Rate (Nu.)	Total Amount (in Nu.)
611	28,000.00	9,801.00	18,199.00	11,119,589.00

- d) There were also other instances where the purchases of land were made at prices higher than PAVA rates. In 2012, the company had made acquisitions of various plots of land at different locations without any investment proposals and plans. Though the investment in immovable assets could have been necessary, the RAA could not establish the prudence and rationality of such investment in the absence of vital documents such as project proposals and business plans. The RAA also could not establish whether the transactions in these investments were done at arm's length basis in view of the fact that transactions were carried out with multiple parties and individuals. The instances of land purchase at higher rates than PAVA rates are as given in the **Table 5.12**.

**Table 5.12: Differences in prices paid in comparison to PAVA rates**

Sellers (a)	Acreage (b)	Price per decimal (c)	PAVA rate (d)	Difference (c-d)	Excess amount in Nu. b*(c-d)	Variation of rate (%)
Chewang Dorji Lepcha	4,000 sq.ft (9.1 decimal)	153,846.15	27,346.97	126,499.18	1,151,142.50	462.57%
Sonam Zangmo	10.10 acres	15,000.00	2,182.94	12,817.06	12,945,230.00	587.14%
<b>Total</b>					<b>14,096,372.50</b>	

- e) Given the huge variation in the PAVA rates and the actual rates for the land, the RAA could not rule out the possibility of these transactions being not made at arm's length basis.

*DSCL responded that land acquisition process had to be expedited as delay of project was causing economic loss to the investors and economy at large. The company ruled out existence of conflict of interest of the director as it was disclosed in the board meeting and the director was authorized to look for a suitable land in Nganglam for new project. The company claimed that construction works were planned only on 1.1 acres for initial phase of project and take on lease either from owner if land is granted as kidu or government if excess land is not regularized.*

*On the issue of purchase of land at prices higher than PAVA rates, the company argued that it is common practice such transactions are carried out at prevailing market rates.*

*The company maintained that best deals were obtained through negotiations and also contested RAA's opinion on acquisitions without investment plans and existence of conflict of interest. (Refer Appendix A(iv))*

### 5.3.7 Performance reporting without business operation

- DSCL had formed DGCL as public company to undertake the business of manufacturing and trading of Plaster of Paris (POP) at Nganglam. The company was incorporated in 2009 with 29% of shares held by DSCL. The company had started reporting business performance from 2012 through preparation of Balance Sheets, Profit & Loss Account and Cash Flow Statements. The financial statements were audited and certified by Chartered Accountants.
- The RAA's visit to the factory site showed that the construction of factory had just begun and only the preparatory works like approach road, ground leveling and erection of basic structures were completed. On enquiry, the company justified that since the company intend to carry similar business as DPCL, it was to test the market for product in its name and brand. The company had bought finished products of DPCL and packaged and marketed under its name.
- Notwithstanding the strategies the company adopted for entering the markets, the existence of such practice had undermined good corporate governance practices and has projected gullibility of applicable regulations.

*DSCL responded that business performance report was prepared in line with Section 57 of the Companies Act of the Kingdom of Bhutan 2000 and the product manufactured by DPCL under brand name of Druk Gypproduct is to create market for upcoming product that would be manufactured by DGCL in which DPCL is one of the promoters. (Refer Appendix A(iv))*



## CHAPTER 6: COAL

### 6.1 BACKGROUND

Coal deposits in Bhutan occur mainly in eastern part of Bhutan along a 56 km –long belt in Samdrupjongkhar. The estimated reserves are 1.96 million tons. The quality of coal is sub-bituminous. It occurs in powdery form and contains 35%–40% fixed carbon, 30%–37% of ash content, and 23% volatile matter.

Coal mining started in Bhutan in the 1970s. It was privatized in 1993, and S.D. Eastern Bhutan Coal Company (SDEBCCL) was the first company to obtain the license to mine coal in Samdrup Jongkhar region that included Samrang, Borilla, Deothang and Bhangtar. The license was awarded for duration of 15 years, commencing from 1st September 2004 till 31st August 2019 following an open bid process at a total cost of Nu. 521 million vide lease agreement no. X- 12/DGM/2005/026 dated 22/02/2005.

The lease was, however updated in 2008 limiting the coal extraction to only Deothang and Bhangtar area in the interest of the government.

M/s SDEBCCL is a public company dealing in mining and trading of coal. It was incorporated under the Companies Act of the Kingdom of Bhutan 2000 with a paid-up share capital of Nu. 52,100,000.00 comprising of 521,000 equity shares of Nu.100 each.

As per the government policy, the promoter was allowed to own 70% of the total equity and rest 30% was floated to the general public, providing preference to the public of six eastern Dzongkhags. The promoters hold 344,607 shares and 176,393 shares are held by the public. As on date, there are 1,080 public shareholders, comprising mostly of people from eastern Dzongkhags.

The major quantity of coal is exported to India, Nepal, and Bangladesh and some portions consumed domestically by cement industries. The year wise production and consumption of coal are depicted in **Table 6.1** from 2008-12.

**Table 6.1: Coal Production and Dispatch during the period 2008 to 2012**

Year	Coal Production		Export		Domestic		TOTAL	
	Qty (in MT)	Value (in Nu.)	Qty (in MT)	Value (in Nu.)	Qty (in MT)	Value (in Nu.)	Qty (in MT)	Value (in Nu.)
2008	101,387.18	119,217,129.00	80,975.97	196,143,911.00	42,800.28	151,928,675.00	123,776.25	348,072,586.00
2009	80,760.97	113,841,471.00	27,076.17	86,500,491.00	21,298.15	139,502,882.50	48,374.32	226,003,373.50
2010	60,606.72	122,496,484.00	58,818.60	206,239,064.75	28,797.09	166,424,124.50	87,615.69	372,663,189.25
2011	103,144.89	198,760,203.00	75,353.58	262,587,903.00	33,607.86	191,564,802.00	108,961.44	454,152,705.00
2012	112,263.13	235,732,365.63	52,123.27	225,438,850.00	46,508.45	290,108,077.00	98,631.72	515,546,927.00
TOTAL	458,162.89	790,047,652.63	294,347.59	976,910,219.75	173,011.83	939,528,561.00	467,359.42	1,916,438,780.75

Source: SDEBCCL



## 6.2 CONTRIBUTION FROM MINING OF COAL TO THE COUNTRY'S ECONOMY

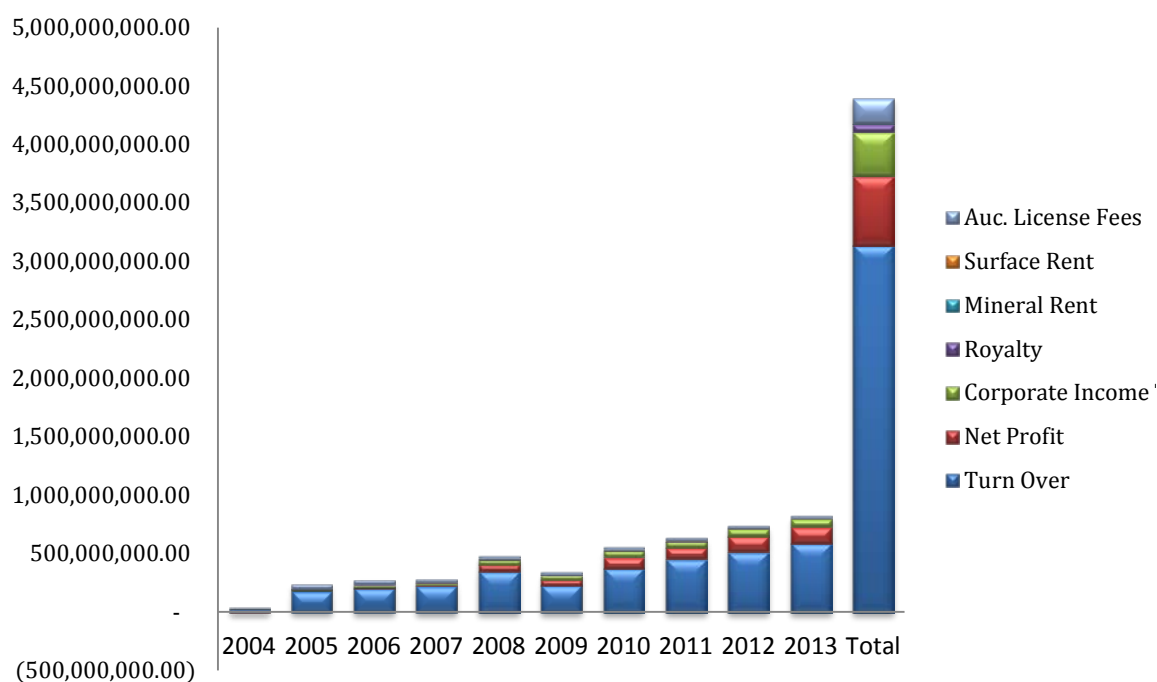
The company's contributions to the government in the form tax and other levies for the period 2008-2012 is as shown in **Table 6.2** and graphically represented in **Figure 6.1**.

**Table 6.2: SDEBCCL's contributions to the government in the form tax and non-tax revenue**

Year	CIT (in Nu.)	Royalty (in Nu.)	Mineral Rent (in Nu.)	Surface Rent (in Nu.)	Auction Fees (in Nu.)	TOTAL (in Nu.)
2008	38,457,859.80	10,234,014.00	1,023,401.00	25,142.00	18,235,000.00	67,975,416.80
2009	36,447,615.66	3,781,052.00	378,105.00	49,436.00	18,235,000.00	58,891,208.66
2010	52,316,294.20	7,331,646.00	733,165.00	51,833.00	18,235,000.00	78,667,938.20
2011	53,310,716.21	9,210,908.00	921,091.00	51,833.00	18,235,000.00	81,729,548.21
2012	67,000,583.50	7,542,722.00	754,272.00	51,833.00	18,235,000.00	93,584,410.50
Total	247,533,069.37	38,100,342.00	3,810,034.00	230,077.00	91,175,000.00	380,848,522.37

Source: DGM and SDEBCCL

**Figure 6.1: SDEBCCL contributions to the government in the form tax and other levies**



The distribution of wealth created through coal mining amongst stakeholders, viz., government in the form of taxes and levies, owners in the form of dividends, employees in the form of salaries and other benefits, financial institutions in the form of interest on loans, and balances retained in the business during the last five years (2008-2012) is shown in the **Table 6.3**.

**Exhibit 6.1: Value Added Statement for SDEBCCL (Period: 1st January 2008 to 31st December 2012)**

Particulars	2008			2009			2010			2011		
	Amount in mil Nu.		% Share	Amount in mil Nu.		% Share	Amount in mil Nu.		% Share	Amount in mil Nu.		% Share
Sales Turnover		348.07			226.			372.66			454.15	
ADD: Other Receipt		0.0			0.11			0.28			0.55	
Change in Stock		-21.84			41.29			-33.54			-09.29	
<b>GROSS OUTPUT</b>		<b>326.24</b>			<b>267.4</b>			<b>339.41</b>			<b>445.42</b>	
LESS:Brought-in-goods and services		<b>194.87</b>			<b>131.28</b>			<b>144.74</b>			<b>239.91</b>	
(a) Mining & Restoration (Dozer Hire Charges)	102.15			81.01			93.36			147.24		
(b) Carriage Inward (incl. loading & unloading)	51.67			30.48			33.56			49.64		
(c) Cost of Raising (Labour Charges)	20.09			09.84			04.71			10.8		
(d) Others (incl. R&M, road construction, etc.)	20.96			09.94			13.11			32.23		
ADD: Extraordinary items												
(a) Surplus on closure of mine	01.31			0.0			0.			0.		
(b) Bal carried forward from previous year	01.04			18.06			07.58			77.08		
LESS: Extraordinary items												
(a) Previous year adjustment	0.43			0.0			0.03			0.02		
(b) Balance carried to Balance Sheet	18.06			07.58			77.08			143.03		
<b>Gross Value Added (GVA)</b>		<b>115.23</b>			<b>146.61</b>			<b>125.13</b>			<b>139.55</b>	
LESS: Depreciation		0.50			01.08			01.32			02.06	
<b>Net Value Added (NVA)</b>		<b>114.73</b>			<b>145.53</b>			<b>123.82</b>			<b>137.49</b>	
<b>Receipt by Workers/Employees</b>		<b>09.13</b>	<b>7.96</b>		<b>12.94</b>	<b>8.89</b>		<b>14.10</b>	<b>11.38</b>		<b>22.35</b>	<b>16.25</b>
(a) Chairman cum Managing Director		<b>0.30</b>	0.26		<b>0.0</b>	-		<b>01.93</b>	1.56		<b>05.21</b>	3.79
Salary	0.30						0.0			02.58		
Others (Medical Exp, travelling)	0.0						01.93			02.63		
(b) Managing Director		<b>0.47</b>	0.41		<b>0.0</b>	-		<b>0.0</b>	-		<b>0.0</b>	-
Salary	0.40						0.0					
Bonus	0.07						0.0					
(c) Directors		<b>01.10</b>	0.96		<b>0.0</b>	-		<b>03.59</b>	2.90		<b>03.70</b>	2.69
Salary	0.96						02.92			03.10		
Bonus	0.14						0.23			0.15		
Others (Medical Exp, HRA, PF)	0.0						0.44			0.44		
(d) Others		<b>07.27</b>	6.33		<b>12.94</b>	8.89		<b>08.58</b>	6.93		<b>13.44</b>	9.78
<b>Receipt by Owners</b>		<b>41.77</b>	<b>36.40</b>		<b>15.70</b>	<b>10.78</b>		<b>31.34</b>	<b>25.31</b>		<b>33.97</b>	<b>24.70</b>
(a) Chairman cum Managing Director		<b>25.99</b>	22.65		<b>09.76</b>	6.71		<b>19.50</b>	15.74		<b>21.10</b>	15.35
Dividend	25.97			09.74			19.48			21.10		
Sitting Fees	0.02			0.02			0.02					
(b) Managing Director		<b>0.82</b>	0.71		<b>0.30</b>	0.21		<b>0.60</b>	0.48		<b>0.65</b>	0.47
Dividend	0.80			0.30			0.60			0.65		
Sitting Fees	0.02											
(c) Directors		<b>02.46</b>	2.14		<b>0.95</b>	0.65		<b>01.87</b>	1.51		<b>02.05</b>	1.49
Dividend	02.40			0.90			01.80			01.95		
Sitting Fees	0.06			0.05			0.07			0.10		
(d) Public (Dividend)		<b>12.50</b>	10.90		<b>04.69</b>	3.22		<b>09.38</b>	7.57		<b>10.19</b>	7.41
<b>Receipt by Government</b>		<b>63.84</b>	<b>55.64</b>		<b>66.89</b>	<b>45.97</b>		<b>78.39</b>	<b>63.31</b>		<b>81.18</b>	<b>59.04</b>
(a) CIT (inclusive of CIT for earlier years)	35.19		30.67	41.0		28.18	52.04		42.02	52.76		38.37
(b) Royalty	10.23		8.92	03.78		2.60	07.33		5.92	09.21		6.70
(c) Mineral Rent	01.02		0.89	0.38		0.26	0.73		0.59	0.92		0.67
(d) Surface Rent	0.03		0.02	0.02		0.02	0.05		0.04	0.05		0.04
(e) Mining Lease Right	17.37		15.14	21.71		14.92	18.24		14.73	18.24		13.26
<b>Retained in Entity</b>		<b>0.0</b>			<b>50.0</b>	<b>34.36</b>		<b>0.0</b>			<b>0.0</b>	
(a) General Reserve	<b>0.0</b>			<b>50.0</b>			<b>0.0</b>			<b>0.0</b>		
<b>Net Value Addedd (NVA)</b>		<b>114.73</b>	<b>100.00</b>		<b>145.53</b>	<b>100.00</b>		<b>123.83</b>	<b>100.00</b>		<b>137.49</b>	<b>100.00</b>



**Table 6.3: Distribution of Wealth generated from Coal mining operation during period 2008 to 2012**

Particulars	2008		2009		2010		2011		2012	
	Amount (mil. Nu.)	% Share	Amount (mil. Nu.)	% Share	Amount (mil. Nu.)	% Share	Amount (mil. Nu.)	% Share	Amount (mil. Nu.)	% Share
<b>Net Value Added (NVA)</b>	<b>114.73</b>		<b>145.52</b>		<b>123.82</b>		<b>137.48</b>		<b>158.05</b>	
<b>Receipt by CEO &amp; Employees</b>	<b>9.13</b>	<b>7.96</b>	<b>12.93</b>	<b>8.89</b>	<b>14.09</b>	<b>11.38</b>	<b>22.34</b>	<b>16.25</b>	<b>26.92</b>	<b>17.03</b>
(a) Chairman cum MD	0.30		-		1.92		5.20		6.89	
(b) Managing Director	0.46		-		-					
(c) Directors	1.10		2.77		3.59		3.69		2.49	
(d) Others	7.26		10.16		8.57		13.44		17.53	
<b>Receipt by Owners</b>	<b>41.76</b>	<b>36.40</b>	<b>15.69</b>	<b>10.78</b>	<b>31.34</b>	<b>25.31</b>	<b>33.96</b>	<b>24.70</b>	<b>39.38</b>	<b>24.92</b>
(a) Chairman cum MD	25.98		9.76		19.49		21.10		24.41	
(b) Managing Director	0.81		0.30		0.60		0.65		0.76	
(c) Directors (Three)	2.45		0.94		1.86		2.05		2.49	
(d) Public (Dividend)	12.50		4.68		9.37		10.15		11.72	
<b>Receipt by Government</b>	<b>63.83</b>	<b>55.64</b>	<b>66.89</b>	<b>45.97</b>	<b>78.38</b>	<b>63.31</b>	<b>81.17</b>	<b>59.04</b>	<b>91.74</b>	<b>58.05</b>
(a) CIT (incl. CIT for earlier yrs.)	35.18		41.00		52.03		52.75		65.16	
(b) Royalty	10.23		3.78		7.33		9.21		7.54	
(c) Mineral Rent	1.02		0.37		0.73		0.92		0.75	
(d) Surface Rent	0.03		0.02		0.05		0.05		0.05	
(e) Mining Lease Right	17.36		21.70		18.23		18.23	-	18.23	-
<b>Receipt in Entity (Reserves)</b>	<b>-</b>	<b>-</b>	<b>50.00</b>	<b>34.36</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>
<b>Net Value Added (NVA)</b>	<b>114.73</b>	<b>100</b>	<b>145.52</b>	<b>100</b>	<b>123.82</b>	<b>100</b>	<b>137.48</b>	<b>100</b>	<b>158.05</b>	<b>100</b>

The Value Added Statement as shown in **Table 6.3** shows proportion of wealth distribution to different stakeholders. The highest share of 58.05% was accrued to the government, 24.92% to owners, and 17.03% to employees.

### 6.3 FINDINGS

The RAA's review of coal business process showed existence of related party transactions through common interests of controlling shareholders in the public company SDEBCCL and a private hiring unit. The engagement of Sherja Hiring Units by SDEBCCL was apparently done to transfer secured profits to the private company through payment of exorbitant hire charges.

The RAA attempted to study the existence of related party transactions and its impact on the profit of the company, government and minority shareholders. Further, a review of related documents made available to the RAA, inconsistent practices were noted which had apparently undermined principles and practices of good corporate governances as well as adverse impact on government and minority shareholders.

### 6.3.1 Existence of related party transactions in the coal mining

- a) SDEBCCL is a public company with 70% shares owned by the promoter Goob Sonam Dukpa and family members and 30% owned by the general public as shown in the **Table 6.4**. The promoter is also a Chairman cum Managing Director of the company.

**Table 6.4: Ownership Structure of SDEBCCL**

Sl. No.	Name	Address	No. of Shares	Shareholdings in percent
1	Mr. Sonam Dukpa	Thimphu	324,700	62.32%
2	Mrs. Kunzang Choden	Khapti Village, Samkhar Geog, Trashigang	10,000	1.92%
3	Ms. Sonam Wangmo	Ngatshag, Mongar	10,000	1.92%
4	Ms Dechen Wangmo	Zobel Village, Chungkhar, Pemagatshel	10,000	1.92%
5	Ms. Kunzang Tshomo	Zobel Village, Chungkhar, Pemagatshel	10,000	1.92%
6	General Public (1,073 as of March 2014)		156,300	30%
<b>TOTAL</b>			<b>521,000</b>	<b>100</b>

- b) The major expenditure for the company included hire of Earth Moving Equipment(EME) for mining and restoration works, labour and transportation. The company had hired EME from Sherja Hiring Unit, a sole proprietorship business owned by Chairman cum Managing Director of the SDEBCCL.
- c) Over the years, M/s SDEBCCL had almost exclusively deployed M/s Sherja Hiring Unit for mining and restoration activities leaving no opportunities for other such business units. The details of income earned by M/s Sherja Hiring and other hiring units from the coal company have been provided in **Table 6.5**. It is evident from the table that around 80% of the hiring business on average has consistently gone to M/s Sherja Hiring Unit from 2008 to 2012 virtually leaving the other hiring units on the margin of business as shown in the **Table 6.5**.

**Table 6.5: Income Statement of M/s Sherja Hiring and other hiring units from the SDEBCCL**

Year	Name of Hiring Unit	Hiring Cost	Percentage of total
2008	Sherja Hiring	98,816,015.00	99
	Others	499,200.00	1
	<b>Total</b>	<b>99,315,215.00</b>	<b>100</b>
2009	Sherja Hiring	62,048,840.00	85.55
	Others (5 hirers)	10,482,576.35	14.45
	<b>Total</b>	<b>72,531,416.35</b>	<b>100</b>
2010	Sherja Hiring	54,011,700.00	68.64
	Others(7 hirers)	24,677,042.50	31.36
	<b>Total</b>	<b>78,688,742.5</b>	<b>100</b>
2011	Sherja Hiring	89,161,100.00	72.85
	Others (4 hirers)	33,227,673.00	27.15
	<b>Total</b>	<b>122,388,773.00</b>	<b>100</b>
2012	Sherja Hiring	101,329,700.00	71.07
	Others (4 hirers)	41,247,291.20	28.93
	<b>Total</b>	<b>142,576,991.20</b>	<b>100</b>

- d) As evidenced from the higher rates allowed by the company in comparison to the BSR rates, it appeared that the transactions were not carried out at arm's length basis. The

company had extended undue favour to Sherja Hiring Unit. In absence of any competitive bidding system in the company and because of the fact that there was common interest of controlling shareholders in two business units, the business dealings seemed to be driven by personal interest rather than business interest of the company.

- e) Section 89(1) which deals with 'Contracts in which directors are interested' of the Companies Act of the Kingdom of Bhutan 2000, states that, *'Except with the consent of the Board of directors of a company, a director of the company or his relative, a partnership firm in which such a director or his relative is a partner, any other partner in such a firm, or a private company of which the director is a shareholder or director shall not enter into any contract with the company for the sale, purchase or supply of any goods, materials or services'*. Even if consent of the board of directors was obtained, situations of conflict of interest could not be ruled out as the members of the board were direct family members of the chairman and senior employees of the company.
- f) The RAA carried out the analysis of impact of related party transactions and existence of conflict of interest on the profitability and dividend payouts to the shareholders in the following paragraphs.

#### A. Reduction in profit of the company

- a) The hiring rates paid to the Sherja Hiring Unit could not be compared with the rates paid to other hiring units as machineries deployed were of different specifications and make. The RAA compared the rates with BSR as it is the rate prescribed by the government. The comparison showed that rates paid to Sherja Hiring Unit were exorbitantly high as compared to rates prescribed by BSR as shown in the **Table 6.6**.

**Table 6.6: Machinery Rate Comparison between Sherja Hiring Unit and Bhutan Schedule of Rates**

Year	Hrs. Worked	Sherja Hiring Unit (Nu.)	Bhutan Schedule of Rates (Nu.)	Difference in Amount (Nu.)
2008	21,647.45	86,674,300.00	45,045,792.07	41,628,507.93
2009	18,552.03	54,062,275.00	35,640,886.17	18,421,388.83
2010	13,013.45	54,014,905.50	25,321,963.83	27,963,669.35
2011	22,602.40	89,161,100.00	43,127,242.40	46,033,857.60
2012	32,101.00	101,329,700.00	57,532,409.00	43,797,291.00
<b>TOTAL</b>		<b>385,242,280.50</b>	<b>206,668,293.47</b>	<b>177,844,714.71</b>

- b) During five years, as can be seen from the **Table 6.6** and detailed in **Annexure V**, the company had forgone revenue of Nu. 177,844,714.71 on account of exorbitant rates paid to Sherja Hiring Unit. The engagement of hiring unit had absorbed significant portion of company's profits, which otherwise could have been saved if determined on the basis of prevailing market rates or at arm's length basis.

- c) The existence of conflict of interest had adversely affected the profitability of the public company. It appeared that engagement of Sherja Hiring Unit was to merely transfer secured profits of a public company.

## B. Dividend Payout

- a) The reduced profit of the company rendered by exorbitant rates paid to Sherja Hiring Unit had direct impact on the dividend payout to its shareholders. Based on the proportion of dividend to Profit After Tax (PAT) during 2008-2012, the RAA worked out the additional dividends that would have been paid if the hiring rates were determined at arm's length basis or prevailing market rates. The additional profit that would have been earned was worked out on the basis of comparison with the rates prescribed by the Bhutan Schedule of Rates. The company would have declared additional dividends of Nu. 41,237,243.85 during five years if the business was carried out at arm's length basis as shown in **Table 6.7**.

**Table 6.7: Impact of higher hiring rates on dividend payout**

	2008	2009	2010	2011	2012	Total
<b>PAT (Financial Statements)</b>	75,182,539.86	76,859,278.22	119,032,544.10	118,061,289.76	148,327,921.69	537,463,573.63
<b>Proposed Dividend (Financial Statement)</b>	41,680,000.00	15,630,000.00	31,260,000.00	33,865,000.00	39,075,000.00	161,510,000.00
<b>Proportion of Dividend declared on PAT (A)</b>	0.55	0.20	0.26	0.29	0.26	0.30
<b>Additional Profit (Refer Table 6.6)</b>	41,628,507.93	18,421,388.83	27,963,669.35	46,033,857.60	43,797,291.00	177,844,714.71
<b>PAT (after 30% CIT on additional profit) (B)</b>	29,139,955.55	12,894,972.18	19,574,568.55	32,223,700.32	30,658,103.70	124,491,300.30
<b>Dividend on additional profit C = (A)*(B)</b>	16,154,726.21	2,622,304.29	5,140,619.46	9,243,127.99	8,076,465.90	41,237,243.85
<b>Dividend share of minority shareholders (30% of C)</b>	4,846,417.86	786,691.29	1,542,185.84	2,772,938.40	2,422,939.77	12,371,173.16

- b) As evident from the **Table 6.7**, the minority shareholders representing 30% of shareholdings were deprived of total dividend of Nu. 12,371,173.16 over the period of five years. The business decisions that were apparently driven by promoter's interest have thus, resulted in shrinking of company's profit and dividends to minority shareholders.

*SDEBCCL responded that all directors were appointed in the AGM and majority of the members are those other than promoters. As far as engagement of Sherja Hiring Unit is concerned, the company maintains that it was done in compliance to the Companies Act. The company further contested that application of BSR rates for hiring of machineries and equipment cannot be applied to mining as it is applicable to only construction sector. The company claimed that way back in 2008, there was no other hiring units and so it had no choice other than to hire from Sherja Hiring Unit. The company refuted RAA's opinion on extending undue favour to Sherja Hiring Unit, rather claimed to have benefitted in terms of: reliability, availability and convenience. Further, hiring from Sherja Hiring Unit is claimed to have provided advantage in terms of working capital resulting in 10%-13% saving in terms of interests on working capital.*

*With regard to providing advances of Nu. 12,952,613.83 to Sherja Hiring Unit in 2008, the company responded that Sherja being service provider to the company, payables and receivables remaining outstanding at the end of the year were in the normal course of business.*



*The company's response to undermining principles and practices of good corporate governance was in complete denial instead claimed to have declared consistent dividends to shareholders and created huge reserves and surplus for the company. (Refer Appendix A(v))*

*On the transfer of funds to related parties, MoF responded that the Income Tax Act does not restrict transfer of funds to a related party especially when it is made out of reserves and surpluses. However, it had assured to note the issue when the Income Tax Act is reviewed. On reduction of profit of company, MoF responded that the transactions between the entities were verified to have been at Arm's length price and that there was a valid contract between the parties. (Refer Appendix A(ii))*

### 6.3.2 Exorbitant salary paid to CMD and Directors

- a) A comparison of salaries with that of CEOs of other State owned Companies showed that CMD of SDEBCCL was paid exorbitantly as shown in the **Table 6.8**.

**Table 6.8: Comparison of monthly salary of CEO, SDEBCCL with CEOs of other SOEs**

Sl. No.	Position level	Salary per month (in Nu.)	Differences (in %)
1	CMD, SDEBCCL	367,625.00	N/A
2	CEO, Druk Holdings & Investments	144,064.00	155%
3	MD, Druk Green Power Corporation Ltd.	137,593.00	167%
4	MD, Bhutan Power Corporation Ltd.	112,500.00	227%
5	CEO, Bhutan Telecom Ltd.	101,500.00	262%
6	CEO, Bank of Bhutan Ltd.	108,288.00	239%
7	CEO, Drukair Co. Ltd	106,500.00	245%
8	CEO, Natural Resources Development Corporation. Ltd	81,500.00	351%

*Note: Salary of CEOs as on December 2012*

As can be seen in the table above, there is a disparity as high as 351% as compared to the salaries of CEOs of state owned enterprises.

- b) The Compression Ratio which gives the idea on salary differential in the system was computed and compared with the civil service and overall salary compression ratio ascertained by the Second Pay Commission Report as shown in the **Table 6.9**.

Position Level	SDEBCCL	Civil Service	Public Sector
Highest Level	CEO's salary	EX1/ES1's salary	Prime Minister's salary
Lowest Level	Average salary of lower level management	O4 (Lowest level in the Occupational category)	P5 (Entry level in professional category in Civil Service)
Compression Ratio	33.88	6.7	7.5

*Note: Compression ratio for Civil Service and Public Sector as computed by the Second Pay Commission*

As seen from the **Table 6.9**, salary compression ratio of 33.88 times in SDEBCCL is high as compared to 6.7 and 7.5 in civil service and public sector respectively, indicating existence of disparity in salary structure in a public company. The SDEBCCL employs around 90 workers (excluding top and middle level managers) with average salary of

Nu.10,848 per month while the CEO currently draws as much as Nu. 367,625.00 per month. It employs around 10 employees for top and middle level managers.

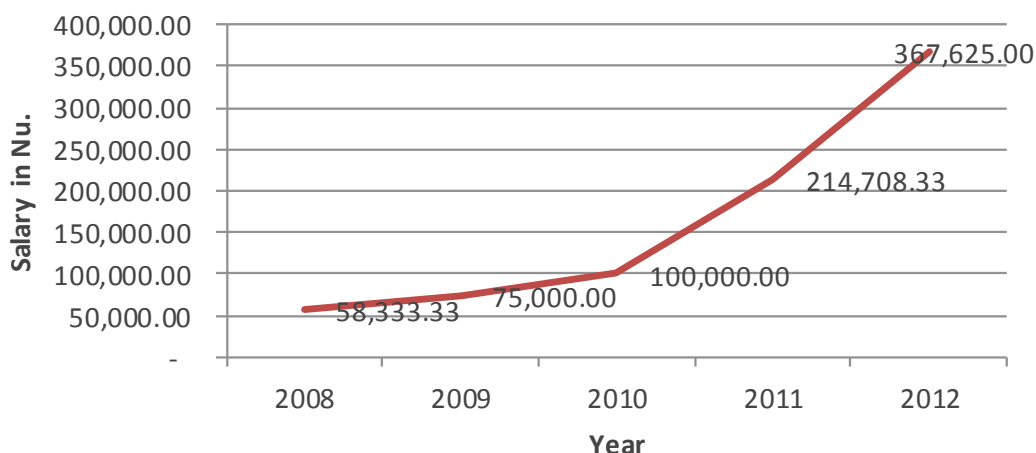
- c) The RAA found that the CMD and executives of the company draw exorbitant remunerations and benefit packages in the form of salaries, bonus, sitting fees, travel expenses and medical expenses over the years. The total sum of money paid to the Chairman and other two directors, who were the major beneficiaries for the years 2008-2012 are as tabulated in **Table 6.10**.

**Table 6.10: Income of top management of SDEBCCL for the period 2008-12**

Designation	Salary (Nu.)	Bonus (Nu.)	Sitting fees (Nu.)	Travel expense (Nu.)	Medical expense (Nu.)	Total (Nu.)
<b>Chairman cum MD</b>	7,688,000.00	66,940.00	155,000.00	4,850,464.60	3,156,816.00	15,917,220.00
<b>Two Directors</b>	11,069,000.00	550,000.00	192,000.00	N/A	N/A	11,811,000.00
<b>TOTAL</b>	<b>18,757,000.00</b>	<b>616,940.00</b>	<b>347,000.00</b>	<b>4,850,464.60</b>	<b>3,156,816.00</b>	<b>27,728,220.00</b>

- d) The RAA studied the trend in increase of salaries paid to CMD and found that there had been increasing trend of salaries from 2008 to 2012 as shown in the **Figure 6.2**.

**Fig 6.2: A chart showing increasing trend of salaries of CMD over the years**



- e) Travel and medical expenses incurred for CMD amounted to Nu. 8,015,994.48 during 2009-12 as shown in the **Table 6.11**.

**Table 6.11: Travel and medical expenses incurred for CMD from 2009-12**

Expenses	2009	2010	2011	2012	TOTAL
Travel	462,018.08	1,919,393.23	842,530.37	1,626,523.00	<b>4,850,464.68</b>
Medical	510,911.00	8713.80	1,787,048.00	858,857.00	<b>3,165,529.80</b>
<b>TOTAL</b>	<b>974,938.08</b>	<b>1,930,117.03</b>	<b>2,631,589.37</b>	<b>2,487,392.00</b>	<b>8,015,994.48</b>

Thus, it was apparent that these expenses were incurred for personal purposes and not for the business purposes. Therefore, it not only raises the question of legality of such expenditure charged to the P&L account of the company but also seen as drain of resources from a public company and detrimental to the good corporate governance as a public limited company.

- f) Further, salaries aggregating to Nu. 7,512,000.00 were paid during 2008 to 2012 to two individuals as shown in the **Table 6.12** who were said to be employed for liaising and coordinating business with stakeholders in Thimphu.

**Table 6.12: Monthly salary paid to two individuals**

Name of Officials	2008 (Nu./month)	2009 (Nu./month)	2010 (Nu./month)	2011 (Nu./month)	2012 (Nu./month)
Kunzang Tshomo	50,000.00	100,000.00	100,000.00	100,500.00	N/A
Tshering Yangden	N/A	50,000.00	50,000.00	75,500.00	100,000.00

The RAA noted that these officials neither held any positions for which they were employed nor assigned any specific roles and responsibilities. Further, the company's organogram provided to the RAA do not contain any office establishment in Thimphu. The practice of directly employing own family members with high remunerations without following fair and transparent recruitment system in a public limited company undermines the principles of good corporate governance.

*SDEBCL responded that coal mining being unique operation requiring extra constant vigil and involvement of huge risk factors, payment of employees including CMD and Board of Directors should be commensurate with the working environment. Further, the company claimed that salaries were approved by the board and salary limits are not applicable to incorporated companies as per the Companies Act.*

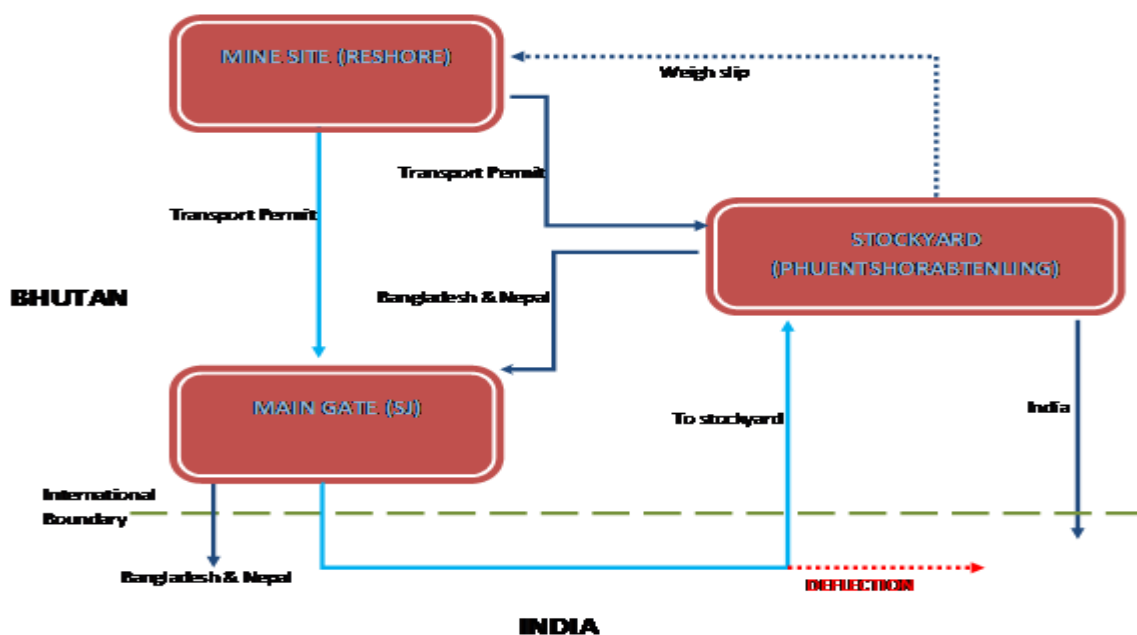
*On the appointment of direct family members, the company responded that one official was appointed to represent company in the high court to deal case with ACC after the suspension of the coal mine operators in 2009. The other official was stated to have been appointed to deal with all official matters in liaison office, Thimphu. (Refer Appendix A(v))*

### 6.3.3 Lack of controls in transportation of Coal from mine site

- a) The system of transportation of minerals from mine sites at Rishore to stockyard at Samdrupjongkhar for dispatch to various destinations as described in **Exhibit 6.2** showed that there were several issues that have potential to impede effective monitoring and control by the DGM. The review of the prevailing practice showed following deficiencies:
- Mines inspectors from DGM are not fielded at the coal mine site;
  - The issue of Transport Permits which are supposed to be issued by DGM to the transporters on dispatch of minerals from mine sites is delegated to company officials as there is no representative of DGM at the mine site;
  - The RAA noted that the pre-signed TPs are directly issued to company officials at the mine site;
  - The quantities indicated in the TPs were found to be mere an arbitrary quantity as there is no weigh bridge installed at the mine site.
  - No periodic reconciliations were carried out by DGM between the quantities dispatched as per Transport Permits and quantities reflected in the weigh slip issued to transporters to be taken back to mine site.

- b) On the basis of deficiencies observed above, it appeared that there is hardly any control mechanism to keep track of information of actual extractions at the mine site as well as the quantities dispatched to the stock yard. The issuance of TPs seemed merely a formality as it did not contain correct information.
- c) The present arrangement of dispatch and sale outside country as explained in **Exhibit 6.2** provides opportunities for possible deflection of consignment without declaring exports. Though the minerals are to be taken to the stockyard from the mine site via internal route, it was observed that for the convenience of the transporters, the minerals are allowed to be exited from the main gate and transported to the stockyard through Indian routes. In such cases, the transporters are required to enter the country to reach the consignments to the stockyard. However, in the event if transporters choose not to re-enter, there is possibility of deflection of consignment without declaring the exports. Therefore, non-declaration will result in non-accountal of sales and loss of royalty and other levies.

**Exhibit 6.2: Diagram showing movement of coal from mine site/stock yard to various destinations**



1. Minerals are transported from mine site at Reshore to stockyard at Phuentsho Rabtenling. The Transport Permit (TP) is issued to transporter.
2. At the stockyard, the load is weighed and the weigh slip is issued to the transporter to be returned to the mine site.
3. For minerals to be exported to India, the consignment is directly dispatched without having to exit from the Main Gate at Samdrupjongkhar. The stockyard at Phuentsho Rabtenling is directly connected via bypass route to highway in India. The permission to transport through this road was granted under special arrangements between the two governments.
4. The minerals to be exported to Nepal and Bangladesh are required to be routed through the Main Gate at Samdrupjongkhar.

*SDEBCCL, in the response claimed that current internal control system is sufficient enough to prevent any discrepancies during transportation of minerals to stockyard. Further, it claimed that periodic reports prepared by DGM officials and countersigned by company officials are submitted to DGM Headquarters. The company expressed that they are least concerned on such petty matters when they have many other important businesses and responsibilities including paying statutory duties to the government on a timely basis. (Refer Appendix A(v))*

*MoEA responded that deflection of mineral without payment of mineral levies is least anticipated and the transport of minerals from mines to stockyard through main gate is completely stopped now. The company stated that pre-signed transport permits are issued only to ensure that the materials were transported from the mine. (Refer Appendix A(i))*

#### 6.3.4 Non declaration of income earned by private transporters

- a) SDEBCCL raises the coal at Rishore Mine at Deothang and transports entirely to Phuntsho Rabtenling (Matanga), Samdrup Jongkhar stockyard before dispatching for sales, both domestic and international. The Company engages private trucks on hire from different individuals for transporting the material. The company had incurred domestic transport expenses of Nu. 211,765,277.17 during 2008-12.
- b) Clause 2.6 of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001 defines one of the sources of income from other sources as “*income from hire of privately owned vehicles, but excluding trucks and taxis.*” However, as the Income Tax Act of the Kingdom of Bhutan 2001 does not specify anything to that effect, the RAA could not understand the policy intent of such exemption. Notwithstanding the underlying basis for such exemptions, this has huge implications on the tax revenue and also undermining principles of equity and fairness.
- c) The government had forgone tax revenue of Nu. 14,823,569.40 computed as 10% of total transportation cost after providing standard deduction of 30% as per Rules on Personal Income Tax as shown in the **Table 6.13**.

**Table 6.13: Revenue forgone on account of non-application of PIT on income earned through hiring of private trucks during the period 2008-2012**

Year	Transportation Expenses (in Nu.)	Taxable income after 30% Statutory Deductions (in Nu.)	Applicable PIT @ 10% (in Nu.)
2008	42,100,659.75	29,470,461.83	2,947,046.18
2009	29,037,308.77	20,326,116.14	2,032,611.61
2010	28,601,974.05	20,021,381.84	2,002,138.18
2011	48,442,311.25	33,909,617.88	3,390,961.79
2012	63,583,023.35	44,508,116.35	4,450,811.63
<b>Total</b>	<b>211,765,277.17</b>	<b>148,235,694.02</b>	<b>14,823,569.40</b>

Source: Financial Statement (SDEBCCL)

- d) As can be seen from the **Table 6.13**, the provisions exempting such incomes has resulted in huge revenue loss to the government and the few people earning sizeable incomes do not come within the tax brackets. Such ambiguities in the policy intents may prove to be

counter-productive in promoting equitable society through the policy of progressive taxation.

- e) Further, the review of related documents showed that the company had claimed transportation cost as deductible expenses for income tax purposes.
- f) Clause 2.4.6, Corporate Income Tax (part I), of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001 explicitly states that “*The hire of plant, machinery and vehicles plus any associated costs referred to in the lease agreement shall be treated as an allowable deduction, provided that the expenditure is incurred for the purpose of business and the services are availed from **another tax entity**.*” The truck owners may not be considered as tax paying entity within the meaning of Clause 2.6 of the Rules on the Income Tax Act of the Kingdom of Bhutan that defines one of the sources of income from other sources as “*income from hire of privately owned vehicles, but excluding trucks and taxis.*”
- g) The private truck owners do not qualify as tax paying entity as they are not liable to pay tax as per Rules on Income Tax Act of the Kingdom of Bhutan 2001.

*MoF responded that until the Income Tax Act is amended, incomes earned by the unlicensed private transporters cannot be taxed under PIT since the Rules on the Income Tax specifically exempts income from hire of trucks. For CIT purposes, the MOF explained that transportation charges were allowed as deductible expenses as admissible under Rule No. 2.4.6, Part I of the Rules on the Income Tax Act. The Ministry assured to look into the issue when the Department undertakes the amendment of the Income Tax Act 2001 to protect the revenue base. On allowance of transportation expenses as deductible expenses, MoF explained that expenses were not only incurred for business purposes but the services were also availed from a taxable entity as private truck owners pay Motor Vehicle Tax to the RSTA on bi-annual basis. It further stated that the tax paid by the truck owners are considered as full and final discharge of the tax liability and it is implied that the truck owners are distinct tax entities. (Refer Appendix A(ii))*

*SDEBCL responded that there is no question of disallowing transportation expenses when it incurred for the purpose of business as per the Companies Act. The company had also expressed favour for exempting income of private truck owners on the ground of promoting equal distribution of wealth to general public. (Refer Appendix A(v))*



## CHAPTER 7: QUARTZITE, LIMESTONE AND TALC

### 7.1 BACKGROUND

The total minable reserves (geological potential reserve) of Quartzite, Limestone/marble and Talc as per the Final Mines Feasibility Studies (FMFS) for the lease mines are as given in the **Table 7.1**. All these mines are located and spread over the southern-western part of Bhutan.

**Table 7.1: Total Minal Reserve and leases area for minerals**

Sl. No.	Minerals	Total Minal Reserve (Million MT)	Total Lease Area (in acre)
1	Quartzite	33.390	385.48
2	Limestone/marble	62.427	1,929.20
3	Talc	0.151	244.26

*\*As per FMFS*

Quartzite and limestone are mainly consumed as raw materials by the local industries like Ferro silicon and cement industries. Over the years, these minerals are also exported mainly to India and Bangladesh. As reserves and occurrence of talc is limited and erratic, no talc-based industries have been set up in the country. The talc was exported in raw or lumps form to available markets in India and the regions. However, currently for the operational talc mines, the DGM allows the export of talc in powder form only.

Currently, there are 6 quartzite and 10 limestone mines which are operational and three each of quartzite and limestone are closed or suspended. Two quartzite mines are yet to start operations. Most of the talc mines were closed except for Sadu Madu Talc Mine and Serina Talc mine having reserves of 6,000 MT and 20,000 MT respectively. Both of these mines are operated by M/s Damchen Private Limited. The production vis-à-vis consumptions, both domestic and exports are given in the **Table 7.2**.

**Table 7.2: Production vis-a-vis consumptions of minerals during the period 2008-2012**

Minerals	Particulars	2008	2009	2010	2011	2012
Quartzite (MT)	<b>Production</b>	94,688	82,578	111,370	95,016	88,631
	<b>Consumption:</b>					
	Export	4,123	12,927	2,305	90,468	2,264
	Domestic	90,565	69,651	109,065	4548	86,367
Limestone (MT)	<b>Production</b>	583,706.63	649,951.70	704,911.60	649,291.20	677,128.94
	<b>Consumption:</b>					
	Export	89,059	34,921	34,522	39,860	47,074
	Domestic	494,647	615,031	670,389	585,675	630,054
Marble (Sq. ft)	<b>Production</b>	12,301	13,074	71,278	71,582.49	59,542
	<b>Consumption:</b>					
	Export	-	-	70,701	700,013	5,523
	Domestic	12,301	13,074	187	-	54,019
Talc (MT)	<b>Production</b>	56,077	64,949	40,204	8,562	1,611
	<b>Consumption:</b>					
	Export	56,077	64,949	36,442	8,230	1,606
	Domestic	-	-	-	-	5



Most of the quartzite and limestone mines are operated as captive mines as shown in **Annexure VI**. As per the Revised MMR 2010, a captive mine is mining operation where the products are used as raw materials for the specifically intended industries.

The **Table 7.3** shows the number of captive mines in operation, area covered, estimated deposit, and production of mineral for the years 2008 to 2012.

**Table 7.3: Details on deposit and total production from the captive mines during period 2008 to 2012**

	2008	2009	2010	2011	2012
No. of captive mines leased in the year	1	1	5	1	1
No. of captive mines operating in the year	7	8	8	9	7
Area Leased (acres)	339.31	769.38	770.38	781.29	738.86
Estimated deposit (Million MT)	24.03	26.488	27.488	29.428	27.878
Total Production (Million MT)	258,501.68	593,545.83	505,619.28	635,618.92	541,611.24

## 7.2 CONTRIBUTION FROM MINING OF QUARTZITE, LIMESTONE AND TALC TO THE COUNTRY'S ECONOMY

The contribution to the government amounted to Nu. 153.811 million in the form of royalty, mineral and surface rent over the period of 2008 to 2012 from the mining operations of these minerals as shown in the **Table 7.4**.

**Table 7.4: Contribution from Quartzite, Limestone, Marbles and Talc in the form of royalty, mineral and surface rent to the government during the period 2008 to 2012**

Minerals	Levies	2008 (in mil. Nu.)	2009 (in mil. Nu.)	2010 (in mil. Nu.)	2011 (in mil. Nu.)	2012 (in mil. Nu.)	TOTAL (in mil. Nu.)
Quartzite	Royalty	2.429	2.020	2.358	2.320	1.909	11.035
	Mineral Rent	0.412	0.362	0.415	3.592	0.314	5.095
	Surface Rent	0.070	0.062	0.056	0.065	0.118	0.371
	<b>TOTAL</b>	<b>2.910</b>	<b>2.444</b>	<b>2.829</b>	<b>5.977</b>	<b>2.340</b>	<b>16.501</b>
Limestone/Marble	Royalty	11.825	20.716	24.042	27.830	23.157	107.569
	Mineral Rent	2.218	4.916	5.428	6.153	5.287	24.001
	Surface Rent	0.090	0.344	0.283	0.284	0.284	1.285
	<b>TOTAL</b>	<b>14.134</b>	<b>25.976</b>	<b>29.754</b>	<b>34.266</b>	<b>28.727</b>	<b>132.856</b>
Talc	Royalty	1.020	1.061	0.344	0.388	1.301	4.113
	Mineral Rent	0.102	0.102	0.014	0.005	0.085	0.308
	Surface Rent	0.003	0.003	0.010	0.007	0.011	0.033
	<b>TOTAL</b>	<b>1.125</b>	<b>1.165</b>	<b>0.368</b>	<b>0.40</b>	<b>1.397</b>	<b>4.454</b>
<b>GRAND TOTAL</b>		<b>18.169</b>	<b>29.585</b>	<b>32.951</b>	<b>40.643</b>	<b>32.464</b>	<b>153.811</b>

Besides, the mining operations had also contributed in creating employment and accelerating the economic growth as shown in the **Table 7.5**.

Table 7.5: Employment in mining operation of Quartzite, Limestone and Talc in 2012

Minerals	Name of Mines	Bhutanese	Non-Bhutanese	TOTAL
Quartzite	Noonpani Quartzite Mine	50	0	50
	Tintale Quartzite Mine	10	14	24
	Dappar Quartzite Mine	17	2	19
	Lampathey Quartzite Mine	26	1	27
	Ugyen Mining	0	0	0
	Kungkha Quartzite Mine	14	0	14
	Omchina Quartzite Mine	41	3	44
Limestone	Titi Limestone Mines	34	2	36
	Uttare Limestone Mine`	253	0	253
	Penden Limestone Mine	150	61	211
	Gidaphug Marble Mine	77	41	118
	Khariphu Limestone Mine	13	0	13
Talc	Shadumardu Talc Mine	30	10	40
	Lower Khalapani Mines	1	0	1
TOTAL		716	134	850

Source: Individual business entities and DGM

### 7.3 FINDINGS

Mining companies obtain lease rights for captive mines to source raw materials for the production or export. There are 14 captive mines owned by nine different companies covering an area of 1,861.85 acres with an estimated mineral deposit of 82.95 million metric tons. Only one captive mine is for Calc Tufa and the remaining are for limestone and quartzite.

The captive mines operate as units/divisions under the parent company. As per MMMR 2012, the captive mines involve in extraction of minerals and supply it as raw materials to their parent companies. The issues of mining operations for Quartzite, Limestone and Talc mainly centered on operations of captive mines and business processes involved in transacting with parent companies. The inconsistencies and deficiencies prevailing in the system primarily emanate from absence of adequate monitoring and regulations, weak enforcements and existence of common interest of parties involved in the business. These have potential to undermine good business practices that may not be in the larger interest of the society.

The issues in the operations of the captive mines observed by the RAA are discussed in the following paragraph.

#### 7.3.1 Sale of minerals from captive mines to third parties

- Clause VII of the lease agreements of all captive mines clearly state that the mineral “*extracted from the leased AREA shall be solely for the purpose of use as raw material*” for the intended company who owns the lease on the mine.
- A test check of documents revealed instances of sale of minerals to companies other than the intended company despite owning captive mines as shown in the **Table 7.6**.

**Table 7.6: Sale of minerals from captive mines to third parties**

Company (Buying party)	Captive Mine (Seller)	Mine contracted to	Year	Quantity (MT)	Remarks
Penden Cement Authority Limited	Haurikhola Limestone Mine (BCCL's captive mine)	Druk Thuendrel Lerig Pvt. Ltd	2009	512.27	Purchase of raw material statement of PCAL
			2010	41,732.85	
			2011	14,660.58	
	Titi Limestone Mine (Lhaki Cement's captive mine)		2012	11,139.66	
	Kaleshore Limestone Mine (Druk Cement's Captive mine)	Yangtsho Export	2013	27,635.25	
Druk Cement Pvt. Ltd.	Haurikhola Limestone Mine (BCCL's captive mine)	Druk Thuendrel Lerig Pvt. Ltd	2009	938.45	DGM record for H/khola Limestone Mine
			2010	6,009.87	
Bhutan Carbide & Chemical Limited (BCCL)	Pakchina Quartzite mine (BFAL's captive mine)		2012	7,300.02	Financial Statement of BCCL
	Tintalay Quartzite Mine (BFAL's captive mine)		2013	2,494.49	
			2012	2,890.78	
			2013	7,076.07	

- c) The sale of minerals to companies other than the intended ones was in contravention to the mining lease agreement.
- d) Further, as seen in the table, some of the companies holding leasing rights have contracted out the captive mines to other business units. The sale of minerals by these mine operators to companies other than the intended ones, which holds the lease rights of captive mines, is in violation of the law. Such sales may be construed as unauthorized since operators do not have lease rights to enter into business transactions with other companies.
- e) It appeared that the DGM had failed to exercise oversight controls in preventing such unlawful practices.
- f) On review of ownership of captive mines operators and companies which had contracted out its captive mines, it indicated existence of conflict of interests in the engagement and business contracts entered into between these companies.

***MoEA responded that BCCL industry requires very high grade limestone for the production of carbide and the low grade limestones produced by Haurikhola limestone mine was permitted to be sold to Druk Cement by BCCL and not Tashi Thuendrel Lerig Pvt. Ltd based on their understanding and agreements. It stated that such permit was part of the strategy to make best use of mineral resources. (Refer Appendix A(i))***

### 7.3.2 Discrepancies in information reported in Bhutan Merchandise Trade Statistics (BMTS) and National Statistics Bureau (NSB)

- a) The Department of Revenue and Customs (DRC) publishes the Bhutan Merchandise Trade Statistics (BMTS) annually, which provides the record of goods traded between Bhutan and the other countries.
- b) The National Statistics Bureau (NSB) publishes the Statistical Yearbook (SYB), which is *“a comprehensive and systematic compendium of basic statistical information on the country’s socio-economic conditions”*. The publication is *“expected to serve as the principal source of information for planners, policy makers, researchers and academicians both within and outside Bhutan.”*<sup>2</sup>
- c) However, the RAA noted several inconsistencies in the information contained in Bhutan Merchandise Trade Statistics and Statistical Yearbook as follows:
  - i. A comparison of data for a 5-year period (2008-2012), for Quartzite and Limestone export, revealed more quantities in BMTS than the quantities reflected in SYB as given in **Table 7.7 and 7.8**.

**Table 7.7: LIMESTONE EXPORT (2008-2012)**

	2008	2009	2010	2011	2012	REMARKS
<b>BMTS (in MT)</b>	79,638.94	81,729.12	104,317.08	111,956.99	98,785.23	Export to India, Bahrain, Bangladesh & USA
<b>SYB (in MT)</b>	89,059.00	34,921.00	34,522.00	39,860.00	47,074.00	Annual export <sup>3</sup>
<b>Difference</b>	<b>(9,420.06)</b>	<b>46,808.12</b>	<b>69,795.08</b>	<b>72,096.99</b>	<b>51,711.23</b>	

**Table 7.8: QUARTZITE EXPORT (2008-2012)**

	2008	2009	2010	2011	2012	REMARKS
<b>BMTS (in MT)</b>	76,539.17	102,800.81	150,539.01	108,331.71	41,200.21	Export to India and Bangladesh
<b>SYB (in MT)</b>	4,123.00	12,927.00	2,305.00	90,468.00	2,264.00	Annual export
<b>Difference</b>	<b>72,416.17</b>	<b>89,873.81</b>	<b>148,234.01</b>	<b>17,863.71</b>	<b>38,936.21</b>	

- ii. A comparison of the marble export figures could not be carried out due to difference in unit used in the two publications. However, there were gross inconsistencies in the figures of exports reported in two publications as shown in **Table 7.9**.

**Table 7.9: MARBLE EXPORT (2008-2012)**

	2008	2009	2010	2011	2012	REMARKS
<b>BMTS (in KGM)</b>	34930	83986	0	46000	0	To India
<b>SYB (in sq.ft)</b>	-	-	70,701.00	700,013.00	5,523.00	Quantity in square feet (2010 in MT)

<sup>2</sup> Statistical yearbook 2013

<sup>3</sup> Table 6.13, page 104, SY 2013

- d) It appeared that the information contained in these publications were rendered fundamentally flawed. Therefore, such documents lack credibility and would be of no use for intended users.

*MoEA responded that problem of information management is not confined to mining sector but is a national issue with differences in data records across all sectors. Based on the urgency of issue, the Ministry insisted RAA to highlight it as an urgent priority action to be taken by the Royal Government. The Ministry also shared some of the recent initiatives undertaken to improve the information management system. (Refer Appendix A(i))*

## CHAPTER 8: CONSTRUCTION MATERIAL – STONES AND BOULDERS

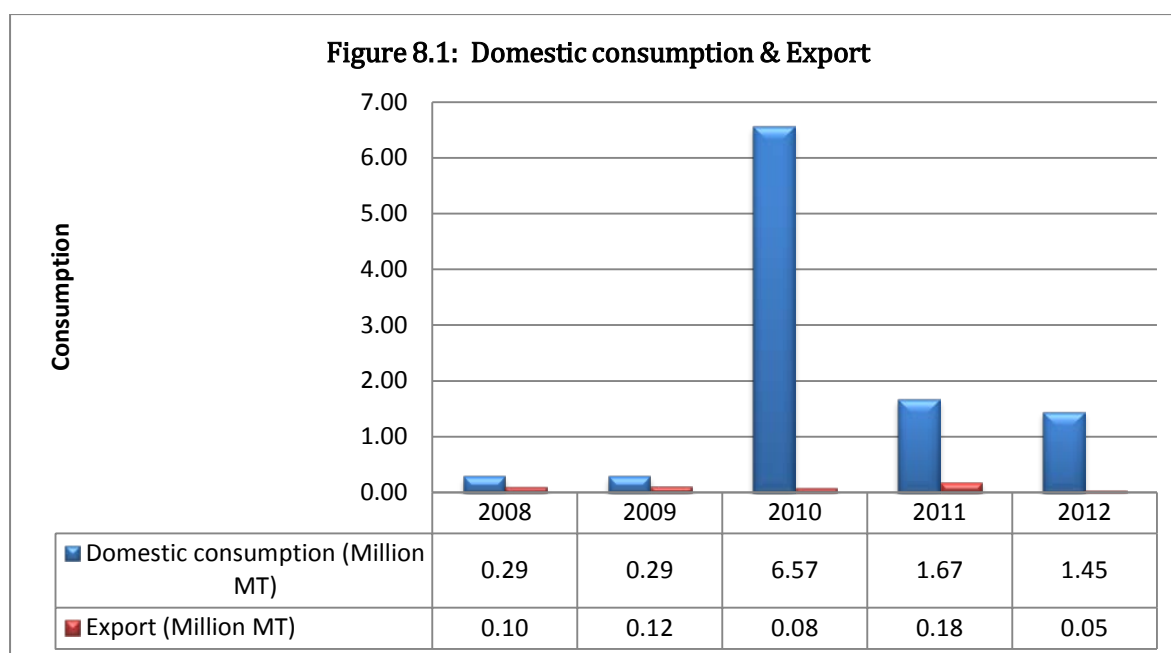
### 8.1 BACKGROUND

There are 48 active stone quarries leased as of 2013 covering an area of 1,208.53 acres with an estimated deposit of 100.83 million MT as shown in the **Table 8.1** and detailed in Annexure VII.

**Table 8.1 Quarrying entities in the Country**

	2008	2009	2010	2011	2012	2013
No. of quarries	11	15	26	34	41	48
Area (acre)	224.59	316.39	625.98	874.19	1018.92	1,208.53
Estimated deposit (Million MT)	14.87	16.88	51.07	84.98	89.73	100.83
Total Production (Million MT)	.39	.41	6.65	1.86	1.50	N/A
Domestic consumption (Million MT)	.29	.29	6.57	1.77	1.45	N/A
Export (Million MT)	.10	.12	.08	.18	.05	N/A

As shown in the table above, there had been increase in production till 2010 but decrease in 2011 and 2012. However, the numbers of quarries leased out have been increasing from 2008 to 2013. The following graph shows the consumption and export trend of construction materials for the period 2008-2012.



Over 90% of the construction materials produced is sold within the country and only less than 10% is exported to India. The quarries exporting boulders are Bhutan Stones and Minerals Company, Ghardara Stone Quarry and Haurikhola Stone Quarry in Samtse.

## 8.2 CONTRIBUTION FROM QUARRY SECTOR

The contributions by quarry sector aggregated to Nu. 30,620,533.66 for the period 2008 to 2012. The contributions were mainly in the form of taxes, royalty, mineral rents and surface rents. Besides, the sector had also provided employment to 423 Bhutanese and 82 Non-Bhutanese as shown in **Table 8.2**.

**Table 8.2: Total contribution from construction materials (2008 to 2012)**

Year	Tax (Nu.)	Employment		CSR (Nu.)	Royalty & Mineral rent (Nu.)	*Surface rent (Nu.)	Total
		Bhutanese	Non-Bhutanese				
2008	45,385.00	N/A	N/A	N/A	1,399,021.24	93,689.26	1,538,095.50
2009	604,575.60	N/A	N/A	25,000.00	1,551,037.70	71,178.46	2,251,791.76
2010	524,234.62	N/A	N/A	56,567.00	2,232,164.16	217,851.54	3,030,907.32
2011	2,802,783.71	N/A	N/A	137,011.00	5,387,088.44	266,037.37	8,592,920.52
2012	9,492,673.56	423	82	1,084,820.00	4,329,850.92	299,564.08	15,206,908.56
<b>TOTAL</b>							<b>30,620,533.66</b>

\* Surface rent figure includes only those quarries the audit team has collected information on.



## 8.3 FINDINGS

### 8.3.1 Offsetting of losses of business unit resulting in loss of tax revenue

- Rule No. 1 of Part II (BIT) of Rules on the Income Tax Act of the Kingdom of Bhutan 2001, the losses of business units engaged in trading sector are not allowed to offset against the profit of another entity except for manufacturing and service sectors subject to certain conditions. However, there is no similar provision for business units operating under incorporated company.
- Singye Group of Companies Private limited was incorporated as company in the year 2001 and has many units operating under it. The profit and loss of business units under Singye Group of Companies from 2008 to 2012 are given in the **Table 8.3**.

**Table 8.3: Profit/(Loss) of various business units under Singye Group of Companies Pvt. Ltd.**

Name of Units	2008	2009	2010	2011	2012
Damchen Hollow Block Mfg-Babesa	(125,227.10)	649,177.83	610,916.88	1,082,672.94	758,774.65
Singye Software & Solution	615,575.21	(5,200.25)	(4,400.63)	4,827.83	(49.22)
Omzim Manufacturing Company	(1,353,710.81)	(1,580,231.40)	(2,494,653.05)	(1,299,174.17)	(1,685,106.66)
Singye Vanaspati	(3,470,107.63)	(455,323.00)	(267,159.00)	(36,114,798.40)	(1,320,649.50)
Singye Readymade Garment	(551,672.00)	(92,120.00)			
Druk Integrated Wood Complex Lobesa	237,266.18	(329,942.59)	138,618.14	NOP	NOP
Singye Dressta	(3,000.00)	(3,000.00)	NOP	NOP	NOP
Singye Stone & Sand Factory	19,729,405.12	7,628,829.89	20,389,160.58	41,399,197.80	14,115,309.20
Singye Construction	2,707,142.60	12,860,786.84	(21,728,566.70)	NOP	NOP
Chamgang Sawmill	48,409.62	22,697.05	(207,258.33)	NOP	NOP
Zimbi Motor, Babesa			2,667,581.79	6,008,620.67	(1,911,590.70)
Singye Hiring Agency				(74,531.91)	(9,540.00)
Zimdra Tyre & thread, Babesa				(61,435.87)	(138,703.38)
Yum Thuji Zam Charity					
Cmmunity School, Jemina				(1,369,513.34)	(3,393,071.57)
Zimdra Building Materials				4,286,179.40	3,145,294.98
Singye Management Consultancy		(2,800.00)			
Corporate office	(6,017,899.79)	(9,145,002.80)	3,175,055.36	(248,141.16)	3,156,427.80
<b>Consolidated Profit /(Loss)</b>	<b>11,816,181.40</b>	<b>9,547,871.57</b>	<b>2,279,295.04</b>	<b>13,613,903.79</b>	<b>12,717,095.60</b>

- As shown in the table, the Profit and Loss of various business units under Singye Group of Companies Private Ltd. were consolidated and the tax payable was calculated on the consolidated profits. The losses of some units were offset against the profits of other units resulting in huge revenue forgone in the form of taxes.
- In order to provide better understanding on the revenue forgone due to offsetting of losses within units under Singye Group of Companies Pvt. Limited, the RAA carried out the comparison of profits and applicable taxes assuming Singye Stone and Sand as a separate tax paying entity as shown in the **Table 8.4**.

**Table 8.4: Revenue forgone due to offsetting of losses within units under the Singye Group of Companies Pvt. Ltd. during the period**

Particulars	2008	2009	2010	2011	2012	Total
Consolidated Profit /(Loss)	11,816,181.40	9,547,871.57	2,279,295.04	13,613,903.79	12,717,095.60	49,974,347.40
30% CIT (A)	3,544,854.42	2,864,361.47	683,788.51	4,084,171.14	3,815,128.68	14,992,304.22
Singye Stone & Sand Factory	19,729,405.12	7,628,829.89	20,389,160.58	41,399,197.80	14,115,309.20	103,261,902.59
30% CIT (B)	5,918,821.54	2,288,648.97	6,116,748.17	12,419,759.34	4,234,592.76	30,978,570.78
Difference in CIT (B)-(A)	2,373,967.12	(575,712.50)	5,432,959.66	8,335,588.20	419,464.08	15,986,266.56

- e) As apparent in the **Table 8.4**, by offsetting the losses against the profits within various units of Singye Group of Companies Pvt. Ltd., the taxable profit was reduced to the extent of losses made by some units.

This had resulted in less collection of taxes by the government in the form of CIT. The comparison which was narrowed down to Singye Stone & Sand Factory alone showed revenue loss of Nu. 15,986,266.56 during five years.

- f) As shown in the **Table 8.4**, the company had paid CIT of only Nu. 14,992,304.22 for five years, but if offsetting was not allowed, the Singye Stone & Sand Factory would have paid CIT of Nu. 30,978,570.78 in the same period. If similar computation is carried out for other profitable units, the amount of revenue forgone would even increase.
- g) In the absence of any specific law on offsetting of losses within business units under incorporated company such as Singye Group of Companies Pvt. Ltd., it does not render any basis for the RAA to provide any opinion on such practice.

However, offsetting of losses reduce taxable profits resulting in reduced payable taxes. For instance, Singye Stone and Sand factory, which is treated as one of units under Singye Group of Companies Pvt. Ltd, is shown to be a profitable business. But the actual taxes payable was reduced after losses of units were offset against its profits.

Further, the practices are not seen to be justifiable in view of the huge societal cost involved in the business of natural resources.

***MoF validated the RAA's observation and provided assurances to take into consideration when Income Tax Rules is amended. (Refer Appendix A(ii))***

### 8.3.2 Consistent losses declared by most of the quarries

- a) The review of tax contribution by the business units operating quarries showed that the quarry sector's contribution had been very low during 2008-12. Most of the units showed losses consistently over the years as shown in the **Annexure VIII**.
- b) The compilation of profits and losses from the financial accounts showed that some of the units have incurred losses for consecutive five years, while some had shown erratic trend of profitability.

Further examination of financial records of some of these units revealed that in some cases, the sales were understated and expenses were overstated to reduce the taxable profits. The RAA carried out the comparison of quantity of sales reflected in the financial statements submitted by units and the dispatch records of Department of Geology and Mines. It was also found that the tax authorities had detected such cases and taxes for such units were reassessed and recomputed. However, it seemed that such cases go undetected in most of the cases.

- c) The losses sustained by entities for consecutive years either reflect market saturation or inefficiency of operations. In both cases, the continuance of such business operation is not desirable for operators as well as the government. The perpetuation of poor performances shall only be an additional burden to the society as there is virtually no return on the cost of resources the nation sacrifices.

However, if the losses or low profits declared by those entities are due to tax avoidance through manipulation of financial accounts, the tax authorities have a big role to play and exercise due diligence in assessing the income and embrace proactive approach to avoid such undesired practices.

### 8.3.3 Breach of lease agreement and non-termination of lease

- a) Clause VIII of the lease agreement clearly stated that *“the mine development and mineral production shall be commenced by the Lessee in the leased AREA within 2 years failing which the lease is considered automatically terminated”*.

The RAA noted an instance of breach of agreement where lessee has only begun the development of the mine in the first two years of the lease period but had not commenced the production. For instance, Chimithangka stone quarry was leased to NRDCL in July 2012 but the extraction/production of mineral has not started yet.

- b) Further, Clause VIII of the lease agreement clearly stated that *“the mining lease shall also be terminated if the lessee fails to operate the mine for two years at a stretch at any point of time during the lease period”*. Tshodrimithang quarries remained non-operational for more than two years but the lease was not terminated.
- c) The authorities had not taken any action for breach of agreement. This only provided to show that law upholding authorities had failed to act in the manner it was bound by the very mandates that gave reasons for its existence.

***MoEA responded that they are aware of the Clause concerning the lapse of the lease for non-operation of mines continuously for two years in the lease agreement for mines/quarries. However, MoEA shared the difficulties in enforcing the clause as some of the quarries carry out activities such as approach road and suspend the mining/quarrying activities subsequently. (Refer Appendix A(I))***

### 8.3.4 Transfer of lease rights to third party without permission of the Ministry

- a) The RAA noted the instance of transfer of lease rights to third party without complying with the Clause 27 of the MMMA 1995, which requires permission of the Ministry to do so. Review of the records showed that Tara Dolma (Ghar Dara) stone quarry was leased to Mr. Pema Dorji, C/o M/s Holiday Inn, Phuentsholing. However, the affair of the business units was managed by Sangay Dorji to whom the lease rights were transferred by the original lessee. Further, it was confirmed from the transferee that the rights were transferred at the cost of Nu. 1,600,000.00 plus a book shop in Phuentsholing estimated to worth about Nu. 2,500,000.00
- b) The transfer was therefore not carried out as per the requirement of the law. It apparently showed the failure of the enforcement agencies to exercise oversight role over the transfer of lease rights.

***MoEA responded that they were not aware of the transfer of lease from Mr. Pema Dorji to Mr. Sangay Dorji and assured of appropriate action for violation of mining laws.***

**8.3.5 Non-registration of quarries under RRCOs**

- a) RAA's review of records of RRCO showed that some of the quarries which showed production and dispatch of boulders as per the records of DGM were not registered with the RRCOs for tax purposes. The RRCOs did not have records pertaining to following quarrying units:
  - i) Tshodremithang stone quarry in operation from 2008 to 2013; and
  - ii) Sha Ngawang Granite in operation since 2008.
- b) It appeared that there is no proper system in place to bring all potential tax payers under the RRCOs through appropriate registration system.

***MoF agreed that Tshodremithang Stone Quarry and Sha Ngawang Granite were not registered under RRCO.***

## CHAPTER 9: RECOMMENDATIONS

Based on the issues identified under Part I and Part II, the RAA has formulated series of recommendations aimed at enhancing efficiency and effectiveness in the management and administration of mining operations in the country through improved legislations, monitoring and enforcement mechanisms. The recommendations are broadly classified into 'General' and 'Specific' as discussed below:

### 9.1 GENERAL RECOMMENDATIONS

The recommendations under the general section include those which were formulated on the basis of inadequacies and inconsistencies in the overall legal, policy and institutional framework governing the mining sector. Based on the diagnostic review, the RAA concluded that numerous issues that impede effectiveness and efficiency in the mining sector are attributable to shortcomings in various provisions of laws and rules. Therefore, the following recommendations are aimed at emphasizing urgency and need to bring about appropriate reforms in the legislations and policies to render better and effective system that would foster better governance in the administration of mining sector in the country.

#### 9.1.1 GOOD CORPORATE GOVERNANCE PRACTICES AND PRINCIPLES MUST BE ENSURED THROUGH APPROPRIATE LEGISLATIONS

The Companies Act of the Kingdom of Bhutan 2000 lays a basic framework for corporate governance in the management of affairs of companies incorporated under the Act. However, the existence of many practices that are seen prejudicial to the interest of the companies and shareholders reasonably prove to show that these practices were not founded on principles and practices of good corporate governance. The management practices in most of the mining companies have had adverse impact on the larger interest of the society. From marginalization of interest of the minority shareholders to reduced taxes paid to the government, the practices had allowed furtherance of interest of controlling shareholders and widening the disparity in income distribution in terms of dividends and remunerations. Thus, the relevant legislations such as enactment of **Anti-Trust Laws and Guidelines on Principles of Good Corporate Governance** must address the inadequacies and prescribe minimum standards of corporate governance for the mining companies. Amongst others, priorities must be assigned to address the following concerns:

- a. Creation of private companies by the public companies must be reviewed. Such practices are seen to allow controlling shareholders to enjoy unhindered powers in swaying the business decisions that are detrimental to the interest of the minority shareholders and the government. It had resulted in marginalizing the interest of minority shareholders and involved in related party related transactions at the cost public companies to promote vested interest of few individuals;
- b. The creation of intermediate mining companies merit detailed scrutiny as to the purpose, intent and nature of business it intends to carry out. The creation of such intermediary should not place itself at the advantageous place that would be conveniently exploited to benefit few at the cost of public companies;

- c. There should be specific provisions to check on excessive remunerations in the form of salaries, commissions, etc., drawn by the directors and executives from the public companies. Certain parameters must be prescribed for fixing of remunerations and service benefits;
- d. Companies Act does not specify adequate remedial measures in cases where ineligible expenses are charged to the company affecting other stakeholders in terms of reduced share of dividends. Nor, appropriate authorities are designated to pursue such cases to prevent such practices resulting in draining of company's resources. Appropriate recourse should be available after tax authorities disallow such expenses;
- e. In most of the public mining companies, family members and relatives without any representations of the minority shareholders usually constitute the board and also as preferred employees. With little or no representation of the minority shareholders, controlling shareholders have undeterred powers to make decisions which may not be in the interest of the company and minority shareholders. Minimum representations of minority shareholders in the board must be guaranteed through legislations;
- f. The taxes collected by the government from the companies are based on the declared book profits. Such profits are determined solely on the sales (export) made by the companies. Government does not have mechanism to determine the actual price of the minerals sold outside except for quantities of minerals which are declared at the gates. Therefore, there is a possibility of understating sales to avoid taxes by the companies. Appropriate legislations must ensure appropriate mechanisms to ensure reliability of export prices declared by the exporting companies.

#### **9.1.2 GUIDELINES ON IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITIES SHOULD BE ISSUED**

Corporate Social Responsibilities (CSR) is an emerging concept and practice embraced by few mining businesses in the country. It has the potential to bring enormous benefits to the society in return for damages caused to the locality by their operations. However, all mining businesses are yet to internalize the practice of CSR. In the absence of appropriate guidelines on implementation of CSR by the businesses, the CSR initiatives undertaken by few are characterized by sporadic contributions in cash or in kind for developmental activities in the affected communities. The CSR initiatives are therefore, yet to find appropriate place in the business models through clear cut policies and strategies in absence of overarching guidelines.

In order to encourage CSR initiatives and to ensure proper account of funds contributed under it, the Royal Government should develop appropriate guidelines for implementation of CSR by mining businesses. This would also harmonize the practices across business units.

#### **9.1.3 MAXIMUM TIME LIMIT FOR GRANTING TAX HOLIDAYS FOR MINING COMPANIES MUST BE REVIEWED**

The provisions of the Income Tax Act of the Kingdom of Bhutan 2001 provides for granting exemptions and tax holidays to certain companies which shall be announced by MoF in the interest of the public. RAA's review showed that many quarrying business were exempt from tax since they operated on losses. It was noted that most of the units had shown losses

for consecutive years and some have shown erratic trend of profitability. There is no maximum time limit prescribed for granting such exemptions.

The unlimited benefits extended to mining and quarrying businesses that use natural resources may not be seen justified in view of its multi-dimensional impacts. The nation bears huge cost through depletion of natural resources and environment for which there is virtually no return. The policy intent of such incentives must be reviewed to uphold the principle of equity and also to instill sense of responsibility and accountability in the use of public resources.

#### **9.1.4 EXEMPTION OF TAX ON INCOME FROM HIRE OF PRIVATE TRUCKS SHOULD BE REVIEWED**

Clause 2.6 of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001 defines one of the sources of income from other sources as “income from hire of privately owned vehicles, but excluding trucks and taxis.” However, the Income Tax Act of the Kingdom of Bhutan 2001 does not specify anything to that effect.

The RAA’s review of records of mining companies SDEBCCL, JIPL and DSCL showed that huge costs were incurred for hire of private trucks owned by private individuals. It was found that the companies had not deducted TDS on payment of transportation charges. This had resulted in non declaration of income by truck owners despite earning huge incomes.

The existence of such policy apparently goes against the policy of promoting equitable society through progressive taxation. Therefore, the Government should review the intent of the existing policy and ensure that it does not undermine the basic principles of taxation.

#### **9.1.5 GOVERNMENT TO FACILITATE SETTING UP OF INDUSTRIES TO TAKE ADVANTAGE OF DOMESTICALLY AVAILABLE RAW MATERIALS**

Except for few minerals which are consumed by local industries, most of the minerals are exported to other countries. The minerals are exported directly or after making some value additions. In the absence of local industries to take advantage of the domestically available raw materials, exporting of mineral has become a natural choice for mineral companies of Bhutan. Though it earns foreign currencies, the potentials are enormous to enhance the current positions if government explore and encourage local industries to take advantage of these minerals.

Therefore, the government should explore opportunities and encourage local industries to maximize potentials through enhancing realizable values through value added processes within the country. This would not only open up opportunities to private businesses but also increase foreign exchange earnings and creating employment opportunities within the country.

#### **9.1.6 MINING COMPANIES (PUBLIC & PRIVATE) SHOULD BE SUBJECT TO FREQUENT SCRUTINY**

Natural Resources being common wealth of the nation have higher stakes. The mining companies and operators of mines must act responsibly and be sensitive to societal cost of depletion of resources and destruction to the environment.



In return for the opportunities for making business profits through extraction of natural resources, the mining business should be obligated to exhibit practices of good corporate governance in the management of affairs of the companies and subscribe to ethical and moral practices in the business worthy of public trust and confidence.

RAA's study of mining companies showed practices that have potential to undermine good business practices and principles of good corporate governance. These are detrimental to the larger interest of the society and conducive for few to further their own interests.

The government should subject the mining companies and business units to periodic scrutiny to ensure fair practices and governance in these businesses. Besides the scrutiny carried out by statutory auditors, the Parliament may require periodic review of mining companies by other oversight agencies with adequate legal mandate to carry out the regular review of their accountability, performances and business affairs. The Parliament may also require an institution of accountability system, fixing of responsibility and a process of penal actions on issues reported by the oversight agencies.

#### 9.1.7 COORDINATION WITHIN THE REGULATING AUTHORITIES SHOULD BE STRENGTHENED

Coordination among the agencies mandated to enforce the laws and rules is the mainstay of effective management and administration. The administration machinery in the mining sector represents specific responsibilities devolved to various authorities through relevant legislations, rules and regulations. To achieve the common goals, the coordinated approach among relevant agencies in delivering their specific mandates are therefore, very crucial. The absence of proper coordination amongst various authorities have had apparently created bottlenecks and impeded effectiveness and efficiency in the management of mining sector in the country. Based on the RAA's review, there are opportunities to bring about improved coordination among various agencies.

- a. There must be institutional linkages between the DGM and DRC on information sharing on mining businesses for the purpose of collecting taxes. The information on the business contracts and agreements drawn with various business parties must be shared with the DRC through defined procedures.
- b. The coordination between DRC and DoT must facilitate exchange of information of licensing of the business. All business licensed for specific trade must systematically be brought under jurisdiction of tax authorities through a formal coordinated approach.
- c. The information flow from various mine sites and exit points to both the DGM and DRC should be on real time basis.

#### 9.1.8 THE RELEVANT AUTHORITIES SHOULD RECOVER THE AMOUNT OF RECOVERIES ASCERTAINED BY RAA AND DEPOSIT IT INTO AUDIT RECOVERIES ACCOUNT

RAA's review of collection of ERBs and tax assessment report of mining companies showed that there were cases of non-collection of ERBs and other anomalies in the allowances of expenditures, resulting into losses or non/short collection of taxes and revenues aggregating to **Nu. 39,679,090.89** as highlighted below:

- There was either short or non-collection of ERB from 19 mines and quarries amounting Nu.9,717,944.00 (refer Para 3.4.4);
- A director of JMCL and JIPL had not declared income received in the form of commission aggregating to Nu. 6,750,000.00 in 2011, resulting into tax evasion amounting Nu. 1,687,500.00 (refer Para 4.3.2 B ii);
- There were discrepancies in royalty collection amounting Nu. 10,410,175.00 from JMCL (refer Para 4.3.3);
- ERB was allowed as tax-deductible expenses to JMCL and DSCL resulting into losses of tax revenue aggregating to Nu. 12,471,952.02 (refer Para 4.3.4 and 5.3.3);
- DSCL had paid fines and penalties to Indian Railway for rake overloading of gypsum which was allowed as tax-deductible expenditure resulting into tax revenue forgone Nu. 1,643,023.50 (refer Para 5.3.4); and
- DSCL had not deducted 3% TDS from non-Bhutanese transporters amounting Nu.3,748,496.37 over the period 2008-2012 (refer Para 5.3.5).

The Parliament may direct the concerned authorities to recover the amount and deposit into Audit Recoveries Account.

## 9.2 SPECIFIC RECOMMENDATIONS

The specific recommendations are drawn on the basis of inadequacies in the enforcement of Acts and Rules and Regulations by the authorities delineated with responsibilities of enforcements. The RAA's review showed that despite existence of legal, policy and institutional framework, weak monitoring and control mechanism in the enforcement had resulted in poor regulatory compliances undermining the practices and principles of good corporate governance. Besides, it had also led to loss of huge revenue to the government, apparently extended undue advantage to few individuals and had brought adverse impact on minority shareholders. The recommendations are provided for specific law enforcement agencies as under:

### A. Department of Geology & Mines, MoEA

#### 9.2.1 DGM SHOULD ENSURE THAT ALL MINERAL RESOURCES OF THE COUNTRY ARE MAPPED

Explorations and mappings of minerals is the most important phase of mines and minerals management of the country. It renders a basic premise on which strategic exploitation and allocation plans are formulated to ensure sustainable utilization of the natural resources and to derive optimum level of socio-economic benefits. The absence of basic information on minerals shall deprive a vital input to strategize the use of natural resources in the manner that is most economically, socially and environmentally viable.

The current situation of Bhutan is that only around 30% of mineral resources are geologically mapped. As such the DGM must ensure that necessary technical capacity is built within the Department to carry out explorations and mappings of minerals and render accurate and complete information on availability of resources for strategic decisions on the use of mineral resources.

### 9.2.2 DGM SHOULD LEASE OUT MINERALS THROUGH COMPETITIVE AUCTION

Clause 15 of the Mines and Mineral Management Regulations (MMMR) 2002 states that, *'In case the government decides to lease a pre-identified mineral deposit for commercial exploitation, it shall be done through public notification and sealed/open tendering process'*. In cases where the mineral deposit is explored by individuals or companies, proponents' applications will be processed on 'first come first serve' basis.

The review of documents showed that some of pre-identified minerals were also leased out on *"first come first serve"* basis. This had not only resulted in huge revenue forgone by the government but also seen to lack transparency and equity in allocation of lease rights to the proponents. The current practice may also encourage malpractices to get access to privileged information. The government may review the relevant clause and consider allocation of lease rights only through open tendering process to ensure transparency and fairness to all potential proponents.

### 9.2.3 DGM SHOULD ESTABLISH COMPREHENSIVE DATABASE OF MINERAL LEASE

Comprehensive database on the lease rights and related information is crucial for effective monitoring and control by the regulatory authorities.

- a) In compliance to Mines and Mineral Management Rules and Regulations 2002, the DGM should establish Registry Titles Unit for proper documentation of all relevant documents. The establishment of such unit would help to provide reliable, up-to-date and comprehensive information that would serve as useful tool in executing its regulatory functions;
- b) DGM should develop computerized information management system to enhance accuracy and reliability of information.

### 9.2.4 DGM SHOULD CARRY-OUT DETAILED STUDY AND STREAMLINE THE LEASING APPLICATION PROCESS SYSTEM

The Mines and Mineral Management Regulations 2002 specifies the time limits for Mine Leasing Decision and the total turnaround time is fixed to maximum of 36 weeks from the date of application till the communication of final decision to the applicants. The data provided by the DGM shows that there were 587 applications made from the period June 2009 to January 2014 out of which the DGM approved only 10 applications.

The current system lacks coherent and logical sequence in the processing of application and there were indefinite delays in lease processing system. Therefore, DGM should carry-out detailed process study and streamline the present system of leasing out process. There is a need for better coordination among agencies responsible to approve the applications.

### 9.2.5 DGM SHOULD STRICTLY ENFORCE THE FINAL MINES FEASIBILITY STUDY (FMFS)

Final Mines Feasibility Study (FMFS) is the final mineral deposit assessment report containing, in reasonable detail, the technical, financial, environmental and social impact analyses required prior to the approval of a mining lease. The review of some of the FMFS showed various incorrect information and inconsistencies undermining the very purpose of the documents. Thus, the FMFS was rendered mere a formality in obtaining the approval.

There appeared to be total lack of seriousness and professionalism in the enforcement of regulations by the authorities concerned.

Such practices have potential to undermine nation's aspiration to carry out exploitations of its minerals in a manner compatible with its socio and economic policies and giving due regards to protection of environment and preservation of its religious and cultural heritage.

The DGM must strictly enforce the requirements of the Final Mines Feasibility Study (FMFS) in approving the mining leases.

#### **9.2.6 DGM SHOULD INSTITUTE STRONG MONITORING AND INTERNAL CONTROL SYSTEM**

The review showed that there was a lack of internal controls in the transportation of minerals from mining sites to stock yards. The mining inspectors were not fielded at the mining sites to oversee the actual quantities of minerals extracted and transported to the stockyard. The issuance of transport permits were found delegated to company officials. Although, MMMA requires setting up of gates near the mines, RAA noted that many mines do not have officials representing DGM at the mine sites. Further, there were no reconciliations carried out between the quantities dispatched from the mining sites and the quantities actually accounted for at the stockyards. The lack of appropriate controls would result in inaccuracies in the quantities reported by the companies. The possibilities of deflections and loss of royalty could not be ruled out.

Therefore, DGM should tone up the internal control system to ensure correctness in the quantities extracted and dispatched from both the mining sites and companies' stockyards.

#### **9.2.7 THE DGM SHOULD ESTABLISH A SYSTEM TO ESTIMATE, COLLECT AND USE ENVIRONMENTAL RESTORATION BOND**

Although, the DGM has mandate to levy environmental restoration bond (ERB) on the lessee as per section 56 of the Mines and Minerals Management Regulations 2002, there is no defined strategy or procedures of estimating, collection and use of forfeited amount of ERB. There were cases where mines had closed without collecting ERB in full or partial. The absence of established procedures and not defining penalties for non-deposit of ERB shall impede enforcement of the provision of the rules.

The DGM must institute appropriate systems delineating procedures of collections of ERB and obliging mine operators to comply with the requirements.

#### **9.2.8 MoEA SHOULD STRENGTHEN INSTITUTIONAL SET UP OF COMPANY REGISTRY DIVISION**

Company Registry Division as one of the important regulating authorities of the company affairs in the country apparently faces big challenge to cater to over 320 corporate entities within the country. At present it is manned by only two officers which may not be realistic and feasible to discharge its regulatory roles and responsibilities.

Thus, the Ministry may look into strengthening the institutional set up of Company Registry Division and upgrading it into a level of independent regulatory body to enhance efficiency and effectiveness in its functions.

## B. Department of Revenue & Customs, MoF

### 9.2.9 TAX AUTHORITIES SHOULD ENSURE CONSISTENCY IN APPLICATION OF RULES ON THE INCOME TAX ACT OF THE KINGDOM OF BHUTAN, 2001

The RAA's review of tax assessment showed that the treatment of Environmental Restoration Bond (ERB) for the purpose of tax was not consistent with the Rules on the Income Tax Act of the Kingdom of Bhutan 2001. It was found that the ERB was allowed as deductible expenses for a particular company, while the same was disallowed for other mining companies as it was considered as refundable in nature.

The inconsistent treatment of ERB has not only violated the extant Rules but also undermined fairness and equity among the mining companies. The allowance of ERB as deductible expenses which otherwise is not applicable had reduced taxable income of the particular company. Hence, the government had also lost huge amount of tax through such discretions not conforming to provisions of the rules. The Ministry of Finance must therefore, ensure consistency in the application of rules and discourage the officials from exercising discretions that are detrimental to the larger interest of the society.

#### 9.2.10 DEPARTMENT SHOULD REVIEW PROVISION FOR OFFSETTING OF LOSSES FOR MINING & QUARRYING BUSINESS UNITS

As per Rule No. 1 of Part II (BIT) of Rules on the Income Tax Act of the Kingdom of Bhutan 2001 the losses of business units engaged in trading sector are not allowed to offset against the profit of another entity except for manufacturing and service sectors subject to certain conditions. However, there is no similar provision for business units operating under incorporated company.

Offsetting of losses reduce taxable profits resulting in reduced payable taxes. The RAA's review showed that quarrying business was considered as one of the units under incorporated companies and the losses of other units were off set against the profit of quarrying business units. Such practices are not seen to be justifiable in view of the huge societal cost involved in the business of mineral resources. The government must review the prevailing provisions to ensure that such unjustifiable practices are not facilitated through laws and rules.

#### 9.2.11 DRC MUST INCENTIVIZE BUSINESS UNITS TO MAINTAIN PROPER BOOKS OF ACCOUNTS AND RELATED DOCUMENTS

The maintenance of proper books of accounts would undoubtedly facilitate determining the correct amount of tax to be paid and provide appropriate measures to improve the performance of the business. While the tax authority had repeatedly warned or emphasized on above sets of documents, the individual business units do not prefer to maintain proper books of accounts.

Therefore, the DRC should take appropriate actions for those business units who had failed to maintain proper books of accounts as required by the section 24(1) of Income Tax Act 2001 that states *"All taxpayers shall maintain and submit accounts and any other documents relevant for the assessment as prescribed in rules by the Ministry"*. The provision should be reinforced with appropriate incentives and disincentives for the business units to ensure compliance to the requirements.

## CHAPTER 10: CONCLUSION

Mining sector on the average contributed 2.2 percent of the GDP for the year 2008 to 2012. Despite abundance of natural resources, the low contribution from this sector showed that economic exploitation of resources is yet to reach the optimum level to drive the economic growth of the country. While mining sector has the potential to surpass others in terms of the contributions to economic growth, the sluggish growth of the sector may have been contributed by lack of strategic planning of allocations and exploitations of natural resources.

The mining sector is governed by MMMA 1995 and MMR 2002 which provide overall frameworks for administration and management of mining activities in the country. While other legislations such as the Companies Act of the Kingdom of Bhutan 2000, Income Tax Act of the Kingdom of Bhutan 2001, National Environment Protection Act 2007 and accompanying subordinate legislations in the form of rules and regulations provide framework for enforcement and basis for ensuring corporate governance in business operations and compliances to taxation and environmental laws.

The study on mining operations showed various shortcomings in practices basically resulting from inconsistencies and inadequacies in the provisions of the law and inadequate enforcement mechanisms to deliver the intents of the law. The existence of basic legal and institutional framework is the basic premise on which operative systems come into being. However, mere existence of laws and rules does not guarantee compliances and conformity. It must be adequate and consistent backed by strong and effective enforcement mechanisms.

The anomalies in the provisions and lack of strong enforcement mechanisms had apparently facilitated numerous shortcomings and deficiencies in the administration and management of mining sector. The existence of legal loopholes apparently had paved way for formation of what appeared to be “bloc alliances” within relatives, family members and few controlling shareholders in mining business. The existence of related party transactions and situations of conflict of interest are common to major mining companies undermining principles of good corporate governance in the mining sector. The profits of the public companies are drained out in a form irregular expenses and unregulated remunerations and perquisites paid to the controlling shareholders who elect themselves or their family members to the post of CEOs and Directors.

On monitoring and enforcement front, there are opportunities for regulatory authorities to rein in undesired practices through instituting appropriate enforcement mechanisms by relevant authorities. The enforcement would be better facilitated through improved coordination and information management and sharing systems within different agencies.

The inadequacies in laws and poor enforcement machineries impede economy, efficiency and effectiveness of mining operations. The prevalence of such practices not only affect business culture and undermine the principles and practices of corporate governance, but also has implications on larger interest of the society in terms of wealth distribution, inter-generational equity and sustainable use of natural resources of the country.

The government's decision to operate through 'State Mining Corporation' may be a desirable option given that it first remedies the persisting weaknesses observed in the sector and a clear policy guideline on its operation is drawn. It may operate as a model to demonstrate extraction of mineral resources in a most prudent, equitable, sustainable and cohesive manner giving due regard to protection of environment and the interest of local community and deriving as much benefit as possible through value addition and creating employment opportunities.

Considering the relevance and usefulness, the RAA hope that the information, findings and recommendations contained in the report would be insightful in formulating any policy decision by the Parliament to bring about improvement in the administration and management of mining sector in the country.

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# APPENDICES

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**Appendix A(i) : Responses of the MoEA**

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**Appendix A(ii) : Responses of the MoF**

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**Appendix A(iii) : Responses of JMCL**

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**Appendix A(iv) : Responses of DSCL**

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**Appendix A(v) : Responses of SDEBCCL**

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**Appendix A(vi) : Responses of RSA Pvt. Ltd.**

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**Appendix B : Details of leased Mines and Quarries**

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**Appendix C : List of Closed/Suspended Mines & Quarries**

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SECRETARY

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བསྐྱོན་རྒྱལ་ལྷན་ཁག།  
MINISTRY OF ECONOMIC AFFAIRS  
ROYAL GOVERNMENT OF BHUTAN  
THIMPHU



MoEA/SEC/RAA/11/2014/

7<sup>th</sup> October, 2014

Auditor General  
Royal Audit Authority  
Thimpu

Dasho,

Thank you for your letter numbered RAA (AG-SP)/2503 dated 11<sup>th</sup> September 2014 regarding the Royal Audit Authority's Draft Report on Performance Audit on Tax of Mining and Quarrying Sector. The report provided a good overview of tax and company affairs of the mining sector in the country.

As per Dasho's letter, the Ministry was required to submit our views by 30<sup>th</sup> September 2014. However, since it was important for the Ministry to look at the report in detail, the undersigned requested for time extension till 7<sup>th</sup> October 2014 for submission of the response. Since Dasho was out of station at that time, the undersigned talked with the Officiating Auditor General for extension of the time.

The Ministry appreciates the report for recognizing the importance of the mining sector in the economy and the potential it holds to accelerate the economic development of the country.

The performance audit also includes other aspects of the mining business from policy initiatives to regulatory burden and approvals to contribution to the national exchequer, employment, wealth creation, minority shareholders to reporting discrepancies, tax issues and overall findings tabled for the improvement of the mining sector.

While the Ministry has been requested to take the lead role in the review of the report, we would recommend the Royal Audit Authority in consulting the Ministry of Finance as many of the issues pertains to tax over which this Ministry do not have regulatory oversight and responsibilities.



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MINISTRY OF ECONOMIC AFFAIRS  
ROYAL GOVERNMENT OF BHUTAN  
THIMPHU



The mining companies have informed the Ministry that they have/are responding directly to the Royal Audit Authority on the issues pertaining to their business.

Please find enclosed the views/comments from the Ministry of Economic Affairs on the draft tax audit report on mines and quarries. The Ministry would appreciate considering the views/comments while finalizing the audit report.

Your Sincerely

(Sonam Tshering)

**Copy to:**

- 1.) Hon'ble Tengye Lyonpo, MoEA- for kind information
- 2.) Joint Secretary, MoEA
- 3.) Director, Department of Industry
- 4.) Offtg. Director General, Department of Geology & Mines, MoEA
- 5.) Chief Planning Officer, Policy & Planning Division, MoEA

**General comments/views:**

Overall the report though acknowledging the importance of the mining sector portrays a negative image of mining and since this report is to be submitted to the National Council, it is important that the report provides a more balanced, objective and fair assessment of the entire mining industry beyond tax and company affairs. .

The Ministry does not defend nor condone any violation of law by any business nor does it seek to protect businesses from non-compliance to regulations but as an agency whose mandate is to promote economic development and foster private sector development, we are of the opinion that this report's time period for audit from 2008-2012 is too short, and being selective in assessment does not take into account historical developments of the mining sector and important contributions made by it to the country. The report needs to acknowledge for instance the success of the gypsum business after the government divested from the business after years of making losses.

The minerals mined in the country are not strategic but have industrial value and there is no pressing concern about its immediate depletion. Exploration and prospecting will have to continue and be intensified to discover new minerals as well as find new deposit sites.

**Service Delivery**

There needs to be a separate chapter in the report to address regulatory reforms and while draft report provides details in annexure III of the time taken for approvals, it will help the reform agenda if RAA recommends the need for administrative and regulatory reforms for the industry.

**Progressive Developments and Contribution of the Mining and Quarrying Sector**

While the report acknowledges that the contribution of the mining sector in terms of its share to the GDP though not significant but has the potential to spur economy and drive the economic development of the country. The Ministry recommends that RAA in the report under the section state the size and scale of the mineral processing industries in the country. The availability of energy and minerals has allowed these industries to be developed in the country. Our ferro-silicon industries have captured over 50% of the Indian ferro-silicon market. Furthermore, mineral based industries like ferro-silicon and calcium carbide constitutes the single largest non-electricity export worth close to Nu. 10 billion in 2013 and this industry besides

availability of electricity would have not grown if there were no mining industry in the country.

The presence of the quarries in the country to supply construction materials checks the price arbitrage opportunities in the border towns during the summer months when traders across the border increase prices of sand and boulders in anticipation of flooded river beds that make extraction not possible.

Bhutanese dolomite, limestone and gypsum are of high quality and buyers in the region have preference for our minerals. Moreover the location of the country near the Eastern Indian and Bangladeshi markets makes our minerals competitive within the radius of economic viability. The country needs to capitalize on this strategic advantage.

### **Share of Revenue of the Mining Companies**

Despite the issues of tax raised by RAA we must acknowledge that the Royal Government takes the largest share of revenue of the mining industry. The report besides mentioning under each of the auctioned mineral chapters should also highlight the share of revenue taken by the different stakeholders in the chapter on General Findings.

#### *Dolomite:*

The Royal Government has taken 51% of the revenue through taxes, royalty, mineral rent, surface rent and lease charges. The owners 30%, employees 11%, financial institutions 1% and only 7% was retained in the business.

#### *Gypsum*

Likewise in gypsum the report confirms that the majority of the wealth generated is taken by Royal Government at 53.31% of the revenue through taxes, royalty, mineral rent, surface rent and lease charges, shareholders 25.62%, employees 9.43% and only 11.6% was retained in the business.

#### *Coal*

The highest share of 58.05% went to the Royal Government through taxes, royalty, mineral rent, surface rent and lease charges, owners 24.2% and 17.03% to the employees 9.43%.

In all the auctioned mines, over half of the wealth is taken by the Royal Government while the owners or shareholders who take the biggest investment risk have received no more than 30% of the wealth that was generated. These mines continue



to generate returns above average to their shareholders and the report does not mention the dividends paid to shareholders.

The potential of the mining sector to emerge as a significant revenue contributor is established in these numbers.

### **Institutional Development**

RAA besides reporting the institutional weaknesses also needs to recommend appropriate measures to strengthen the regulatory oversight agencies and building of adequate capacity to deal with the developments of the mining sector. The Ministry requests the RAA that the report should include a chapter on the way forward for the mining industry and recommend the need for institutional strengthening. High priority needs to be given for the establishment of an independent regulatory authority- the Mineral Development Authority as recommended in the draft Mineral Development Policy. Many of the issues in the report concern regulatory oversight and prioritizing the need for such a requirement is important.

### **National Council**

The Ministry while responding to through the Cabinet Secretariat to the National Council's questions on mining vide letter no MoEA/SEC/CAB/15/2014/57 dated January 14, 2014 had expressed our view that while the National Council, "directing the Royal Audit Authority to conduct an official tax audit is the prerogative of the Royal Government within what is permitted by the existing regulations, the Ministry expresses reservations on the neutrality of such a recommendation that is stemming from the Report on Socio-Economic and Environmental Impact Assessment of Mining by the Royal Society for Protection of Nature (RSPN). The Society is an environmental non-governmental organization and biases are noted in the report. We recommended that an independent competent third party review the mining sector".

The Ministry would like to reiterate that an independent competent third party review the mining sector of the country to get an unbiased view of the sector and recommend what needs to be done to strategically develop the mining industry.

### **Five Jewels**

We need to continue developing the mineral sector as it is one of the "five jewels" announced by the Hon'ble Prime Minister during this year's State of the Nation Report in Parliament and there needs to be cross-sectoral support for this industry.



This sector needs to be given the strategic guidance and focus so that its potential can be realized.

**Views/comments of the Department of Geology & Mines:  
Response to the Draft Report on Performance Audit on Tax of Mining and  
Quarrying Sector, September 2014**

The Department of Geology and Mines would like to extend our appreciation to the Royal Audit Authority for the successful completion of the very comprehensive report on performance audit on tax of mining and quarrying sector and compliance with Company law. Taxes are compulsory contributions and an important source of revenue for the government and it must be collected adequately, properly and timely. The report highlighted several lapses in the collection of mining based taxes and identified ambiguities within the concerned policy and legislative frameworks that has given ways to the creation of conducive environment for the promoters of public limited companies to pursue their own goal and practice self vested activities. The mining sector on the other hand has been observed as having high potential to stimulate economic activities and drive economic development in our country. The report thus alerts us on the need to bring in major reforms in the mining sector to harness the country's mineral resource in a professional and well structured manner.

While the overall report pertains to issues of compliance with Company's Act, tax matters and overall supervision of the mining sector, we would like to submit our views pertaining to the Department of Geology & Mines. The Department would also be making some justifications to the cause of some lapses and recommendations so that the RAA could in turn recommend the same to the parliament to bring about major reforms within the institution governing mineral sector for the benefit of all. Our responses are hereunder in a sequential order of that of the RAA report.

**PART I**

**COMMON ISSUES**

**Chapter 3- General findings of the audit report**

**3.3 Legal and Institutional Framework**

The mining sector and its related companies were observed to be going through various systemic deficiencies despite having obvious mandates through the existing mining related legislations under the agencies concerned. Such complexity and

shortcomings are reported to have ultimately resulted to the loss of revenue aggregating to about Nu. 1143.01 million over the period from 2008 to 2012. In the case of mining sector, one of the major causes of such lapses was pointed out to be the lack of proper monitoring and strict enforcement of mining regulations that has weakened the administration mechanism and overall management of mining operations in the country.

However, while going through the report, it was observed that many of the findings of the RAA that concerns the Department of Geology & Mines were answerable while some need only figurative corrections. Nevertheless, with the difficulties and shortfalls we are facing in executing the task we feel the need to strengthen the overall mining regulatory body as a whole. The rationale for the need is discussed under recommendation at the end of the report.

### **3.3.3 Lack of provision of guidelines for Corporate Social Responsibilities (CSR):**

The issue of Corporate Social Responsibility (CSR) is an emerging development agenda in the country but we need to understand that this is a voluntary initiative of companies and besides tax and regulatory compliance; we cannot expect companies to be governed into CSR because it will no longer be voluntary. However, the report does mention ongoing community involvement of the mining companies and to promote more of these activities, the Ministry requests RAA to recommend tax exemptions on such expenses so that it will increase more contribution from the companies and allow the local communities to directly realize the benefits of such engagement and remove the negative perception of mining.

From the Ministry's experience dealing with both the communities and mining companies/firms, it is important for the Royal Government to develop systems and procedures without increasing administrative burden to manage the contributions of companies to the local communities. In many cases, a few influential community members control public consultations and many are driven by an agenda of self-interest to get personal benefits and when deprived of such benefits, they stir trouble and make baseless accusations. Individual community members must not be permitted to seek personal favours from the businesses.

While public consultations are important, any objections raised must be technically justifiable and should not be based on personal and subjective opinions. The consultation process allows all parties to express and discuss their concerns but should not be abused for individual interests.

While we acknowledge some of the initiatives taken by the mines in terms of CSR, as pointed out by the RAA, no guidelines do exist to properly regulate such contributions to the affected communities. Nevertheless, we would like to mention that the need of CSR is appropriately addressed in the Draft Mineral Development Policy. Upon its approval a portion of the sales value will be contributed directly as mandatory CSR for the communities.

### **3.4 MONITORING AND ENFORCEMENT**

#### **A. MINING AUTHORITY**

##### **3.4.1 Non mapping of natural resources of the country**

A geological map is a graphical presentation of geological observations and interpretations on horizontal plane. Making, or otherwise acquiring, a geological map is invariably the first step in any mineral exploration programme, and it remains an important control document for all subsequent stages of exploration and mining, including drilling, geochemistry, geophysics, geostatistics and mine planning. Making a geological map is thus a fundamental skill for any exploration or mine geologist.

There are different kinds of geological maps. With large-scale maps, (the ratio is smaller in case of large scale and larger in case of small scale) the geologist generally aims to visit and outline every significant rock outcrop in the area of the map. In a small-scale map, visiting every outcrop would be impossible; generally only a selection of outcrops are examined in the field and interpolations have to be made between the observation points. Such interpolations may be made by simple projection of data or by making use of features seen in remote sensed images of the area, such as satellite or radar imagery, air photographs, aeromagnetic maps and so on. Small-scale maps thus generally have a much larger interpretational element than large-scale maps.

Large-scale geological maps (1:50,000 and 1:25,000) provide a more detailed depiction of the geological structure of regions that are promising with respect to deposits of minerals or that are designated for agricultural development or for the construction of cities, enterprises, or power stations. Detailed geological maps (1:10,000 and larger) make it possible to solve problems connected with the laws of distribution of ore bodies and with calculating reserves of minerals and the possibilities of industrial and civil construction.

The mineral maps describing the location or the conditions of formation of mineral deposits are termed as mineral resource map. These maps are prepared on the basis of records of mineral deposits and data obtained from geological surveying, prospecting and exploration.

Whereas geological engineering maps show, in addition to data on the age and composition of rocks, their physical properties—porosity, permeability, strength, and the like. They thus provide data necessary for planning projects.

The Ministry would like to express its concerns on the practicality of the Royal Government in carrying out detailed geological mapping of the entire country. Geological mapping is a continuously evolving science and is subject to the scale and scope of the study. Geological studies carried out so far provides only estimates of mineral occurrences. A detailed geological estimate of mineral deposits for commercial purposes has to be done on a scale of 1:500 and 2000. Therefore, a detailed study even on few hectares of land would take a minimum of 3 months and excludes preparation time before fieldworks, reporting and weather conditions. The scope of the geological mapping is dependent on the purpose of the map and it would not be prudent to undertake detailed commercial mapping of the whole country. No country undertakes detailed geological mapping unless for specific purpose.

Accordingly we have also stated in the Mineral Development Policy (MDP) in the overview as stated below in section 2.1.

There are 88 numbers of toposheets of 1:50,000 scale covering whole Bhutan, with each toposheet encompassing about 454 sqkm. Since 2006, the Department of Geology and Mines embarked on a systematic Geological mapping program, starting from Thimphu, and till now we have reached up to Zhemagng Dzongkhag completing 16 numbers of toposheets, constituting the area coverage of 19% of the country by systematic geological mapping.

Although it is always better and more ideal to have large scale mapping of geological studies, the studies are found to be more expensive and most countries in the world carry out mapping on the scale of 1:50,000. The United States of America and some developed countries in Western Europe have geological mapping on 1:10,000 scale.

## **Section 2.1 Overview (in the MDP)**

The country is geologically mapped in the scale of 1:500,000. About 6500 square kilometers have been geologically mapped in the scale of 1:50,000. In the course of geological mapping, a host of metallic and industrial have been discovered. Table 1 provides the status of mineral occurrences in the country till date.

**Table 1 Status of mineral resources in the country as of 2012**

Mineral	Location	Reserve (in million tonnes) and Grade
Copper ore	Gongkhola in Black Mountain area, Zhemgang Dzongkhag	2.5 inferred, with 1.5% Cu.
Lead-Zinc	In Genekha area, Thimphu Dzongkhag	3.116 in Chakula –

ore		Proved 0.514 in Romegong Ri – Probable
Tungsten Ore	Dholpani and Bhurkhola , Gelephu Dungkhag	0.45 estimated down to 30 m depth in Dholpani.
Coal	Deothang and Bangtar, S/Jongkhar Dzongkhag	Reserve very tentative
Dolomite	All along the foothill of Southern Bhutan.	Very huge reserve. Proved reserve will be rendered by DGM as and when required.
Graphite	Khepchishi (above 3992 m altitude) Paro, Dzongkhag	23.53 proved by drilling.
Gypsum	Khothakpa and Uri Chu, Pemagatshel Dzongkhag	56.45 proved (in Khothakpa); 13.60 estimated (in Uri Chu and Khar). Remaining reserve much less, mining going on
Limestone	Pagli – Titi , Gholtey area, Gelephu Dungkhag Kanamakra, Gelephu Dungkhag Korungri and Kerungri, S/Jongkhar Dzongkhag	Reserve almost exhausted by PCAL, reserve being assessed, Huge Reserve of high grade Limestone Huge reserve of cement grade limestone
Marble	Khanku (Paro Dzongkhag)  In northern region of Bhutan such as, Haa Wangtsa, Chaylaila, Paro, Jemina Thimphu Sha Bhel Wangdiphodrang, Hasilo and Pangpeysa Paro and Bunakha, Chukha Dzongkhag	12.44 proved. 29.59 Probable.  Reserve not proven
Slate	Bhel (Bonsegeoma) and Kobja areas both in Wangdiphodrang Dzongkhag	16 million cubic meters. A large portion is already extracted for roofing purposes in Bhutan.
Talc	All in foothill belts in SW Bhutan	Reserve not assessed properly, because the deposit is very erratic and patchy in nature
Ferro Silicon Grade Quartzite	Quartzite in Shumar Formation	Reserve not assessed systematically

### **3.4.2 Non-auction of mines and quarries**

The issue was reflected in the Performance Audit Report on Leasing of Government Land, GRF Land and Mines, 2013. The Department already made clarification and justified why every mine cannot be auctioned vide our response in 2013 (copy attached). Further, it may be noted that the best three mineral reserves was auctioned and comparing the auction values of those with that of other inferior mineral deposits and projecting notional loss does not sound to be logical.

The mineral reserve need to be proven in terms of quality and quantity to qualify for auctioning. Proving the reserve involves huge investment and is carried out only when the surface study indicates some potential mineral reserve of economic value. Therefore, all the mines cannot be auctioned due to above reason.

### **3.4.3 Non-revision of Royalty and other levies**

The Ministry sought legal opinion on this matter when the draft revised rates were being considered. The legal officers of the Ministry provided legal views based on the Supreme Court judgment on the taxation measures that reads as, *"Except for the fees and levies imposed or altered by the budgetary bodies for services provided to the public, all other fees and levies generally charged to the public can be imposed or altered only by Parliament."* Supreme Court's interpretation on 'except by law' under article 14(1) of the Constitution further limits the executive power to revise tax or levies. The judgment says *"The requirement of raising taxes or alteration except by law implies that it must follow the normal bill passing process and hence, become applicable as law only after grant of Royal Assent"*. We were informed that we might only impose or alter fees for services provided by us and for royalties and other levies only Parliament can approve. Based on this interpretation by our legal officers, we will review the existing royalties and other levies and according follow the due process to revise the rates.

In addition the Ministry would also like to submit that while revising the royalty and other levies, we must be mindful of the competitive market environment, value addition objectives and other market conditions to ensure that while meeting revenue objectives we do not make our mining industry uncompetitive. The focus must be on the tax collection and enforcement besides mineral royalties.

f) The export royalty rate for dolomite was fixed lower than that of other minerals because of its comparatively low sales value. The average sales value of dolomite reflected in the table on page 18 of the RAA report was inconsistent with that of figure 4.1 in page 29 of the same report and that of our findings.

g) The powdered form of limestone in Bhutan Marble Mines belonging to RSA Pvt. Ltd was regarded as value added product and the same was reflected in the lease agreement. Therefore, the royalty rate for powdered product was levied at domestic rate. Those exported in raw form was levied with export royalty rate.

h) As far as the Department is concerned, the sales quantity of dolomite is well monitored and there should not be any inconsistency from our side. The variation may have come from the dispatch of mineral to the number of dolomite powdering units directly, where the royalty levied was charged and recorded in the name of respective powdering units. The Department feels that the same must have been recorded as part of mineral produced from the mines in Jigme Mining Corporation Limited's record and thus the mismatch figure in the dispatch records.

#### 3.4.4 Non-collection of Environmental Restoration Bond (ERB)

We have indicated our inability to collect ERBs from the old abandoned mines vide our letter to RAA numbered X-10/DGM/ 2013/ dated 16<sup>th</sup> May 2013 (copy attached). Those mines reflected in Annexure II (a) of the audit report were either closed or suspended due to investigation by Anti Corruption Commission (ACC). Five of those mines were permanently closed as they hardly operated and have caused negligible degradation to the environment. Nine other mines were restored during the last two seasons (supplementary restoration of seven mines had to be tendered out to a contractor using their available ERBs) and surrendered to the department. The other five were suspended by the ACC. Therefore, collection of security deposit, ERB, from those mines is now not necessary and least possible even if we have to.

**The following mines reflected under Annexure II (b)** were also closed permanently in the category of old cases with either restoration not necessary or naturally restored.

1. Sha-Bel Slate Mine
2. Hasilo Marble Mine
3. Sengore Stone Quarry
4. Yusipang Stone Quarry
5. Gaselo Stone Quarry
6. Botokha Stone Quarry
7. Lhani Chawa Stone Quarry
8. Damchu Stone Quarry
9. Dungkar Stone Quarry
10. Rimchu Stone Quarry
11. Dhur Stone Quarry



Dophutsawa and Zhaowakha – II was leased to PHPA-I and surrendered to the department without any operation. Bama Stone Quarry and Dawakha Stone Quarry was restored and surrendered to the department. Kalishore Limestone Mine leased to M/s Druk Cement was asked to submit restoration plan but the company responded that they are processing local clearance to reopen the mine as captive to their Druk Cement plant. Therefore, ERB from all those mines were not collected.

The existing and the newly leased mines are required to deposit their ERBs in time. New formula was developed and is under implementation for some of the old and all newly leased mines. The formula requires the deposit of ERBs in advance to dispatch, similar to that of royalty and mineral rent payment.

#### 3.4.5 Lack of control in transportation of minerals from mine site

a (i) It is difficult for the 71 mines inspectors (including 7 coordinators) to be in 81 mining sites at all the time. Therefore within the available resources, DGM is doing its best. Further and most importantly, their presence is mandatory in the check posts, stockyards, weighbridges and other strategic points. Therefore, the dispatches from mining sites to stockyards were adjusted with pre-signed transport permit and were issued only to ensure that the material is transported from the mine. The actual quantity dispatch record and royalty payment was based on the dispatch for direct sale from the mine or dispatch from the depots of the concerned mines.

(b) The minerals extracted from the mines of the three auctioned mines get transported directly to their stockyards. The export is all routed through regulated exits and there is no other exit through which they can export minerals. Deflection of minerals as interpreted by RAA is thus least possible and not anticipated.

#### 3.4.6 Incorrect information contained in the Final Mine Feasibility Study (FMFS)

The information on the planned production of minerals in the FMFS is based on the projected market. The variation in production figure may have occurred due to various reasons such as fluctuation of market. The consumption of the minerals as raw material by the buyers is not in the control of the mining operators and thus such differences are anticipated.

Detailed mineral exploration entails collection of subsurface information by carrying out borehole drilling. Stone quarries are low value minerals and their studies involving borehole drilling is not feasible economically. Only surface assessment is carried out for such deposits and the overall quality and quantity is

estimated based on the surface study (probable reserve) and is subject to errors. Further, the geology of the Himalayas is very complicated and geological interpolation made appeared incorrect in many cases. Therefore, the requirement of blasting in the quarries may have been planned as per the quality and characteristics of the stones samples collected from the outcrops of the rock beds.

### **3.5 INFORMATION MANAGEMENT SYSTEM**

#### **3.5.1 Non establishment of registry titles**

The RAA have rightly pointed out the need of establishment of the registry titles to improve the information management of mines & minerals and such requirement is also mandated by the Mines & Minerals Management Act 1995 (MMA1995) and its supporting regulations 2002. However, it could not be realized mainly because of shortage of manpower in the department and zero-growth policy of civil servants. The department had proposed for a post of Data Manager/Data Assistant in the 11th FYP. Currently it was managed by an engineer in the head office who is already loaded with multiple responsibilities such as monitoring, lease processing, policy issues and planning and he alone is not able to commit full time on improvement of mineral information system. The office is currently managing only important and basic information such as lease agreements, dispatch record, royalty record and few others.

The establishment of proper registry titles would be ideal in terms of information dissemination for improved decision making and monitoring. We hope to realize the establishment on approval of the proposed post by Royal Civil Service Commission (RCSC) or upon gaining independent regulatory body where it can recruit required people without having to depend on RCSC approval.

#### **3.5.2 Lack of database on minerals**

The report notes the lack of a proper information management system and a poor system of recording and ensuring availability of information. Discrepancies have been pointed out and these are at two levels- 1) Companies and DGM and 2) Differences in records between the Bhutan Merchandise Trade Statistics and National Statistical Bureau. RAA may note that this is not confined to the mining sector and is a national issue with differences in data records across all sectors. There is an urgent need to prioritize the development of a robust, reliable and dynamic information management system and RAA should highlight this as an urgent priority action to be undertaken by the Royal Government. The report provides an opportunity to review and rectify information by the concerned agencies.

The mines information database server developed through the finance of the Environment & Urban Sector Programme Support (ESPS) project, a support program of the DANIDA had crashed in early 2009 and since then the recording of the information were done on excel with simple formats. The server could not be repaired mainly because of the programmer being a foreigner and the local IT firms not having the capacity. In 2011-12, under the GLOF mitigation project, a proposal to develop a geo-portal - an online web based database system was made and bid was also called including foreign firms. In the proposal, even the mining information was proposed to be incorporated within the system. However, the idea of proposal had to be dropped since the local IT firms did not qualify in-terms of technical competency and the foreign firms had quoted higher than the approved budget.

In 2013-14, The Seismology Division (GSD) of the Department of Geology & Mines was in receipt of fund from World Bank for Investigations and Mapping for Improved Understanding of Seismic Risk. The certain amount of proceeds was intended to be used for hiring consulting services for development of Geo-database system with web application. The department was proposing to develop database system for online information dissemination and the mines and mineral data was also to be included in the system. The department is currently preparing documents to calling for tender.

Further, the ICT Division of the ministry is also in the process of developing a database system for the whole Ministry for information dissemination. The Mining Division is optimistic that either of these two proposals will be successful.

However, the database development is likely to take a year or two and we would need continuous information storage and therefore, the department has initiated a 10 days Microsoft Access Training in the department calling resource person from Computer and Management Institute (CMI). The training started on September 15, 2014 and ended on September 27, 2014. Upon completion of the training, the division should be able to develop a simple common database which will be systematic and uniform. Though it cannot be a central database, it will serve the purpose till an online database system is developed.

### **3.6 SERVICE DELIVERY**

Either of the following are the reasons for not being able to carry out pre-feasibility study of all the mining applications received by the department.

- The department makes a schedule to go for site visit to different parts of the country to carry out pre-feasibility study. All the applications received for the particular region till that time were planned to study at one go. Applicants were

informed accordingly. However, some applicants fail to respond or they fail to report to the site when they are called for the site visit for pre-feasibility.

- Most of the applicants do not follow up on their applications after they submit it to the department. When the Department called them up for site visit, their mobile was either switched off or their contact numbers got changed.
- The annual travel budget for the fiscal year 2013-2014 was very limited and got exhausted by the end of March 2014. Therefore, most of the travel proposed for pre-feasibility thereafter had to be done away with.
- The Mining Division is facing acute shortage of manpower. Some of the engineers have resigned and some are pursuing higher studies abroad.
- To screen out the old applications received, we have announced in the media to follow up on the applications submitted before 31<sup>st</sup> December 2010 by 30<sup>th</sup> November 2013. Non follow up was considered as not interested and were rejected thereafter.

## **PART II**

### **SPECIFIC FINDING**

#### **Chapter 4: Dolomite**

##### **4.3.3 Short payment of royalty**

Refer our response to number 3.4.3 (h) above.

##### **4.3.4 Excess booking of royalty payment**

The excess booking of the royalty payment projected by RAA appears to be miscalculated. Our assessment indicates that there is a likely inclusion of the ERB and surface rent paid as part of the royalty deposit in the findings of RAA. Calculation based on those brings the figure to the proximate reconciliation to that of royalty payable based on sale of dolomite. Our records show that dolomite mine on average made advance payment of royalty of about Nu. 6 million on a monthly basis. The excess royalty at the end of the year should not be treated as excess payment since it was deposited in advance to keep the dispatch of material continuous. In addition, summing up of the yearly excess payment as done by the RAA team is not logical and correct. The excess payments observed were actually advance payment made and gets utilized till it is exhausted in a continuous manner.

##### **4.3.8 Inconsistency in rates of royalty for dolomite resulting in loss to the government**

As indicated by the RAA, there was no documented basis for fixing of royalty rates in the last royalty revision in 2006. The export rate of royalty for dolomite was fixed at par with that of domestic rate. The rates must be set low because the sales value of dolomite is much lower than that of other minerals.

Dolomite is an auctioned mine and its major market is for use as flux in steel industries in India. Other than few powdering plants, there are no other end users in Bhutan. Therefore, there is a basis to interpret that the currently levied royalty and mineral rent at Nu. 40 and Nu. 10 respectively could be the highest possible that time for dolomite export. The department on the other is of the view that levying lesser than the current royalty for domestic use would only benefit the powdering plants (less investment) as establishment of no other capital intensive industry was anticipated.

The application of export royalty and mineral rent rates for dolomite at par to other minerals at Nu. 100 and Nu. 10 respectively to compute loss in revenue would be wrong as the minerals were of enormously varying sales value.

## **Chapter 6: Coal**

### **6.3.3 Lack of controls in transportation of coal from mine site**

a) There are only 3 mines inspectors at Samdrupjongkhar. Two of them continuously attend a daily duty at the stockyards of gypsum and coal as the actual sale of minerals is based from there. The other inspector has to attend other duties such as mines inspection, highway inspection, office works etc. Therefore based on manpower constraints, fielding another inspector at coal mine continuously for local dispatch was felt least required. Similarly to that in dolomite mine, the dispatches from mine to stockyard was adjusted with pre-signed transport permits, only to ensure that the materials were transported from the mine.

b) Other than through the regulated stock yard and check post, there is no other exit point to sale the coal directly from the mine. Therefore, sale of coal without paying royalty is not possible.

c) Although deflection of mineral without payment of mineral levies is least anticipated, the transport of minerals from mines to stockyard through main gate is completely stopped now.

## **Chapter 7: Quartzite, Limestone and Talc**

***Table 7.2: Production vis-à-vis consumptions of minerals during the period 2008-2012***

There is a possible swap record in the figure of export and domestic consumption of quartzite in the year 2011.

***Table 7.5: Employment in mining operation of quartzite, limestone and talc in 2012***

b. The only quartzite mine is Lampathey Quartzite Mine. The mine was listed thrice in the table with different number of employment.

**7.3.1 Sale of minerals from captive mines to third parties**

BCCL industry requires very high grade limestone for the production of carbide. Haurikhola limestone mine produces limestone with mixed grades. The low grade limestone, which was produced in less quantity, was suitable for use in cement plants and the Department permitted BCCL, but not the Druk Thuendrel Lerig. Pvt Ltd., to sell to Druk Cement based on their understandings and agreements. Else, it will have to be dumped as waste in the dump yard of Haurikhola Mine. Such permit was part of the strategy to make best use of the mineral resources.

**7.3.2 Licenses issued for operation of more than one captive mine**

In accordance with section 18 of the Mines & Minerals Management Regulation 2002 (MMMR 2002), the need of two mines was felt necessary mostly from the qualitative point. Therefore, two mines were permitted for those industries listed in the RAA's report. The companies blend the minerals extracted from the captive mines to achieve the required grade for the particular industry. Such establishments enable the consumption of low grade minerals.

Calc tufa is a porous calcium carbonate deposit formed from the precipitation of carbonate minerals. The mineral was treated as different to that of limestone and thus leased to Penden Cement Authority Limiyed (PCAL) as a separate captive mine. Further the deposit at Kalapani calc tufa was small and not feasible to be leased out to another industry.

**7.3.3 Royalty and Mineral rent paid at the rate of Domestic/captive by RSA Pvt. Ltd.**

The domestic royalty rate was levied for powdered limestone as clause VII of the lease agreement clearly specifies that the marble/crystalline limestone extracted from the mine was to supply to the marble processing and powdering plant within Bhutan. This implies that the mine is captive to the marble processing and powdering plant.

**Chapter 8: Construction Material – stones and boulders**

### **8.3.3 Breach of lease agreement and non-termination of lease**

DGM is aware of the Clause concerning the lapse of the lease for non operation of mines continuously for two years in the lease agreements of mines/quarries. However, in the case of Chimithangka Stone Quarry, which was leased to Natural Resources Development Corporation Ltd., the management has carried out activities such as construction of quarry access road up to the pit top of the quarry and river protection walls within the two years of start of the mining lease and the application of the clause is not appropriate.

In the case of Tshodermithang quarry, the promoter was not able to operate for long as there was no market. The PHPA projects didn't accept their stone as the stone produced was gneiss and not suitable for the project. The quarry was also suspended for not paying ERBs on time. However, the quarries remaining non-operational for more than two years could not be ascertained as the promoter constructed access road in between and again remained non-operational. Therefore we were not able to apply the automatically lapsing clause of the lease agreement.

### **8.3.4 Inconsistencies in quantities of minerals reflected in records of quarrying units and DGM**

The dispatch of mineral recorded by the DGM was totally based on the transport permit issued and there is very less chance of making errors. However, in the mines where there is no weighing bridge, we use the approximation using the conversion factor to estimate the weight of materials transported and levy the royalty and mineral based on it. The factor is different for chips and boulders. There are some incidences in the year 2012 in the case of Bjemina where mistakenly factor for chips was used for trucks transporting boulders. In such cases, the company landed up paying extra royalty.

Bjemina Stone Quarry was initially operated under the permit of the Department of Forest & Park Services (DoFPS) and it was only on 20<sup>th</sup> January 2011 the quarry got regularized under DGM and operation resumed from the next day. It is very likely that the difference in the mineral record figure in 2011 was because of transport of minerals made under the permit of DoFPS in the first 20 days of January 2011 which was not recorded in the DGM record. As per our record the actual dispatch on January made in 10 days was 9669.8 MT. The extra 11839.23 MT of stones was likely transported under DoFPS permit. With regards to the error reflected in the year 2012, we would like to mention that the record of DGM is correct and we are not sure about the record that the audit got from the company.



With regard to the mismatch record of Khariphu Stone Quarry, the RAA has not included the mineral dispatched to the powdering unit at Pasakha. The amount reflected as shortage was those dispatched to the powdering unit where domestic royalty was levied.

The quantity dispatched to their powdering plants for years 2010 to 2012 are as under.

1. Year 2010 = 591.380 MT
2. Year 2011 = 1660.39 MT
3. Year 2012 = 1038.35 MT

Only in the year 2012, the dispatch to powdering plant exceeded the difference in record outlined in RAA report. The record of DGM exceeded that of the company's by 35MT and we are not able to clarify how that happened as we do not rely on the record of company.

In case of Gidaphu Stone Quarry and Gewachu Stone Quarry, we are not sure about how the difference occurred but would like to indicate that the figure obtained from DGM is true and more reliable.

In case of Jugomlo Stone Quarry, we are not sure how it happened but our record was reflected wrongly in the RAA's report. The actual dispatch in 2010 was 108729.73 MT and that reconciles with that of the company's record. We have verified the figures in the head quarter as well as in the regional office.

#### 8.3.5 Transfer of lease rights to third party without permission of the Ministry

The department was not aware of the transfer of lease from Mr. Pema Dorji to Mr. Sangay Dorji on their own. Subleasing is not permissible as per condition 13 of the lease agreement. The act of the mining promoter was thus a breach of mining laws and we shall be taking actions with immediate effect.

#### **RECOMMENDATIONS:**

The lack of monitoring and strict enforcement of mining regulations was observed to have apparently weakened the administration mechanism over the mining sector.

Although the audit findings were clarified wherever possible, we would like to strongly recommend the need to further strengthen the governing body of the mineral sector. We feel the need for DGM to redevelop the processes, systems and structures, and go through organizational development or establish an independent body as an overall mining regulator. Such reformation is essential as the sector is

now recognized as one of the five jewels to strengthen the country's economy and therefore more activities are anticipated.

#### Rationale for the need of an independent regulatory body

The department has taken significant initiatives to bring about changes and improvements within the organization. However, with limited resources and direct authority, it is so complex and need to involve lots of time and perseverance. It must be noted that currently the mining division of the Department of Geology and Mines is bestowed with the overall task to manage mining operation in the country. With manpower of only 8 mining professional, including the one left for long term studies, and 71 mines inspectors, it is very difficult for the division to manage the whole mining sector perfectly. The shortcomings are often aggravated by numerous other issues such as the need to satisfy and answer queries to large number of stakeholders, frequent public complaints and its related legal issues, environmental issues, vulnerability to fraud practices etc. Thus, there is a need to strengthen the capacity and improve the efficiency of the organization.

In order to improve the supervision and monitoring capacity, we strongly feel the need to have the regulatory and policy aspects separated. In this connection, in the draft MDP, we have proposed the need to establish an independent and autonomous Mineral Development Authority as an overall regulatory body. This has become all the more pertinent with the Government's directive to establish a State Mining Corporation who will support the efforts of the private sector and also lead in mining practices. We are of the opinion that once the MDA is established, many of the concerns raised by the RAA would be overcome. Therefore, we would also like to solicit the support of the RAA as an overall oversight body to also recommend the formation of an independent regulator.

#### **Views/Comments of the Department of Industry on observations related to the provisions of the Companies Act of the Kingdom of Bhutan 2000:**

##### **1. On the Chapter 3, Para 3.3.1(5):**

The Ministry of Economic Affairs has taken numerous policy and legal reforms since 2010, and it includes review of the Companies Act of the Kingdom of Bhutan, 2000. The Ministry has entrusted the Company Registry Division to amend the Companies Act and strengthen the office, regarding which your esteemed office is well aware. This paragraph will undermine the initiative taken by the Ministry over the years since 2010. To this end, kindly consider modification of the observation to reflect the reforms initiated by the Ministry of Economic Affairs as a whole, in this paragraph.

## **2. On the Chapter 3, Para 3.4.7:**

There is lack of clarity on the statutory mandate of this office to monitor related party transactions under section 89 of the Act. This is because section 89(1) clearly mandates the board of directors to review the implication of the transaction by a director or its affiliates with the company and give consent to enter into such transaction, if such transaction is not prejudicial to the interest of the company or shareholders. Further, section 75 read with schedule XIV of the Companies Act mandates the statutory auditors to conduct proprietary audit, Performance Audit, Management Audit and Compliance Audit, over and above certification of financial statements and report the same in their report to regulators and the shareholders of the company. Also section 284 of Financial services Act, 2011 subjects all the listed companies under the regulation and supervision of Royal Monetary Authority of Bhutan.

In view of the above legal provisions, this office has been fully dependent on the disclosure made by the Board of directors in their report and the statutory auditors' report. However, the statutory auditors have consistently reported, every year, that the related party transactions are not prejudicial to the interest of shareholders and the company, as they found such transactions to be made at reasonable prices when compared with market prices of such transaction between the company and third parties. Thus, kindly consider removing or modification of paragraph 3.4.7(d) to highlight the lack of legal mandate on Company Registry Division to regulate and supervise related party transactions in public listed companies.

## **3. On the Chapter 3, Para 3.3.2, 3.3.3, 3.3.4, 3.3.8 and Chapter 4 para 4.3.12:**

While we agree on all observations in these paragraphs, we would like to mention that certain enabling provisions are already inserted in the new companies bill which is soon to be tabled with the Parliament, to remedy these lacunas in the present law.

## **4. On the Chapter 4, Para 4.3.2:**

While we agree with the observation, we found that there is a wrong citation of non-existent section 73(a), which is actually section 2 (xxvii). Also a reference to section 2(xxvii) in the same paragraph may need to be corrected as "proviso to section 2(xxvii).

## **5. On the quality of statutory auditors:**

As clearly reflected in chapter 6, para 6.3.5(iii) of the report, the statutory auditors have been very elusive, misleading and unclear with their observations in the report and thus, the Auditors' report are short of what is expected by the terms of reference in schedule XIV of companies Act, 2000. To this end, your esteemed office

may like to consider certain remedial measures to ensure the quality of audit to help investors and regulators like this office to make informed and correct decisions.

**6. Need to strengthen Institutional set-up of Company Registry Division:**

Company Registry Division is manned by two officers and it is entrusted with mandate to regulate over 320 corporate entities in Bhutan under the Companies Act. In view of the overwhelming mandate, this office has started a reform process to upgrade the office to the level of an independent regulatory body under the Ministry of Economic Affairs along with amendment of the Companies Act, 2000. To this end, I would like to request your esteemed office to kindly underscore the institutional weakness of this office and the need to upgrade it to a full-fledged regulatory authority.

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*Appendix A(ii): Response of the Ministry of Finance*



དངུལ་རྩིས་ལྷན་ཁག།

ROYAL GOVERNMENT OF BHUTAN  
TASHICHHO DZONG



MOF/JS- 24/ DRC/ 2014 / 1214

Date: 26<sup>th</sup> September 2014

The Auditor General  
Royal Audit Authority  
Thimphu

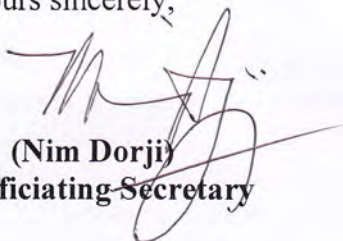
**Sub: Responses to the draft report on "Performance Audit on Tax of Mining and Quarrying Sector"**

Dasho,

This is in reference to Dasho's letter No. RAA (AG-SP)/2014/2504 dated 11<sup>th</sup> September 2014 regarding the submission of our responses to the draft report on performance audit on tax of mining and quarrying sector.

In this regard, please find attached herewith our responses to the observation made by the performance auditors for Dasho's kind perusal and necessary consideration.

Yours sincerely,

  
(Nim Dorji)  
Officiating Secretary

Chodoy, PSAD

for n a

50683  
30/9/2014



**Responses to the issues related to Department of Revenue & Customs on the Performance Audit on Tax of Mining and Quarrying Sector**

**1. Para No. 3.4.8 (Inadequate safeguards in assessment of taxes, page 22)**

- a) i. Refer Serial No. 4
- ii. Refer serial No. 6
- iii. Refer serial No. 7
- iv. Refer Serial No. 8

**2. Para No. 3.4.9 (Lack of strategic focus in tax assessment, page 23)**

a) to c):

The taxpayer's growth is more than the growth in number of assessing officials. Despite the asymmetric relationship, all the RRCOs make an attempt that the tax assessment of CIT payers and large BIT units are prioritized and carried out within the cycle of 24 months since they have high revenue potential. In RRCO Samtse, Since JMCL and JIPL are one of the biggest CIT payers, assessments were conducted annually. With regard to tax assessment of JMCL and JIPL, RRCO Samtse also conducted the tax assessment for IY 2010 in December 2012 and for IYs 2011 and 2012 in November 2013. However, the assessment reports were not finalized and issued to the taxpayers since the decision making personnel in JMCL and JIPL were out of office. As soon as the executives were available for discussion, the reports were finalized and additional taxes were also collected along with 24% penal interest.

**3. Para 3.4.10 (Potential taxpayers escaping tax obligations, page 23)**

- a) to b): Refer Serial No. 4
- c) Refer serial No. 9
- e) Refer Serial No. 4
- f) Refer Serial No. 18

**4. Para 4.3.10, 5.3.2 and 6.3.4 (Non declaration of income earned by the private transporters and the irregular exemption of transportation expenses thereof, page 43, 53 & 68)**

Until the Income Tax Act is amended, the incomes earned by the unlicensed private transporters cannot be taxed under Personal Income Tax since the Rules on the Income Tax Act specifically exempts income from hire of trucks and taxis as provided below.

- Rule No. 2.6, Part III of the Rules on the Income Tax Act, 2001 clearly mentions that Income from hire of privately owned vehicles under Income from Other Sources

excludes Trucks and Taxis. Hence, the income sourced from hire of trucks and taxis are not subject to tax.

- On the CIT front, the transportation charges were allowed as deductible expenses as admissible under Rule No.2.4.6, Part I of the Rules on the Income Tax Act. The expenditure fulfills the following conditions mentioned under the above Rule.
  - Expenses are incurred for business purpose and
  - Services are availed from another tax entity.

The Department would like to state here that the expenses are not only incurred for business purposes but the services were also availed from a taxable entity as private truck owners pay Motor Vehicle Tax to the RSTA on bi-annual basis (based vehicle type). The tax paid by the truck owners are considered as full and final discharge of the tax liability and it is implied that the truck owners are distinct tax entities.

- The observations made by the auditors will be considered when the Department undertakes the amendment of the Income Tax Act 2001 to protect the revenue base.

#### **5. Para 4.3.1 d ( Creation of JIPL was not necessitated, page 33)**

The re-structuring of accounts carried out by the RAA is flawed to the extent that they have not considered the transportation charges incurred on transporting the raw materials from the mine site till the screen yard.

The accounts are re-structured once again including the transportation charges, which is inevitable even if JIPL is not created. According to the re-structured accounts, the Govt. has gained Nu. 24.503 million by creating JIPL.

**Refer Exhibit 1 for the re-structured accounts of IY 2008-2012**

#### **6. Para 4.3.5 and 5.3.4 (Environment Restoration Bond, page 39 & 55))**

As rightly pointed out by the RAA, our tax audit had initially disallowed the payment of Environment Restoration Bond (ERB), amounting to sum of Nu.18,957,798.50 for JMCL. However, the regional tax appeal committee had dropped the disallowance based on the production of a Letter from DGM, which clearly stated that the ERB so paid was non-refundable in nature.

The committee had allowed the entire ERB amount as tax deductible on the strength of Letter No. X-11/DGM/2005/2700, dated 24/03/2005, issued by the Department of Geology & Mines. Meanwhile, RRCO S/Jongkhar had also taken up the assessment of DSCL and found the same claim which was allowed based on the verbal discussion with RRCO Samtse who later shared the copy of the letter received from DGM.

**Refer Exhibit 2 for the letter issued by DGM**



**7. Para 4.3.7 and Para 5.3.3 (Auction Fee/Lease Charges claimed as deductible expense, page 40 & 54)**

Lease rent or the auction fees charged to the profits by JMCL and DSCL were disallowed at the time of assessment in keeping with the provisions of Sec. 18 (j), under Chapter 4, Part I of the Income Tax Act. Following the disallowances made by the assessing team, the companies, in the subsequent years, had added back the expense to its self-declared profits at the time of filing and paid tax on it. The practice is still followed in both the companies.

**Refer Exhibit 3 for self assessment sheet of the Companies.**

**8. Para 5.3.5 (Avoidable expenses and tax implication thereof, page 55)**

Owing to ambiguity regarding the treatment of this expense booked as being punitive in nature or otherwise (charge), the RTAC decided to give the benefit of doubt to the taxpayer by allowing the deduction on interim basis. The Regional Tax administration was made to understand that the Gauhati Court is investigating this case (Company Vs NF Railways). The reversal of the deduction permitted now by the RRCO shall be reviewed based on the forthcoming court verdict on the case.

**Refer Exhibit 4 for the supporting documents.**

**9. Para 4.3.2 B (ii) (Distribution of wealth generated from Dolomite business, page 37)**

Based on the information received from RRCO Samtse on the Commission payout to its Directors by JIPL and JMCL, PIT declarations of the recipients were cross checked at RRCO Thimphu. It was detected that Mr. Rinzin Ongdra Wangchuk had not declared the Commissions received. The RRCO, after several attempts, had settled the issues with the taxpayer. Additional taxes on the Commission received had been duly realized.

**Refer Exhibit 5 for the copy of the information received from RRCO Samtse.**

**10. Para 4.3.9 (Use of JMCL's fund for Lhaki Group's CSR Commitment, page 42)**

RRCO Samtse, during the tax assessment in 2013 for IYs 2011 and 2012, had deemed this expense as donation and disallowed in keeping with the provisions of Rule No. 2.7.6, under Part I of the Rules on Income Tax Act. Accordingly, the companies had paid taxes on it. CSR amounting to Nu. 500,000 for IY 2011 actually pertained to JIPL and not

JMCL. However, the same was also disallowed while assessing JIPL for IYs 20211 & 2012 in 2013.

Meanwhile, CSR amounting to Nu. 1,644,501.66 pertaining to IY 2013 will be verified when the RRCO undertake the tax assessment for IY 2013.

**Refer Exhibit 6 for the copy of CIT computation Sheet**

**11. Para 5.3.6 (Non deduction of 3% TDS from Non Bhutanese Transporters, 56)**

During the tax assessment of DSCL, 3% TDS deduction was not raised through the assessment report based on the following justifications provided by the company

- DSCL does not have any transportation contract signed with any of the Indian transport agencies. Individual truck owners are deployed as and when required and they are paid on trip basis.
- The justification provided by the DSCL was pro revenue and it was accepted by the RTAC.

**Refer Exhibit 7 for the justification provided by DSCL**

**12. Para 6.3.1 (f) (Loans and Advances from SDEBCCL to Sherja Hiring Unit, page 63)**

The Income Tax Act does not restrict transfer of funds to a related party especially when it is made out of reserves and surpluses. However, the observation will be noted when the Income Tax Act is reviewed.

**13. Para 6.3.1 A (a) (Reduction in profit of the company, page 63)**

The transactions between the entities were verified to have been at the Arm's Length Price. There also existed a valid contract between the parties and the income was correctly accounted in the books of Sherja Hiring Unit.

**14. Para No. 6.3.2 (e) (Travel and Medical expenses incurred for CMD, page 66)**

As clearly mentioned in the report, the assessment team from RRCO S/Jongkhar had disallowed the expenses and the additional taxes were paid by the taxpayer

**Refer Exhibit 8 for assessment report**

**15. Para 6.3.2 (f) (Salary payment to family members, page 66)**

The RRCO allowed the salary as deductible expenses based on the following arguments and documents furnished by the company.

- Kunzang Tshomo: Acted in the capacity of legal representatives of the Company in pursuing the dispute on mining lease rights with ACC.
- Tshering Yangden: Acted liaison officer at Thimphu for the Company.

**Refer Exhibit 9 for signed correspondences involving the employees**

**16. Para 8.3.1 (a) – (g) (Offsetting of Losses of business unit resulting in loss of tax revenue, page 80)**

The RAA Observation has been validated. The assessing officials had allowed for inter-unit offsetting of losses in the case mentioned above (and for that matter, any conglomerate incorporated company) since there is no restriction for the same under the provisions of the Income Tax Act of the Kingdom of Bhutan, 2001. For the purpose of CIT, only the incorporated company is to be treated as the taxable entity and not the activities within the incorporated company. However, the observation pointed by the RAA shall be taken into consideration when the Income Tax Rules is amended.

**17. Para 8.3.6 (Discrepancies in Tax assessment of Jungomlo Stone Quarry, page 83)**

An industrial average tax to turnover ratio is applied in cases where the tax authorities deem, beyond reasonable doubt, that the profit or loss declared by a tax entity cannot be objectively determined. In the case of Jungomlo Stone Quarry, as clearly mentioned in the assessment report, the management could not furnish documents corroborating the records in the financial statements filed with this office adequately. The reason why industrial average tax to turnover ratio was applied on the revised turnover instead of reducing the declared expenses there from was;

- i) In the absence of verifiable documents, the expenses claimed could not be objectively determined;
- ii) It is within the working principles of the tax administration to give the benefit of doubt to the taxpayer.
- iii) The assessment is in full conformity to Rule No. 1.4 of the General Provisions of the Rules on the Income Tax Act.

**18. Para 8.3.7 (Non- registration of quarries under RRCOs, page 84)**

- i. **Bama Stone Quarry:** Unit is registered under the TPN 100-993-80/TH02, under the proprietorship of Mr. Chagay. According to RRCO reports, the unit has filed its tax return and had been assessed till IY 2010. Quarry has been declared closed thereafter.
- ii. **Ngabiphu Stone Quarry:** Unit had been registered under TPN 100-322-97/TH02, under the proprietorship of HRH Ashi Kesang Wangmo Wangchuk. According to RRCO

records, non operational tax clearance certificate for IY 2007 and has been declared closed thereafter.

- iii. **Tshodremithang Stone Quarry:** No entity by this name existed in RRCO records. Further information, such as license No. and proprietor CID No. is required for validation.
- iv. **Sha Ngawang Granite:** No entity by this name existed in RRCO records. Further information, such as license No. and proprietor CID No. is required for validation.

#### **General Comments:**

- Although the performance audit period is from 2008 to 2012, in some cases, data for IY 2013 has been used and those information were not vetted by the RRCO concerned through tax assessment. In the meantime, this has resulted in inflation of tax foregone figures.
- Having mentioned above, the revised tax forgone scenario has been computed as shown in Exhibit 10, and summarized as shown in the table 1 below.

**Table1**

Particulars	Amount
Tax foregone as per RAA statement	551,264,862.09
<b>Tax foregone as per DRC statement</b>	<b>-</b>

- Based on foregoing justifications, all the RRCO concerned have exercised their due diligence and ensured proper safeguard and control mechanism. In so doing, the RAA's observations on the possibility of deliberate considerations extended by officials involved in the tax assessment can be ruled out. Such indications by an esteemed organization like RAA carry a negative reinforcement which is detrimental not only to the institution but also to the individual morale. It would be highly appreciated if the working premise of the tax administration is not only acknowledged as the collectors of direct taxes but also as promoters of business enterprises.
- The title of the report 'Performance Audit on Tax of Mining and Quarrying Sector' looks like the entire observation is on the tax whereas there so many other observations as well. Hence, the title needs to be replaced with an appropriate one.
- The report states that the overall revenue foregone is Nu. 1,727.077 million. However, we could not get to the same figure in absence of any summary sheet.

**Appendix A(iii): Response of JMCL**



**འཛིན་པ་མིང་ས་གཏིར་ལས་འཛིན་ལས་འགུལ།**  
**JIGME MINING CORPORATION LTD.**  
**PAGLI : BHUTAN**



JMCL/MD-04/2014/ **EXTRACTION OF HIGH GRADE DOLOMITE**

Dated: 30/9/2014

The Auditor General  
Royal Audit Authority  
PO Box 191, Kawajangsa  
Thimphu: Bhutan

**Sub: Draft Report on 'Performance Audit on Tax of Mining and Quarrying Sector'**

Hon'ble Dasho,

This has reference to the draft report regarding issues on dolomite mine in Bhutan with covering letter addressed to the Secretary, MoEA, Thimphu and a copy endorsed to Jigme Mining Corporation Ltd(JMCL) and Jigme Industries Pvt Ltd(JIPL) wherein we have been asked to respond to the report within 30th September 2014.

In this regard, since the draft report carried report on dolomite issues pertaining to both JMCL and JIPL under one Chapter, the companies decided to submit our opinion on the issues under one document for the sake of convenience to RAA.

On the outset, we appreciate the findings of the RAA and the amount of effort that might have gone in to come out with this comprehensive draft report. We also would like to extend our sincere gratitude to RAA for providing us the opportunity to review and respond to the issues raised in the draft report.

However, wherever we opined it as necessary, have tried to explain and clarify on issues raised. And figures that needed rectification and reconsideration from RAA are also substantiated. The detailed response to the RAA findings are enclosed herewith for your kind perusal and review.

Once again we offer our gratitude for giving us the opportunity to explain the issues from our perspective.

Thanking you,

Yours faithfully,  
For Jigme Mining Corporation Ltd

(Sonam Tobgay Dorji)  
Managing Director

50708  
06/10/14

## **Final Audit Response of Jigme Mining Corporation Limited to the Performance Audit Report on Tax of Mining and Quarrying Sector.**

### **4.1 BACKGROUND**

Besides the RAA points covered on the background of dolomite mining business in Bhutan, the management of Jigme Mining Corporation Ltd (JMCL) and Jigme Industries Pvt Ltd (JIPL) would like to mention some additional factual elements.

The mining of dolomite in Bhutan was in active operation since late seventies and market for dolomite in India specifically in the iron & steel sector were very much present. In fact, one Steel giant in India in collaboration with M/s Chhundu Enterprise of Bhutan were actively engaged in both mining and trading of dolomite from Bhutan till the Royal Government decided to auction the dolomite mines in early 2005. The records with the relevant authorities in Bhutan may reveal dismal state of revenue generation to government and that of employment to Bhutanese prior to 2005.

All the business entities engaged in dolomite mining taken together could not mine more than 250,000 MT of raising per year then. Except for dolo-lumps and chips, dolo-fines were hardly marketed prior to 2005. In fact a good amount of dolo-fines were treated as unmarketable rejects. Unlike other minerals like coal and gypsum, while there is virtually no domestic market, the market realization for dolomite is relatively poor in external market. As such, the stake was high and risk to cover the auction bid value of Nu. 390 million was huge. The only way out for success in dolomite business was to play in volume through aggressive marketing and making all sizes marketable.

With these scenario of having to pursue high volume activity in the backdrop, the promoters of JMCL decided that while JMCL will have its core activity on extraction of dolomite boulders, a separate entity that will concentrate fully on studying the market requirement and accordingly produce valued added products of dolomite was observed to be the need of the hour. Subsequently, JIPL was incorporated in the year 2005 with an objective of developing value added products of dolomite in high volume and establishing a market for these products while keeping the controlling stake with JMCL. Formation of JIPL was not prohibited by any law in Bhutan. It was lawfully incorporated under the Companies Act of the Kingdom of Bhutan 2000 and operates as per the provisions of the Act.

#### **Average sales price of JIPL:**

In Figure 4.1 and Finding point No. 4.3.1(c), average sale price of JIPL for export to India has been reported as Nu.649 per MT.

The precise average realization for JIPL during the period 2008-2012 is as given below:

2008	Nu.501.89 per MT
2009	Nu.495.26 per MT
2010	Nu.513.95 per MT
2011	Nu.533.57 per MT
2012	Nu.518.22 per MT

The average realization per MT did not improve much. Our drive was to maintain steady price and increase volume to gain edge over other competitors which resulted in overall increase in total turnover & profitability of both the companies over the years.

#### **4.3 FINDINGS**

It may be noted that, in just two years of its operation, JMCL achieved the volume which exceeded the volume actually mined prior to auctioning. The success attributes largely to the efforts rendered by JIPL in processing and marketing front. JMCL actually benefitted from synergies by two pronged approach to tackle the market which is almost 100% outside Bhutan. It may not be out of place to mention that there exist agreement between JMCL and JIPL that 100% of dolomite mined by JMCL has to be purchased by JIPL. It will be observed from the audited accounts that JMCL did not hold stock at any point of time thereby reducing the risk. To that extent, JIPL was directly exposed to financial and market risk and not JMCL.

As far as promoters of JMCL and JIPL is concerned, the two companies have never compromised the interest of minority shareholders as well as other stakeholders. In fact, we feel proud that out of total wealth generated from dolomite mining, a healthy 51% went to the government.

##### **4.3.1 Existence of related party transactions in dolomite mining**

a) JIPL sells dolo fines (not dolomite boulder) not only to the units reflected under **Exhibit 4.1**, but also to other dolomite pulverizing units at same price. These units existed prior to auctioning of dolomite mines and supply of dolomite fines to be made to these units were as per price structure dictated in the auction document.

b) The relationship among business units involved in dolomite business in the form of ownership and control as depicted in Exhibit 4.1 is true. However, it may be noted that, these are all legal business units and all are disclosed in annual audited accounts.

c) Under normal circumstances of any business transaction, as the volume increases, the unit price should reduce. However, although JIPL has increased the business volume for JMCL, the unit price per MT sustained all these years. Similarly, JIPL with its dedication and determination to compete in the market to earn more through volume, has little fluctuation in actual market realization as may have observed in the average realization price per MT from 2008 to 2012 reported above.

d) Raising a point against justification of JIPL at this stage will be rendered meaningless unless the situation under which JIPL was incorporated with its objectives is understood with unbiased mind set. Suppose the mining of dolomite remained as it was prior to auction, not only the promoters, the other stakeholders like government and shareholders would have also lost. It may be agreed that for sure, government will not come in front to bail out the company.

Going by the dolomite market prior to auction, success of dolomite business remained questionable then. In fact another way of looking at it is, by creation of JIPL the business risk of JMCL was spread and extended to JIPL should the JMCL fail. Neither the laws nor the auction document bar incorporation of JIPL to further the prospects of JMCL to



conduct dolomite business meaningfully that contributes to all the stakeholders. What needs to be understood is profitable benefit that worked out from synergies between the two companies-JMCL exclusively in mining and extraction of dolomite and JIPL in processing and marketing of value added dolomite products.

#### **A. Reduction in profit of JMCL**

Under the same section of report where RAA has reconstructed the P&L account on the basis of actual P&L account of JMCL and JIPL, it has been observed that the entire expense booked under consumption of raw materials by JIPL has been taken out from the reconstructed P&L account as shown in Table 4.4. It may be noted that, consumption of raw materials includes cost of dolomites boulders and fines directly paid to JMCL and also the material handling and re-handling charges like cost of transportation from mines to Crusher point and then to stockyard of finished products which in any case would have incurred. In fact, the exclusion should be only the sales realization of JMCL for sale made to JIPL. Further, the logic behind ignoring financial charges incurred by JIPL could not be understood as finance charges are related to investment which would have been necessary anyway. Therefore, the additional profit as projected in the report, we feel, is misleading and non-conclusive.

#### **B. Reduction in the interest of minority shareholders and violation of Auction conditions**

In line with the conditions of the Auction, JMCL was formed and 30% share was made available to public. Neither the auction terms nor the Companies Act of the Kingdom of Bhutan 2000 prohibited JMCL from forming a subsidiary company. All the decisions made by the JMCL Board was within the legal framework of the country.

#### **C. Impact on Dividend payout**

Keeping in view the explanation made under **B** above, the shareholders of JMCL has received their due correctly. Otherwise also, the reconstructed profit figure needs correction as highlighted under **A** above.

#### **D. Impact on CIT**

If the correction of reconstructed profit figure is taken care the stand on presumptive revenue foregone figure as reported will be completely different.

### **4.3.2 Distribution of wealth generated from the Dolomite business**

#### **A. ii and iii**

Appointment of CEO at a salary which is higher than the salary of other companies cannot be point of criticism when there is no violation of Law. RGOB has a policy of remunerating CEOs of its companies but there is no provision in any law to restrict the payment of remuneration to any CEO. In case of JMCL the remuneration was decided by the Board of Directors and ratified by the general body of shareholders in the respective Annual General Meetings based on the performance of the company. The business dynamics, growth and return generated by JMCL if compared with other companies, the remuneration given to JMCL's CEO would be more than justified. Moreover, the CEO's remuneration is inclusive all the perquisites including vehicle and accommodation.

Lhaki Cement is a sole proprietorship business under the ownership of Dasho Ugen Dorji. As a sibling of Dasho Ugen and for monitoring the affairs of Lhaki Cement in whatever capacity, if he was paid a remuneration, he had also declared it in his annual PIT and paid taxes.

The last sentence of Para(ii) reads: "The JMCL employs 52 workers with average salary of Nu. 7,137.26 per month.....". The figure reported may be the lowest salary that JMCL pays to its employees but definitely cannot be the average salary. The salary structure of JMCL is attached **Annexure 1** for kind reference to arrive at actual average salary of JMCL employees.

## **B. Shareholders**

i. Directors' commission is paid globally and accepted as business expenditure. In fact directors' commission is paid as a percentage of net profit of the company. The Directors are responsible for all major policy decisions of the company. Business strategy, investment or disinvestment proposal, recruitment of management personnel, sale price, selling commission, purchase of high value assets requiring replacement of existing assets for improved productivity etc. Besides, they are also responsible for providing working guideline for management in the form of approved budget which includes routine revenue and capital budget, non recurring capital expenditure budget, increment policy for employees etc.

The Company's performance depends on success of above decisions. The decision to remunerate the Board members who took part in taking these decisions was taken after 4-5 years of successful operation of the company. Therefore directors' commission should be considered as legitimate business expenditure. Moreover the payment of commission to directors is not prohibited by the Companies Act of the Kingdom of Bhutan 2000.

iii. While donations were normally paid directly by the company for various purposes, for better reach to society, institutions and needy individuals of the nation, some donations were routed through the Directors and CEO and appropriately booked as donation. Such donations were added back to compute CIT and paid accordingly.

### **4.3.3 Short payment of Royalty**

As per the Lease Agreement, JMCL is liable to pay royalty based on production and dispatch of boulders. Whereas, in case of fines, royalty liability passes on to the units buying such fines, converting it to Powder and actually selling out.

In the Profit & Loss Account of JMCL, liability has been provided for payment of royalty based on the production of boulder and subsequent sale of such boulder to JIPL. No liability for payment of royalty has been provided against the production and dispatch of fines as explained above.

Accounting the present norms, DGM collects royalty at the time of actual dispatch of the minerals in the finished goods form. Accordingly, the royalty collection has been effected in the following order:

<b>Material</b>	<b>Source</b>	<b>Processing Unit</b>	<b>Products</b>	<b>Royalty Liability</b>	<b>Basis of Royal Collection</b>
<b>Boulder</b>	<b>JMCL</b>	<b>JIPL</b>	<b>Lumps &amp; Chips</b>	<b>JMCL</b>	<b>JIPL Sales</b>
<b>Fines Sale</b>	<b>JMCL</b>	<b>JIPL Powder unit</b>	<b>Powder</b>	<b>JIPL</b>	<b>JIPL Powder sales</b>
<b>Fines Sale</b>	<b>JMCL</b>	<b>Other Local Powder Units</b>	<b>Powder</b>	<b>Individual Powder Units</b>	<b>Powder Sale</b>

JMCL, though provided the liability of royalty based on the entire boulder sales, at the time of computation of CIT the expenditure has been regulated by the actual royalty collected by DGM based on the quantity of lumps and chips actually sold by JIPL. The difference between the royalty provision and actual royalty collection has been added back to arrive at the assessed profitability of JMCL for the respective financial years.

As far as we know, DGM maintains separate records for (a) sale of lumps and chips by JIPL, (b) Sale of dolomite powder by JIPL and (c) supply of fines to local units from JIPL. DGM monitors the royalty collection in the respective areas based on such separate records.

In the RRA Tabulation 4.12 while comparing the sales volume of JMCL with the dispatch statistics recorded by DGM, only the statement showing the sale of lumps and chips has been taken into account. The sale of powder by JIPL and supply of fines to local processing units were not considered resulting in huge difference in the quantity of dispatch and royalty in all the years.

Once all the three reports are considered, there will not be any major difference between the dispatch figure shown in DGM records and as reflected in company's books.

#### **4.3.4 Excess booking of royalty payment**

In continuation to our explanation given for the point no 4.3.3, this is to submit that the figures shown in table 4.12 as royalty payable and royalty booked both are not correct. The total sale quantity of JMCL for all the years is consisting of both boulder and fines. As it has been already explained that JMCL is liable for royalty on dispatch of boulders. In case of fines which have been supplied to the local units through JIPL, such local units (including JIPL) are liable to pay royalty at the time of dispatch of their respective powder sales.

In RRA report table 4.12, while computing the figures of "Royalty Payable", the quantity of fines sale has not been excluded. Thus the royalty payable figure should be lesser.

The figure booked in the JMCL audited accounts under "Royalty and Mineral Rent" consist of royalty, mineral rent and environmental restoration bond. The environmental restoration bond amount has been included as government levy as DGM has categorically declared the sum as not refundable.

The detail explanatory statement showing the booking of royalty etc in JMCL books as enclosed herewith in **Annexure 2** would confirm that that booking of expenditures was in conformity with the norms of the lease agreement and as per DGM rules.

#### **4.3.5 Environment Restoration Bond (ERB)**

The Department of Geology and Mines(DGM) categorically communicated to the company that ERB is non-refundable. Under the circumstance, JMCL had no option than to treat it as expenditure. However, if DGM reverts its stand and treat it as security that is refundable to the company after fulfilling its obligations, it shall be recognized as income in the year and to the extent it is refunded.

#### **4.3.6 Payment of huge amount as Commission to agents**

The upward growth trajectory of dolomite business was never automatic. And as highlighted earlier, dolomite did not have any domestic market. Almost 100% of the market was dependent on Indian market. Besides India has its own dolomite mines. The Indian State of Chhattisgarh apparently has the highest reserve of dolomite in the region. Many Iron & steel and Ferro Alloys units in India also use dolomite imported from Thailand and UAE and procurements are often decided through global tenders. Therefore to say that, Bhutan dolomite do not face competition in the regional market may have to be further analyzed.

From 2007 to 2013, there were two major economic recessions that India has faced. Iron and Steel sector in India which consumes the maximum dolomite products were not an exception to those recessions. It was the sheer ability of the prudent guidance of company directors, tough implementation of such guidance by the management and aggressive efforts made by the marketing agents in the market that has attributed to sustain the company in times of distress and achieve the growth of the company. In fact, the commission payment facilitated the agents to work harder to garner the customer base for Bhutan dolomite even during the recession period. It may be noted that, besides the commission, JIPL did not have much expenditure under Selling and Distribution expense.

Payment of commission therefore is an objective business decision taken to improve the market base and sustain the presence of Company's product in the market. So far the marketing agents did not fail the company in meeting its objective. One can only contemplate that, in absence of such agents in the market, whether Bhutan dolomite would have gained the same growth. And the amount of commission whether high or low is a subjective issue.

#### **4.3.7 Auction fee claimed as deductible expense**

We beg to differ from the findings made under this section. As a standard accounting practice, to arrive at actual profit, auction fee as noted had been booked as expense. However, for CIT computation purpose, it was always added back to taxable profit at the time of filing the tax return and CIT paid accordingly. The matter may be confirmed from the concerned Tax Authority.

#### **4.3.9 Use of JMCL's fund for Lhaki Group's CSR commitment**

There is no legal entity named Lhaki Group. The usage of Lhaki Group became popular to represent the businesses owned by Dasho Ugen Dorji. Being the eldest among the siblings of Dasho Ugen, the CEO of JMCL is popularly referred to as Vice Chairman of so called Lhaki Group. Therefore, it is not uncommon that individuals and even some institutions address to CEO JMCL as Vice Chairman of Lhaki Group and so did the Dzongda of Samtse Dzongda.

However, it may be noted that, the CSR fund was approved by the JMCL Board and payment was also released from JMCL account. Therefore it was not a commitment made by the so called Lhaki Group but a well deliberated decision made by the JMCL Board taking into account the objective and cause of such contribution.

#### **4.3.11 Irregularities in the appointment of public directors**

The relevant section covering appointment of Director as per the Companies Act of the Kingdom of Bhutan 2000 is sited below:

##### **Section 79: Certain persons not to be appointed as directors**

No company shall appoint or continue the appointment of any person as Chief Executive Officers or director who -

- (a) is an undischarged insolvent or has at any time been declared insolvent by court;
- (b) is, or has been convicted by a court of a criminal offence whether or not involving moral turpitude;
- (c) is of unsound mind declared by a court;
- (d) has not paid any call in respect of shares of the company held by him;
- (e) is a director in more than five companies.

The conduct of any company incorporated under the Companies act of the Kingdom of Bhutan is governed by the by this Act. Therefore the Act do not require JMCL to look beyond above exhaustive list of disqualification parameter to appoint a Director.

#### **4.3.12 Appointment to post of CEO in two companies**

Lhaki Cement is a sole proprietorship business under the ownership of Dasho Ugen Dorji and not a body incorporated under the Companies Act as a company. Therefore, CEO of JMCL is not the CEO of any other company.



འབྲུག་ས་གཏིར་ལས་འཛིན།

DRUK SāTAIR CORPORATION LTD.

DSCL/RAA/2014/ 1941

Date: September 29<sup>th</sup> 2014.

**The Hon'ble Secretary,  
Ministry of Economic Affairs,  
Thimphu.**

**Sub.: Submission of Response on the Royal Audit Authority's Draft Report on  
'Performance Audit on Tax of Mining and Quarrying Sector' pertaining  
to Druk Satair Corporation Ltd.**

**Dasho,**

Enclosed, please find herewith the response on the above draft report pertaining to this company. The response is submitted in compliance to Royal Audit Authority's letter no. RAA(AG-SP)/2014/2503 dated 11<sup>th</sup> September 2014, wherein above cited draft report of this company was received on September 20, 2014 from RAA.

We regret to inform Dasho that since we received the draft report few days back only and we were engaged with other pressing works, we could not submit the report on time (Sept. 30, 2014). Therefore, kindly excuse us for the delay in submitting the response.

With Respects,

Yours Faithfully,

(Letho)

Chief Executive Officer

Copy to: The Auditor General, RAA, Thimphu. The response on the above draft Report is enclosed for kind perusal and consideration, please.

Enclosed:

1. Responses on the above draft RAA Report.
2. Relevant Annexures.

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# Druk Satair Corporation Ltd

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## Preface

- (i) This Report is prepared to clarify on the draft report of Royal Audit Authority on Performance Audit on Tax of Mining and Quarrying Sector which was received on 20<sup>th</sup> September 2014.
- (ii) The report states that Druk Satair Corporation Limited (DSCL) is one of the highest CIT payers in the mining sector. During the past 5 years (2008-2012), DSCL has contributed revenue to the government to the tune of **Nu. 553.212 million** by way of CIT, royalty, mineral rent, surface rent, listing fees and bid value. Based on our analysis, annually on an average 25% of the company's sales turnover was contributed as revenue to the government while about 10% of sales turnover had been paid out to the shareholders by way of dividend. This clearly indicates that the major beneficiary of this mining activity was the government.
- (iii) It was daring and risk absorption capacity of the promoters who have ventured to invest and promote DCSL, whose performance was unknown and yet had to pay bid value amounting to **Nu. 440.20 million** (Nu. 26.700 million and Nu. 413.50 million) to the government regardless of the profitability of the company. Such risk taking business approach was itself a great thing to reckon and value as such initiatives has:
  - (1) Created and maximized wealth of 1,267 shareholders (over 99% minority shareholders);
  - (2) Contributed substantial revenue to the government by way of CIT, Royalty, Mineral rent, bid value and other payouts;
  - (3) Created host of downstream economic benefits in the economy, particularly in Pema Gatshel and Samdrup Jongkhar.
- (iv) DSCL's substantial revenue contribution to the government exchequer and visible value creation to the shareholders was possible with the able and wise directives and supervision of the promoters/Board of Directors, who have appreciable business acumen and "bullet biting spirit" and propelled by diligent and hardworking employees and sound management.
- (v) As of date, the shares of the individual shareholders have increased 28 times (1 share multiplied to 28 shares today), which has created substantial wealth to the shareholders and revenue to the government. The company employs over 130 Bhutanese and engages over 120 Bhutanese trucks/tippers in transporting gypsum. The operation of the company has created host of ancillary economic activities, namely workshops, restaurants, spares shops and etc.
- (vi) In spite of challenging and trying business situation in Assam (frequent strikes and lock outs), the company has been able to perform satisfactorily and continues to contribute appreciable revenue to the government and positive downstream impact in the economy.
- (vii) However, some findings reported by RAA were viewed to have been made based on assumptions and without understanding the dynamics of business scenario. Further, the



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Report omitted to take into consideration the practical business difficulties and the procedures adopted by the management that actually would have resulted in the efficient use of public resources and higher profit of the company. Before we delve into the point wise response to the Report, we would like to point out few pertinent facts of mining activity of DSCL.

## **(1) *Low Quality of Bhutan Mineral Gypsum.***

Natural gypsum found in Bhutan is a sedimentary rock formation where quality is not consistent. It depends solely upon the kind of deposits found in the mines. The quality mined by DSCL ranges between 65% to 95% averaging to 80% against higher quality of gypsum (over 92%) imported by Indian cement companies from other countries.

Due to inferior quality of Bhutan gypsum, DSCL has been facing numerous challenges on marketing and pricing fronts. India is the major market for Bhutan gypsum comprising about 80% of DSCL total market share.

## **(2) *Mode of Transport***

DSCL sales its gypsum by road and by railway rake from Rangiya, Assam. Those customers who buy by road lifts the material from dump yard located in Samdrup Jongkhar and from Rangiya siding if dispatched by railway rake. Railway rake dispatch constitutes 55%-60% of total quantity sales and value.

## **(3) *Pricing.***

Material is generally priced after considering the proximity from point of sale, quantity of material dispatched (more the quantity lower the price-railway rake dispatched is priced lower than those dispatched by road). To arrive at reasonable pricing, we have segmented our customers into three board categories, namely *core*, *secondary* and *periphery* as explained below:

### **(a) *Core Customer***

Nearer the customers, higher the advantage to us and this forms our core customer base. So the customers based in North East (Less than 500 kms from our sale point) and domestic customers falls under this category and can afford to command higher rate. This is primarily because of lower transport cost to the customers. Currently, the material rate for this market segment is between Rs. 2,000/- to 2,150/- per metric tonne, ex-dump yard, S/jongkhar.

### **(b) *Secondary customer***

On the contrary, further the customers from us lower the material rate as the transport cost renders disadvantage to the customers and would resort to other sources if material is priced high. Our customers in places like, Farakka, Durgapur, Megia in west Bengal falls under the secondary customer category. The scope to command higher price or increase beyond certain

level is limited in this market areas. Present material rate for this market segment is between Rs. 1,700/- to 1,900/- per metric tonne, ex- Rangiya, Assam.

*(c) The periphery customers*

These customers are those located beyond 900 kms from Rangiya and the chances of increasing material price beyond a certain level is very remote. Our customers in Madhya Pradesh, Uttar Pradesh, Nepal falls under this category. If we were to increase our material rate higher than our core or subsidiary customers, we would risk losing the customers. The present material rate for this market segment is between Rs. 1,550/- to 1,750/- per metric tonne, ex-dump yard, S/jongkhar or Rangiya, Assam depending on the mode of transport.

From the above, it is clear that DSCL cannot have a one uniform price to all its customers irrespective of customer locations or distance from our point of sale.

*(4) Competition.*

With the import of gypsum by Indian companies (cement) from Thailand, Oman, Iran, Indonesia, Pakistan and etc., which commands higher purity level (minimum of 92% *vis a vis* maximum of 80% of Bhutan gypsum), competition in the sale of our gypsum in India, Nepal and Bangladesh has heightened.

*(5) Transport Freight*

With the increase in mining and transport cost due to consistent increase in fuel price and decline in the sea freight (due to slow down in the world economy), DSCL is placed at a disadvantageous situation to increase the material rate further. The competitiveness of DSCL is on the decline as customers in India, Bangladesh and Nepal finds it more advantageous to import from other countries other than Bhutan.

*(6) Availability of Mineral Gypsum Substitutes*

Many of our customers, within and outside Bhutan have resorted to use of mineral gypsum substitutes, especially fly ash, which is cheaper. This has also posed a serious challenge to DSCL.

### **5.3. Related party transaction {Transport owned by GM Sales-Findings para 2, v)**

*Material Price and Transport Rate Fixation.*

- (i)* Material selling rates and transport rates are fixed by the management committee (4 members) as and when viewed necessary. Therefore, while the wife of GM, Sales has trucks/tippers engaged with the company, he has the least chance to influence in the fixation of the rates as rates are fixed considering the relevant factors, namely fuel and lubricant prices, tyres, market price and etc. Further, since majority of the committee

members including CEO do not own trucks/tippers, it is difficult on the part of GM Sales to influence his decision on rate fixation.

- (ii) Assessing the recent behaviors of the transporters (Bhutanese and Indian), who are always instigating and exploiting situation to increase rates through frequent agitation (even by Bhutanese transporters in 2013 & 2014), we have realized that having trucks/tippers owned by our senior staff does help in subduing the truckers demands. When the truckers boycott in transporting gypsum and our senior staff's trucks continue to transporting they have no choice but to continue transporting as we also inform them of terminating their transport Agreement.
- (iii) When we are to interact with the Indian transporters amidst unstable and risky political situation in Assam (transport our material to Rangiya, Assam for railway rake dispatch), it has proven beneficial to quell the demands of the transporters and maneuver the situation to get through our material to Rangiya with the intervention of our senior staff who has good net work across the border and also owns truck deployed in the company.
- (iv) Therefore, while it may seem to prevail conflict of interest by engaging trucks and tippers owned by our senior staff, such conflicts are eliminated by fixing the rates transparently (through committee). Further, it has helped the management to control transport cost and get things moving on in spite of trying political situation in the immediate border.
- (v) So it would be wrong to draw conclusion that the company has lost profits due to engagement of transport owned by our own staff without studying the facts in detail. In fact the engagement of transport owned by owns staff, who has cordial relationship with the Indian transporters would have helped to enhance the profit of the company by controlling the transport cost.
- (vi) In view of the above, we request RAA to drop this case from the Report.

### **5.3.1 Related party transaction {i to vii (RSA Pvt. Ltd.) }**

- (i) It is reported that the involvement of the Chairman in the business contract with the company has impacted on the company by way of reduced profit. The Report seems to have preempted certain facts and drawn a negative conclusion without delving into the facts of the matter.
- (ii) In line with Section 89 (2) of the Companies Act of Kingdom of Bhutan 2000, it is stated that, *‘every director of a Company who is in any way, directly or indirectly, concerned or interested in a contract or arrangement, shall disclose the nature of his concern or interest at a meeting of the Board of Directors’*.
- (iii) In line with above clause, it was disclosed during the 2<sup>nd</sup> Board Meeting of the Company held on 24<sup>th</sup> August 1994 and the same was approved. Accordingly, an Agreement was drawn between DSCL and RSA Pvt. Ltd. (*Board Resolution and Agreement enclosed for reference*)

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- (iv) Further, disclosure with regard to transaction with RSA Pvt. Ltd., was also made in annual audited financial reports of the Company, which are made available to shareholders during the AGM and submitted to various government agencies.
- (v) In our opinion, the formalities were completed in compliance with the relevant Regulations and Act.
- (vi) The Report has preempted that gypsum can be marketed at the same price regardless of some pertinent factors, which is incorrect. We need to price our material considering distance, market situation in the customers' market and host of pertinent aspects. It would be grossly negligent and risky to price the product same to all the customers discounting essential factors.

### **Reduction in Profit (A. i)**

- (i) When DSCL was formed and started mining and marketing mineral gypsum in 1993, RSA Pvt. Ltd. was the firm that explored marketing gypsum in Bangladesh and Nepal on behalf of DSCL. DSCL lacked the required marketing skill and the market base in these two countries was small that did not justify to concentrate its limited resources. So it was RSA Pvt. Ltd. that introduced Bhutan gypsum to these two counties and helped DSCL to market gypsum.
- (ii) Material and transport rates are fixed by the management committee after considering all the relevant factors. The material rates for various destinations are fixed above the operational cost. Similarly, the rate for RSA Pvt. Ltd. was fixed above the operational cost and with a margin to the DSCL.
- (iii) Today, Bangladesh and Nepal constitutes only 1% and 8% respectively of its total quantity sales and the sales quantity are in declining trend. Over the past 5 years (2008-2012), while sales quantity to Bangladesh declined between 11% to 22%, in 2012 alone sales to Bangladesh and Nepal declined by 11% and 17% respectively.
- (iv) As per our market survey conducted in 2012-2013, it has been noted that Bangladesh has the capacity to absorb over 5 lakhs MT of mineral gypsum. However, due to its closer proximity to Thailand, it imports gypsum from Thailand. So it's the few small plants near the Indian border that buys our gypsum. Also, due to frequent fluctuation in exchange rate (Dollar-Rupee), the sale of gypsum to Bangladesh is found challenging. However, due to business link established by RSA Pvt. Ltd. since 1994, we have been able to sale at higher than our operational cost to few units in Bangladesh.
- (v) As per our market survey, Nepal has the capacity to use gypsum over 55,000 MT. However, they import only 50% of their capacity. This is because:
  - (a) Low plant capacity utilization (below 50%);
  - (b) Cement plants import gypsum from Pakistan;

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- (c) Cement plants uses fly ash and other gypsum substitutes from India;
- (d) Higher probability of adulteration of mineral gypsum (mix with sand and soil)
- (vi) Looking at the past 5 years sales trend, it is apparent that sales may further decline and if we were to increase the sales rate further, we would completely lose these market base.
- (vii) The market dynamics becomes all the more pronounced when there is severe competition, emergence of product substitutes (fly ash, marine gypsum and etc. in case of mineral gypsum) and escalation of operational cost (due to frequent increase in fuel and lubricant price that impact transport and mining costs), which is occurring with regard to sale of mineral gypsum by DSCL.
- (viii) The Report stated that the engagement of RSA Pvt. Ltd. by DSCL was “purely driven by common interest of the Chairman”. Further, it stated that DSCL had forgone a profit of Nu. 46.844 million (Table 5.7). We feel that the statement without proven evidence and understanding the market dynamics tantamount to undermining the basic marketing principles and logics, which are at times complicated and need to be understood by experiencing the same through field experience.
- (ix) RSA Pvt. Ltd. need to pay for customs related expenses, stationery, man power costs, bank charges and other associated cost. Therefore, it would be wrong to assume that the difference in the prices (price to RSA Pvt. Ltd. and Sales Price to others) is the profit to RSA Pvt. Ltd.
- (x) The report stated that RSA Pvt. Ltd. did not have an office and there was no overhead cost, which is incorrect. RSA Pvt. Ltd. bears its stationery and manpower cost associated to its business. RSA Pvt. Ltd. has its own manpower since it started selling gypsum. Mr. Ramesh Dhamala, Mr. Subarna Lama and Mr. Sonam Dhendup worked as paid staff of RSA Pvt. Ltd. stationed in DSCL office till 2013 (one staff at a time till mid 2013). Since Mr. Sonam Dhendup left in mid 2013, a suitable staff is yet to be employed, which will be done soon.

### **Domestic Price Versus Sales Price to RSA Pvt. Ltd.**

- (i) The Report went onto make a comparison between material rate of RSA Pvt. Ltd. and that of domestic rate and assumed that DSCL would have made profit of Nu. 34.935 million. (Table 5.8). Such comparison is viewed unjust and defies basic product pricing principles. Owing to close proximity of domestic customers from our loading point, the sales rate (except sales from mines site for value addition) of domestic customers would be higher than those based in India and other areas. Since RSA Pvt. Ltd. sales gypsum to Bangladesh and Nepal, which entails higher transport freight and customs related expenses (per rake minimum of Rs. 60,000/- for sale to Nepal), it would be absolutely wrong to price gypsum same as domestic sales price.
- (ii) If we were to charge RSA Pvt. Ltd, the same rate charged to domestic customers, it is obvious that the customers in Nepal and Bangladesh would not buy from us as the rate

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would be substantially uncompetitive. Such a situation would increase the per tonne cost of DSCL, albeit on a small scale as our fixed cost would remain the same and sales quantity would get reduced.

- (iii) Currently, the average domestic rate besides sales from mines is over Nu. 1,900/- per MT, while the average sales rate to India besides North East is Rs. 1,750/- per MT and that of Nepal and Bangladesh is 1,648/- and Rs. 1,750/- PM respectively.
- (iv) Considering the above facts and market dynamics, it would be highly unjust and unreasonable to assume profit earned by RSA Pvt. Ltd. has resulted in loss to DSCL.
- (v) Perhaps it could be assumed that RSA Pvt. Ltd. has helped DSCL to introduce and market gypsum to Bangladesh and Nepal that has helped to increase its mining capacity thereby contributing to reduction in DSCL's per unit operational cost (higher sales quantity at given fixed costs).
- (vi) In view of the above RAA is requested to drop this matter from the report.

### ***5.3.1.vi. Establishment of new companies.***

- (i) The Report stated that the establishment of new companies, namely Druk Plaster & Chemicals Ltd. (DPCL) and Druk Gypproducts & Chemicals Ltd.(DGPCL) for value addition resulted in substantial reduction in the interest of minority shareholders and inconsistent practices that were prejudicial to the interest of the other stakeholders.
- (ii) The Report did not give due recognition to the government's policy of promoting industrial units that add value to domestic resources and promote broad based ownership (Economic Development Policy 2010, 7.6.3 and 7.6.4). The brief background of DPCL & DGPCL is explained below:

### **Druk Plaster & Chemicals Ltd. (DPCL)**

- (i) With the initiative of the promoters of DSCL (9 and central Monk Body), DPCL was established in 2000 in order to manufacture Plaster of Paris from gypsum, which is locally available. The primary objective of the company was to set up domestic resource base industry in Bhutan for better value addition. DPCL went into commercial production in 2003 availing the consultancy services of Central Building Research Institute, Roorkee, India.
- (ii) As per the Listing Regulations of Royal Securities Exchange of Bhutan Ltd., (RSEBL), it is required that securities of a public Company be listed under RSEBL and accordingly 33% of shares was allocated to public through IPO meeting minimum requirement. Today DPCL has over 200 shareholders (minority shareholders) floated through IPO and 10 promoters.

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(iii) Current share pattern of DPCL is as shown below:

**Table 1.**

Sl. No	Shareholders	Percentage holding
<b>A</b>	<b>Promoters</b>	<b>49%</b>
1	Druk Satair Corporation Ltd	28%
2	Tashi Commercial Corporation	3%
3	Dasho Dorji Norbu, Bhutan Engineering Co. Pvt.Ltd.	3%
4	Gup Thinely Dorji, Nima Tshongkhang	3%
5	Mr. A.K Pradhan, A.K Tech & Consultancy	3%
6	Mr. Tshenchok Thinlay, Tashi Tours & Travels	3%
7	Mr. Tshering Wangdi, Ngalam	3%
8	Mr. Rinchen Dorji, RSA Pvt. Ltd	3%
<b>B</b>	<b>Central Monk Body</b>	<b>18%</b>
<b>C</b>	<b>General Public (205 shareholders)</b>	<b>33%</b>
<b>Total</b>		<b>100%</b>

- (iv) The remarks in the Report demeaned the noble intention of the promoter and the stakeholders in initiating manufacturing units that has not only created host of economic activities and benefits in the country but also maximize the wealth of the shareholders.
- (v) During the past 5 years (2008-2012), DPCL has paid **Nu. 23.858 million** to government by way of CIT and paid dividend between 15% to 60% to its shareholders.
- (vi) Since DPCL was promoted and incorporated as a company and shares floated through IPO, dividend declared and paid as per the shareholding pattern, the management failed to understand on what basis was there substantial reduction in the interest of minority shareholders. In fact initiating such additional investment ventures have not only created additional meaningful economic activities in the country but also created wealth to shareholders and contributed revenue to the government exchequer.
- (vii) If participation of one firm in marketing gypsum on behalf of DSCL was the reason to assume the reduction in the interest of the minority shareholders of DPCL, it is viewed unfounded as such relationship did not prove detrimental to the minority shareholders.

### **Druk Gypproducts & Chemicals Ltd. (DGPCL)**

- (i) Unlike other limited companies, continuity of DSCL is highly uncertain as it operates mine under definite lease period (1994-2003 & 2004-2018) and renewal of its lease period, which expires in December 31<sup>st</sup> 2018 is not guaranteed.



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- (ii) Therefore, with a view to continue business venture of DSCL post 2018 (end of lease period), the promoters of DSCL initiated the Druk Gypproducts and Chemicals Ltd. project. DGPCL was incorporated as company in 2010.
- (iii) The project is to manufacture Plaster of Paris (PoP) in the first phase and gypsum board and special cement (wall putty) in second and third phases using state of art technology based on electricity, which Bhutan has abundance at relatively lower rate vis a vis in India. The investment proposal of the project for the first phase is Nu. 313.107 million, which is to be financed by equity and debt in the ratio of 1:1. The project's loan (from BOBL) of Nu. 156.55 million has been approved. Till date over, Nu. 75 million has been drawn and paid towards plant and equipment.
- (iv) In order to protect interest of minority shareholders of DSCL and DPCL, promoters of DSCL and DPCL ventured into an investment plan that was put up in the General Meetings of the respective companies and the same approved by the Shareholders.
- (v) Initially 16.16% of the equity shall be floated to the public through IPO and gradually the public holding is planned to be increased over 40%.
- (vi) Present shareholding pattern of DGPCL is as shown below.

**Table 2**

Sl. No	Shareholders	Percentage holding
<b>A</b>	<b>Promoters</b>	<b>80.65%</b>
1	Druk Satair Corporation Ltd	29.16%
2	Druk Plaster & Chemicals Ltd	6.39%
3	Tashi Commercial Corporation	7.48%
4	Dasho Dorji Norbu, Bhutan Engineering Co. Pvt.Ltd.	7.48%
5	Gup Thinely Dorji, Nima Tshongkhang	7.48%
6	Mr. A.K Pradhan, A.K Tech & Consultancy	0.68%
7	Mr. Tshenchok Thinlay, Tashi Tours & Travels	3.19%
8	Mr. Tshering Wangdi, Ngalam	3.83%
9	Mr. Rinchen Dorji, RSA Pvt. Ltd	7.48%
10	Central Monk Body	7.48%
<b>B</b>	<b>Employees of DSCL, DPCL and DGCL</b>	<b>3.19%</b>
<b>C</b>	<b>General Public (Provision for IPO)</b>	<b>16.16%</b>
<b>Total</b>		<b>100%</b>

- (vii) Investment from DPCL was invited as performance of DPCL is seen declining year on year due to decline in market for PoP and increase in its operational cost due to outdated technology. Further, since its technology is based on kerosene, whose price is highly uncertain due to quota component, it was viewed best to invest in another company that commands better prospects in terms of technology and competitiveness.

- (viii) The Report considered that shareholders of DSCL and DPCL have invested directly in DGCL but in reality it is the individual Company that has participated as investor. The shareholders of DSCL and DPCL shall have right to ownership to the investment made in DGCL to the same percentage of ownership each shareholder owns in respective Company. Therefore, the reduction in the interest of minority shareholders is not true.
- (ix) With regard to decrease in shareholdings of promoters which also includes Central Monk Body, it was done following appropriate procedures for allocation of shares. The allocation to promoters was approved with common consensus during the 1<sup>st</sup> promoters' meeting held on 31.10.2011.
- (x) Since DGCL is a separate entity, to have same ownership pattern as DSCL and DPCL is neither possible nor necessary. Further, the promoters are investing money from their own pocket due to which it is obvious that promoters' ownership in DGCL is more. As of September 2014, 8 promoters have already invested Nu. 22.436 million (32% of their allocated shares) while minority shares holders have not paid a single amount to the project. The promoters' are also exposed to risk to the extent of their investment.
- (xi) In reality, the shareholding of the public would increase once the shares of DGPCL are floated to public, which is intended to be increased over 40% in a phased manner. Also the shares of central monastic body will increase as it already has 34% in DSCL and 7.48 in DGPCL. Further, even if its share holding reduces, it was their choice. So no one can be held responsible for any change in the shareholding pattern.

### **Legality of the incorporation of DGPCL.**

- (i) The Report made a comment on the legality of DGPCL, which is extremely discouraging after having initiated the same with lots of planning, efforts and resources devoted in this company.
- (ii) DGCL was established in line with the Companies Act of Kingdom of Bhutan, 2000 after obtaining prior approvals from relevant government agencies. Therefore, in our opinion there is no reason to face legal consequences.
- (iii) The Report stated that shareholdings pattern is inconsistent in three Companies. It is a common scenario that holdings & ownership pattern is not homogeneous in Corporate world across the globe. Since all the three companies are separate legal entities and are driven by their own business interest and capacity, their shareholding pattern is bound to differ.
- (iv) In view of the above justifications, we request RAA to drop this case from the report.

### **5.3.2 Non-declaration of income earned by private transporters' and irregular exemption of transportation expenses.**

- (i) Transporting gypsum is an integral activity of DSCL as the gypsum needed to be transported from mine site (Pema Gatshel) to dump yard (Samdrup Jongkhar) and railway siding (Rangiya, Assam) for onward sale to the customers.
- (ii) DSCL engages over 130 individual Bhutanese trucks/tippers in transporting gypsum from mines site to dump yard and over 50 trucks owned by individual Indians in transporting gypsum from dump yard to railway siding in Rangiya, Assam.
- (iii) As a facility, DSCL provides fuel and tyre advance to the transporters and same is deducted from the transporters' monthly bill. This is to ease the pressure on the company in increasing the transport rate, which has positive impact on the profitability of DSCL and tax contribution to government thereon.
- (iv) Transport cost from Pema Gatshel to Samdrup Jongkhar (operated by individual Bhutanese) constitutes approx. 85% of total transport cost and over 43% of total operational cost of DSCL. The Table 5.10 of the Report showed that during the past 5 years, Nu. 621.685 million was paid towards transport cost. This indicates that there is substantial monetary benefit accrued to our Bhutanese truckers who are largely from humble economic background.
- (v) If transport cost were not considered as deductible expenditure of DSCL, the business would not be sustainable as DSCL would be paying huge amount by way of transport cost and also taxes thereon. In any business ventures, transport cost is allowed as deductible expenditure and such approach is not adopted anywhere and if we were to do so, it would be highly unreasonable. If this is to be adopted, it would indirectly imply that DSCL should not operate the mining business.
- (vi) Since the trucks are owned by individuals and registered in their personal names and are largely from lower income bracket, DSCL has, in fact helped in promoting equitable society by giving them the meaningful business opportunity.
- (vii) Since the Income tax Act of Bhutan 2001 excludes trucks and taxis as source of income for tax purpose, it would be in contravention of the law to levy PIT on the truckers. Thus, the 30% tax revenue of Nu. 186.505 million furnished in Table 5.11 is viewed ineligible tax claim made by the Report. Further, it would be too heavy for the truckers to pay PIT on income from trucks as they need to service the loan repayments (many of the trucks were procured with loans from financial institutions) and undertake the required truck maintenance on regular basis.

- (viii) If truckers were made to pay taxes, it would be DSCL that would ultimately bear the extra cost of tax component as such taxes shall be up-loaded on the transport freight as transporters shall not bear the same. Thus this ultimately impacts the profitability of DSCL and CIT thereon. So it makes no sense to deduct TDS or levy tax (PIT) on the truckers.
- (ix) In view of the above, the claim made by the Report that government has foregone tax revenue amounting to Nu. 186.505 million is viewed out of place at this juncture.
- (x) Therefore, it would not be only incorrect but defy the general business operational norm if DSCL is made liable to pay additional tax on account of the above claim made by the Report.
- (xi) In view of the above justifications, we request RAA to drop this case from the report.

### **5.3.3. Auction Fee allowed as deductible expenses.**

- (i) The claim made by the Report that on account of allowing auction fee as deductible expenditure, government lost Nu. 82.700 million revenue and would forgo Nu. 124.050 million for the entire auction fee of Nu. 413.50 million factually wrong.
- (ii) DSCL has made deduction by writing back the same amount along with other inadmissible expenditures ascertained by the Company's Auditor and levied 30% (CIT) thereafter. The same can be verified from the Regional Revenue and Customs Office, Samdrup Jongkhar.

***Computation of Corporate tax and audited Profit & Loss Statement of DSCL for past 5 years (2008-2012) are enclosed for reference.***

- (v) In view of the above justifications, we request RAA to drop this case from the report.

### **5.3.4. Environment Restoration Bond (ERB) allowed as tax- deductible expenses**

- (i) As per the Agreement executed between the government and DSCL, DSCL is to deposit ERB for 10 years & same has been deposited ERB accordingly. ERB does not relieve DSCL from undertaking environmental restoration activities during the entire lease period. DSCL has been diligently undertaking environmental restoration activities on a continuous basis at mine site. This can be validated from NECS and field staff of DGM.
- (ii) The refund of ERB with interest earned thereon (as per Mines and Mineral Management Regulations-MMMR, 2002) to the lessee is subject to the successful implementation of environmental restoration at mine site at the end of the lease period despite the fact the lessee carried out restoration activities accordingly.

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- (iii) If ERB is not released to DSCL at the end of lease period for whatsoever reason, it would be double loss to DSCL if it has to pay 30% tax on the ERB amount.
- (iv) Therefore, since ERB is deposited with the government (RGR-12) and the same may or may not be refunded to DSCL at the end of the lease period, government could deduct 30% tax in the event of releasing the same to DSCL and release the balance amount only.
- (vi) In view of the above, DSCL may kindly be allowed to claim ERB as deductible expenditure and drop this case from the report.

### **5.3.5 Avoidable expenses and tax implication thereof.**

- (i) Till December 2011, gypsum was loaded in BOXN (open type) as per the permissible carrying capacity of the wagons (volumetric measurement) as there was no weighment facility at Rangiya. However, from January 2012 onwards, the loaded wagons were weighed at New Bongaigoan (130 ksm away from loading point, Rangiya) and as gypsum being highly hygroscopic in nature that absorbs around 20%-25% of water, rainwater played a decisive role in the increasing weight of wagons during the transit period and thereby over load penalty imposed, especially during monsoon. This exposed DSCL to over load penalties due to change in the NF railway system and act of natural forces.
- (ii) Rake over load penalty of Rs. 5,467,745 constitutes two different rakes at different dates. Over-load penalty of Rs. 4,630,102/- was paid vide railway receipt no. 212000410 dated 16.04.2012 for over load of 730.30 MT, (supervised by GM, Sales) and Rs. 846,643.60 (140.50 MT over load) paid vide railway receipt no. 212000412 dated 30.04.201, which was supervised by our sales officer who is always supervising the rake loadings and coordinating with NF railway officials for rake placement.
- (iii) Although the matter was discussed in the Board meetings and possibility of malicious intention of our employee was also highlighted (with regard to penalty amount of to Rs. 4,630,102/-, yet due to lack of evidence beyond reasonable doubt, it was difficult to take appropriate action against concerned employee.
- (iv) Since the over load of 730.30 MT was viewed dubious after the management and its team physically verified the off-loaded material at New Bongaigoan siding, wherein material excess load unloaded was estimated at around 60 MT only. The matter was submitted for legal action through an Advocate. The case was filed on 21.08.2012 with Railway Claims Tribunal, Guwahati after the High Court directed the tribunal to deal on the matter.
- (v) As directed by the Tribunal, on joint re-weighment of the off-loaded material, it was only **49.690 MT** (short by 680.61 MT) as evidenced from re-weighment letter. From the re-weighment of our off-loaded material, we were convinced that the railway weigh bridge at New Bongaigoan was defective.

***Joint weighment report dated 11/12/2012 and letter dated 31/8/2013 addressed to RRCO, S/jongkhar and Status of the case dated 22/9/2014, enclosed for reference.***

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- (vi) Although, the over-load penalty was only Rs. 5,476,745.60, we have put a case for recovery from NF Railway for **Rs. 6,681,813/-** with the help of an Advocate wherein the chances of getting the amount is viewed promising as similar case has happened in the past.
- (vii) We made an appeal to DRC, Samdrup Jongkhar for waiver of tax on the above over-load penalty vide our letter no. DSCL/16/2013/1089 dated August 31<sup>st</sup> 2013 on the following grounds:
  - (a) The above over-penalty was levied by an outside agency due to change in their system;
  - (b) Clear evidence of defective weigh bridge of railway at New Bongaigoan;
  - (c) No proven willful intention of our employees;
  - (d) High chances of getting more than the over-load penalty (extra amount of Rs, 1,205,067.40)
  - (e) Tax can be paid upon recovery of the penalty amount through court.
- (viii) Perhaps the RRCO, Samdrup Jongkhar would have temporarily considered our request based on the strength of the case backed by documents and seeing good chance of recovering the amount from NF Railway through the court.
- (ix) Upon our consistent requests and follow ups with railway officials at Rangiya and Maligona, Guwahati, a weigh bridge has been installed in railway siding at Rangiya and commissioned in 2<sup>nd</sup> week of September 2014. This would avoid over rake load penalty hereafter.
- (x) Therefore, we appeal to RAA to drop this case from the report

### **5.3.6. Non- deduction of 3% TDS from non-Bhutanese transporters**

- (i) DSCL engages over 50 non-Bhutanese trucks to transport gypsum from Samdrup Jongkhar dump yard to Rangiya railway siding for onward dispatch by railway rake.
- (ii) The above non-Bhutanese trucks are owned by individuals Indians and not as a registered contractor or firm.
- (iii) Given the unstable political situation in Assam, it is difficult to replace Indian trucks with Bhutanese trucks as they were engaged for very long time especially during the ULFA, NDFB problems. Also, it would be difficult for our Bhutanese trucks to negotiate with the unlawful groups and individuals en- route to Rangiya, Assam.
- (iv) If DSCL were to deduct 3% TDS on the transport freight, transporters would add the same onto their freight. Therefore, it would be DSCL that eventually pays the TDS, which can be claimed as deductible expenditure and to that extent lessen the CIT. So the claim of Nu. 3.748,496.37 as tax revenue is viewed unreasonable.
- (vii) In view of the above justifications, we request RAA to drop this case from the report.



### 5.3.7. Unlawful land transaction involving Board Director of DGCL.

#### a. Land bought from Mr. Tshering Wangdi.

- (i) The Ministry of Economic Affairs vide its letter no. MTI/PDSD-7/09/1560 dated March 5<sup>th</sup> 2009, approved the project/DGPCL to be established on 14 acres land at Motanga Industrial Estate, Samdrup Jongkhar. However, due to change in the ownership of industrial estates from MOEA to DHI -Infra, the project could not be established as planned. Thereafter, the management of DGPCL approached DHI-Infra vide letter no. DGPCL/2011/F-3/01 dated 8<sup>th</sup> November 2011 requesting for the plot for the project at Matanga Industrial Estate, Samdrup Jongkhar. Till early 2012, the management pursued the matter with DHI –Infra, but to no avail.
- (ii) Since Board viewed that the delay in the project was causing loss of economic benefits to the investors and the economy at large, Board directed the management to look for land in some other places preferably in Naglam with the road planned directly from Pema Gastshel to Nanglam was in the advanced stage of implementation by the government.
- (iii) Since Mr. Tsheirng Wangdi is a permanent and well known resident at Nanglam, the Board during its 57<sup>th</sup> Board Meeting held on 3/2/2012 authorized him to look for a suitable land in Ngalam for the new project.
- (iv) Further, in compliance to section 89 (2) of Companies Act 2000, Mr. Tshering Wangdi disclosed of his interest to sell off land to Company that was was put up during the 1<sup>st</sup> Board Meeting of the Company held on 3/2/2012. Therefore, conflict of Mr. Tsheirng Wangdi in the business was not apparent but declared and made known to all the Directors.
- (v) Since the project was planned to be commissioned in mid 2015, the project could not wait till ownership formalities from Mr. Sonam Tshering to Mrs. Sangay Zangmo were completed. Further, there was standing circular from National Land Commission to suspend all land transaction till National Cadastral Re-Survey Programme (NCRP) is completed, which would further delay the project.
- (vi) Based on sales deed made between the registered owner and Mrs. Sonam Zangmo, the purchase procedures were initiated to complete ownership transfer at a later period. The transaction was done based on kappa form (NCRP survey form) wherein it clearly reflected 1.1 acre as per old tram and 5.01 acre as excess land.
- (vii) Accordingly, Agreement was drawn between DGPCL and Mr. Tshering Wangdi (representative of Mrs. Sangay Zangmo) but transaction was not done in pretext of purchasing kidu land. As per NCRP, there is option of regularizing excess land after paying price for the excess land. Further, project was planned in much safer way taking into consideration the following:



## Druk Satair Corporation Ltd

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- a) Construction works were planned only on 1.1 acres for initial phase of project and take on lease from the land owner if land is granted as kidu. Take land on lease from government if excess land is not regularized to the registered owner's thram.
- b) To safeguard investors' money spent on land transaction, shares of Mr. Tshering Wangdi, worth Nu. 14.48 million has been pledged as guarantor against the land.

### **b. Higher price paid for the land.**

- (i) The Report stated that the price for the land was paid higher than PAVA rate. It is a common practice that land transaction is done as per the prevailing market rate all over the country and rarely based on PAVA rate.
- (ii) In our opinion, the Company has made the best dealing where prevailing rate at that time in Ngalam was Nu. 33,000/- per decimal. The Company managed to negotiate the rate at Nu. 20,000/- per decimal (twenty lakhs per acre) and provisioned Nu. 48.88 million for construction of approach road, which is about a kilometer. In comparison to the market rate at that time, the Company has saved Nu. 7.943 million from the transaction.
- (iii) Further, negotiation was done with Mr. Tshering Wangdi by a 3 members committee – Mr. Rinchen Dorji (Chairman), Mr. Letho (Director) and Mr. Nawang Gyeltshen (Project Manager).
- (iv) The concern of legality with regard to the Agreement drawn between DGPC and Mr. Tshering Wangdi was raised during the 10<sup>th</sup> Board Meeting held on 28.3.2014. Accordingly, as directed, the management has executed an Agreement with registered land owner.
- (v) In view of the above justifications, we request RAA to drop this case from the report.

### **c. Purchase of various land without investment plans.**

#### **i. Purchase of 10.10 land at 7 kms from S'Jongkhar Throm.**

- (i) The present gypsum dump yard is located in S/Jongkhar Thromdey premises, which was occupied since early 1990s.
- (ii) After taking over of Municipality of S'Jongkhar Dzongkhag by new Thromdey Administration, DSCL was repeatedly asked to vacate the gypsum dump yard, as Thromdey plans construct its Office. DSCL was directed to look for new dump yard outside municipal area during the 3<sup>rd</sup> Thromdey Tshongdue.
- (iii) DSCL frantically looked for suitable land (not less than 3 acres) in all the areas, but to no avail. Since S/Jongkhar lacked such place, management approached DHI –Infra to allocate at Matanga industrial estate. Management made repeated appeals to DHI-Infra in October 2012, December 2018 and June 2014 in writing and verbal request. But the appeals were

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not granted as the estate is under development. This fact can be verified from the CEO of DHI –Infra. ***Letter dated June 16<sup>th</sup> 2014 addressed to CEO, DHI-Infra is enclosed.***

- (iv) The above matter was raised during the 60<sup>th</sup> Board meeting held on 13.11.2012 and the Board directed the management to look for a suitable land in Samdrup Jongkhar.
- (v) Management after much search came across a potential land seller who had land 10.10 acres located 6 kms away from S/Jongkhar throm. The initial rate was Nu. 25,000/- per decimal (Nu. 25 lakhs per acre). Management negotiated at Nu. 20,000 per decimal and matter was reported to the 58<sup>th</sup> Board Meeting held on 20/4/2012. The Board directed that the land may be purchased if offered at Nu. 15,000/- per decimal.
- (vi) So based on the approval accorded by the Board, land (10.10 acres) was purchased at Nu. 15,000/- per decimal (Nu. 15 lakhs per acre) to be developed and used as dump yard in the event of moving out from present site.
- (vii) The above land has already been registered in the name of DSCL and provisional certificate issued accordingly as the same was surveyed and measured jointly by the seller and the buyer (DSCL).

### **ii. Purchase of 4,000 Sqft at S'Jongkhar Throm.**

- (i) Currently, DSCL corporate office is in a rent private building. Since repeated notices were sent by the house owner to vacate his building, the issue was reported to the Board for directives. As recommended, 57<sup>th</sup> Board meeting approved for purchase of land in S'Jongkhar for construction of a corporate office. After hard negotiation, the plot was bought at Nu. 350/- per square feet.
- (ii) After having completed all the required formalities, DSCL is planning to construct its office within November 2014.
- (iii) With regard to rate, we are still yet to know if land owners are willing to sell land located in town area at PAVA rate.
- (iv) Therefore, the Report's claim that DSCL bought lands without investment proposal is incorrect.

### **d. Possibility of transactions being not made at arm's length basis.**

In our opinion all land related transactions were done on transparent basis following the standard practices as below:

- i. Pre-negotiation were done by the management committee;
- ii. Proposal and investment plan approved by the Board;
- iii. Board reviewed negotiated rate and made final decisions

In view of the above justifications with regard to procurement of land, we request RAA to drop this case from the report.

*Relevant Board's approval enclosed for reference.*

### **5.3.8 Inter-corporate borrowings**

#### **a. Inter-corporate borrowings not allowed as per the Companies Act of the Kingdom of Bhutan, 2000.**

- (i) In our opinion, inter-corporate borrowings were not practiced as on date. The findings of RAA as reflected in Table 5.14 is justified as below:

##### **(a) Advance payment of Nu. 1,358,823.91 from DSCL to DPCL in 2012.**

The above amount is largely sundry debtor's account for purchase of raw gypsum by DPCL from DSCL, which is treated as advance payment in RAA's report.

As treated to other parties, DPCL is considered as customer of DSCL and credit was allowed to be adjusted at regular intervals.

##### **(b) Advance payment to DGCL by DSCL- Nu. 12,500,000/- in 2012 and Nu. 25,596,000/-.**

The above amount is equity contribution made to DGCL as a promoter/investor and may not be treated as an advance payment.

The other promoters have also made their portion of contribution (8 promoters already paid Nu. 22.436 million as of Sept. 2014 against their equity) as fund is an essential prerequisite to materialize the project.

##### **(c) Advance payment to DGCL by DPCL- Nu. 10,00,000/-.**

The above amount was DPCL's equity contribution as one of the promoters /investors of DGCL. The equity contribution is not treated as advances as reflected in RAA's report. In our opinion, we consider it as an investment. Further, the investment in DGPCCL was approved during the shareholders meeting.

In view of the above justifications with regard to payments made amongst the above three companies, we request RAA to drop this case from the report.

We would like to inform RAA that henceforth, the advances or payments made by one company to another (credit sales, some unavoidable payments to be made for business purposes and equity payments) shall be settled immediately at least on a monthly basis.

### **5.3.9. Performance reporting without business operation.**

- (i) The main idea to initiative DGPCL was to manufacture Plaster of Paris (PoP) from locally available resources (gypsum) and make use of power and add value to it, which Bhutan has in abundance as it exports more than 70%, of its total generation. PoP manufactured by DPCL under brand name of Druk Gypp is to create market for upcoming product that would be manufactured by DGPCL in which DPCL is one of the promoters.
- (ii) Thereason for preparing business performance report is in line with Section 57 of the companies Act, 2000 wherein it is required to prepare financial statement and submit to relevant agencies.
- (iii) Though the product line is same, technology used by DPCL is obsolete and is not environmentally friendly. Further price and supply of kerosene is unreliable and uncertain as it is quota item from Indian to Bhutan. Re-investment in DPCL was thoroughly studied and found unviable.
- (iv) The product to be manufactured by DGPCL is of premium quality which is also a prerequisite for manufacture of special plaster and gypsum board which DGPCL also intends to undertake simultaneously in a phase manner.
- (v) In view of the above justifications, we request RAA to drop this case from the report.

### ***Undermined practice of good corporate governance.***

- (i) The last paragraph of the Report mentioned that the companies have undermined the good corporate governance practices.
- (ii) All business undertakings were done in line with Companies Act of Kingdom of Bhutan 2000 and other related regulations. There are no transactions carried out by the Company without prior approval from the stakeholders and relevant government agencies. Further, the creation of DPCL and DGPCL was solely to protect all the shareholders (big or small) and promote industrial units in the country.
- (iii) The investment in the DGCL was discussed in the Board meetings and then was put up in the Annual General Meeting. Similarly, sale of PoP to DGCL was also approved by the Board.
- (iv) Further, there are Independent Directors to check and balance decisions made by other Directors who are also the shareholders of the Company. The main idea of involvement of Independent Directors is to protect the interest of the Company and minority shareholders. Therefore, in our opinion, the Company is proactive on good corporate governance front.
- (v) In view of the above justifications, we request RAA to drop the above case from the report.



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བསམ་གྲུབ་ལྗོངས་མཐའ་རྒྱུ་

**S. D. EASTERN BHUTAN COAL COMPANY LIMITED**  
**SAMDRUP JONGKHAR (EAST BHUTAN)**

O/C

SDEBCC/MoEA-04/2014/ 143

26<sup>th</sup> September, 2014

The Hon'ble Secretary  
Ministry of Economic Affairs  
Thimphu

**Sub:- Response to Draft Report on "Performance Audit on Tax of Mining and Quarrying Sector"**

Respected Dasho,

Please refer to the Draft Report on "Performance Audit on Tax of Mining and Quarrying Sector" sent to your good self with a copy endorsed to us vide letter No RAA(AG-SP)/2014/2503 dated 11<sup>th</sup> September, 2014 from the Hon'ble Auditor General, Royal Audit Authority.

As the dateline for submission of the responses to the draft RAA report is 30<sup>th</sup> September, 2014, we would like to enclose our response to the draft report for your kind information and further clarification so that the issues could be addressed before final reporting. We would like to mention here that the draft report has not highlighted on the positive contributions the company has made for the benefit of the local community, the employees, the share holders and the nation on the whole. Some of the positive impacts on the society at large emanating from the company's initiatives which have not found place in the draft report are as follows:-

- Generation of employment in an economically backward area
- Facilitating education by providing temporary jobs and sponsor for higher studies.
- Sponsoring and promoting cultural establishments in and around the mine site.
- Improving living conditions of community in and around the mine site through various CSR initiatives of the company.
- Facilitating growth of small and medium business establishments in and around the mine site.

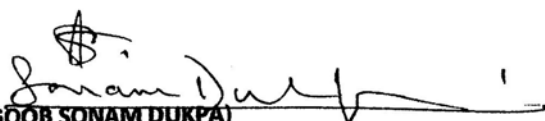
These are some of the salient positive contributions of the company which has been detailed in our attached response. Therefore, we request your honour to kindly appraise on the contribution made by the company towards the socio-economic benefits of the society at large and on the good corporate governance prevailing in the company. The employees are very well looked after with the implementation of the Internal Service Rules of the company as required by the Labour Act.

We hope our attached response with the above positive impacts the company has brought about on the society and the country as a whole will be fairly reported.

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With deep respects,

Yours faithfully,  
for SD Eastern Bhutan Coal Company Limited

  
(GOOB SONAM DUKPA)  
C.M.D.

*Enclosed: As stated above.*

CC:-

**The Hon'ble Auditor General, Royal Audit Authority, Thimphu**

# **SDEBCCL RESPONSE TO DRAFT REPORT ON PERFORMANCE AUDIT ON TAX OF MINING AND QUARRYING SECTOR DATED SEPTEMBER 2014.**

## **6.1 COAL PRODUCTION AND DISPATCH 2008 to 2012.**

SDEBCCL has achieved coal production and sale targets during the period of audit thereby earning profit without which company would not have been able to pay huge amounts of 30% CIT, Royalty, Mineral rent, Surface rent and other dues to the RGoB and meet payments to employees and share holders.

## **6.2 CONTRIBUTION FROM MINING OF COAL TO THE COUNTRY'S ECONOMY.**

Table 6.2 and figure 6.1 highlight the contribution of the company from 2008 to 2012 to the Royal Government amounting to Nu. 380,848,522.37. This figure is not correct as the RAA report has summed up company's contribution from CIT, Royalty, Mineral rent, Surface rent and Auction fees only not including taxes recovered from salary, TDS from dividends declared and paid by the company and TDS recovered from contractors and suppliers which amounts to Nu. 32,485,557.00, as per the table below. If this contribution is added the highest share of wealth distribution of 58.05% accrued to the government will increase further.

***Table showing Other taxes paid to the RGoB***

Year	Amount deposited in to RGOB A/c			
	TDS recovered from Salary	TDS recovered from Dividend	TDS From Contractors & Suppliers	Total
2008	481,331.00	3,840,656.00	2,945,490.00	7,269,485.00
2009	593,337.00	1,340,895.00	1,788,737.00	3,724,978.00
2010	832,365.00	2,838,558.00	1,680,032.00	5,352,965.00
2011	1,734,813.00	3,076,600.00	2,677,643.00	7,491,067.00
2012	2,095,625.00	3,603,465.00	2,956,010.00	8,657,112.00
<b>Total</b>	<b>5,737,471.00</b>	<b>14,700,174.00</b>	<b>12,047,912.00</b>	<b>32,485,557.00</b>

## **6.3.1 Existence of Related party transactions in the coal mining**

With reference to the above mentioned observation, we would like to bring the following to your kind notice:-

- All the directors of the company are appointed in AGM held as per section 58 of the Companies Act of The Kingdom of Bhutan 2000. More over all directors are not family members as evident from List of Board of Directors attached to this report.



- The Chairman who is the promoter of the company owns 70% of the corporate stake as against 30% stake owned by other share holders. Although the promoter owns 70% of the company, majority of the board members are outsiders.
- The hiring contract with M/s Sherja Hiring unit was approved by Board of directors as per Section 89(1) of Companies Act of Kingdom of Bhutan 2000, which is the only requirement as per law.
- With reference to application of BSR Rates of hiring of machineries and equipments, to the best of our knowledge BSR rate pertains to construction sector, it can't be applied as such to mining business. Because the activities and usages of machineries and equipments are totally different.
- Further, way back in 2008, there was hardly any heavy earth moving equipment hiring agencies in Bhutan. Hiring from outside parties would have resulted in payment of higher hire charges in the absence of choices. In view of this, heavy earth moving equipments required for scientific mining was hired from a licensed hiring agency (Sherja Equipment Hiring Unit) so that hire charge of such equipment was under control. SDEBCCL had carried out cost analysis and fixed reasonable hire charge rates for equipments hired from SEHU keeping in mind the economic viability and sustainability. Moreover, equipments hired from SEHU were more reliable and easily available for the operations of the company. As and when such equipments were available on hire from other hiring units, company had been hiring equipments from other outside parties as is evident from table 6.5 of the RAA report. The modality of hire of equipments from SEHU and other hiring units is different. In case of equipments hired from SEHU, diesel oil required to run the equipments is issued by the hirer whereas for equipments hired from other outside parties, company issues diesel oil as the outside parties are not around to issue the diesel oil to their equipments. However, hire charge rates for SEHU and other outside parties works out to be more or less the same.
- Company has not extended undue favour to SEHU, rather it has taken into consideration the following criteria:-
  - (i) *Reliability*
  - (ii) *Availability and*
  - (iii) *Convenience of hiring*

In fact, the company has taken advantage in terms of working capital management, because the company does not have to pay hiring charges to M/s Sherja hiring unit on monthly basis during dearth of working capital with the company, considering the irregular collection pattern of sales proceeds of the company. In the process the company has saved interest of 10% to 13% on its working capital required to borrow from financial institutions to pay the monthly hire charges if the equipments were to be hired from outside parties.

- 6.3.1 (f) mentions SDEBCCL has provided loans and advances of Nu. 12,952,613.83 in 2008 to SEHU. In this regard, we would like to bring to your notice that SEHU is a service provider to the company, so payables and receivables remaining outstanding at the end of the year are in normal course of business. Any amount payable or receivable to or from a service provider is grouped under loans and advance while preparing Balance Sheet. Since the outstanding amount is in the normal course of business, question of charging interest does



not arise when the company has not paid interest to Sherja during non-payment of hire charge bills.

The above facts explicitly justifies that there is no sign of undermining the principles and practices of good corporate governance and there is no adverse impact on government or minority share holders.

The company has been very responsible to the 30% share holders. Company has not thought of depriving the minority share holders. On the contrary, share holders' interest have been kept above all else. From the year 2006 to 2013, the company has declared dividends as below:-

YEAR	% DIVIDEND	AMOUNT (NU.)
2006	16	8,336,000
2007	16	8,336,000
2008	80	41,680,000
2009	30	15,630,000
2010	60	31,260,000
2011	65	33,865,000
2012	75	39,075,000
2013	200	104,200,000
<b>TOTAL</b>	<b>542</b>	<b>282,382,000</b>

Forget about depriving the share holders, the company has declared dividend of 200% in the year 2013. Within the last 8 years the company has declared and disbursed dividend of 542% per share, meaning each share of Nu. 100.00 invested by the share holders has been paid Nu. 542.00 during the last 8 years. In addition, company has generated and kept aside Nu. 284,788,082.03 in the form of Reserves and Surplus in the balance sheet as of 31<sup>st</sup> December, 2012. This reserve also belongs to the share holders which will be proportionately distributed to them when the company winds up thus increasing their earnings in addition to the dividend of 542% declared/distributed so far.

#### **6.3.2 Exorbitant salary paid to CMD and Directors**

Coal mining is a unique operation requiring extra constant vigil and involvement of huge risk factor. Based on this fact, payment to employees including that of CMD and Board of Directors has to be commensurate to the working environment. Salary payment to the employees has been approved by the Board of Directors and Share holders. Moreover, Rules on the Income Tax Act of the Kingdom of Bhutan 2001 (Second Edition May 2005) section 2.3.1 Salary under Note (a) states that "the salary limits shall not apply to incorporated Companies with effect from the 1<sup>st</sup> of January, 2003".

6.3.2 (f) It was explained to the RAA Official that Mrs. Kunzang Tshomo, a Law Professional was involved in dealing with a case with the ACC after the suspension of the coal mine operations in 2009. Before her appointment in the OAG, she had represented the company in the high court which led to the High Court verdict granting injunction order to lift the ACC suspension. To substantiate our submission necessary documentary evidences are enclosed along with this response. Since she was engaged full time, she was paid monthly salary from the company.



Ms. Tshering Yangden is looking after the company matters in Thimphu as she is actively involved in liaisoning and public relation works there. The head office of the company is located at S/Jongkhar at the far south-eastern tip of our country and Ms. Tshering Yangden deals with all the official matters in Thimphu to save time and resources. The company has a liaison office in SD Plaza, Norzin Lam, Thimphu from where she does all her works. The organization chart of the company shows how the various sections in the head office are controlled and not those outside the head office, not even the branch offices. Verbal explanation to RAA's officials was provided during the course of audit.

#### **6.3.3 LACK OF CONTROLS IN TRANSPORTATION OF COAL FROM MINE SITE**

The RAA audit team was explained clearly about the matter when they were on audit assignment to S/Jongkhar. However, we would like to re-asertain that the internal control system of the management and that of DGM is sufficient enough to prevent any discrepancies during transportation and receipt at the stock yard. DGM and Customs Officials monitor the movement of all coal consignments at the dump site. Not a single consignment of coal transported from the mine site to the dump yard has been deflected or lost so far. At the end of every month, all coal raising, transport charges payable are reconciled. Any coal consignment sold to India, Nepal or within Bhutan have to be verified by the Regional DGM Officials and issued TPs and RRCO Officials issue Customs documents without which any consignment are not allowed to pass SSB outpost and Indian Forest Check Gate existing near the Indo-Bhutan border, in addition to many police check gates, forest gates, customs gates on the Indian highway en-route to the final destination. Further, Regional DGM Officials prepare monthly, quarterly and yearly reports duly countersigned by the Manager of the company and submitted to the DGM head quarters in Thimphu. The company does not have the least intention of deflecting any coal consignment. We are a responsible company, operating legally with a huge responsibility of paying statutory dues to the Royal Government within stipulated time apart from so many other important businesses rather than getting engrossed in such petty matters.

#### **6.3.4 NON-DECLARATION OF INCOME EARNED BY PRIVATE TRANSPORTERS AND IRREGULAR EXEMPTION OF TRANSPORTATION EXPENSES THEREOF**

With reference to above findings we would like to bring to your notice that the company has engaged private and individual truck owners in transporting its coal from mines to stock yard and from stock yard to sales destinations. There is no agreement or contract with any truck owners, any truck is allowed to carry materials on production of copy of vehicle documents and driving license. Part payment towards transportation charge is released in cash at the time of loading and balance payment is released either in cash or cheque on production of material delivery documents to sales destinations.

- As per Clause 2.6 of the Rules on the Income Tax Act of the Kingdom of Bhutan 2001 on Income from other Sources it is clearly specified "income from hire of privately owned vehicles, **but excluding trucks and taxis**". Since the income from private trucks and taxis were exempted income, question of tax deduction at source does not arise.



- Clause 2.4.6, *Corporate Income Tax (Part I)*, of the rules on the income Tax Act of Kingdom of Bhutan 2001, states that "The hire of plant, machinery and vehicles plus any associated cost referred to in the **lease agreement** shall be treated as an allowable deduction, provided that the expenditure is incurred for the purpose of business and services are availed from another tax entity."

As explained above the company has not entered into any agreement or contract with any entity for transportation of coal, the question of disallowance of expenses or forgoing CIT does not arise at all.

- Further we would like to bring to your notice that this provision of exempting income of private truck owners from the ambit of tax has promoted equal distribution of wealth to general public at large, otherwise only a few transport firms would have benefitted defeating the very goal of achieving equal wealth distribution. The company has seen quite a number of drivers becoming truck owners and leading a better socio-economic life. Approximately 300 to 400 truck owners get benefitted by transporting coal produced and sold by the company.

### **6.3.5 ANNUAL WRITING OFF OF COAL**

The *conservatism principle* is the general concept of recognizing expenses and liabilities as soon as possible when there is uncertainty about the outcome, but to only recognize revenues and assets when they are assured of being received. Thus, when given a choice between several outcomes where the probabilities of occurrence are equally likely, you should recognize that transaction resulting in the lower amount of profit, or at least the deferral of a profit.

Under the *prudence concept*, do not overestimate the amount of revenues that you record, nor underestimate the amount of expenses. You should also be conservative in recording the amount of assets, and not underestimate liabilities. The result should be conservatively-stated financial statements.

In case of coal mined and stacked in the open ground, it is exposed to adverse weather conditions such as sun, rain, heat and wind. These adverse weather agents will result in decrease of stocks including handling losses.

Hence, while preparing financial statements the board of directors of company has provided for handling loss of 10% on the closing stock quantity in 2009 and 2010 in order to follow conservatism principle of accounting and to maintain prudence concept of accounting.

However, 100.45 Mts and 110.79 Mts during 2011 and 2012 respectively are not the handling loss on closing stock but shortage of coal at the consumer end probably due to spillage and/or loss of moisture from the coal consignment during transit which accumulated to 100.45Mts and 110.79Mts while dispatching over 40,000Mts in a year.

Loss is provided for only in books of accounts but physical stock remains same which will be sold out ultimately and declared in books of accounts thereby Royalty and CIT will be accordingly paid. Hence the question of loss to government does not arise at all.



**Conclusion:-**

RAA draft report on "Performance Audit on Tax of Mining and Quarrying Sector" has highlighted issues reflecting inadequacies in mining operations and tax administration in mining companies and it does not appreciate the companies for their contribution to the government revenue and other important mandates towards socio-economic development of the country on the whole. Mentioned below please find a few positive impacts SDEBCCL has contributed towards socio-economic and balanced economic development of the country:-

- (I) Employment generation
  - (1) Direct (Employee strength of SDEBCCL) - 108
  - (2) Indirect (Employment in SEHU, trucks & tippers) - 180
- (II) More than 50% of the above employment is to the people from the surrounding locality.
- (III) CSR (Corporate Social Responsibility) Initiatives of the company benefitting the local community are listed as follows:-
  - (1) Every year more than 200 students are given temporary jobs in the company during their winter vacation. Most of these students are children of the surrounding community.
  - (2) Company sponsors children with poor backgrounds for their further studies either within or outside the country.
  - (3) A school bus has been deployed for the students of surrounding villages to go to school and drop back after school entirely at the cost of the company. This has immensely benefitted the students who otherwise used to walk almost 20 km back and forth, which was too tiring for the young children affecting their studies as they would be too tired to concentrate in their classes and study at their homes.
  - (4) The same school bus plies from the mine site to S/Jongkhar every Sunday for the labour ration. The management has issued standing instructions that any interested locals from Rishore village may avail the bus for their shopping on that day, fare free, upon availability of seats.
  - (5) Upon request, the needy villagers residing in the periphery of the mine upto Dewathang town are given full assistance and help like house foundation excavation with excavator, supplying stone boulders from the mine and supply of sand, cement, CGI roofings free of cost.
  - (6) Sponsor and conduct of 'Maang Rimdo' at Rishore every year for the peace and well being in the village surrounding the mine.
  - (7) A Jangchub Chorten at Rishore village was supplied with free cement and CGI sheet roofing.
  - (8) When a community school was built in the middle of Rishore village, a company excavator was deployed to flatten the landscape so that the school could be constructed. Further, the company also donated cement and helped to transport sand from S/Jongkhar to the school site free of cost. Company also donated cash for the said school construction.
  - (9) An old Jangchub Chorten at Khesangtiri midway between Dewathang town and Garpawoong Middle Secondary School which was on the verge of collapse was



renovated by the villagers with all the materials like sand, cement and bricks supplied by the company.

- (10) The company also fully sponsored for the construction of clock towers at Garpawoong M. S. School and S/Jongkhar M. S. School.
- (11) The company procured and supplied a sound system and a photo copy machine to S/Jongkhar Primary School.
- (12) The company sponsored many games and sports meets organized by S/Jongkhar Sports Association to create important social awarenesses.
- (13) Two poor farmers at Rishore and one from Khorpam village were identified and supplied milking jersey cows and another three poor villagers were supplied free CGI sheet roofing.
- (14) Any petty contract works such as construction of check dams at the mine, retaining walls on the road leading to the mine, construction of concrete drains at the mine, construction of labour hutments, office building and staff quarters etc are awarded to capable villagers from the surrounding villages.
- (15) The approach road to the mine was constructed by the company and is being repaired and maintained by the company. This road has become a lifeline of the villagers and it has brought enormous benefits to the village.
- (16) The existence of the coal mine at Rishore has improved the living condition of the villagers there. Many retail shops and businesses including a poultry farm have sprouted there. Several villagers even own heavy vehicles hired out to the company.

We hope that the above positive impacts brought about by the company's activities at S/Jongkhar will be recognized.

Submitted.

  
(GOOB SONAM DIKPA)  
C.M.D.



**RSA Pvt. Ltd**

PO Box 321,  
Phuntsholing,  
Bhutan.  
e-mail. mdrsa@druknet.bt



RSA/TPHU/GENERAL/2014/ 339

30 September 2014

The Auditor General,  
Royal Audit Authority,  
Thimphu.

Subject : Response to issues raised in the draft report on "Performance Audit on Tax of Mining and Quarrying Sector"

Dear Sir,

This is with reference to the Performance Audit on Tax of Mining and Quarrying sector that was carried out by your office for the year 2008 to 2012.

In this regard, the report has made a mention of our company on the following two aspects –

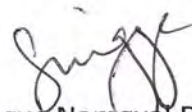
- (i) Rendering a revenue loss to the Government in the form of short payment of royalty with regard to the Gidaphu marble mine
- (ii) Reduction in profits with respect Druk Satair Corporation Limited

Accordingly, please find attached herewith our response to these two observations. We hope that our response is accepted and that these observations will be dropped subsequently based on the merit of our justification submitted herewith.

We look forward to your cooperation and support in this regard.

Thanking you,

Yours faithfully,

  
(Singye Namgyal Dorji)  
Director

Copy to :

1. The Hon'ble Tenzie Lyonpo, Ministry of Economic Affairs, Thimphu, for kind information.
2. The Director, Department of Geology and Mines, Ministry of Economic Affairs, Thimphu, for kind information.
3. The Head, Mining Division, Department of Geology and Mines, Ministry of Economic Affairs, Thimphu, for kind information.
4. The Regional Coordinator, Department of Geology and Mines, Ministry of Economic Affairs, Khasadrapchu, for kind information.



**1. Royalty and Mineral rent paid at the rate of Domestic/captive by RSA Pvt. Ltd.**

- a) Gidaphug marble mine owned by RSA Private Limited engages in the business of crushing limestone lumps into powder and exports the minerals both in powder as well as lump form. The royalty and mineral rent for limestone extracted for export is paid at captive/domestic rate whereas for export of lump form, it is paid at export rate. The prevalent rates of royalty and mineral rent for limestone as notified in October 2006 are as given in the following table.

**Table 1 : Current royalty rates**

Mineral	Grade	Place of use	Unit of measure	Royalty(in Nu./MT)	Mineral Rent (in Nu./MT)
Limestone/Marble	All	Export	MT	100	10
		Captive/Domestic	MT	34	8.5

- b) The rates for export are to be applied for mineral extracted for export and rates for captive/domestic are to be applied for minerals extracted for domestic consumption. However, it was noted that though the export rate was applicable for powdered limestone, the company had paid at domestic rates.
- c) The RAA could not understand the rationale and basis on which the applicability of rates was determined. The fact that minerals were not consumed within the country but exported showed high relevance and applicability of export rates instead of domestic rates. Further, the mining unit owned by RSA Private Limited was not classified as captive mine. The inconsistent application of rates therefore, had cost the government by way of revenue forgone.
- d) The RAA computed the revenue forgone of Nu. 19,881,984.60 during 2008 to 2012 on account of application of captive/domestic rates for powdered limestone as shown in **the** following table.

**Table 2 : Calculation of revenue forgone**

<b>Year</b>	<b>Powder &amp; chips produced &amp; dispatched (MT)</b>	<b>Royalty &amp; mineral rent paid @ Nu. 42.50/MT (A)</b>	<b>Royalty &amp; Mineral rent calculated @ Nu.110/MT (B)</b>	<b>Difference (in Nu.)(B-A)</b>
2008	56,066.25	2,382,815.63	6,167,287.50	3,784,471.88
2009	58,867.50	2,501,868.75	6,475,425.00	3,973,556.25
2010	67,191.89	2,855,655.33	7,391,107.90	4,535,452.58
2011	65,011.46	2,762,987.05	7,151,260.60	4,388,273.55
2012	47,410.82	2,014,959.85	5,215,190.20	3,200,230.35
<b>Total</b>	<b>294,547.92</b>	<b>12,518,286.60</b>	<b>32,400,271.20</b>	<b>19,881,984.60</b>

- e) As apparent from the above table, the anomaly in the application of rates had rendered revenue loss to the government in the form of short payment of royalty.

## **RESPONSE TO THE OBSERVATION**

As clearly stated in the Economic Development Policy, 2010 (EDP), the Royal Government has adopted the philosophy that there has to be value addition in the mineral sector as opposed to exporting mineral in the raw form. Accordingly, the following relevant clauses of the EDP endorse this view –

*7.6.2 Priority allotment of captive mines for raw material shall be provided to manufacturing industries that add substantial value to the resource on selective basis as may be established. While the Royal Government shall emphasize and prioritise value addition of minerals before export, it shall allow the export of minerals in raw form for large scale mines already auctioned within the limits of time as may have been agreed upon in the existing agreements after they fulfil domestic requirements. This will not apply to such materials as boulders, stone chips and sand for construction use.*

*7.6.3 Mineral based industries shall be permitted on evidence of substantial value addition and availability of raw materials.*

*7.6.5 The Royal Government shall levy lower royalty for in-country value addition and higher for raw material export where permitted. The Mineral Development Policy shall specify the levels of value addition.*

The current structure of the royalty rates have been formulated based on these guiding philosophy as presented above. Moreover, on the renewal of the mine lease in 2008, a new clause which is in line with this policy was introduced.

Accordingly, clause VII of the lease agreement signed with the Department of Geology and Mines which states that ***“the marble/crystalline limestone extracted from the leased area shall be solely for the purpose of supplying raw material to the marble processing and powdering plant within Bhutan only”***. A copy of the lease agreement is attached herewith for reference. The earlier lease agreement signed in 1998 had no such restriction and allowed export of limestone in the raw form.

The royalty rates as outlined in **Table 1** above for ***“export”*** should therefore be read as ***“export in the raw form”*** in the true spirit of the policy. Therefore, the RAA’s interpretation - under observation (b) - of the applicability of the royalty rates for export and captive/domestic is incorrect. Almost the entire output from the Gidaphu marble mine operated by RSA Pvt. Ltd. is consumed by its processing plant which is situated within Bhutan in compliance with clause VII of the lease agreement. Therefore, the royalty rate of Nu. 110 per MT for export is not applicable at all.

Although, a limited quantum of limestone lumps (about 100 MT as opposed to the annual production of about 84,000 MT), which is classified as unprocessed (raw form), were exported in 2011, a special approval was sought for this from the Department of Geology and Mines. Furthermore, the higher royalty rate (Nu. 110 per MT for export in the raw form) was paid for this quantity that was exported in the raw form.

The Gidaphu marble mine that RSA Pvt. Ltd. currently operates is a captive mine – meaning that the final product from the mine is used as a source of raw material for the processing plant that is also operated by the same company within Bhutan. Without the Gidaphu marble mine and the raw materials supplied by the mine, RSA Pvt. Ltd’s processing plant would not be able to operate as a stand alone unit at all. The processing plant was set up by making huge capital investments in the order of about Nu. 85 million simply because the company understood and complied with the Royal Government’s philosophy of emphasizing and prioritization of value addition of minerals before export.

Please also find attached herewith a written note of the then head of the Mining Division made at the time of application of the revised royalty rates in 2006, stating that the Gidaphu marble mine is a captive mine as it supplies raw materials to the powdering units.

As evident from the facts outlined above, the mine operated by RSA Pvt. Ltd. clearly falls under the category of ***“captive/domestic”*** mine (as the mine is a ***captive*** one catering to a ***domestic*** processing plant situated within Bhutan itself) for which a royalty rate of only Nu. 42.5 per MT is applicable instead of Nu. 110 per MT as stated in the audit observation.

Accordingly, it is requested that this audit observation be dropped for reasons stated above.

## 2. Reduction in Profit

- a) The review of relationship between DSCL and RSA Pvt. Ltd., showed that the engagement of RSA Pvt. Ltd. by the DSCL was purely driven by common interest of the Chairman. It appeared that the business dealings between the two were merely to transfer the business profits of DSCL to RSA Pvt. Ltd. If DSCL had not entered business contract with RSA Pvt. Ltd. and managed the export to Bangladesh and Nepal on its own, the company could have earned additional profit of Nu. 46,843,606.59 as shown in the following table.

**Table 3 : Profit earned by RSA Pvt. Ltd. in the export of gypsum**

Year	Countries	Sales Qty (MT)	Cost to RSA (Nu./MT)	Export Price (Nu./MT)	Diff. in Export Price and Cost (Nu./MT)	Additional Profit (Nu.)
2008	Bangladesh	7,736.66	997.46	2,099.83	1,102.37	8,528,661.88
	Nepal	3,733.59	1,000.00	1,050.00	50.00	186,679.50
2009	Bangladesh	13,366.62	1,150.00	1,244.54	94.54	1,263,680.25
	Nepal	5,962.78	1,097.55	2,146.55	1,049.00	6,254,956.22
2010	Bangladesh	12,749.47	1,150.00	1,279.75	129.75	1,654,243.73
	Nepal	6,894.66	1,150.00	2,080.23	930.23	6,413,619.57
2011	Bangladesh	6,074.86	1,170.51	2,676.26	1,505.75	9,147,220.45
	Nepal	27,438.37	1,416.63	1,506.82	90.19	2,474,666.59
2012	Bangladesh	4,984.44	1,207.78	3,252.51	2,044.73	10,191,834.00
	Nepal	21,706.75	1,444.32	1,477.86	33.54	728,044.39
<b>TOTAL</b>						<b>46,843,606.59</b>

- b) For the analysis, the price paid by RSA Pvt. Ltd. was considered as the final cost as no additional costs were incurred after it was purchased from DSCL. The RSA Pvt. Ltd. did not have office establishment at Samdrupjongkhar and hence there was no likelihood of incurring any overhead costs on its own. Instead as observed in the field, the purchases as well as sales of RSA Pvt. Ltd. were being handled by officials of DSCL. Therefore, the engagement of RSA Pvt. Ltd. had deprived the DSCL of huge profits which otherwise would have been realized by DSCL.
- c) Even considering the domestic sales, the DSCL would have made minimum profit of Nu. 34,935,216.63 had it fixed the price at least at the level of prices charged for other domestic companies as shown in the Table 4. The discriminative pricing strategy was simply to transfer the price to extend undue favour to the RSA Pvt. Ltd. The loss as computed by RAA using the average of prices charged for other domestic companies (Lhaki Cement, Druk Cement and Yangzom Cement) are as given in the Table 4.

**Table 4 : Loss sustained by DSCL on account of sale at lower price to RSA**

Year	Countries	Sales Qty (MT)	Price charged to RSA (Nu./MT)	Average price (Nu./MT)	Diff. in average price and price charged to RSA (Nu./MT)	Profit (Nu.)
2008	Bangladesh	7,736.66	997.46	1,359.59	362.13	2,801,676.69
	Nepal	3,733.59	1,000.00	1,359.59	359.59	1,342,561.63
2009	Bangladesh	13,366.62	1,150.00	1,400.00	250.00	3,341,655.00
	Nepal	5,962.78	1,097.55	1,400.00	302.45	1,803,442.81
2010	Bangladesh	12,749.47	1,150.00	1,511.32	361.32	4,606,638.50
	Nepal	6,894.66	1,150.00	1,511.32	361.32	2,491,178.55
2011	Bangladesh	6,074.86	1,170.51	1,641.85	471.34	2,863,324.51
	Nepal	27,438.37	1,416.63	1,641.85	225.22	6,179,669.69
2012	Bangladesh	4,984.44	1,207.78	1,756.26	548.48	2,733,865.65
	Nepal	21,706.75	1,444.32	1,756.26	311.94	6,771,203.60
<b>TOTAL</b>						<b>34,935,216.63</b>

**RESPONSE TO THE OBSERVATION**

Initially DSCL was not granted export license to export Gypsum to Bangladesh and Nepal, and therefore had to resort to utilizing Dhendup Enterprise and Rongthung Supply Agency (old name of RSA Pvt Ltd) to export Gypsum to both Bangladesh and Nepal.

Moreover, RSA Pvt. Ltd already had a presence in Bangladesh and Nepal since the mid 90s as it was exporting marble, stone boulders and agro products in these markets. Accordingly, it had a well-established sales and distribution network in these two markets. The Chairman of RSA Pvt. Ltd is also the honorary Consul General of Bangladesh in Phuentsholing and therefore he has good contacts with business houses and individuals within the business community in Bangladesh. Accordingly, DSCL leveraged this situation to its advantage to increase its sales volume and correspondingly, its profits. It must be noted that without DSCL's association with RSA Pvt. Ltd., DSCL would not have made any inroads into these markets. Accordingly, rather than RSA Pvt. Ltd. benefitting from this association as alleged, the Chairman of RSA Pvt. Ltd. helped DSCL instead. It is for these very reasons that many companies make strategic decisions to have specific individuals on their Board.

This business arrangement and partnership between DSCL and RSA Pvt. Ltd. has also been authorized by the Board of DSCL during its second Board meeting after prudent disclosures were made by the Chairman of DSCL in accordance with the Company's Act. A copy of the minutes of the Board meeting is attached herewith for reference.

The prices charged by DSCL to RSA Pvt. Ltd. for gypsum exported to the Nepal and Bangladesh market is based on market forces and it cannot be construed

that whatever is the selling price in India/domestic market, the same can be applied to the Bangladesh/Nepal market also. A multitude of other factors such as cheaper alternatives available from other countries, transportation costs, supply-demand characteristics, tax structure, existence of competition, ease of doing business, sales and distribution network, etc, have to be considered while formulating the sale prices.

For the gypsum being supplied from DSCL, as a thumb rule, the further away a market is from the factory, the lower the selling price will be as the availability of alternatives from other countries or other sources become more viable. Accordingly, the sale price within Bhutan and east of Farakka to North East India – as there are no gypsum deposits in this part of India - will be high. Further west from Farakka and in Bangladesh/Nepal, the prices will be lower as these regions have access to cheaper gypsum for other sources. The only anomaly to this is the sale price to the plaster of paris companies in Bhutan. This is because a special rate was mandated as per the Department of Geology and Mines – as a part of the terms and condition of the auction - for these companies in order to make them sustainable.

Year	Countries	Sales Qty (MT)	Cost to RSA (Nu/MT)	Export Price (Nu/MT)	Transportation cost***		Handling cost**		Bank charges* 1.5% of export value	Diff. in Export Price & Cost (Nu/MT)	Total Profit (Nu.)	% margin made by RSA on total costs
					Rate	Total	Rate	Total				
2008	Bangladesh	7,736.66	997.46	2,099.83	780.00	6,034,594.80	15	116,049.90	243,685.06	275.87	1,890,647	13.63%
	Nepal	3,733.59	1,000.00	1,050.00						50.00	186,679.50	5.00%
2009	Bangladesh	5,962.78	1,150.00	2,142.00	875.00	5,217,432.50	15	89,441.70	191,584.12	69.87	416,619.44	3.42%
	Nepal	13,366.62	1,138.70	1,244.54	73.47	982,016.00				32.37	432,707.06	2.67%
2010	Bangladesh	6,894.66	1,150.00	2,080.23	900.00	6,205,194.00	18	124,103.88	215,137.18	-18.97	-130,815.49	-0.92%
	Nepal	12,749.47	1,227.63	1,279.75	19.56	249,405.00				32.56	415,132.14	2.61%
2011	Bangladesh	6,074.86	1,170.51	2,676.26	1,373.00	8,340,782.78	18	109,347.48	243,868.57	74.61	453,221.61	2.91%
	Nepal	27,438.37	1,416.63	1,506.82	62.53	1,715,850.00				27.66	758,816.59	1.87%
2012	Bangladesh	4,984.44	1,207.78	3,252.51	1,680.00	8,373,859.20	20	99,688.80	243,179.11	295.94	1,475,106	10.18%
	Nepal	21,706.75	1,444.32	1,477.86	16.72	363,036.00				16.82	365,008.39	1.15%
Total		110,648.20	1269.44	1,682.14	338.75	37,482,170	4.87	538,631.76	1,137,454	69.09	6,263,123	3.51%

\* Bank Charges are applicable to sales to Bangladesh as the trading is in Forex (US\$). Trading with Nepal is denominated in INR.

\*\*Transportation & Handling Charges apply only to Bangladesh sales as we have an arrangement with Nepal parties for them to directly bear such costs

^Transportation charges for export to Nepal is borne by RSA only if the dispatch is by Rake via Rangia

NB: All prices are weighted average prices and not Arithmetic Averages

Gypsum is available in Bangladesh from Thailand and in Nepal from Pakistan/Rajasthan/Thailand and accordingly, the sale price from Bhutan in these markets must be competitive to match these alternative prices. In order to illustrate this point, although the market size for Gypsum in Bangladesh is estimated to be about 0.5 million tons annually, RSA Pvt Ltd can only export about 5,000-7,000 tons (or about 1-1.4% of the total Bangladesh market) of the same from Bhutan primarily to small scale industries in the north of Bangladesh who are unable to capitalize on making large volume orders from Thailand where the purchase prices are much lower. Furthermore, if RSA Pvt. Ltd. were transferring the profits from DSCL by having such an arrangement as alleged, wouldn't it be more prudent for RSA Pvt. Ltd to cater to a larger portion of the 0.5 million tons of demand in Bangladesh rather than supplying only a small fraction of this demand? It must also be noted that the quantum of supply to Bangladesh has been steadily decreasing over the years simply because of market conditions. Similarly while the dispatches to Nepal have been increasing, it is because RSA Pvt Ltd makes a gross profit (i.e. excluding overhead expenses) of less than 2% per annum. However inspite of this low margin RSA Pvt Ltd is able to supply only about 30-35% of the Nepal demand for gypsum, as it also purchases cheaper gypsum from Thailand/Pakistan/Rajasthan.

The computation of profit made by RSA Pvt. Ltd by way of having such an arrangement as alleged as well as the corresponding losses sustained by DSCL as shown in table 3 and 4 above are fraught with typographical errors as well as misleading information (with a lot of other costs components missed out (such as transportation cost, Handling [loading & unloading] cost, average purchase and sale prices wrongly computed, etc.) thus presenting a grossly distorted situation. The following corrected table reflects the real situation: –

As can be seen from the above table, the overall margin that RSA Pvt. Ltd. has retained over the five-year period (2008-2012) is a paltry 3.51%, which is well below the industry standard of 10-15% or even the inflation rate of 10-12%. It must also be noted that for some years, RSA Pvt. Ltd. has sustained losses by virtue of having such an arrangement. This is due to the fact that RSA Pvt Ltd is bearing the exchange rate risk. As can be seen from the table below, the US\$ to INR (BTN) rates have fluctuated quite wildly, especially from 2002 to 2012.



**Historical Indian Rupee Rate (INR USD)  
(Average for the year)**

<b>Year</b>	<b>INR/USD</b>	<b>Year</b>	<b>INR/USD</b>	<b>Year</b>	<b>INR/USD</b>	<b>Year</b>	<b>INR/USD</b>
<b>1973</b>	7.66	<b>1984</b>	11.36	<b>1995</b>	32.43	<b>2006</b>	45.17
<b>1974</b>	8.03	<b>1985</b>	12.34	<b>1996</b>	35.52	<b>2007</b>	41.2
<b>1975</b>	8.41	<b>1986</b>	12.6	<b>1997</b>	36.36	<b>2008</b>	<b>43.41</b>
<b>1976</b>	8.97	<b>1987</b>	12.95	<b>1998</b>	41.33	<b>2009</b>	<b>48.32</b>
<b>1977</b>	8.77	<b>1988</b>	13.91	<b>1999</b>	43.12	<b>2010</b>	<b>45.65</b>
<b>1978</b>	8.2	<b>1989</b>	16.21	<b>2000</b>	45	<b>2011</b>	<b>46.61</b>
<b>1979</b>	8.16	<b>1990</b>	17.5	<b>2001</b>	47.23	<b>2012</b>	<b>53.34</b>
<b>1980</b>	7.89	<b>1991</b>	22.72	<b>2002</b>	48.62	<b>2013</b>	58.53
<b>1981</b>	8.68	<b>1992</b>	28.14	<b>2003</b>	46.6		
<b>1982</b>	9.48	<b>1993</b>	31.26	<b>2004</b>	45.28		
<b>1983</b>	10.11	<b>1994</b>	31.39	<b>2005</b>	44.01		

Average annual currency exchange rate for the Indian Rupee (Rupees per U.S. Dollar) is shown in this table: 1973 to present.

**Source:** Forecastchart.com url: <http://forecast chart.com/usd indian-rupee.html>

This shows that the entire business cycle is based on the principle of being governed by market forces. Moreover this table does not consider any overhead costs related to confirming orders, collecting payments from the Nepal and Bangladesh parties, communication costs, manpower costs, etc. Therefore, the real profits will be even smaller.

Based on the justification outlined above, it is requested that this audit observation be dropped.

## Details of leased Mines and Quarries

Sl. No.	Name of Entity		Form of Entity	Location		Lease Area (in acre)	Lease Duration		Deposit Est. (Mil. MT)	Remarks
	Company / Promoter	Name of Mine		Site	Dzongkhag		Commence.	Expiry		
Mines and Quarries under RRCO, Thimphu:										
1	Kuenphen Norden Mining Company	Khariphu Limestone Mine	Private	Khariphu	Thimphu	58.81	01-Apr-04	31-Mar-14	2.240	
2	Nortak Mines and Minerals Pvt. Ltd	Gidaphug Top Marble Mine	Private	Gidaphug Top	Thimphu	24.17	01-Jun-12	30-Jun-22	0.533	
3	RSA pvt. Ltd.	Gidaphug Marble Mine	Private	Gidaphug	Thimphu	67.21	01-Apr-08	30-Sep-18	0.040	Captive
4	Dasho Pasang Dorji	Sha Ngawang Granite Quarry	Sole	Gazekha	Wangdue	39.51	01-Jan-08	30-Jun-14	3.000	
5	Sigay Dorji	Jungomlo Stone Quarry	Sole	Jungomlo	Wangdue	10.06	05-Jan-06	04-Jan-16	0.220	
6	Mr. Kinley Nidup	Wangchena Stone Quarry	Sole	Wangchena	Wangdue	6.20	01-Jun-07	31-May-17	0.400	
7	Tenzing Thinley and Sonam Pelzom	Gidaphug Stone Quarry	Sole	Gidaphug	Thimphu	13.76	07-Jun-07	31-Mar-14	0.850	
8	Bhutan Stone and Aggregate Factory	Dojim and Geerza Stone Quarry	Private	Namseling	Thimphu	98.89	01-Aug-07	31-Jul-27	10.400	
9	Mrs.Kuenzang Choden	Tshodremithang Stone Quarry	Sole	Tshodremithang	Wangdue	19.42	24-Nov-11	04-Nov-17	0.192	
10	Mr. Wangchuk Gyaltsen and Mr. Wangdi Gyaltsen	Gewachhu Stone Quarry	Sole	Gewachhu	Wangdue	38.20	06-Jul-09	31-Mar-18	0.560	
11	Dasho Kinley Wangdi	Tabchikha Stone Quarry	Sole	Tabchikha	Wangdue	8.90	01-Oct-08	30-Sep-18	0.400	
12	East-West Construction Company	Kibuloomchu Stone Quarry	Private	Kibuloomchu	Thimphu	24.98	01-Oct-09	30-Sep-14	1.000	
13	Ex Lyonpo Sangay Nidup	Taksha Stone Quarry	Sole	Nyerachu	Wangdue	71.16	01-Jan-10	31-Dec-19	16.220	
14	Singye Group of Companies Pvt. Ltd.	Bjemina Stone Qaurry	Private	Bjemina	Thimphu	66.22	01-Aug-10	31-Mar-16	6.690	
15	Tashi Norbu	Khenpajichung Stone Quarry	Sole	Khenpajichung	Wangdue	12.03	23-Nov-10	22-Nov-20	0.590	
16	Wakleytar Taksha Mining Private Limited	Taksha Tsilli Stone Quarry	Private	Taksha-Tsilli	Wangdue	88.61	09-Mar-11	08-Mar-21	11.110	
17	Hindustan Construction Company, PHPA-I	Zhaowakha-I Stone Quarry	Corporate	Zhaowakha	Wangdue	21.90	19-Jul-11	18-Jul-15	0.875	Captive, but operation not started
18	Kunley Wangchuk	Upper Gida Stone Quarry	Sole	Upper Gidaphug	Thimphu	25.38	21-Nov-11	20-Nov-21	18.120	
19	NRDCL	Chimithangka Stone Quarry	Corporate	Chimithangka	Thimphu	57.10	01-Jul-12	30-Jun-22	0.815	Not started

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20	Larsen & Toubro, PHPA-I	Nyrechhu Stone Quarry	Corporate	Nyrechhu, Taksha	Wangdue	57.69	01-Jan-13	31-Dec-16	4.980	Captive
21	NRDCL, Thimphu	Petakarp Stone Quarry	Corporate	Petakarp	Wangdue	12.60	01-Jul-13	30-Jun-23	0.077	Not started
22	Trulku Sonam Rinchen	Gebakha Stone Quarry	Sole	Gebakha (Wochugang)	Wangdue	15.02	01-Oct-13	30-Sep-23	1.400	Not started

**Mines and Quarries under RRCO, Phuentsholing:**

1	BFAL	Pakchina Quartzite Mine	Public	Pakchina	Chukha	74.23	20-Aug-04	19-Aug-24	18.500	Captive
2	Druk Mining Limited	Omchina Quartzite Mine	Private	Omchina	Chukha	123.43	13-Feb-10	12-Feb-14	3.000	Captive
3	Karma Wangdi Tamang, Yangtsho Export and Minerals	Shimamo Quarzite Mine	Sole	Shimamo (Padzekha)	Chukha	18.14	01-Jan-13	31-Dec-22	0.840	
4	Bhutan Ferro Industries Limited	Jomokha Quartzite Mine	Private	Jomokha, Singyedara	Chukha	36.32	01-Jan-13	31-Dec-22	1.000	Captive
5	Mr. Sonam and Mr. Daza	Kungkha Quartzite Mine	Sole	Kungkha	Chukha	7.34	01-Jul-09	30-Jun-19	3.726	
6	M/s Damchen Private Limited	Sadu Madu Talc Mine	Private	Pachu	Chukha	17.74	01-Jun-11	31-May-14	9.900	
7	Kunzang Rinchen Dorji	Damchulum Stone Quarry	Sole	Damchu	Chukha	9.34	01-May-11	30-Apr-18	0.080	
8	Mr. Phub Dorji	Paga Ketolungpa Stone Quarry	Sole	Paga Ketolungpa	Chukha	8.15	25-Jul-11	17-Jul-21	1.586	

**Mines and Quarries under RRCO, Samtse:**

1	Jigme Dolomite Crushing Unit	Lampathey Quartzite Mine	Private	Tintale	Samtse	9.71	15-Oct-04	14-Oct-14	0.150	
2	Jigme Mining Corporation Ltd.	Chunaikhola Dolomite Mine	Public	Chunaikhola	Samtse	179.37	15-May-05	14-May-20	21.000	
3	PCAL	Penden Limestone Mine	Public	Pugli	Samtse	329.09	01-Nov-04	31-Dec-22	2.398	Captive
4	Yangzom Cement Industry	Chilauneydara limestone Deposit	Private	Chilauneydara	Samtse	9.91	15-Apr-05	14-Apr-15	0.940	Captive
5	Lhaki Cement Pvt. Ltd.	Titi Limestone Mines	Private	Titi	Samtse	82.68	22-Aug-05	21-Aug-15	0.800	Captive
6	PCAL	Uttare Limestone Mine`	Public	Uttare	Samtse	101.56	19-Feb-10	18-Feb-15	1.804	Captive
7	BCCL	Haurikhola Limestone Mine	Public	Haurikhola	Samtse	23.47	01-Jul-11	30-Jun-16	0.210	Captive
8	M/s Lhaki Cement	Baunikhola Limestone Mine	Private	Baunikhola	Samtse	310.11	01-Apr-12	31-Mar-33	4.722	Captive
9	BFAL	Tintale Quartzite Mine	Public	Tintale	Samtse	11.27	01-Oct-10	30-Sep-15	0.890	Captive
10	M/s Druk Wang Alloys Ltd.	Tinpawa Quartzite Mine	Private	Tinpawa	Samtse	36.20	04-Jun-07	03-Jun-17	0.890	Captive
11	Bhutan Minerals Pvt. Ltd.	Dappar Quartzite Mine	Private	Dappar	Samtse	19.87	06-Dec-07	05-Dec-12	0.500	
12	M/s Ugyen Ferro Alloys Limited, Phuntsholing	Noonpani Quartzite Mine	Private	Noonpani	Samtse	30.15	01-Jun-10	31-May-20	3.490	Captive
13	PCAL	Kalapani Calc-Tuffa Mine	Public	Kalapni	Samtse	109.89	23-Jan-09	22-Jan-1014	Erratic	Captive

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14	Mr. Phuntsho Wangdi	Lamitar Talc Mine	Sole	Lamitar	Samtse	6.92	01-Jan-10	31-Dec-13	0.009	
15	Mr. Pema Dorji	Ghardara Stone Quarry	Sole	Ghardara	Samtse	10.43	06-Aug-10	31-Aug-20	0.760	
16	Mrs. Tshering Gyem	Haurikhola Stone Quarry	Sole	Haurikhola	Samtse	59.06	22-Oct-10	21-Oct-20	6.980	
17	Bhutan Stones and Minerals Company	Pugli Stone Quarry	Private	Pugli	Samtse	31.63	01-Jul-12	31-Jun-17	0.500	

**Mines and Quarries under RRCO, Samdrup Jongkhar:**

1	Dungsum Cement Corporation Limited	Marung Ri Limestone Mine	Corporate	Marungri	Pemagatshel	377.52	01-Jul-10	30-Jun-35	38.790	Captive & operational from 2013
2	Dungsum Cement Corporation Limited	Kangrezi Limestone Mine	Corporate	Kangrezi	Pemagatshel	298.57	01-Jul-10	30-Jun-35	9.480	Captive & operational from 2014
3	Druk Presidency Pvt. Ltd.	Cherungri Gypsum Mine	FDI	Cherungri	Pemagatshel	25.95	01-Oct-10	30-Sep-15	1.320	
4	Druk Satair Corporation Limited	Khothakpa Gypsum Mine	Public	Kothakpa	Pemagatshel	60.93	01-Jan-04	31-Dec-18	25.000	
5	Goop Sonam Drukpa	Eastern Bhutan Coal Fields (Rishore)	Public	Rishore	Samdrup Jongkhar	67.95	01-Sep-04	31-Aug-19	Erratic	
6	Wangchuk Duppa Stone Private Limited	Wangchuk Duppa Stone Quarry	Private	Tshelingkhore	Pemagatshel	8.80	01-Oct-10	30-Sep-20	0.210	
7	NRDCL	Ngangsing Stone Quarry	Corporate	Ngangsing (Tshelkingkhor)	Pemagatshel	30.76	01-Jan-13	31-Dec-22	1.460	
8	Mr. Tshering Wangdi	Gashari Bali Stone Quarry	Sole	Gashari Bali	Nganglam, Pemagatshel	8.90	01-Apr-12	31-Mar-22	1.056	

**Mines and Quarries under RRCO, Gelephu:**

1	M/s Jigme Polytex Pvt. Ltd	Mutwakhola Stone Quarry	Private	Mutwakhola	Dagana	35.71	01-Oct-08	30-Sep-13	5.580	Captive
2	Mr. Ugyen Dorji, M/s Druk Ugyen Export House	Khaneukhola Quartzite Mine	Sole	Khaneukhola	Lhamoizingkha, Dagana	18.83	21-Apr-11	20-Apr-16	0.400	
3	Mr. Dilip Kr. Mukhia	Maure Iron Ore Mine	Sole	Maure	Dagana	10.87	02-Dec-10	01-Dec-20	0.370	
4	Mr. Ugyen Tshering, Ugyen Cement Agency Ltd.	Muga Dovan Stone Quarry	Sole	Muga Dovan	Sarpang	8.65	05-Jun-08	04-Jun-18	0.576	
5	Mr. Pasang Tamang	Kuchikhola Stone Quarry	Sole	Kuchikhola	Tsirang	7.26	01-Jun-10	20-Sep-14	0.302	
6	Wakleytar Taksha Mining Private Limited	Wakletar Stone Quarry	Private	Wakletar	Tsirang	21.30	01-Oct-09	31-Sep-19	0.126	
7	Mr. Sonam Tobgay, Thimphu	Chinathang Stone Quarry	Sole	Chinathang	Dagana	28.91	01-Apr-10	31-Mar-20	0.640	
8	DHPC	Gomlachhu Stone Quarry	Corporate	Gomlachhu	Dagana	19.64	1-Apr-10	31-Mar-14	1.000	

**Mines and Quarries under RRCO, Paro:**

1	Rinzin Dorji, M/s Gaden Yega Choling, Paro	Siluna Marble Mine	Sole	Siluna	Paro	25.65	01-Jul-13	30-Jun-18	0.680	
2	Dawa Dhotshang	Pachulum Stone Quarry	Private	Pachulum	Paro	9.04	07-Jan-11	31-Dec-14	0.450	
3	Tshetrim Phuntsho	Thongtimo Stone Quarry	Sole	Thongtimo	Paro	15.72	01-Sep-12	14-Apr-15	1.080	

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4	Gup Tshering Wangchen	Lamjolo Stone Qyarry (West Block)	Sole	Lamjolo	Paro	5.04	16-Aug-06	15-Aug-16	0.123	
5	Mr. Jamphele Norbu	Langukha Stone Quarry	Sole	Langukha	Paro	12.11	15-Dec-10	31-May-14	0.499	
6	Mr. Tshering Wangdi,	Thongtmo Stone Quarry	Sole	Thongtmo	Paro	15.72	29-Dec-08	14-Apr-15	1.080	
7	Mrs. Zangmo, Zangmo Export	Tshongkha Stone Quarry	Sole	Tshongkha	Paro	7.31	01-Jul-09	30-Jun-19	0.320	
8	Mr. Gem Tshering and Mr. Penjor, Dawakha	Lomekha Stone Quarry	Sole	Lomekha	Paro	13.96	01-Apr-10	31-Mar-20	0.308	
9	Namgay, Tshongkha, Dogar, Paro	Lomekha-West Stone Quarry	Sole	Drangu, Tshongkha	Paro	5.00	01-Oct-12	30-Sep-22	0.168	
<b>Mines and Quarries under RRCO, Mongar:</b>										
1	DoR, MoWHS	Kilikhar Stone Quarry	Corporate	Kilikhar	Mongar	14.48	25-Aug-05	24-Aug-15	0.490	
2	Mrs. Thinley Wangmo	Chheya Stone Quarry	Sole	Chheya	Trashigang	11.37	01-Jan-12	31-Dec-21	0.500	
3	NRDCL, Thimphu	Tsangkhari Stone Quarry	Corporate	Tsangkhari	Monggar	45.53	01-Apr-13	31-Mar-23	2.390	
<b>Mines and Quarries under RRCO, Bumthang:</b>										
1	Mr. Tshering Tobgay, Tshering Construction Company	Gathrak Stone Quarry	Sole	Gathak	Bumthang	30.34	11-Oct-06	10-Oct-16	0.330	
2	Ugyen Wangchuck Institute of Conservation & Environment	Lamegompa Stone Quarry	Govt. Agency	Lamegompa	Bumthang	12.55	01-Dec-07	30-Nov-17		
3	NRDCL	Homdhar Stone Quarry	Corporate	Homdhar	Zhemgang	66.37	18-Nov-11	17-Nov-21	1.490	
4	CDCL, Thimphu	Phoseng Stone Quarry	Corporate	Phoseng	Zhemgang	15.02	01-Oct-12	30-Sep-22	0.638	
5	MHPA	Braksha Stone Quarry	Corporate	Sekhazur,	Trongsa	10.90	01-Apr-13	31-Mar-18	0.240	Captive
6	MHPA	Gortshum Stone Quarry	Corporate	Gortshum	Trongsa	17.12	01-Oct-13	30-Sep-19	0.550	Captive

## List of Closed/Suspended Mines and Quarries

SL. No.	Name of Company	Name of Mines	Location	Dzongkhag	Lease Area (Ha)	Lease Period		Remarks
						Valid From	Valid Till	
Closed/Suspended Mines:								
1	Radak Company (P) Ltd.	Sha-Bhel Slate Mine	Sha-Bhel	Wangdue	15.4	01-Mar-95	28-Feb-04	
2	Tsherim Mineral Export Company	Kharikhola Talc Mine	Kharikhola	Samtse	14.8	02-Nov-06	01-Nov-09	
3	Lhamo Exports	Thumkey Talc Mine	Thumkey	Samtse	2.98	01-Oct-08	31-Dec-12	
4	Lam Mining Enterprise	Lower Saureni Talc Mine	Lower Saureni	Samtse	9.33	05-Jun-06	04-Jun-09	
5	Druk Wongden Export	Sukreti Talc Mine	Sukreti	Samtse	5.85	01-Oct-04	31-Jan-07	
6	Tsholing Mineral Export	Alaypakha Talc Mine	Alaypakha	Samtse	2.87	04-Feb-08	03-Feb-11	
7	Phuentsho Deylam Export	Haldurey Kholsa Talc Mine	Haldurey Kholsa	Samttse	2.82	01-Dec-04	30-Nov-07	
8	Dochu Export	Upper Sukreti Talc Mine	Upper Sukreti	Samtse	4.91	22-Aug-05	21-Aug-08	
9	Choling Mineral Export Company	Buduney Talc Mine	Buduney	Samtse	2.95	01-Feb-06	01-Feb-09	
10	Nob Export House	Soilaykhola Talc Mine	Soilaykhola	Samtse	1.65	21-Feb-06	20-Feb-09	
11	Pema Khandu	Bhawanidara Talc Mine	Bhawanidara	Samtse	6.85	06-Mar-06	05-Mar-09	
12	Lam Mining Enterprise	Lower Saureni Talc Mine	Lower Saureni	Samtse	9.33	05-Jun-06	04-Jun-09	
13	Mr. Phuntsho Wangdi	Dipujhora Talc Mine	Dipujhora	Samtse	1.52	11-Oct-06	10-Oct-09	
14	Mr. Sonam Tobgay	Simanadara Talc Mine	Simanadara	Samtse	3.68	02-Jul-07	01-Jul-10	
15	Mrs. Tshering Pemo	Hasilo Marble Mine	Hasilo	Paro	9.48	01-Oct-07	30-Sep-17	
16	Dochu Export Company	Sukreti Face 8 Talc Mine	Sukreti	Samtse	2.38	16-Nov-07	15-Nov-10	
17	Mr. Rinzin	Kusumtar Talc Mine	Samtse	Samtse	10.48	11-Feb-08	10-Feb-11	
18	Pema Seldon	Mowatar Talc Mine	Duarpani	Samtse	7.60	04-Mar-11	30-Sep-11	
19	Chukha Export	Pistu Talc Mine	Pistu	Samtse		01-Oct-08	30-Sep-11	Officially closed
20	Mr. Tashi Phuntsho	Lower Kharipakha Talc Mine	Kharipakha	Samtse	3.78	01-Mar-11	29-Feb-14	
21	Bhutan Carbide and Chemicals Ltd.	Rongri Limestone Mine	Rongri	Sarpang	89.23	23-Oct-06	22-Oct-11	Applied for renewal
Closed/Suspended Quarries:								
1	Tenzin Mining Company	Dawakha Stone Quarry	Da-Karpo	Paro	0.85	01-Jul-03	30-Jun-13	
2	Bhutan Builders	Sengor Stone Quarry	Sengor	Mongar	2.20	01-Mar-04	28-Feb-06	Officially closed
3	Dorji Incorporation	Yusipang Stone Quarry	Yusipang	Thimphu	15.19	01-Apr-04	31-Mar-14	Officially closed
4	Gup Lhenkey Gyeltshen	Gaselo Stone Quarry	Gaselo	Wangdue	0.87	1-Aor-04	31-Mar-14	Officially closed
5	Dorji Export Laley Company	Dalukha Stone Quarry	Dalukha	Thimphu	6.81	11-May-05	28-Feb-14	
6	HRH Ashi Sonam Chodron Wangchuck	Botokha Stone Quarry	Botokha	Punakha	1.09	01-Nov-05	31-Oct-15	Officially closed
7	Kunzang Choden	Lhani Chawa Stone Quarry	Lhani Chawa	Wangdue	12.32	17-Mar-06	16-Mar-16	Officially closed

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8	Lhendrup Tshering	Damchu Stone Quarry	Damchu	Chukha	2.28	30-Apr-08	29-Apr-13	Officially closed
9	T.D Construction Company	Dungkar Stone Quarry	Damchu	Chukha	0.85	05-Feb-07	30-May-09	Officially closed
10	Gup Sonam Wangchuk	Rimchu Stone Quarry	Rimchu	Punakha	3.43	15-Jun-07	14-Jun-17	Officially closed
11	HRH Ashi Kesang Wangmo Wangchuck	Ngabephu Stone Quarry	Ngabephu	Thimphu	6.71	18-Jun-07	17-Jun-17	
12	Aum Tshering Pemo	Dhur Stone Quarry	Crongmenpa	Bumthang	1.38	04-Sep-07	03-Sep-17	Officially closed
13	Mr. Dawa & Mr. Chagay	Bama Stone Quarry	Ramthangkha	Thimphu	2.72	05-Dec-07	04-Dec-17	Officially closed
14	Gatshe Phende Choling Export	Daraleypakha Stone Quarry	Daraleypakha	Samtse	2.97	06-Jul-11	23-Dec-17	Officially closed
15	Norbu Chogyal Export	Norbu Chogyel Stone Quarry	Sangkhu	Chukha	2.75	01-Apr-08	31-Mar-18	Officially closed
16	Larsen & Toubro, PHPA-I	Dophutsawa Kamichu Stone Quarry	Dophutsawa	Wangdue	27.05	01-Feb-11	31-Jan-15	Officially closed
17	Gammon India, PHPA-I	Zhaowakha-II Stone Quarry	Zhaowakha	Wangdue	10.83	01-Feb-11	31-Jan-15	Officially closed



# ANNEXURES

Annexure I	: Revenue forgone by not auctioning - notional loss in Mineral Sector
Annexure II (a)	: Details of Environmental Restoration Bond (ERB) partially deposited or not deposited
Annexure II (b)	: Mines and quarries which have not deposited the Environmental Restoration Bond
Annexure III	: Transportation cost in Jigme Industries Private Ltd., Gomtu
Annexure IV	: Transportation cost in Druk SATAIR Corporation Ltd.
Annexure V	: Comparative Statement of hire charges paid to Sherja Hiring Unit with the Bhutan Schedule of Rates for the period 2008-12
Annexure VI	: Details of Quartzite, Limestone and Talc mines in the country
Annexure VII	: Details of quarries in the country
Annexure VIII	: Details of Quarries suffering losses or earning profits and their tax contribution thereof



## Average of Coal, Gypsum &amp; Dolomite

SL. No.	Name of Mines	Average Projected Reserve (MT)	Ave. Royalty, Mineral Rent & Surface Rent (Nu.)	Ave. Market sale value (Nu.)	Ave. Difference with royalty & Selling Price (Nu.)	Ave. Cost of Prodn (Nu.)	Ave. Profit after Mineral Levies & Cost of Prodn. (Nu.)	Factor (AAV/ APR)	Mineral Value (Sale Value/Total Cost)	Average Auction Value (Nu.)	Total Revenue (Nu.)	Notional Loss (%)	Profit after auction value (Nu.)
1	Coal, Gypsum & Dolomite	12,220,000.00	1,191,233,529.58	31,178,333,333.33	29,987,099,803.76	18,080,333,333.33	11,906,766,470.42	29.02	1.62	354,666,666.67	4,763,263,470.70	0.00%	-

## Limestone

SL. No.	Name of Mines	Projected reserve	Royalty, Mineral Rent & Surface Rent	Market sale value	Difference with royalty & Selling Price	Cost of Prodn	Profit after Mineral Levies & Cost of Prodn. (Nu.)	Factor (AAV/ APR)	Mineral Value (Sale Value/Total Cost)	Possible Auction Value	Total Revenue	Notional Loss (%)	Profit after auction value
2	Baunikhola Limestone Mine	4,722,000.00	200,883,470.72	100,441,735,360.00	100,240,851,889.28	60,265,041,216.00	39,975,810,673.28	29.02	1.66	140,699,006.19	12,193,626,672.70	1.14%	27.72%

## Quartzite

SL. No.	Name of Mines	Projected reserve	Royalty, Mineral Rent & Surface Rent	Market sale value	Difference with royalty & Selling Price	Cost of Prodn	Profit after Mineral Levies & Cost of Prodn. (Nu.)	Factor (AAV/ APR)	Mineral Value (Sale Value/Total Cost)	Possible Auction Value	Total Revenue	Notional Loss (%)	Profit after auction value
3	Lampathay Quartzite Mine	112,900.00	3,957,715.06	73,385,000.00	69,427,284.94	36,692,500.00	32,734,784.94	29.02	1.81	3,655,947.34	13,778,150.54	20.97%	26.24%

## Gypsum

SL. No.	Name of Mines	Projected reserve	Royalty, Mineral Rent & Surface Rent	Market sale value	Difference with royalty & Selling Price	Cost of Prodn	Profit after Mineral Levies & Cost of Prodn. (Nu.)	Factor (AAV/ APR)	Mineral Value (Sale Value/Total Cost)	Possible Auction Value	Total Revenue	Notional Loss (%)	Profit after auction value
4	Cherungri Gypsum Mine	1,320,000.00	145,216,668.38	2,376,000,000.00	2,230,783,331.62	470,448,000.00	1,760,335,331.62	29.02	3.86	91,377,163.94	673,317,267.86	11.95%	48.02%
		Total		19,260,000,000.00	8,796,724,391.35	470448000	8,326,276,391.35						

## Talc

SL. No.	Name of Mines	Projected reserve	Royalty, Mineral Rent & Surface Rent	Market sale value	Difference with royalty & Selling Price	Cost of Prodn	Profit after Mineral Levies & Cost of Prodn. (Nu.)	Factor (AAV/ APR)	Mineral Value (Sale Value/Total Cost)	Possible Auction Value	Total Revenue	Notional Loss (%)	Profit after auction value
5	Shadumardu Talc Mine	6,000.00	306,000.00	13,200,000.00	12,894,000.00	10,500,000.00	2,394,000.00	29.02	1.22	131,468.51	1,024,200.00	11.38%	11.70%

## Marble

SL. No.	Name of Mines	Projected reserve	Royalty, Mineral Rent & Surface Rent	Market sale value	Difference with royalty & Selling Price	Cost of Prodn	Profit after Mineral Levies & Cost of Prodn. (Nu.)	Factor (AAV/ APR)	Mineral Value (Sale Value/Total Cost)	Possible Auction Value	Total Revenue	Notional Loss (%)	Profit after auction value
6	Gidaphug Marble Mine	300,000.00	60,034,159.10	705,600,000.00	645,565,840.90	439,500,000.00	206,065,840.90	29.02	1.41	7,601,095.23	121,853,911.37	5.87%	19.37%

Iron ore													
SL. No.	Name of Mines	Projected reserve	Royalty, Mineral Rent & Surface Rent	Market sale value	Difference with royalty & Selling Price	Cost of Prodn	Profit after Mineral Levies & Cost of Prodn. (Nu.)	Factor (AAV/APR)	Mineral Value (Sale Value/Total Cost)	Possible Auction Value	Total Revenue	Notional Loss (%)	Profit after auction value
7	Maure Iron Ore Mine	180,000.00	4,506,958.34	215,100,000.00	210,593,041.66	40,500,000.00	170,093,041.66	29.02	4.78	15,431,025.55	55,534,870.84	21.74%	48.18%
Stone Quarry													
SL. No.	Name of Mines	Projected reserve	Royalty, Mineral Rent & Surface Rent	Market sale value	Difference with royalty & Selling Price	Cost of Prodn	Profit after Mineral Levies & Cost of Prodn. (Nu.)	Factor (AAV/APR)	Mineral Value (Sale Value/Total Cost)	Possible Auction Value	Total Revenue	Notional Loss (%)	Profit after auction value
8	Homdhar Stone Quarry	1,490,000.00	4,139,974.32	372,500,000.00	368,360,025.68	201,150,000.00	167,210,025.68	29.02	1.81	48,496,047.40	54,302,982.02	47.18%	18.40%
Coal													
SL. No.	Name of Mines	Projected reserve	Royalty, Mineral Rent & Surface Rent	Market sale value	Difference with royalty & Selling Price	Cost of Prodn	Profit after Mineral Levies & Cost of Prodn. (Nu.)	Factor (AAV/APR)	Mineral Value (Sale Value/Total Cost)	Possible Auction Value	Total Revenue	Notional Loss (%)	Profit after auction value
9	Rishore Coal Mine	12,000,000.00	1,320,043,456.00	65,400,000,000.00	64,079,956,544.00	42,000,000,000.00	22,079,956,544.00	29.02	1.51	260,500,000.00	260,500,000.00	0.00%	-
Gypsum													
SL. No.	Name of Mines	Projected reserve	Royalty, Mineral Rent & Surface Rent	Market sale value	Difference with royalty & Selling Price	Cost of Prodn	Profit after Mineral Levies & Cost of Prodn. (Nu.)	Factor (AAV/APR)	Mineral Value (Sale Value/Total Cost)	Possible Auction Value	Total Revenue	Notional Loss (%)	Profit after auction value
10	Khothakpa Gypsum Mine	8,000,000.00	880,042,336.00	14,400,000,000.00	13,519,957,664.00	4,000,000,000.00	9,519,957,664.00	29.02	2.95	413,500,000.00	413,500,000.00	0.00%	-
Dolomite													
SL. No.	Name of Mines	Projected reserve	Royalty, Mineral Rent & Surface Rent	Market sale value	Difference with royalty & Selling Price	Cost of Prodn	Profit after Mineral Levies & Cost of Prodn. (Nu.)	Factor (AAV/APR)	Mineral Value (Sale Value/Total Cost)	Possible Auction Value	Total Revenue	Notional Loss (%)	Profit after auction value
11	Chunaikhola Dolomite Mine	27,470,000.00	1,373,614,796.73	13,735,000,000.00	12,361,385,203.27	8,241,000,000.00	4,120,385,203.27	29.02	1.43	390,000,000.00	390,000,000.00	0.00%	-

Sl. No.	Name of quarry /mine	Mineral	ERB payable (in Nu.)	Amount deposited (in Nu.)	Amount not deposited (in Nu.)	Remark
1	Norbu Chogyal Stone Quarry, P/ling	Construction Material	500,000.00	0	500,000.00	Closed
2	Pistu Talc Mine, Samtse	Talc	105,000.00	0	105,000.00	closed
3	Daralaypakha Stone Quarry, Samtse	Quartzite	1,022,500.00	0	1,022,500.00	closed
4	Lamitar Talc Mine, Samtse	Talc	675,900.00	0	675,900.00	closed
5	Chilauneydara Limestone Mine, Samtse	Lime stone	990,000.00	0	990,000.00	closed
6	Alaypakha Talc Mine, Samtse	Talc	180,600.00	0	180,600.00	suspended by ACC
7	Buduney Talc Mine, Samtse	Talc	223,774.00	0	223,774.00	suspended by ACC
8	Kusumtar Talc Mine, Samtse	Talc	114,200.00	0	114,200.00	suspended by ACC
9	Bowanidara Talc Mine, Samtse	Talc	84,826.00	0	84,826.00	suspended by ACC
10	Lomjollo Stone Quarry (West Block), Thimphu	Construction Material	1,079,300.00	100,000.00	979,300.00	closed
11	Kebelumchu Stone Quarry, Thimphu	Construction Material	2,015,379.00	100,000.00	1,915,379.00	closed
12	Dalukha Stone Quarry, Thimphu	Construction Material	1,038,625.00	50,000.00	988,625.00	Closed
13	Damchu Stone Quarry, Thimphu	Construction Material	250,000.00	50,000.00	200,000.00	Closed
14	Ngabephu Stone Quarry, Thimphu	Construction Material	532,500.00	106,500.00	426,000.00	closed
15	Lomjollo Stone Quarry (East Block), Thimphu	Construction Material	1,014,700.00	200,000.00	814,700.00	Closed
16	Thumkey Talc Mine, samtse	Talc	250,130.00	56,000.00	194,130.00	closed
17	Soilaykhola Talc Mine, Samtse	Talc	300,000.00	150,000.00	150,000.00	closed
18	Dipojora Talc Mine, Samtse	Talc	124,000.00	30,990.00	93,010.00	closed
19	Lower Saureni Talc Mine, Samtse	Talc	120,000.00	60,000.00	60,000.00	suspended by ACC
	<b>Total</b>		<b>10,621,434.00</b>	<b>903,490.00</b>	<b>9,717,944.00</b>	

Sl. No.	Name of Company	Name of Mines	Lease Area (Ha)	Lease Period	
				Valid From	Valid till
1	Druk Cement Private Limited	Kaleshore Limestones Mines	N/A	01-Jan-02	31-Dec-11
2	Radak Company (P) Ltd.	Sha-Bhel Slate Mine, Wangdue	15.4	01-Mar-95	28-Feb-04
3	Mrs. Tshering Pemo	Hasilo Marble Mine, Paro	9.48	01-Oct-07	30-Sep-17
4	Mr. Tashi Phuntsho	Lower Kharipakha Talc Mine, Samtse	3.78	01-Mar-11	29-Feb-14
5	Tenzin Mining Company	Dawakha Stone Quarry, Paro	0.85	01-Jul-03	30-Jun-13
6	Bhutan Builders	Sengor Stone Quarry, Mongar	2.2	01-Mar-04	28-Feb-06
7	Dorji Incorporation	Yusipang Stone Quarry, Thimphu	15.19	01-Apr-04	31-Mar-14
8	Gup Lhenkey Gyeltshen	Gaselo Stone Quarry, Wangduephodrang	0.87	1-Aor-04	31-Mar-14
9	HRH Ashi Sonam Chodron Wangchuck	Botokha Stone Quarry, Punakha	1.09	01-Nov-05	31-Oct-15
10	Kunzang Choden	Lhani Chawa Stone Quarry, Wangduephodrang	12.32	17-Mar-06	16-Mar-16
11	Lhendrup Tshering	Damchu Stone Quarry, Chukha	2.28	30-Apr-08	29-Apr-13
12	T.D Construction Company	Dungkar Stone Quarry, Chukha	0.85	05-Feb-07	30-May-09
13	Gup Sonam Wangchuk	Rimchu Stone Quarry, Punakha	3.43	15-Jun-07	14-Jun-17
14	Aum Tshering Pemo	Dhur Stone Quarry, Bumthang	1.38	04-Sep-07	03-Sep-17
15	Mr. Dawa & Mr. Chagay	Bama Stone Quarry, Thimphu	2.72	05-Dec-07	04-Dec-17
16	Larsen & Toubro, PHPA-I	Dophutsawa Kamichu Stone Quarry, Wangduephodrang	27.05	01-Feb-11	31-Jan-15
17	Gammon India, PHPA-I	Zhaowakha-II Stone Quarry, Wangduephodrang	10.83	01-Feb-11	31-Jan-15

Sl. No.	Name	Amount (in Nu.)	Taxable Amount after 30% specific deduction (in Nu.)	Applicable Income Slab	Applicable Tax Rate	PIT (in Nu.)
<b>Transporters' List for the year 2010:</b>						
1	Namgay Penjor	3,471,783.07	2,430,248.15	Above Nu. 1,000,000.00	25%	607,562.04
2	Thinley Wangchuk	2,446,719.31	1,712,703.52	Above Nu. 1,000,000.00	25%	428,175.88
3	Bahadur Tamang	2,127,266.94	1,489,086.86	Above Nu. 1,000,000.00	25%	372,271.71
4	Ratna Pradhan	1,966,059.04	1,376,241.33	Above Nu. 1,000,000.00	25%	344,060.33
5	Krishna Chhetri	1,765,040.00	1,235,528.00	Above Nu. 1,000,000.00	25%	308,882.00
6	Lamdra Wangdi	1,589,032.42	1,112,322.69	Above Nu. 1,000,000.00	25%	278,080.67
7	Kinley Dema	1,561,090.34	1,092,763.24	Above Nu. 1,000,000.00	25%	273,190.81
8	Tshering Samdrup	1,521,328.37	1,064,929.86	Above Nu. 1,000,000.00	25%	266,232.46
9	Kezang Wangmo	1,107,561.79	775,293.25	Nu.500,000.00 - Nu.1,000,000.00	20%	155,058.65
10	Mongal Bir Mongar	951,188.53	665,831.97	Nu.500,000.00 - Nu.1,000,000.00	20%	133,166.39
11	Ugyen Lhendup	832,583.84	582,808.69	Nu.500,000.00 - Nu.1,000,000.00	20%	116,561.74
12	Sangay Dorji	386,166.98	270,316.89	Nu.250,000.00 - Nu.500,000.00	15%	40,547.53
13	Malati Tamang	314,409.12	220,086.38	Nu.100,000.00 - Nu.250,000.00	10%	22,008.64
14	Pem Choki	232,630.00	162,841.00	Nu.100,000.00 - Nu.250,000.00	10%	16,284.10
15	Tashi Dorji	125,561.31	87,892.92	Below Nu. 100,000.00	Nil	Nil
16	Namgay Thinley	58,466.49	40,926.54	Below Nu. 100,000.00	Nil	Nil
	<b>Sub Total</b>	<b>20,456,887.55</b>	<b>14,319,821.29</b>			<b>3,362,082.96</b>
<b>Transporters' List for the year 2011:</b>						
1	Namgay Penjor	4,011,327.27	2,807,929.09	Above Nu. 1,000,000.00	25%	701,982.27
2	Krishna Chhetri	2,965,677.10	2,075,973.97	Above Nu. 1,000,000.00	25%	518,993.49
3	Thinley Wangchuk	2,124,099.96	1,486,869.97	Above Nu. 1,000,000.00	25%	371,717.49
4	Malati Tamang	1,523,707.43	1,066,595.20	Above Nu. 1,000,000.00	25%	266,648.80
5	Bahadur Tamang	1,519,387.08	1,063,570.96	Above Nu. 1,000,000.00	25%	265,892.74
6	Lamdra Wangdi	1,495,150.22	1,046,605.15	Above Nu. 1,000,000.00	25%	261,651.29
7	Asha Rai	1,358,099.23	950,669.46	Nu.500,000.00 - Nu.1,000,000.00	20%	190,133.89
8	Sangay Dorji	1,301,223.80	910,856.66	Nu.500,000.00 - Nu.1,000,000.00	20%	182,171.33
9	Maj. P.K. Rai	1,298,649.10	909,054.37	Nu.500,000.00 - Nu.1,000,000.00	20%	181,810.87
10	Kezang Wangmo	1,294,349.88	906,044.92	Nu.500,000.00 - Nu.1,000,000.00	20%	181,208.98
11	Nima Moktan	1,250,511.93	875,358.35	Nu.500,000.00 - Nu.1,000,000.00	20%	175,071.67
12	Tashi Dorji	1,112,101.68	778,471.18	Nu.500,000.00 - Nu.1,000,000.00	20%	155,694.24
13	Ganga Ram Ghalley	877,617.96	614,332.57	Nu.500,000.00 - Nu.1,000,000.00	20%	122,866.51
14	Mongal Bir Mongar	845,146.77	591,602.74	Nu.500,000.00 - Nu.1,000,000.00	20%	118,320.55
15	Santa Kumar Sunwar	820,225.67	574,157.97	Nu.500,000.00 - Nu.1,000,000.00	20%	114,831.59
16	Sangay Dorji	788,850.00	552,195.00	Nu.500,000.00 - Nu.1,000,000.00	20%	110,439.00
17	Chador Dema	745,576.61	521,903.63	Nu.500,000.00 - Nu.1,000,000.00	20%	104,380.73
18	Pem Zam	681,457.64	477,020.35	Nu.250,000.00 - Nu.500,000.00	15%	71,553.05
19	Ratna Thapa	563,589.72	394,512.80	Nu.250,000.00 - Nu.500,000.00	15%	59,176.92
20	Tilak Bdr. Sunwar	557,805.88	390,464.12	Nu.250,000.00 - Nu.500,000.00	15%	58,569.62
21	Tshering Bidha	427,271.04	299,089.73	Nu.250,000.00 - Nu.500,000.00	15%	44,863.46
22	Hemraj Tamang	409,009.92	286,306.94	Nu.250,000.00 - Nu.500,000.00	15%	42,946.04
23	Sonam Tshewang	396,613.74	277,629.62	Nu.250,000.00 - Nu.500,000.00	15%	41,644.44
24	Kencho Tshering	326,049.64	228,234.75	Nu.100,000.00 - Nu.250,000.00	10%	22,823.47
25	Namgay Thinley	325,680.90	227,976.63	Nu.100,000.00 - Nu.250,000.00	10%	22,797.66
	<b>Sub Total</b>	<b>29,019,180.17</b>	<b>20,313,426.12</b>			<b>4,388,190.13</b>
<b>Transporters' List for the year 2012:</b>						
1	Namgay Prnjore	5,292,436.71	3,704,705.70	Above Nu. 1,000,000.00	25%	926,176.42
2	Tshering Phuntsho	3,608,019.74	2,525,613.82	Above Nu. 1,000,000.00	25%	631,403.45
3	Krishna Chhetri	3,411,802.25	2,388,261.58	Above Nu. 1,000,000.00	25%	597,065.39



4	Thinley wangchuk	2,652,055.62	1,856,438.93	Above Nu. 1,000,000.00	25%	464,109.73
5	Dzeko Drukpa	2,265,245.05	1,585,671.54	Above Nu. 1,000,000.00	25%	396,417.88
6	Malati Tamang	2,201,597.93	1,541,118.55	Above Nu. 1,000,000.00	25%	385,279.64
7	Mongal Bir Mongar	2,183,748.52	1,528,623.96	Above Nu. 1,000,000.00	25%	382,155.99
8	Nima Moktan	2,127,543.53	1,489,280.47	Above Nu. 1,000,000.00	25%	372,320.12
9	Santa Kr. Sunwar	2,108,871.34	1,476,209.94	Above Nu. 1,000,000.00	25%	369,052.48
10	Namgay thinley	2,107,983.15	1,475,588.21	Above Nu. 1,000,000.00	25%	368,897.05
11	Kezang Wangmo	2,101,055.67	1,470,738.97	Above Nu. 1,000,000.00	25%	367,684.74
12	Ganga Ram Ghalley	1,853,829.37	1,297,680.56	Above Nu. 1,000,000.00	25%	324,420.14
13	Tashi Dorji	1,694,107.06	1,185,874.94	Above Nu. 1,000,000.00	25%	296,468.74
14	Gauriman Limbu	1,502,666.00	1,051,866.20	Above Nu. 1,000,000.00	25%	262,966.55
15	Sonam Tshewang	1,452,912.28	1,017,038.60	Above Nu. 1,000,000.00	25%	254,259.65
16	Bahadur Tamang	1,451,474.80	1,016,032.36	Above Nu. 1,000,000.00	25%	254,008.09
17	Sangay Dorji	1,120,413.94	784,289.76	Nu.500,000.00 - Nu.1,000,000.00	20%	156,857.95
18	Megraj Gurung	782,804.97	547,963.48	Nu.500,000.00 - Nu.1,000,000.00	20%	109,592.70
19	Bandana pokhrel	747,703.39	523,392.37	Nu.500,000.00 - Nu.1,000,000.00	20%	104,678.47
20	Kuenga	713,598.43	499,518.90	Nu.250,000.00 - Nu.500,000.00	15%	74,927.84
21	Harka Bdr. Fewali Mongar	652,238.30	456,566.81	Nu.250,000.00 - Nu.500,000.00	15%	68,485.02
22	Tshering Tamang	533,094.45	373,166.12	Nu.250,000.00 - Nu.500,000.00	15%	55,974.92
23	Rita lepcha	501,371.59	350,960.11	Nu.250,000.00 - Nu.500,000.00	15%	52,644.02
24	Sangay Dorji	455,148.12	318,603.68	Nu.250,000.00 - Nu.500,000.00	15%	47,790.55
25	Tshering	442,409.00	309,686.30	Nu.250,000.00 - Nu.500,000.00	15%	46,452.95
26	Sangay Dorji	434,606.50	304,224.55	Nu.250,000.00 - Nu.500,000.00	15%	45,633.68
27	Amber Singh Ghalley	285,526.14	199,868.30	Nu.100,000.00 - Nu.250,000.00	10%	19,986.83
28	Budiman Tamang	222,966.80	156,076.76	Nu.100,000.00 - Nu.250,000.00	10%	15,607.68
29	Asha Rai	215,442.08	150,809.46	Nu.100,000.00 - Nu.250,000.00	10%	15,080.95
30	Chandra Bdr. Gurung	176,255.00	123,378.50	Nu.100,000.00 - Nu.250,000.00	10%	12,337.85
31	Sancha Maya rai	19,012.26	13,308.58	Below Nu. 100,000.00	Nil	Nil
	<b>Sub Total</b>	<b>45,317,939.99</b>	<b>31,722,557.99</b>			<b>7,478,737.47</b>

**Transporters' List for the year 2013:**

1	Namgay Penjor	4,829,162.86	3,380,414.00	Above Nu. 1,000,000.00	25%	845,103.50
2	Malati Tamang	4,097,474.70	2,868,232.29	Above Nu. 1,000,000.00	25%	717,058.07
3	Krishna Chhetri	3,826,621.15	2,678,634.81	Above Nu. 1,000,000.00	25%	669,658.70
4	Gaurima Limbu	3,306,075.65	2,314,252.96	Above Nu. 1,000,000.00	25%	578,563.24
5	Thinley Wangchuk	3,040,418.40	2,128,292.88	Above Nu. 1,000,000.00	25%	532,073.22
6	Bandana Pokhrel	2,859,674.22	2,001,771.95	Above Nu. 1,000,000.00	25%	500,442.99
7	Tshering Phuntsho	2,749,179.36	1,924,425.55	Above Nu. 1,000,000.00	25%	481,106.39
8	Namgay Thinley	2,268,473.77	1,587,931.64	Above Nu. 1,000,000.00	25%	396,982.91
9	Mangal Bir. Mongar	2,255,438.84	1,578,807.19	Above Nu. 1,000,000.00	25%	394,701.80
10	Nima Mokton	2,158,961.41	1,511,272.99	Above Nu. 1,000,000.00	25%	377,818.25
11	Bahadur Tamang	2,082,010.32	1,457,407.22	Above Nu. 1,000,000.00	25%	364,351.81
12	karma	1,981,840.22	1,387,288.15	Above Nu. 1,000,000.00	25%	346,822.04
13	Kezang Wangmo	1,960,860.57	1,372,602.40	Above Nu. 1,000,000.00	25%	343,150.60
14	Santa Kr. Sunwar	1,951,053.55	1,365,737.49	Above Nu. 1,000,000.00	25%	341,434.37
15	Sancha Maya Rai	1,942,869.28	1,360,008.50	Above Nu. 1,000,000.00	25%	340,002.12
16	Rita Lepacha	1,911,045.60	1,337,731.92	Above Nu. 1,000,000.00	25%	334,432.98
17	Dzeko Drukpa	1,906,338.93	1,334,437.25	Above Nu. 1,000,000.00	25%	333,609.31
18	Ganga Ram Ghalley	1,866,650.11	1,306,655.08	Above Nu. 1,000,000.00	25%	326,663.77
19	Sangay Dorji	1,784,428.09	1,249,099.66	Above Nu. 1,000,000.00	25%	312,274.92
20	Amber Sing Ghalley	1,716,748.85	1,201,724.20	Above Nu. 1,000,000.00	25%	300,431.05
21	Megraj Gurung	1,634,280.00	1,143,996.00	Above Nu. 1,000,000.00	25%	285,999.00

22	Harka Bdr. Fewali Mongar	1,613,138.58	1,129,197.01	Above Nu. 1,000,000.00	25%	282,299.25
23	Chney Duba	1,501,072.71	1,050,750.90	Above Nu. 1,000,000.00	25%	262,687.72
24	Sonam Tshewang	1,254,652.67	878,256.87	Nu.500,000.00 - Nu.1,000,000.00	20%	175,651.37
25	Chandra Bdr. Gurung	1,226,763.71	858,734.60	Nu.500,000.00 - Nu.1,000,000.00	20%	171,746.92
26	Mang Singh Lama	1,191,599.31	834,119.52	Nu.500,000.00 - Nu.1,000,000.00	20%	166,823.90
27	Srijana Phokrel	1,147,024.16	802,916.91	Nu.500,000.00 - Nu.1,000,000.00	20%	160,583.38
28	Tshering	913,487.15	639,441.01	Nu.500,000.00 - Nu.1,000,000.00	20%	127,888.20
29	B.B Gurung	605,817.43	424,072.20	Nu.250,000.00 - Nu.500,000.00	15%	63,610.83
30	Budhiman Gurung	481,117.27	336,782.09	Nu.250,000.00 - Nu.500,000.00	15%	50,517.31
31	Kelzang	368,348.00	257,843.60	Nu.250,000.00 - Nu.500,000.00	15%	38,676.54
32	Chandra Bdr. Gurung	319,684.81	223,779.37	Nu.100,000.00 - Nu.250,000.00	10%	22,377.94
33	Tshering tamang	255,240.69	178,668.48	Nu.100,000.00 - Nu.250,000.00	10%	17,866.85
34	Kuenga	116,597.50	81,618.25	Nu.100,000.00 - Nu.250,000.00	10%	8,161.83
	<b>Sub Total</b>	<b>63,124,149.87</b>	<b>44,186,904.91</b>			<b>10,671,573.08</b>

Sl. No	Truck No	Owner's Name	Nos. of Trips	Quantity (in MT)	D/H Comm (in Nu.)	Amount (in Nu.)
<b>Transporters' list for the year 2012</b>						
1	BP-2-A7160	Bedhnidhi Sharma	174.00	2,410.53	1,384.05	1,253,443.95
2	BP-2-A4676	Changku	1.00	16.26	0.00	7,398.30
3	BP-2-A5486	Chedup	44.00	603.42	0.00	313,978.30
4	BP-2-A5982	Chedup	42.00	618.97	0.00	295,557.45
5	BP-2-A3754	Chhimi Tshomo	179.00	2,677.35	6,978.55	1,483,317.10
6	BP-4-A0443	Chhimi Zangmo	53.00	755.88	0.00	372,561.60
7	BP-2-A6708	Chhophel	54.00	779.74	1,737.35	392,076.85
8	BP-2-A4802	Choden	30.00	406.62	0.00	185,012.10
9	BP-2-A6441	Chokey Gyeltshen	52.00	753.16	0.00	370,623.20
10	BP-2-A6887	Chokey Gyeltshen	216.00	3,180.39	9,318.70	1,728,413.20
11	BP-2-A6888	Chokey Gyeltshen	230.00	3,394.26	11,351.60	1,861,159.40
12	BP-2-A6708	Chophel	63.00	914.20	0.00	536,403.50
13	BP-2-A6471	Dawa Lhamo	59.00	816.77	0.00	428,604.50
14	BP-2-A5186	Dawa Tshering	22.00	331.18	0.00	190,274.70
15	BP-2-A6342	Dechen Choden	-	0.00	0.00	0.00
16	BP-2-A7161	Dechen Dorji	165.00	2,332.49	0.00	1,224,117.25
17	BP-2-A4236	Dechen Tshomo	9.00	123.88	0.00	56,365.40
18	BP-2-A6294	Dechen Tshomo	80.00	1,172.15	0.00	592,085.75
19	BP-2-A4398	Dechen Zangmo	3.00	46.03	0.00	20,943.65
20	BP-2-A6361	Dema	238.00	3,679.63	10,550.95	2,010,708.45
21	BP-2-A6875	Dendup	57.00	790.26	0.00	387,353.70
22	BP-2-A6423	Dendup Namgay	17.00	253.18	0.00	129,781.10
23	BP-2-A6423	Dhendup Namgay	114.00	1,724.60	0.00	935,285.85
24	BP-2-A3869	Dorji	16.00	220.43	0.00	100,295.65
25	BP-2-A4246	Dorji	106.00	1,496.32	0.00	784,430.35
26	BP-2-A4293	Dorji	179.00	2,563.31	4,592.45	1,372,259.20
27	BP-2-A6672	Dorji	93.00	1,404.11	1,680.00	715,852.65
28	BP-2-A6914	Dorji	65.00	996.46	4,982.30	607,840.60
29	BP-2-A5764	Dorji Dhendup	17.00	234.99	0.00	120,058.65
30	BP-2-A7173	Dorji Kunzang	2.00	28.00	0.00	12,740.00
31	BP-2-A5764	Dorji Lhendup	124.00	1,784.30	1,522.90	933,341.80
32	BP-2-A2971	Dorjila	90.00	1,326.65	0.00	645,688.10
33	BP-2-A6029	Duba	49.00	725.88	0.00	386,715.60
34	BP-2-A6793	Gaza	8.00	114.55	0.00	52,120.25
35	BP-2-A6135	Gyem Lhamo	167.00	2,418.37	0.00	1,297,570.60
36	BP-2-A6362	Indra Kr.Kharka	232.00	3,396.40	8,394.20	1,858,605.25
37	BP-2-A5316	Jamba Thinley	183.00	2,742.54	1,644.50	1,463,036.65
38	BP-2-A4299	Jampel	165.00	2,286.77	0.00	1,204,539.70
39	BP-1-A2331	Jamtsho	116.00	1,726.86	4,699.65	877,049.55
40	BP-2-A4716	Jamtsho	143.00	2,149.80	0.00	1,098,363.30
41	BP-2-A6483	Jamtsho	4.00	56.85	0.00	25,866.75
42	BP-2-A6658	Jigme Dorji	158.00	2,417.43	3,266.35	1,271,951.45
43	BP-2-A5709	Jigme Tenzin	182.00	2,705.67	1,533.40	1,435,651.90
44	BP-2-A6875	Jigme Wangchuk	61.00	943.91	3,279.60	574,345.15
45	BP-2-A7297	Kanjur Lhamo	191.00	2,508.41	0.00	1,336,596.85
46	BP-2-A6435	Karchung	217.00	3,194.34	6,574.20	1,733,766.45
47	BP-2-A4164	Karma Choden	66.00	933.68	0.00	473,854.65
48	BP-2-A5179	Karma Choki	62.00	877.05	0.00	513,225.45
49	BP-2-A5179	Karma Choki	117.00	1,668.02	1,728.85	832,775.35
50	BP-2-A5164	Karma Dorji	51.00	759.11	1,540.40	376,168.30
51	BP-2-A6475	Karsang Dorji	98.00	1,423.00	1,635.20	820,273.30
52	BP-2-A6131	Kelzang	15.00	234.38	0.00	120,705.70
53	BP-2-A6883	Kelzang Dhendup	121.00	1,781.59	0.00	982,035.00
54	BP-2-A6127	Kelzang Dorji	25.00	380.42	0.00	187,948.30

55	BP-2-A5430	Kelzang Yuden	81.00	1,239.66	0.00	683,460.60
56	BP-2-A7116	Kenzang Choden	81.00	1,160.62	4,657.90	602,377.20
57	BP-2-A5655	Kezang Chopel	126.00	1,831.33	1,558.95	925,471.25
58	BP-2-A6552	Kezang Thinley	152.00	2,222.87	0.00	1,198,508.60
59	BP-2-A6730	Kezang Thinley	80.00	1,085.72	0.00	547,949.20
60	BP-2-A3788	Khotsa	26.00	372.80	0.00	185,408.20
61	BP-2-A4921	Kinley Dorji	6.00	80.52	0.00	36,636.60
62	BP-4-A0453	Kinley Dorji	16.00	243.47	0.00	125,387.05
63	BP-2-A7118	Kinley Wangdi	190.00	2,702.26	1,506.10	1,464,792.00
64	BP-2-A6922	Kinzang	161.00	2,291.40	0.00	1,220,044.25
65	BP-2-A4007	Kinzang Dorji	111.00	1,552.79	1,464.35	783,907.70
66	BP-2-A4008	Kinzang Dorji	30.00	421.94	0.00	206,380.30
67	BP-4-A0418	Kinzang Lham	75.00	1,143.56	3,414.90	582,169.30
68	BP-4-A0418	Kinzang Lhamo	121.00	1,814.70	3,231.75	987,089.75
69	BP-2-A5321	Kinzang Lhendup	20.00	292.24	0.00	150,503.60
70	BP-2-A5307	Kinzang Pelden	128.00	1,706.64	0.00	881,181.15
71	BP-2-A6705	Kinzang Wangchuk	185.00	2,685.22	3,062.55	1,416,357.40
72	BP-2-A7116	Kuenzang Choden	141.00	2,021.71	4,543.95	1,138,140.65
73	BP-2-A6261	Kuenzang Leki	106.00	1,558.06	4,728.10	770,382.60
74	BP-2-A6260	Kumar Pradhan	197.00	2,789.15	4,547.25	1,478,877.80
75	BP-2-A6872	Lama Norbu	141.00	2,011.08	0.00	1,052,357.10
76	BP-2-A5464	Langa Tshering	182.00	2,691.00	1,657.00	1,440,422.00
77	BP-2-A7044	Langa Tshering	173.00	2,508.39	3,136.65	1,339,152.50
78	BP-2-A6882	Leki Dorji	87.00	1,198.50	1,426.45	618,653.95
79	BP-1-A2074	Leki Tshering	19.00	281.98	0.00	128,300.90
80	BP-2-A6915	Lethro	2.00	28.02	0.00	12,749.10
81	BP-2-A6611	Lhamo	4.00	58.87	0.00	26,785.85
82	BP-2-A6613	Lhamo	7.00	107.25	0.00	48,798.75
83	BP-2-A7013	Lungten Norbu	201.00	2,985.23	0.00	1,612,133.65
84	BP-2-A6646	Lungtuck	109.00	1,564.23	0.00	801,743.45
85	BP-4-A0377	Lungtuck	104.00	1,557.68	0.00	780,106.40
86	BP-2-A6047	Manjay Wangchuk	43.00	611.00	0.00	275,561.20
87	BP-1-A3057	Meenu Chhetri	3.00	41.75	0.00	18,996.25
88	BP-2-A6839	Melam Dorji	13.00	181.56	0.00	82,609.80
89	BP-2-A5588	Naki	65.00	968.84	3,205.10	580,702.70
90	BP-2-A4450	Namgyal Dorji	39.00	552.28	0.00	276,792.20
91	BP-2-A6844	Namgyel Dorji	211.00	3,088.88	7,794.65	1,669,398.95
92	BP-2-A4666	Namkha Gyeltshen	149.00	2,175.62	0.00	1,114,345.65
93	BP-2-A6836	Ngawang Tenzin	27.00	379.85	0.00	194,920.60
94	BP-2-A6548	Nima Yozer	179.00	2,631.87	3,100.95	1,382,340.05
95	BP-2-A6612	Norbu Dema	11.00	176.27	0.00	80,202.85
96	BP-2-A6001	Passang Dorji	7.00	93.86	0.00	42,706.30
97	BP-2-A6494	Passang Dorji	141.00	2,098.27	0.00	1,076,764.20
98	BP-2-A7110	PeldenTshetrim	100.00	1,461.02	1,565.45	738,833.55
99	BP-2-A5012	Pema Deki	161.00	2,347.08	1,608.60	1,217,963.45
100	BP-2-A6864	Pema Dolkar	78.00	1,068.33	0.00	541,831.35
101	BP-2-A6852	Pema Dorji	61.00	880.97	1,488.75	449,211.10
102	BP-1-A3145	Pema Dorji K	51.00	765.39	3,230.25	458,534.10
103	BP-2-A5577	Pema Gyeltshen	108.00	1,625.70	0.00	790,425.95
104	BP-2-A5578	Pema Gyeltshen	127.00	1,878.90	0.00	938,112.05
105	BP-1-A3087	Pema Rinzin	201.00	3,063.36	5,156.25	1,665,026.70
106	BP-2-A4241	Pema Rinzin	130.00	1,903.07	0.00	1,019,016.25
107	BP-2-A7150	Pema Tshering	112.00	1,569.05	0.00	797,478.85
108	BP-4-A0458	Pema Tshering	27.00	388.34	0.00	190,525.30
109	BP-2-A7105	Pemba Tshering	87.00	1,209.60	4,343.45	619,841.45
110	BP-2-A4427	Penjor	21.00	281.10	0.00	128,124.05
111	BP-2-A4156	Pethi	131.00	1,770.06	0.00	890,547.05

112	BP-2-A6473	Phurba Dorji	212.00	3,098.54	6,934.65	1,668,043.25
113	BP-2-A6467	Ram Bdr. Darjee	76.00	1,107.61	0.00	614,023.30
114	BP-2-A6467	Ram Bdr.Dorjee	3.00	43.17	0.00	19,642.35
115	BP-2-A6467	Ram Brd. Darjee	51.00	745.67	0.00	371,062.30
116	BP-2-A6198	Rekha Rai	224.00	3,414.34	8,150.20	1,860,173.70
117	BP-1-A3249	Rinchen Wangda	177.00	2,708.81	1,726.30	1,485,128.15
118	BP-2-A6462	Rinzin Chophel	164.00	2,433.21	6,231.80	1,275,011.35
119	BP-2-A4207	Rinzin Lhamo	167.00	2,778.95	5,773.40	1,453,688.50
120	BP-2-A6117	Rinzin Lhamo	203.00	3,029.97	3,114.85	1,640,074.15
121	BP-2-A6406	Rinzin Wangdi	171.00	2,542.06	3,193.90	1,348,301.40
122	BP-2-A4676	Samten Wangdi	53.00	821.30	0.00	404,336.50
123	BP-2-2941	Sangay Dhendup	49.00	653.99	0.00	319,556.15
124	BP-2-A4922	Sangay Dorji	132.00	1,892.46	0.00	971,263.60
125	BP-2-A5186	Sangay Dorji	86.00	1,237.80	0.00	621,532.80
126	BP-2-A5688	Sangay Dorji	190.00	2,845.01	3,173.40	1,509,991.80
127	BP-2-A5708	Sangay Dorji	161.00	2,365.13	1,595.30	1,248,022.45
128	BP-2-A6190	Sangay Duba	52.00	713.22	1,426.80	343,063.50
129	BP-2-A6535	Sangay Gyeltshen	51.00	719.32	0.00	355,230.70
130	BP-2-A7012	Sangay Lhamo	83.00	1,201.57	1,553.15	704,817.25
131	BP-2-A5228	Sangay Tenzin	7.00	100.14	0.00	45,563.70
132	BP-2-A6474	Sangay Thinley	72.00	1,008.64	0.00	497,823.80
133	BP-2-A3228	Singye	140.00	2,053.01	0.00	1,046,483.40
134	BP-2-A5933	Singye Jamtsho	7.00	104.85	0.00	47,706.75
135	BP-2-A6078	Sonam Choden	117.00	1,693.27	0.00	901,247.80
136	BP-2-A6437	Sonam Choden	115.00	1,615.59	4,484.15	805,365.20
137	BP-2-A6858	Sonam Choden	66.00	955.30	0.00	507,871.10
138	BP-2-A5631	Sonam Choki	50.00	726.97	0.00	400,770.45
139	BP-2-A7360	Sonam Choki	49.00	701.13	0.00	424,183.65
140	BP-2-A5528	Sonam Darjay	194.00	2,977.68	3,298.80	1,585,206.30
141	BP-2-A5653	Sonam Gelpo	161.00	2,292.31	0.00	1,217,376.40
142	BP-2-A6541	Sonam Jamtsho	17.00	256.27	0.00	131,145.05
143	BP-2-A6914	Sonam Penjor	151.00	2,154.60	4,551.80	1,106,142.05
144	BP-2-A5965	Sonam Phuntsho	132.00	1,990.80	3,163.05	1,001,942.40
145	BP-2-A4420	Sonam Thinley	132.00	2,003.29	0.00	1,047,948.70
146	BP-2-A4251	Sonam Tobgay	86.00	1,307.61	1,601.55	643,922.05
147	BP-2-A5718	Sonam Tobgay	132.00	1,875.84	0.00	992,758.55
148	BP-2-A7191	Sonam Tobgay	3.00	45.12	0.00	22,108.95
149	BP-2-A4300	Sonam Tshering	7.00	98.90	0.00	44,999.50
150	BP-2-A5020	Sunita Subedi	134.00	1,857.14	0.00	981,990.95
151	BP-2-A6953	Tashi	155.00	2,317.46	6,723.05	1,203,952.20
152	BP-2-A6212	Tashi Dorji	39.00	520.42	0.00	271,147.80
153	BP-2-A6704	Tashi Dorji	47.00	677.10	0.00	336,704.70
154	BP-2-A6841	Tashi Dorji	86.00	1,263.87	0.00	704,380.50
155	BP-2-A6926	Tashi Penjor	55.00	792.19	1,567.80	395,612.45
156	BP-2-A6847	Tashi Wangchuk	150.00	2,126.58	0.00	1,140,107.05
157	BP-2-A6853	Tashi Wangchuk	134.00	1,896.04	0.00	978,178.50
158	BP-2-A6134	Tashi Wangdi	194.00	2,936.03	6,596.05	1,578,975.40
159	BP-2-A6603	Tashi Yangden	146.00	2,234.35	0.00	1,201,480.85
160	BP-2-A5980	Taupo Dukpa	130.00	1,911.23	1,582.40	989,654.65
161	BP-2-A6745	Tenzin	156.00	2,252.75	1,544.05	1,162,733.10
162	BP-2-A5108	Tenzin Dekar	15.00	214.63	0.00	97,656.65
163	BP-2-A5108	Tenzin Dekhar	106.00	1,529.34	0.00	873,601.65
164	BP-2-A5731	Tenzin Wangda	168.00	2,453.42	0.00	1,276,011.85
165	BP-2-A5163	Thinley	152.00	2,177.00	0.00	1,157,719.90
166	BP-2-A6871	Thinley Dorji	101.00	1,451.42	0.00	732,282.40
167	BP-2-A5103	Thubten G.Dorji	159.00	2,428.44	0.00	1,283,499.95
168	BP-2-A6363	Thubten G.Dorji	191.00	2,764.16	4,626.35	1,492,873.50

169	BP-2-A6921	Thukten Tshering	54.00	822.90	0.00	466,446.60
170	BP-2-A5132	Tshering Dorji	67.00	1,052.81	3,840.95	640,791.00
171	BP-2-A4136	Tshering Penjor	137.00	1,891.07	0.00	1,001,716.20
172	BP-2-A6458	Tshering Tobgay	92.00	1,300.02	1,484.45	650,575.55
173	BP-4-A0383	Tshering Tobgay	175.00	2,618.98	0.00	1,428,899.75
174	BP-2-A5692	Tshewang Dorji	150.00	2,216.81	1,634.65	1,167,502.60
175	BP-2-A5654	Ugyen Dema	151.00	2,147.09	0.00	1,127,848.40
176	BP-2-A6630	Ugyen Lhamo	-	0.00	0.00	0.00
177	BP-2-A6890	Ugyen Minjung	3.00	40.85	0.00	18,169.60
178	BP-2-A7459	Ugyen Rangjung	74.00	1,056.94	1,512.25	530,269.35
179	BP-2-A7441	Ugyen Tempa	94.00	1,331.17	1,500.20	691,819.85
180	BP-2-A4805	Ugyen Tshering	92.00	1,270.26	0.00	637,621.25
181	BP-2-A6103	Ugyen Tshering	166.00	2,389.17	0.00	1,265,025.85
182	BP-2-A6436	Ugyen Tshering	94.00	1,297.81	0.00	647,381.75
183	BP-2-A7438	Ugyen Tshering	55.00	771.73	0.00	396,644.15
184	BP-4-A0398	Ugyen Tshewang	60.00	875.23	0.00	442,132.85
185	BP-4-A0398	Ugyen Tshewang	70.00	1,019.17	0.00	542,936.80
186	BP-2-A7125	Yesel Dema	137.00	1,971.71	1,557.55	1,015,357.75
187	BP-2-A6903	Yeshi Lhendup	44.00	611.29	0.00	305,929.55
188	BP-2-A7424	Yonten Thinley	123.00	1,748.98	0.00	908,702.25
<b>Sub Total</b>						<b>141,906,042.75</b>
<b>Transporters' list for the year 2011</b>						
1	BP-2-A4336	Bagay	108.00	1,553.47	2,298.35	714,749.05
2	BP-2-A7160	Bedhnidhi Sharma	24.00	347.83	0.00	158,262.65
3	BP-2-A4676	Changkku	229.00	3,370.51	10,842.40	1,637,539.85
4	BP-2-A5486	Chedup	10.00	142.16	0.00	64,682.80
5	BP-2-A5982	Chedup	110.00	1,628.34	4,131.40	783,662.00
6	BP-1-A1857	Cheku Dorji	47.00	679.41	0.00	312,733.75
7	BP-2-A3754	Chhimi Tshomo	197.00	2,910.78	9,433.15	1,383,436.45
8	BP-4-A0443	Chhimi Zangmo	36.00	522.30	0.00	251,220.90
9	BP-2-A6707	Chhophel	29.00	404.72	0.00	198,727.60
10	BP-2-A6708	Chhophel	87.00	1,245.34	0.00	641,350.10
11	BP-2-A5515	Chimi Dorji	10.00	136.36	0.00	54,544.00
12	BP-2-A4802	Choden	102.00	1,394.42	2,441.20	678,366.50
13	BP-2-A5738	Choden	53.00	768.17	1,139.90	376,261.40
14	BP-2-A0412	Choeda	17.00	241.89	0.00	110,059.95
15	BP-4-A0405	Choeda	203.00	2,983.14	9,840.75	1,427,433.55
16	BP-4-A0412	Choeda	138.00	2,038.59	15,130.80	942,689.25
17	BP-2-A6441	Chokey Gyeltshen	62.00	934.12	1,255.20	455,604.20
18	BP-2-A6887	Chokey Gyeltshen	60.00	877.31	0.00	442,379.65
19	BP-2-A6888	Chokey Gyeltshen	67.00	987.28	1,524.80	499,962.40
20	BP-2-A3729	Chophel	76.00	1,044.71	1,452.70	466,369.75
21	BP-2-A6471	Dawa Lhamo	98.00	1,374.17	1,465.50	665,335.80
22	BP-2-A5373	Dawa Tshering	39.00	570.54	1,533.15	256,011.80
23	BP-2-A6591	Daza	27.00	399.00	0.00	181,545.00
24	BP-2-A6342	Dechen Choden	97.00	1,456.30	4,884.75	724,764.15
25	BP-2-A7161	Dechen Dorji	25.00	364.50	0.00	179,975.70
26	BP-2-A4236	Dechen Tshomo	188.00	2,740.89	5,580.25	1,326,584.80
27	BP-2-A6294	Dechen Tshomo	63.00	865.24	3,165.15	426,115.15
28	BP-2-A4398	Dechen Zangmo	189.00	2,764.15	5,703.20	1,299,665.20
29	BP-2-A6361	Dema	130.00	2,019.81	8,141.70	1,001,079.45
30	BP-2-A6834	Dema Lhamo	70.00	1,081.91	3,342.65	549,547.50
31	BP-2-A6875	Dendup	4.00	55.98	0.00	25,470.90
32	BP-2-A6732	Deshen Dorji	1.00	12.09	0.00	5,500.95
33	BP-2-A5440	Dhan Man Tamang	67.00	939.59	4,488.55	429,698.60
34	BP-1-A2526	Dorji	30.00	432.07	1,099.70	210,419.35
35	BP-1-A3035	Dorji	24.00	366.60	0.00	182,526.00

36	BP-2-A3869	Dorji	109.00	1,531.18	2,372.10	712,420.05
37	BP-2-A4246	Dorji	109.00	1,537.88	1,107.35	680,785.25
38	BP-2-A4293	Dorji	209.00	3,038.59	6,156.70	1,455,137.00
39	BP-2-A6672	Dorji	16.00	245.55	0.00	126,458.25
40	BP-4-0290	Dorji	22.00	297.37	0.00	129,726.70
41	BP-2-A7173	Dorji Kunzang	22.00	302.11	0.00	137,460.05
42	BP-2-A5764	Dorji Lhendup	195.00	2,840.10	7,330.10	1,364,802.70
43	BP-2-A2971	Dorjila	176.00	2,530.30	4,012.20	1,180,894.15
44	BP-2-A6029	Duba	163.00	2,355.43	5,647.95	1,151,591.60
45	BP-2-A3798	Duptho	-	0.00	0.00	0.00
46	BP-2-A6793	Gaza	55.00	837.21	0.00	394,599.15
47	BP-4-A0419	Gempo	58.00	829.40	4,262.65	381,639.65
48	BP-2-A5528	Getu Sonam	133.00	2,038.75	6,711.20	994,732.40
49	BP-2-A4173	Geyden Zangmo	74.00	1,055.41	2,700.85	462,166.05
50	BP-2-A4145	Gyelked	20.00	311.87	0.00	128,068.35
51	BP-2-A4993	Gyem Lhamo	153.00	2,232.58	11,938.40	1,027,762.30
52	BP-2-A6135	Gyem Lhamo	128.00	1,859.01	7,349.25	897,996.30
53	BP-2-A6362	Indra Kr.Kharka	149.00	2,156.91	9,082.05	1,088,693.70
54	BP-2-A5316	Jamba Thinley	223.00	3,341.18	12,844.10	1,599,571.80
55	BP-2-A4299	Jampel	177.00	2,477.00	2,429.75	1,161,489.70
56	BP-1-A2331	Jamtsho	181.00	2,696.19	7,749.30	1,305,329.20
57	BP-2-A4317	Jamtsho	14.00	192.57	0.00	77,028.00
58	BP-2-A4716	Jamtsho	139.00	2,084.02	3,061.50	1,012,764.45
59	BP-2-A6483	Jamtsho	82.00	1,145.22	0.00	549,266.70
60	BP-4-A0377	Jamtsho	12.00	163.26	0.00	65,304.00
61	BP-2-A6658	Jigme Dorji	66.00	994.92	0.00	496,285.40
62	BP-2-A5709	Jigme Tenzin	175.00	2,570.93	7,447.35	1,246,237.05
63	BP-2-A7297	Kanjur Lhamo	1.00	12.06	0.00	5,487.30
64	BP-2-A6435	Karchung	125.00	1,823.40	5,069.30	933,109.05
65	BP-2-A3672	Karma	17.00	235.33	0.00	92,955.35
66	BP-2-A4370	Karma	145.00	2,018.27	1,123.75	929,198.45
67	BP-1-A2530	Karma Choden	26.00	376.38	1,196.25	172,449.15
68	BP-2-A4164	Karma Choden	214.00	3,104.43	10,604.10	1,478,637.15
69	BP-4-A0382	Karma Choeda	8.00	90.45	0.00	38,824.95
70	BP-2-A3313	Karma Choiki	29.00	409.00	0.00	174,049.90
71	BP-2-A4311	Karma Dorji	95.00	1,393.23	4,430.85	673,345.50
72	BP-2-A5164	Karma Dorji	172.00	2,533.50	5,702.15	1,177,313.50
73	BP-2-A5652	Karma Dorji	44.00	642.75	4,753.20	314,849.60
74	BP-2-A6475	Karsang Dorji	61.00	875.13	3,000.20	450,201.95
75	BP-2-A6131	Kelzang	87.00	1,374.82	1,737.20	709,769.50
76	BP-2-A6127	Kelzang Dorji	95.00	1,415.96	0.00	729,219.40
77	BP-2-A5594	Kelzang Namgyel	22.00	321.25	1,606.25	165,392.00
78	BP-2-A5430	Kelzang Yuden	71.00	1,011.35	2,568.85	475,193.10
79	BP-2-A7116	Kenzang Choden	34.00	485.80	0.00	250,187.00
80	BP-2-A6730	Kezang	21.00	294.52	0.00	146,669.60
81	BP-2-A5655	Kezang Chopel	143.00	2,089.29	9,373.75	981,382.75
82	BP-2-A6552	Kezang Thinley	3.00	46.42	0.00	21,121.10
83	BP-2-A6730	Kezang Thinley	45.00	663.84	0.00	330,798.00
84	BP-2-A6705	Kezang Wangchuk	10.00	145.59	0.00	65,800.50
85	BP-1-A2632	Kinley	40.00	579.72	5,085.60	283,299.00
86	BP-2-A4921	Kinley Dorji	166.00	2,365.23	3,923.15	1,107,894.20
87	BP-4-A0453	Kinley Dorji	15.00	229.24	0.00	118,058.60
88	BP-1-A2709	Kinzang Choden	21.00	301.25	0.00	131,544.55
89	BP-2-A4007	Kinzang Dorji	171.00	2,553.11	2,895.50	1,196,303.80
90	BP-2-A4008	Kinzang Dorji	139.00	2,019.92	1,474.25	953,986.45
91	BP-2-A3722	Kinzang Lham	45.00	598.61	0.00	276,680.30
92	BP-4-A0418	Kinzang Lham	221.00	3,259.67	9,683.00	1,578,674.85

93	BP-2-A5307	Kinzang Pelden	158.00	2,185.54	2,281.45	1,017,971.00
94	BP-2-A6212	Kinzang Tenzin	68.00	943.71	2,078.25	457,124.70
95	BP-2-A6705	Kinzang Wangchuk	50.00	733.40	0.00	366,326.80
96	BP-2-A5321	Kizang Lhendup	163.00	2,350.31	7,702.50	1,123,054.75
97	BP-2-A6261	Kuenzang Leki	162.00	2,288.24	7,985.80	1,131,132.40
98	BP-2-A5483	Kuenzang Namgyel	181.00	2,606.64	7,309.55	1,232,794.55
99	BP-2-A5468	Kuenzang Wangdi	35.00	477.24	0.00	231,291.00
100	BP-2-A6260	Kumar Pradhan	170.00	2,411.75	11,293.20	1,200,209.30
101	BP-2-A3278	Kunzang	82.00	1,100.31	0.00	464,525.25
102	BP-2-A6872	Lama Norbu	5.00	71.52	0.00	32,541.60
103	BP-2-A5464	Langa Tshering	213.00	3,076.05	7,299.75	1,489,078.60
104	BP-2-A7044	Langa Tshering	31.00	443.18	0.00	214,546.90
105	BP-2-A3740	Leki	83.00	1,154.23	0.00	499,501.40
106	BP-2-A6882	Leki Dorji	8.00	107.01	0.00	48,689.55
107	BP-1-A2074	Leki Tshering	8.00	120.99	0.00	55,050.45
108	BP-2-A4834	Leki Tshering	45.00	625.15	0.00	275,996.35
109	BP-2-A6611	Lhamo	77.00	1,175.48	1,554.30	584,775.70
110	BP-2-A6613	Lhamo	73.00	1,073.34	1,500.90	535,687.20
111	BP-2-A6615	Lhamo	25.00	348.01	0.00	173,552.75
112	BP-2-A7013	Lungten Norbu	32.00	489.66	0.00	252,174.90
113	BP-1-1622	Lungtuck	48.00	677.70	1,024.80	312,957.80
114	BP-2-A3788	Lungtuck	28.00	398.40	0.00	168,637.95
115	BP-4-A0377	Lungtuck	93.00	1,493.99	1,730.15	704,978.65
116	BP-2-A6047	Mangay Wangchuk	81.00	1,187.65	2,337.60	568,623.55
117	BP-2-A6047	Manjay Wangchuk	25.00	357.16	0.00	162,507.80
118	BP-1-A3057	Meenu Chhetri	11.00	159.05	0.00	72,367.75
119	BP-2-A6839	Melam Dorji	51.00	762.02	0.00	375,457.90
120	BP-2-A5588	Naki	248.00	3,664.57	16,896.40	1,780,378.95
121	BP-2-A4990	Namgay Dorji	42.00	589.05	2,945.25	306,306.00
122	BP-2-A4450	Namgyal	149.00	2,179.87	5,334.20	1,027,961.65
123	BP-2-A4450	Namgyal Dorji	35.00	504.65	0.00	259,118.35
124	BP-2-A6844	Namgyel Dorji	63.00	909.78	0.00	458,546.70
125	BP-2-A4517	Namkha Gyeltshen	118.00	1,682.08	5,151.50	772,713.65
126	BP-2-A4666	Namkha Gyeltshen	182.00	2,699.59	2,798.80	1,298,476.20
127	BP-2-A6836	Nawang Tenzin	50.00	723.61	0.00	344,292.95
128	BP-2-A4404	Neten	2.00	23.52	0.00	10,701.60
129	BP-2-A4751	Ngawang Phuntscho	149.00	2,193.59	4,642.10	1,003,909.50
130	BP-2-A6612	Norbu Dema	68.00	1,046.61	0.00	523,380.15
131	BP-2-A6614	Norbu Dema	10.00	137.66	0.00	62,635.30
132	BP-2-A6616	Norbu Dema	25.00	351.71	0.00	174,425.65
133	BP-2-2638	Ompo	25.00	352.57	1,063.75	152,030.15
134	BP-2-A6001	Passang Dorji	146.00	2,110.65	4,324.75	1,019,891.50
135	BP-2-A6494	Passang Dorji	74.00	1,064.93	1,412.65	529,559.60
136	BP-2-A5120	Pelden Dorji	195.00	2,848.06	12,568.15	1,339,851.45
137	BP-2-A7110	PeldenTshetrim	28.00	418.77	0.00	205,182.15
138	BP-2-A5812	Peldon	118.00	1,689.36	6,345.05	773,709.45
139	BP-2-A5012	Pema Deki	131.00	1,920.35	4,097.75	929,495.90
140	BP-2-A6864	Pema Dolkar	54.00	773.85	0.00	391,978.95
141	BP-2-A6852	Pema Dorji	57.00	825.50	0.00	404,647.30
142	BP-2-A5577	Pema Gyeltshen	138.00	1,960.97	1,052.80	907,328.15
143	BP-2-A5578	Pema Gyeltshen	190.00	2,827.01	2,916.00	1,328,787.85
144	BP-1-A3087	Pema Rinzin	60.00	910.14	1,550.20	469,409.50
145	BP-2-A4241	Pema Rinzin	121.00	1,804.72	2,471.20	818,297.45
146	BP-2-A7150	Pema Tshering	11.00	145.00	0.00	65,975.00
147	BP-2-A7105	Pemba Tshering	22.00	315.61	0.00	156,581.15
148	BP-2-A3617	Penjor	124.00	1,838.45	6,501.35	845,031.95
149	BP-2-A4427	Penjor	197.00	2,918.17	5,960.05	1,384,089.35



150	BP-2-A4428	Penjor	166.00	2,597.99	7,398.30	1,227,802.30
151	BP-2-A4691	Penjor	95.00	1,359.91	1,069.80	618,503.05
152	BP-2-A4156	Pethi	174.00	2,365.89	2,088.25	1,121,011.30
153	BP-2-A6473	Phurba Dorji	107.00	1,532.24	3,107.40	773,788.70
154	BP-4-A0410	Phurba Dorji	135.00	1,968.49	7,300.85	907,908.80
155	BP-2-A6467	Ram Bdr.Dorjee	78.00	1,121.03	0.00	553,503.15
156	BP-1-A2102	Rekha Rai	145.00	2,103.09	10,013.65	981,579.40
157	BP-2-A6198	Rekha Rai	127.00	1,835.57	10,985.40	900,570.55
158	BP-2-A6198	Rekha Rai	53.00	834.62	1,665.35	431,494.65
159	BP-2-A5035	Riki Wangcuk	24.00	349.93	0.00	154,508.50
160	BP-2-A4923	Rinchen Chopel	25.00	354.46	0.00	145,799.15
161	BP-2-A6462	Rinchen Chopel	75.00	1,069.45	2,731.40	541,408.15
162	BP-2-A4923	Rinzin Chopel	37.00	521.45	1,429.55	223,127.35
163	BP-2-A6462	Rinzin Chopel	33.00	489.40	0.00	252,041.00
164	BP-2-A4207	Rinzin Lhamo	84.00	1,444.79	0.00	715,206.15
165	BP-2-A6117	Rinzin Lhamo	85.00	1,249.24	0.00	643,358.60
166	BP-2-A6406	Rinzin Wangdi	106.00	1,576.11	1,749.35	811,493.30
167	BP-2-A4813	Rudra	38.00	541.94	1,471.05	280,570.15
168	BP-2-A4813	Rudra Prasad	97.00	1,396.37	5,560.65	640,092.80
169	BP-2-A4813	Rudra.P.Sharma	7.00	103.27	0.00	46,987.85
170	BP-2-A5179	s Karma Choki	162.00	2,339.48	2,485.75	1,082,303.25
171	BP-2-A4461	Samchung	103.00	1,455.57	0.00	626,591.55
172	BP-2-A5997	Samdrup Dorji	4.00	83.81	0.00	33,524.00
173	BP-2-A5132	Samten Gyeltshen	124.00	1,752.95	7,038.50	804,630.75
174	BP-2-2941	Sangay Dhendup	104.00	1,437.40	0.00	660,829.05
175	BP-2-2944	Sangay Dhendup	62.00	855.29	2,291.10	376,859.10
176	BP-2-A4922	Sangay Dorji	189.00	2,778.63	7,378.80	1,304,302.35
177	BP-2-A5186	Sangay Dorji	202.00	2,849.07	8,413.60	1,360,878.85
178	BP-2-A5688	Sangay Dorji	159.00	2,392.99	7,825.95	1,171,496.60
179	BP-2-A5708	Sangay Dorji	54.00	781.70	0.00	394,458.25
180	BP-2-A6190	Sangay Duba	64.00	908.73	1,673.65	461,729.20
181	BP-2-A6535	Sangay Gyeltshen	48.00	680.11	0.00	335,727.85
182	BP-2-A5228	Sangay Tenzin	116.00	1,678.67	4,313.30	808,550.55
183	BP-2-A6474	Sangay Thinley	124.00	1,806.18	5,852.15	915,089.45
184	BP-2-A5848	Sangay Wangdi	2.00	26.41	0.00	10,431.95
185	BP-2-A5849	Sangay Wangdi	2.00	27.59	0.00	10,898.05
186	BP-2-A3228	Singye	195.00	2,868.56	5,815.30	1,359,919.20
187	BP-2-A3313	Singye	53.00	751.10	0.00	343,387.10
188	BP-2-A5933	Singye Jamtsho	197.00	2,856.38	10,067.45	1,380,399.45
189	BP-2-A5042	Sither Penjor	26.00	365.65	0.00	158,179.60
190	BP-2-A6078	Sonam Choden	101.00	1,455.55	1,399.75	697,464.05
191	BP-2-A6437	Sonam Choden	125.00	1,783.13	2,893.30	904,402.25
192	BP-2-A5631	Sonam Choki	107.00	1,508.24	0.00	672,561.90
193	BP-2-A5489	Sonam Dorji	37.00	535.73	0.00	271,692.55
194	BP-2-A5653	Sonam Gelpo	132.00	1,900.79	4,012.30	908,632.40
195	BP-2-A5937	Sonam Gyeltshen	98.00	1,483.69	8,300.00	726,970.15
196	BP-2-A6541	Sonam Jamtsho	111.00	1,641.60	1,536.65	840,568.95
197	BP-2-A4888	Sonam Lhamo	69.00	1,012.52	0.00	458,263.40
198	BP-2-A6914	Sonam Penjor	58.00	848.19	0.00	416,338.65
199	BP-2-A5965	Sonam Phuntsho	122.00	1,829.14	4,882.65	912,210.10
200	BP-2-A4420	Sonam Thinley	140.00	2,103.51	4,683.00	987,074.50
201	BP-2-A3686	Sonam Tobgay	23.00	338.34	0.00	146,919.10
202	BP-2-A4251	Sonam Tobgay	176.00	2,634.48	5,898.80	1,227,090.70
203	BP-2-A5718	Sonam Tobgay	137.00	1,990.37	2,751.50	942,488.05
204	BP-2-A3312	Sonam Tshering	170.00	2,339.99	2,527.20	1,088,814.25
205	BP-2-A4300	Sonam Tshering	172.00	2,485.18	1,319.35	1,167,825.05
206	BP-4-A0298	Sonam Tshering	12.00	157.89	0.00	68,299.35

207	BP-2-A4188	Sonam Yeshey	84.00	1,231.68	6,103.30	596,656.25
208	BP-2-A5020	Sunita Subedi	178.00	2,461.71	3,642.80	1,155,972.65
209	BP-2-A6953	Tashi	56.00	839.23	1,733.60	433,937.05
210	BP-2-A6704	Tashi Dorji	57.00	836.89	0.00	395,921.75
211	BP-2-A5220	Tashi Penjor	9.00	127.38	0.00	51,174.90
212	BP-2-A3546	Tashi Wangchuk	38.00	503.43	1,009.30	225,234.90
213	BP-2-A6134	Tashi Wangdi	136.00	2,022.74	5,776.65	1,002,949.00
214	BP-2-A6603	Tashi Yangden	41.00	616.52	0.00	305,913.60
215	BP-2-A5980	Taupo Dukpa	130.00	1,963.50	5,754.50	971,634.60
216	BP-2-A6651	Ten Tshering	17.00	240.34	0.00	109,354.70
217	BP-2-A5194	Tendi Zangpo	34.00	486.25	0.00	250,418.75
218	BP-2-A5195	Tendi Zangpo	55.00	776.25	1,610.05	378,911.25
219	BP-2-A5195	Tendin Zangpo	-	0.00	0.00	0.00
220	BP-2-A6745	Tenzin	66.00	977.78	0.00	488,073.10
221	BP-2-A4165	Tenzin Dekar	79.00	1,068.22	1,443.35	472,624.10
222	BP-2-A5108	Tenzin Dekar	172.00	2,528.71	13,282.55	1,216,041.40
223	BP-2-A5731	Tenzin Wangda	157.00	2,250.26	2,623.55	1,021,282.95
224	BP-2-A5163	Thinley	121.00	1,793.43	4,047.30	874,530.80
225	BP-2-A6871	Thinley Dorji	52.00	730.10	0.00	358,086.10
226	BP-2-A5103	Thubten G.Dorji	218.00	3,381.65	11,867.00	1,624,176.25
227	BP-2-A6363	Thubten G.Dorji	126.00	1,768.39	1,157.20	885,337.05
228	BP-4-A0425	Tshering Choki	71.00	962.64	0.00	438,308.20
229	BP-2-2834	Tshering Penjor	100.00	1,351.02	2,156.15	609,874.95
230	BP-2-A4136	Tshering Penjor	175.00	2,527.69	2,326.70	1,181,869.00
231	BP-2-A4587	Tshering Penjor	56.00	799.42	2,858.60	361,898.55
232	BP-2-A6458	Tshering Tobgay	105.00	1,501.72	1,654.50	740,807.75
233	BP-4-A0383	Tshering Tobgay	150.00	2,046.44	2,805.30	945,947.15
234	BP-2-A5134	Tshering Wangdi	53.00	762.83	1,441.45	348,529.10
235	BP-2-A5139	Tshering Wangdi	17.00	236.80	0.00	94,720.00
236	BP-2-A5140	Tshering Wangdi	17.00	242.02	0.00	110,119.10
237	BP-2-A5032	Tshering Zangmo	2.00	29.94	0.00	11,976.00
238	BP-2-A4438	Tshewang	81.00	1,133.12	1,188.95	493,810.35
239	BP-2-A5692	Tshewang Dorji	127.00	1,921.14	8,267.15	925,230.65
240	BP-2-A5131	Tshewang Rinzin	22.00	315.13	0.00	137,842.90
241	BP-2-A5995	Tshewang Rinzin	50.00	715.52	0.00	365,136.40
242	BP-2-A5131	Tshewnag Rinzin	53.00	750.60	2,156.55	350,254.34
243	BP-2-A5654	Ugyen Dema	172.00	2,453.05	7,286.95	1,174,683.05
244	BP-2-A6630	Ugyen Lhamo	54.00	825.00	0.00	406,708.80
245	BP-2-A4317	Ugyen Ranjung	33.00	475.64	0.00	227,653.25
246	BP-2-A3159	Ugyen Tshering	5.00	54.58	0.00	21,832.00
247	BP-2-A3171	Ugyen Tshering	5.00	63.93	0.00	25,252.35
248	BP-2-A4805	Ugyen Tshering	151.00	2,070.86	2,014.75	963,615.20
249	BP-2-A6103	Ugyen Tshering	125.00	1,794.26	4,585.70	852,102.00
250	BP-2-A6436	Ugyen Tshering	116.00	1,681.02	2,749.30	830,405.20
251	BP-4-A0398	Ugyen Tshewang	167.00	2,370.00	4,017.70	1,120,759.30
252	BP-2-A4846	Ugyen Wangdi	26.00	372.00	1,080.55	163,071.15
253	BP-4-A0384	Wangchuk	95.00	1,327.87	827.00	593,997.45
254	BP-1-A1944	Wangdi Tshering	4.00	60.23	0.00	24,092.00
255	BP-2-A4475	Wangdi Tshering	3.00	44.01	0.00	17,604.00
256	BP-2-A3773	Wangpo	1.00	14.23	0.00	6,474.65
257	BP-2-A5193	Wangpo	88.00	1,291.65	5,157.85	636,140.75
258	BP-2-A3795	Yeshey Dorji	59.00	848.18	1,083.45	374,188.30
259	BP-2-A5806	Yeshey Wangdi	119.00	1,686.36	6,839.80	792,272.80
260	BP-2-2837	Yeshey Zangmo	63.00	880.02	1,104.35	376,405.35
261	BP-2-A3795	Yeshi Dorji	1.00	14.76	0.00	6,715.80
262	BP-2-A5924	Yeshi Lhendup	93.00	1,380.73	4,069.20	674,394.20
263	BP-2-A6903	Yeshi Lhendup	46.00	649.14	0.00	307,989.90

264	BP-2-A6940	Yeshe Lhendup	30.00	409.01	0.00	198,521.35
265	BP-2-A6941	Yeshe Lhendup	30.00	415.80	0.00	189,189.00
<b>Sub Total</b>						<b>156,278,312.59</b>
<b>Transporters' list for the year 2010</b>						
1	BP-2-A4336	Bagay	142.00	2,077.58	1,486.35	905,803.10
2	BP-2-A4676	Changkku	223.00	3,282.86	13,815.90	1,478,933.40
3	BP-1-A1857	Cheku Dorji	58.00	866.34	1,518.85	380,780.40
4	BP-2-A3723	Chencho	58.00	824.92	0.00	342,939.45
5	BP-2-A2971	Chencho Gyeltshen	90.00	1,313.61	6,568.05	565,100.40
6	BP-2-A3723	Chencho Wangmo	61.00	855.33	1,548.25	381,665.05
7	BP-2-A3754	Chhimi Tshomo	222.00	3,232.45	12,700.75	1,422,516.30
8	BP-2-A4802	Choden	133.00	1,882.62	6,331.65	840,830.25
9	BP-4-A0405	Choeda	83.00	1,242.04	4,862.25	569,990.45
10	BP-4-A0412	Choeda	60.00	894.26	3,211.40	410,099.70
11	BP-2-A4223	Choney	5.00	71.00	0.00	25,915.00
12	BP-2-A3271	Chophel	12.00	163.43	0.00	59,651.95
13	BP-2-A3729	Chophel	202.00	2,779.12	4,205.35	1,204,682.90
14	BP-4-A0353	Dago Dorji	119.00	1,503.61	3,982.10	633,361.80
15	BP-3-A0255	Dasho Tshewang Norbu	99.00	1,403.67	4,591.55	604,582.40
16	BP-3-A0258	Dasho Tshewang Norbu	72.00	1,095.72	3,229.40	475,346.60
17	BP-2-A5373	Dawa Tshering	20.00	285.75	1,428.75	130,016.25
18	BP-2-A3717	Dechen Dorji	54.00	752.10	0.00	318,596.10
19	BP-2-A4236	Dechen Tshomo	248.00	3,628.66	14,642.10	1,600,587.10
20	BP-2-A4398	Dechen Zangmo	134.00	1,946.02	4,492.30	876,790.60
21	BP-2-A5440	Dhan Man Tamang	52.00	735.07	1,581.35	326,455.00
22	BP-2-A3173	Dorji	95.00	1,332.65	4,289.20	561,277.80
23	BP-2-A3869	Dorji	130.00	1,828.65	1,403.65	753,257.15
24	BP-2-A4246	Dorji	208.00	2,994.07	9,489.60	1,324,195.60
25	BP-2-A4293	Dorji	193.00	2,771.23	9,613.05	1,235,362.90
26	BP-4-0289	Dorji	107.00	1,486.83	1,345.20	620,033.90
27	BP-4-0290	Dorji	206.00	2,841.56	5,802.35	1,235,896.55
28	BP-1-A1989	Dorji Gyeltshen	18.00	240.28	0.00	106,958.55
29	BP-2-A2971	Dorjila	141.00	2,060.16	1,522.05	921,528.45
30	BP-2-A3764	Dotu	104.00	1,433.81	2,903.50	618,550.80
31	BP-4-A0323	Duba	127.00	1,718.65	2,884.55	735,090.30
32	BP-2-2810	Duptho	74.00	1,026.24	0.00	444,965.15
33	BP-2-A3798	Duptho	70.00	998.29	1,396.95	429,962.40
34	BP-2-A3144	Gembo Dorji	16.00	244.16	0.00	109,872.00
35	BP-2-A3144	Gempo Dorji	56.00	838.17	0.00	363,481.75
36	BP-2-A4173	Geyden Zangmo	143.00	2,202.53	3,165.35	950,719.65
37	BP-2-A4145	Gyelked	98.00	1,573.30	3,435.10	681,793.65
38	BP-2-A4993	Gyem Lhamo	117.00	1,668.40	3,178.45	756,647.70
39	BP-2-A4306	Indra Bdr.Kafley	46.00	637.98	1,646.15	259,182.75
40	BP-2-A5316	Jamba Thinley	42.00	622.77	3,113.85	283,360.35
41	BP-2-A4299	Jampel	197.00	2,745.85	4,455.05	1,205,232.30
42	BP-1-A2331	Jamtsho	31.00	467.73	1,574.85	205,990.20
43	BP-2-A3238	Jamtsho	139.00	2,014.90	6,751.00	866,458.45
44	BP-2-A4317	Jamtsho	195.00	2,844.54	9,047.40	1,253,762.00
45	BP-2-A4716	Jamtsho	165.00	2,486.64	7,947.15	1,115,899.30
46	BP-4-A0376	Jamtsho	96.00	1,367.33	6,836.65	588,161.40
47	BP-4-A0377	Jamtsho	175.00	2,602.12	6,334.80	1,125,479.30
48	BP-4-A0360	Jamtsho Wangdi	183.00	2,480.91	4,531.20	1,077,159.90
49	BP-4-A0376	Jamtsho Wangdi	127.00	1,862.30	5,790.60	841,539.70
50	BP-2-A3672	Karma	86.00	1,232.19	1,464.10	531,983.35
51	BP-2-A4370	Karma	237.00	3,314.03	11,848.95	1,465,571.85
52	BP-2-A4282	Karma Cheki	20.00	300.64	1,503.20	126,268.80
53	BP-2-A4164	Karma Choden	160.00	2,415.88	6,594.75	1,093,599.95

54	BP-2-A4164	Karma Choden	93.00	1,368.69	6,843.45	588,188.00
55	BP-4-A0382	Karma Choeda	149.00	2,119.89	6,129.45	932,609.40
56	BP-2-A3313	Karma Choiki	193.00	2,845.46	2,891.60	1,223,868.60
57	BP-2-A4311	Karma Dorji	239.00	3,620.31	12,939.35	1,609,330.80
58	BP-2-A5164	Karma Dorji	77.00	1,169.44	1,574.00	522,051.95
59	BP-2-A4530	Karma Sonam	98.00	1,372.57	4,565.10	610,575.75
60	BP-2-A3788	Karma Tenzin	139.00	1,923.02	4,576.00	813,227.75
61	BP-2-A3789	Karma Tenzin	101.00	1,396.85	0.00	571,910.55
62	BP-2-A3644	Karsel	78.00	1,080.26	0.00	449,545.80
63	BP-2-A3803	Karsel	96.00	1,322.85	1,384.35	551,663.55
64	BP-2-A4921	Kinley Dorji	56.00	804.42	1,568.20	367,579.30
65	BP-2-A3722	Kinzang	82.00	1,138.94	4,439.50	488,987.00
66	BP-2-A4007	Kinzang Dorji	200.00	2,921.53	8,252.30	1,254,338.25
67	BP-2-A4008	Kinzang Dorji	240.00	3,560.82	13,649.20	1,571,913.40
68	BP-2-A3722	Kinzang Lham	142.00	1,992.12	4,316.15	892,036.40
69	BP-4-A0418	Kinzang Lham	12.00	171.92	0.00	68,768.00
70	BP-2-A5307	Kinzang Pelden	77.00	1,139.65	4,511.80	523,052.55
71	BP-2-A3741	Kinzang Wangdi	96.00	1,352.34	1,594.90	576,273.60
72	BP-2-A3741	Kinzang Wangdi	81.00	1,235.55	4,813.90	536,822.75
73	BP-2-A5321	Kizang Lhendup	61.00	924.32	3,199.60	423,765.20
74	BP-2-A3477	Kuenga Tenzin	86.00	1,202.96	4,890.85	517,201.45
75	BP-2-A3773	Kuenzang	140.00	1,962.90	4,791.10	836,347.15
76	BP-2-A4045	Kuenzang	124.00	1,785.35	7,942.40	761,857.35
77	BP-2-A3278	Kunzang	125.00	1,662.67	1,521.45	692,216.95
78	BP-2-A3172	Kunzang Lhendup	171.00	2,446.80	6,160.65	1,069,527.30
79	BP-4-A0323	Lam Sonam Tenzin	17.00	243.55	0.00	101,073.25
80	BP-2-A3616	Langa Tshering	170.00	2,461.37	1,514.75	1,073,645.00
81	BP-2-A5464	Langa Tshering	29.00	413.56	1,664.40	183,329.00
82	BP-2-A3740	Leki	185.00	2,667.75	3,131.95	1,147,182.75
83	BP-2-A4834	Leki Tshering	145.00	1,979.88	4,515.80	880,967.20
84	BP-2-A4244	Mahindra Chhetri	163.00	2,373.72	1,719.50	1,023,490.65
85	BP-2-2525	Mindu Gyeltshen	56.00	752.14	0.00	314,839.65
86	BP-2-A5588	Naki	25.00	363.43	1,817.15	167,177.80
87	BP-2-A4990	Namgay Dorji	81.00	1,113.86	2,801.70	499,471.40
88	BP-2-A4450	Namgyal	252.00	3,658.47	13,140.50	1,625,498.15
89	BP-2-A3709	Namgyal Dorji	56.00	808.63	0.00	329,091.75
90	BP-2-A3936	Namkha Gyeltshen	3.00	40.41	0.00	14,749.65
91	BP-2-A4517	Namkha Gyeltshen	244.00	3,585.76	13,015.40	1,596,390.80
92	BP-2-A4666	Namkha Gyeltshen	167.00	2,405.52	2,811.70	1,059,347.55
93	BP-2-A3074	Nar Bdr. Tamang	2.00	27.48	0.00	10,854.60
94	BP-2-A3074	Nar Bdr. Tamang	51.00	709.46	0.00	293,286.60
95	BP-2-A4404	Neten	42.00	592.09	0.00	263,137.55
96	BP-2-A4751	Ngawang Phuntsho	186.00	2,725.65	11,067.70	1,230,474.85
97	BP-2-2638	Ompo	188.00	2,731.24	7,774.80	1,212,701.15
98	BP-2-A3743	Ompo	-	0.00	0.00	0.00
99	BP-2-A5120	Pelden Dorji	119.00	1,729.05	5,101.20	781,126.40
100	BP-2-A3195	Pema Chodrup	38.00	532.62	1,611.90	233,301.60
101	BP-2-A3195	Pema Chodup	56.00	789.28	0.00	340,673.40
102	BP-2-A3480	Pema Gyeltshen	61.00	911.66	1,591.50	384,929.65
103	BP-2-A5577	Pema Gyeltshen	20.00	261.90	1,309.50	119,164.50
104	BP-2-A5578	Pema Gyeltshen	25.00	338.59	1,692.95	154,058.45
105	BP-2-A4241	Pema Rinzin	192.00	2,833.23	9,393.10	1,257,577.45
106	BP-1-A1357	Pempa	111.00	1,563.50	2,826.20	659,871.05
107	BP-2-2810	Penjor	20.00	268.00	1,340.00	112,560.00
108	BP-2-A3616	Penjor	20.00	296.90	1,484.50	124,698.00
109	BP-2-A3617	Penjor	178.00	2,561.18	4,719.85	1,132,085.45
110	BP-2-A4427	Penjor	209.00	3,052.11	6,830.05	1,320,440.80

111	BP-2-A4428	Penjor	241.00	3,664.65	11,723.35	1,618,862.25
112	BP-2-A4691	Penjor	166.00	2,358.81	1,479.40	1,048,358.30
113	BP-2-A4156	Pethi	199.00	2,711.26	2,802.10	1,192,671.25
114	BP-2-A5011	Phuntsho	115.00	1,665.79	4,757.15	757,057.00
115	BP-4-A0410	Phurba Dorji	28.00	406.80	1,688.00	180,942.00
116	BP-1-A2102	Rekha Rai	181.00	2,739.09	10,876.20	1,243,029.75
117	BP-2-A5035	Riki Wangcuk	110.00	1,593.63	3,108.55	712,301.80
118	BP-2-A3144	Rinchen Chopel	65.00	986.88	0.00	419,443.20
119	BP-2-A4207	Rinchen Lhamo	42.00	673.17	1,660.05	289,411.60
120	BP-2-A3137	Rinchen Wangdi	62.00	853.82	0.00	360,657.40
121	BP-2-A4923	Rinzin Chopel	43.00	619.70	1,585.35	275,836.40
122	BP-2-A4207	Rinzin Lhamo	78.00	1,237.45	0.00	557,867.35
123	BP-2-A4813	Rudra Prasad	168.00	2,379.28	8,099.90	1,071,579.65
124	BP-2-A5179	S Karma Choki	50.00	708.21	0.00	318,694.50
125	BP-2-A3691	Samchung	75.00	1,007.70	2,774.25	418,761.20
126	BP-2-A4122	Samchung	159.00	2,228.62	4,434.95	972,640.60
127	BP-2-A4461	Samchung	137.00	1,928.87	2,903.95	869,548.60
128	BP-2-A5132	Samten Gyeltshen	107.00	1,549.95	6,489.55	711,716.80
129	BP-2-2941	Sangay Dhendup	134.00	1,908.96	2,876.55	854,160.30
130	BP-2-2944	Sangay Dhendup	116.00	1,707.94	1,388.95	752,679.95
131	BP-2-A3137	Sangay Dorji	76.00	1,060.71	0.00	463,187.50
132	BP-2-A4922	Sangay Dorji	121.00	1,699.53	3,218.90	759,816.50
133	BP-2-A5186	Sangay Dorji	99.00	1,411.05	4,670.70	646,698.45
134	BP-2-2941	Sangey Dhendup	80.00	1,157.77	3,258.55	496,041.70
135	BP-2-A3228	Singye	214.00	3,184.18	12,431.00	1,415,717.25
136	BP-2-A5042	Sither Penjor	118.00	1,735.90	4,827.25	794,661.75
137	BP-2-A5631	Sonam Choki	21.00	281.88	1,409.40	129,664.80
138	BP-4-A0385	Sonam Dorji	2.00	28.38	0.00	10,784.40
139	BP-2-A3228	Sonam Gyeltshen	17.00	247.86	0.00	102,861.90
140	BP-2-A4888	Sonam Lhamo	151.00	2,171.86	4,426.45	981,607.15
141	BP-2-A3271	Sonam Phuntsho	149.00	2,051.38	1,750.15	885,189.35
142	BP-2-A3672	Sonam Phuntsho	12.00	174.64	0.00	63,743.60
143	BP-2-A4420	Sonam Thinley	194.00	2,882.20	6,357.85	1,254,677.25
144	BP-2-A3686	Sonam Tobgay	226.00	3,252.44	11,453.40	1,423,466.35
145	BP-2-A4251	Sonam Tobgay	196.00	2,908.75	8,006.35	1,263,354.90
146	BP-2-A3312	Sonam Tshering	215.00	2,953.83	8,773.30	1,298,543.25
147	BP-2-A4300	Sonam Tshering	230.00	3,360.36	9,141.15	1,483,176.15
148	BP-4-A0298	Sonam Tshering	130.00	1,879.98	1,443.95	783,433.15
149	BP-2-A4188	Sonam Yeshey	221.00	3,245.74	15,133.55	1,429,700.45
150	BP-2-A4461	Sumchung	28.00	389.76	0.00	154,728.70
151	BP-1-A1523	Sunita Subedi	31.00	394.75	0.00	160,983.40
152	BP-2-A5020	Sunita Subedi	139.00	2,027.69	8,141.50	916,471.90
153	BP-1-A1622	Tashi Lhamo	110.00	1,550.46	0.00	669,957.65
154	BP-2-A3546	Tashi Wangchuk	-	0.00	0.00	0.00
155	BP-2-A5194	Tendin Zangpo	55.00	809.51	2,934.20	371,261.25
156	BP-2-A5195	Tendin Zangpo	26.00	384.22	1,476.50	171,406.00
157	BP-2-A4165	Tenzin Dekar	215.00	3,152.80	9,679.20	1,369,164.70
158	BP-2-A5108	Tenzin Dekar	111.00	1,641.24	4,787.95	739,996.65
159	BP-2-2944	Tenzin Wangda	82.00	1,362.38	5,431.35	584,426.05
160	BP-2-A3739	Thinley Penjor	79.00	1,109.23	0.00	472,018.40
161	BP-2-2857	Thinley Wangdi	160.00	2,241.21	6,472.35	976,753.85
162	BP-2-A4466	Thubten G.Dorji	1.00	10.00	0.00	3,800.00
163	BP-2-A5103	Thubten G.Dorji	101.00	1,495.38	5,167.35	678,088.35
164	BP-2-A4466	Thubten Garab Dorji	120.00	1,764.69	8,823.45	762,191.40
165	BP-2-A4274	Tshering Delkar	214.00	3,082.06	9,233.25	1,363,475.35
166	BP-2-2834	Tshering Penjor	222.00	3,046.12	7,588.75	1,342,511.10
167	BP-2-A4136	Tshering Penjor	236.00	3,469.46	11,145.80	1,532,167.55

168	BP-2-A4587	Tshering Penjor	189.00	2,714.47	7,536.20	1,211,663.00
169	BP-2-A3798	Tshering Tobgay	61.00	837.19	1,655.80	357,882.95
170	BP-4-A0383	Tshering Tobgay	196.00	2,740.23	4,902.15	1,185,234.70
171	BP-2-A5134	Tshering Wangdi	95.00	1,370.36	4,432.50	627,946.30
172	BP-2-A5139	Tshering Wangdi	90.00	1,299.09	2,873.00	593,958.95
173	BP-2-A5140	Tshering Wangdi	92.00	1,327.88	4,550.60	599,425.60
174	BP-2-2886	Tshering Yanzom	95.00	1,274.12	1,368.85	538,311.80
175	BP-2-A5032	Tshering Zangmo	68.00	1,002.76	1,518.55	457,774.35
176	BP-2-2525	Tshewang	3.00	41.27	0.00	15,063.55
177	BP-2-A4438	Tshewang	262.00	3,797.55	15,190.85	1,688,871.70
178	BP-3-A0255	Tshewang Norbu	83.00	1,217.01	2,943.80	541,350.55
179	BP-3-A0258	Tshewang Norbu	63.00	935.74	1,680.95	418,707.65
180	BP-2-A5131	Tshewang Rinzin	27.00	395.41	0.00	158,164.00
181	BP-2-2325	Ugyen	78.00	1,017.57	0.00	435,033.45
182	BP-2-2325	Ugyen Tshering	12.00	157.45	0.00	57,469.25
183	BP-2-A3159	Ugyen Tshering	110.00	1,440.02	0.00	602,397.50
184	BP-2-A3171	Ugyen Tshering	123.00	1,587.49	0.00	662,943.50
185	BP-2-A4301	Ugyen Tshering	92.00	1,303.76	1,452.55	542,394.65
186	BP-2-A4302	Ugyen Tshering	113.00	1,590.36	4,260.90	661,060.70
187	BP-2-A4805	Ugyen Tshering	182.00	2,534.12	7,962.15	1,144,918.55
188	BP-4-A0398	Ugyen Tshewang	124.00	1,781.41	4,583.05	800,744.45
189	BP-4-A0384	Wangchuk	187.00	2,722.33	11,451.20	1,200,020.75
190	BP-1-A1944	Wangdi Tshering	50.00	748.24	1,523.45	341,972.65
191	BP-2-A4475	Wangdi Tshering	56.00	823.53	2,929.65	377,635.80
192	BP-2-A5193	Wangpo	1.00	13.78	0.00	5,443.10
193	BP-1-A2102	Yangzom	67.00	896.81	2,922.15	377,429.00
194	BP-2-A3795	Yeshey Dorji	151.00	2,136.87	2,900.25	926,346.10
195	BP-2-2837	Yeshey Zangmo	134.00	2,041.75	3,694.35	907,525.40
196	BP-1-1270	Zangpo	87.00	1,151.61	0.00	490,062.90
<b>Sub Total</b>						<b>136,054,443.90</b>
<b>Transporters' list for the year 2009</b>						
1	BP-1-0794	Lungtuck	145.00	2,038.16	6,673.40	836,255.15
2	BP-1-0915	Jigme Wangchuk	174.00	2,403.33	2,993.10	969,991.05
3	BP-1-0947	Cheku Dorji	106.00	1,371.99	0.00	545,830.15
4	BP-1-1120	Kuenga Tenzin	48.00	700.22	1,621.25	280,510.90
5	BP-1-1269	Kenzang Wangdi	110.00	1,521.09	6,186.55	616,963.10
6	BP-1-1270	Zangpo	233.00	3,081.30	1,777.70	1,253,405.45
7	BP-1-A1357	Pempa	82.00	1,164.34	4,444.80	487,645.90
8	BP-1-A1434	Kenga	46.00	635.84	0.00	254,336.00
9	BP-1-A1453	Tashi Penden	41.00	542.27	0.00	219,933.55
10	BP-1-A1523	Sunita Subedi	151.00	1,991.54	0.00	771,026.50
11	BP-1-A1620	Pema Zangmo	85.00	1,175.45	4,796.65	484,105.00
12	BP-1-A1622	Tashi Lhamo	239.00	3,371.70	6,485.75	1,371,337.50
13	BP-1-A1631	Chador	71.00	981.56	0.00	381,446.00
14	BP-1-A2102	Yangzom	30.00	398.27	1,444.35	161,256.40
15	BP-2-0999	Paithey	70.00	822.25	0.00	324,644.35
16	BP-2-1381	Sonam Dorji	22.00	249.42	0.00	96,252.15
17	BP-2-1570	Chedup Wangdi	29.00	360.59	0.00	141,867.35
18	BP-2-1902	Sonam Norbu	69.00	952.03	0.00	375,931.30
19	BP-2-2325	Ugyen Tshering	199.00	2,578.05	0.00	1,049,770.95
20	BP-2-2439	Duptho	15.00	199.69	0.00	79,876.00
21	BP-2-2525	Tshewang	218.00	2,958.58	1,409.70	1,205,593.00
22	BP-2-2638	Kunzang	29.00	425.48	0.00	152,073.90
23	BP-2-2810	Penjor	239.00	3,280.60	4,567.15	1,339,513.55
24	BP-2-2834	Tshering Penjor	239.00	3,271.91	5,940.75	1,338,328.10
25	BP-2-2857	Thinley Wangdi	263.00	3,565.11	10,537.90	1,463,046.10
26	BP-2-2886	Tshering Yanzom	204.00	2,703.32	1,393.05	1,103,638.55

27	BP-2-2905	Tshering	210.00	2,819.68	4,477.20	1,131,619.95
28	BP-2-2906	Dotu	39.00	518.18	0.00	207,272.00
29	BP-2-2941	Sangey Dhendup	257.00	3,630.13	7,669.50	1,485,349.60
30	BP-2-2944	Tenzin Wangda	276.00	4,347.37	12,652.75	1,784,150.00
31	BP-2-2965	Rinzin	3.00	41.67	0.00	14,792.85
32	BP-2-A0813	M.N.Waklay	2.00	21.39	0.00	7,593.45
33	BP-2-A0813	M.N.Wakley	3.00	36.68	0.00	13,021.40
34	BP-2-A2024	Pema Wangchuk	4.00	51.37	0.00	18,236.35
35	BP-2-A2251	Tenzin Dekar	249.00	3,563.72	7,808.45	1,450,181.65
36	BP-2-A2443	Minjur Wangdi	51.00	649.91	0.00	259,964.00
37	BP-2-A2674	Wangchuk	161.00	2,073.31	5,398.85	841,131.90
38	BP-2-A2843	Jamtsho Wangdi	26.00	352.70	0.00	137,418.80
39	BP-2-A2906	Pema Wangchuk	77.00	1,056.87	1,464.30	426,469.55
40	BP-2-A2971	Chencho Gyeltshen	242.00	3,413.74	7,694.90	1,400,080.35
41	BP-2-A2992	Tshering Wangdi	184.00	2,408.31	1,437.95	967,078.70
42	BP-2-A3007	Pema Jamtsho	34.00	478.14	0.00	198,428.10
43	BP-2-A3074	Cheki Penjor	190.00	2,647.81	2,972.70	1,070,462.60
44	BP-2-A3121	Ugyen Tshering	215.00	2,962.57	4,451.45	1,206,222.00
45	BP-2-A3125	Cheku Wangyel	174.00	2,411.83	4,656.80	976,471.05
46	BP-2-A3136	Dorji Tshering	95.00	1,213.27	1,374.60	478,673.10
47	BP-2-A3137	Rinchen Wangdi	244.00	3,520.90	8,218.95	1,439,976.10
48	BP-2-A3144	Rinchen Chopel	240.00	3,351.75	5,012.10	1,370,235.00
49	BP-2-A3159	Ugyen Tshering	189.00	2,442.42	3,012.45	987,028.45
50	BP-2-A3171	Ugyen Tshering	226.00	3,028.76	2,926.45	1,237,261.35
51	BP-2-A3172	Kunzang Lhendup	220.00	2,998.69	4,422.50	1,210,328.80
52	BP-2-A3173	Dorji	202.00	2,840.24	1,510.45	1,154,035.35
53	BP-2-A3177	Tenzin Wangchuk	7.00	96.49	0.00	34,253.95
54	BP-2-A3195	Sonam Norbu	215.00	2,919.29	5,829.85	1,190,614.20
55	BP-2-A3228	Sonam Gyeltshen	236.00	3,433.48	6,316.10	1,401,434.55
56	BP-2-A3238	Jamtsho	201.00	2,819.64	1,749.25	1,132,040.60
57	BP-2-A3271	Chophel	261.00	3,644.35	8,347.05	1,495,518.85
58	BP-2-A3278	Kuenzang	15.00	204.56	0.00	81,824.00
59	BP-2-A3278	Kunzang	115.00	1,563.43	1,469.30	625,913.70
60	BP-2-A3312	Sonam Tshering	252.00	3,428.85	5,908.40	1,402,608.50
61	BP-2-A3313	Karma Choiki	251.00	3,695.72	8,346.55	1,515,899.70
62	BP-2-A3360	Wangdi	45.00	605.18	0.00	237,924.35
63	BP-2-A3366	Dago Dorji	44.00	583.17	0.00	227,500.80
64	BP-2-A3407	Karma Tshewang	28.00	398.11	0.00	151,578.25
65	BP-2-A3412	Penjor	42.00	584.62	0.00	230,564.35
66	BP-2-A3477	Kenga	40.00	560.55	0.00	224,220.00
67	BP-2-A3477	Kuenga Tenzin	167.00	2,360.84	10,190.95	978,790.80
68	BP-2-A3480	Pema Gyeltshen	238.00	3,446.66	7,784.20	1,397,048.85
69	BP-2-A3511	Jattu Dukpa	133.00	1,859.77	3,013.50	762,677.60
70	BP-2-A3546	Tashi Wangchuk	222.00	3,010.80	3,051.75	1,228,577.40
71	BP-2-A3614	Dema	162.00	2,289.90	1,503.05	912,631.30
72	BP-2-A3616	Penjor	229.00	3,266.78	4,848.05	1,335,044.50
73	BP-2-A3617	Penjor	235.00	3,348.84	4,560.95	1,367,116.10
74	BP-2-A3644	Karsel	183.00	2,447.53	1,405.25	959,970.40
75	BP-2-A3672	Sonam Phuntsho	234.00	3,333.95	3,224.30	1,360,969.60
76	BP-2-A3686	Sonam Tobgay	277.00	4,060.92	12,334.30	1,668,287.50
77	BP-2-A3691	Samchung	228.00	3,205.03	4,592.25	1,300,936.70
78	BP-2-A3709	Namgyal Dorji	70.00	1,016.47	0.00	406,824.05
79	BP-2-A3709	Namgyel	15.00	217.01	0.00	86,804.00
80	BP-2-A3717	Dechen Dorji	227.00	3,289.79	4,868.55	1,341,302.05
81	BP-2-A3722	Kinzang	265.00	3,674.23	9,508.60	1,505,967.20
82	BP-2-A3723	Chencho	235.00	3,351.83	1,573.35	1,366,232.90
83	BP-2-A3729	Chophel	265.00	3,619.37	7,673.90	1,482,123.70

84	BP-2-A3739	Thinley Penjor	224.00	3,245.43	8,126.85	1,329,438.45
85	BP-2-A3740	Leki	255.00	3,660.34	8,335.50	1,500,126.40
86	BP-2-A3741	Kinzang	250.00	3,506.56	6,377.50	1,435,223.00
87	BP-2-A3743	Ompo	272.00	3,956.96	9,873.60	1,621,058.00
88	BP-2-A3754	Chhimi Tshomo	140.00	1,972.81	8,457.20	827,173.35
89	BP-2-A3764	Dotu	219.00	2,996.50	6,632.65	1,220,366.40
90	BP-2-A3773	Kuenzang	37.00	544.15	1,484.90	227,307.15
91	BP-2-A3777	Pema	44.00	619.71	0.00	247,440.15
92	BP-2-A3788	Karma Tenzin	260.00	3,772.78	10,111.30	1,548,258.05
93	BP-2-A3789	Karma Tenzin	250.00	3,554.12	7,727.45	1,455,260.35
94	BP-2-A3795	Yeshey Dorji	232.00	3,244.24	6,135.25	1,320,536.45
95	BP-2-A3796	Zangpo	68.00	937.73	0.00	336,436.55
96	BP-2-A3798	Tshering Tobgay	83.00	1,197.87	3,350.40	495,696.95
97	BP-2-A3803	Karsel	242.00	3,350.08	4,663.10	1,358,881.20
98	BP-2-A3812	Tashi	15.00	214.81	0.00	85,924.00
99	BP-2-A3851	Singey GCPL	40.00	635.65	0.00	261,379.25
100	BP-2-A3852	Singey GCPL	41.00	670.63	1,711.30	277,524.25
101	BP-2-A3853	Singey GCPL	39.00	631.25	0.00	259,668.25
102	BP-2-A3855	Singey GCPL	36.00	555.02	0.00	228,412.30
103	BP-2-A3856	Singey GCPL	38.00	600.61	1,695.35	250,155.50
104	BP-2-A3858	Singey GCPL	38.00	603.72	1,772.45	239,854.75
105	BP-2-A3859	Singey GCPL	36.00	575.05	0.00	238,645.75
106	BP-2-A3860	Singey GCPL	6.00	97.53	0.00	35,598.45
107	BP-2-A3861	Singey GCPL	37.00	589.85	0.00	243,319.75
108	BP-2-A3869	Dorji	150.00	2,088.87	4,449.85	849,234.05
109	BP-2-A3875	Singey GCPL	31.00	467.47	0.00	194,000.05
110	BP-2-A3876	Singey GCPL	38.00	625.16	0.00	257,878.90
111	BP-2-A3877	Singey GCPL	40.00	660.17	1,844.70	273,452.75
112	BP-2-A3936	Namkha Gyeltshen	214.00	2,910.47	2,862.65	1,189,727.35
113	BP-2-A3999	Sonam Lhamo	129.00	1,772.03	6,622.35	728,192.40
114	BP-2-A4007	Kinzang Dorji	198.00	2,857.79	11,727.75	1,178,635.40
115	BP-2-A4008	Kinzang Dorji	208.00	2,984.53	12,349.40	1,232,634.15
116	BP-2-A4045	Kuenzang	33.00	473.02	0.00	196,303.30
117	BP-2-A4122	Samchung	120.00	1,692.49	3,216.15	705,599.50
118	BP-2-A4136	Tshering Penjor	96.00	1,339.93	4,945.40	556,872.35
119	BP-2-A4145	Gyelked	46.00	703.57	0.00	285,461.05
120	BP-2-A4156	Pethi	89.00	1,161.29	2,707.50	484,642.85
121	BP-2-A4162	Pema Wangchuk	100.00	1,436.08	5,220.40	595,124.60
122	BP-2-A4164	Karma Choden	125.00	1,824.14	8,727.40	761,812.50
123	BP-2-A4165	Tenzin Dekar	123.00	1,816.50	8,658.30	758,263.80
124	BP-2-A4188	Sonam Yeshey	73.00	1,079.38	5,143.70	450,554.40
125	BP-2-A4207	Rinzin Lhamo	80.00	1,354.64	3,652.45	565,828.05
126	BP-2-A4223	Choney	72.00	1,029.92	2,982.75	420,257.05
127	BP-2-A4236	Dechen	9.00	88.06	0.00	32,141.90
128	BP-2-A4236	Dechen Tshomo	100.00	1,487.21	7,436.05	624,628.20
129	BP-2-A4244	Mahindra Chhetri	92.00	1,347.45	5,360.80	564,552.55
130	BP-2-A4246	Dorji	88.00	1,215.07	6,075.35	510,329.40
131	BP-2-A4251	Sonam Tobgay	16.00	233.93	0.00	97,080.95
132	BP-2-A4274	Tshering Delkar	65.00	920.68	3,200.70	385,282.90
133	BP-2-A4282	Karma Cheki	43.00	624.12	3,120.60	262,130.40
134	BP-2-A4299	Jampel	38.00	521.81	1,361.20	217,912.35
135	BP-2-A4300	Sonam Tshering	37.00	515.82	1,476.55	215,541.85
136	BP-2-A4301	Ugyen Tshering	58.00	819.26	1,410.30	341,403.20
137	BP-2-A4302	Ugyen Tshering	62.00	897.15	3,053.65	375,370.90
138	BP-2-A4306	Indra Bdr.Kafley	67.00	967.90	4,839.50	406,518.00
139	BP-2-A4309	Ugyen Tshering	64.00	876.42	3,469.65	358,059.45
140	BP-2-A4311	Karma Dorji	63.00	906.59	3,141.50	379,376.35



141	BP-2-A4317	Jamtsho	36.00	512.00	0.00	212,480.00
142	BP-2-A4370	Karma	42.00	592.60	2,963.00	248,892.00
143	BP-2-A4428	Penjor	18.00	255.83	0.00	106,169.45
144	BP-2-A4438	Tshewang	34.00	481.54	1,886.10	196,509.20
145	BP-2-A4450	Namgyal	21.00	305.82	1,529.10	128,444.40
146	BP-2-A4461	Sumchung	23.00	328.63	1,643.15	138,024.60
147	BP-2-A4466	Thubten Garab Dorji	7.00	93.96	0.00	34,295.40
148	BP-3-A0255	Dasho Tshewang Norbu	139.00	1,996.97	9,984.85	838,727.40
149	BP-3-A0258	Dasho Tshewang Norbu	143.00	2,125.37	10,626.85	892,655.40
150	BP-4-0204	Sangay	3.00	31.75	0.00	11,271.25
151	BP-4-0249	Ugyen Tshewang	67.00	778.31	1,226.60	295,690.05
152	BP-4-0289	Dorji	261.00	3,636.20	9,559.15	1,492,010.40
153	BP-4-0290	Dorji	160.00	2,066.43	1,379.15	848,548.40
154	BP-4-A0117	Ugyen Penjor	10.00	124.41	0.00	44,165.55
155	BP-4-A0198	Dorji	170.00	2,032.66	0.00	817,754.50
156	BP-4-A0228	Jamtsho	146.00	1,958.04	1,437.85	788,655.85
157	BP-4-A0298	Sonam Tshering	208.00	2,981.62	1,518.00	1,210,329.70
158	BP-4-A0323	Lam Sonam Tenzin	247.00	3,461.33	6,290.95	1,416,707.70
159	BP-4-A0328	Sangay Tenzin	20.00	255.23	0.00	100,419.35
160	BP-4-A0353	Dago Dorji	203.00	2,689.34	1,419.65	1,090,835.30
161	BP-4-A0360	Jamtsho Wangdi	174.00	2,368.29	8,223.35	982,513.10
162	BP-4-A0376	Jamtsho	21.00	298.26	1,491.30	125,269.20
163	BP-4-A0377	Jamtsho	15.00	223.83	0.00	92,889.45
<b>Sub Total</b>						<b>113,803,006.10</b>
<b>Transporters' list for the year 2008</b>						
1	BP-1-0581	Mr Sangay Phuntsho	1	13.46		13.46
2	BP-1-0660	Mr Sangay Gyeltshen	1	12.79		4,476.50
3	BP-1-0915	Mr Jigme Wangchuk	191	2,631.58		944,659.33
4	BP-1-0947	Mr Cheku Dorji	67	859.59		365,325.75
5	BP-1-1120	Mr Choki Penjor	178	2,389.21		836,174.91
6	BP-1-1270	Mr Zangpo	181	2,376.92		842,106.61
7	BP-1-A1434	Mr Kenga	182	2,473.11		1,013,015.14
8	BP-1-A1523	Ms Lekey Bidha	49	667.88		252,944.44
9	BP-1-A1523	Ms Sunita Subedi	122	1,619.38		668,443.81
10	BP-1-A1533	Mr Kezang	34	423.54		171,053.10
11	BP-1-A1534	Mr Kezang	41	511.87		213,203.15
12	BP-1-A1622	Ms Tashi Lhamo	111	1,504.71		589,697.02
13	BP-1-A1631	Mr Chador	214	2,874.53		1,038,296.71
14	BP-2-0811	Mr Norbu	34	381.12		104,680.84
15	BP-2-0933	Mr Ugyen Dorji	78	900.23		268,674.98
16	BP-2-0964	Dasho Tshering Wangdi	30	351.81		120,077.61
17	BP-2-0999	Mr Paithey	112	1,311.72		503,617.97
18	BP-2-1381	Mr Sonam Dorji	193	2,363.95		821,882.44
19	BP-2-1902	Mr Sonam Norbu	160	2,124.82		856,726.86
20	BP-2-2070	Mr Sherab	1	12.77		12.77
21	BP-2-2325	Mr Ugyen Tshering	208	2,647.79		959,952.04
22	BP-2-2340	Ms Tashi Zangmo	218	2,990.91		1,072,316.84
23	BP-2-2439	Mr Duptho	176	2,343.34		825,717.33
24	BP-2-2525	Mr Tshewang	193	2,544.61		913,394.61
25	BP-2-2638	Mr Kunzang	136	1,995.15		781,323.91
26	BP-2-2732	Mr Kinzang	213	2,803.06		1,037,151.14
27	BP-2-2810	Mr Penjor	205	2,752.39		1,005,498.05
28	BP-2-2834	Mr Tshering Penjor	203	2,755.60		989,290.34
29	BP-2-2857	Mr Thinley Wangdi	250	3,387.47		1,215,624.10
30	BP-2-2886	Ms Tshering Yanzom	209	2,742.49		996,992.68
31	BP-2-2905	Mr Tshering	70	903.35		383,923.75
32	BP-2-2906	Mr Dotu	228	2,962.53		1,072,003.07

33	BP-2-2941	Mr Sangey Dhendup	243	3,331.18		1,194,829.13
34	BP-2-2944	Mr Tenzin Wangda	238	3,356.70		1,205,871.45
35	BP-2-2965	Mr Rinzin	149	2,029.30		828,172.53
36	BP-2-A0813	Mr M.N. Waklay	3	32.28		10,972.20
37	BP-2-A0813	Mr M.N. Wakley	2	20.72		7,623.10
38	BP-2-A0873	Mr Tshering Dorji	130	1,641.94		541,873.11
39	BP-2-A2251	Ms Tenzin Dekar	237	3,296.73		1,198,450.36
40	BP-2-A2591	Ms Shanhi	147	2,014.28		805,526.09
41	BP-2-A2674	Mr Wangchuk	79	983.35		385,247.74
42	BP-2-A2843	Mr Jamtsho Wangdi	221	2,931.49		1,055,287.46
43	BP-2-A2971	Mr Chencho Gyeltshen	192	2,617.52		910,474.59
44	BP-2-A2992	Mr Tshering Wangdi	147	1,910.89		647,280.77
45	BP-2-A3074	Mr Cheki Penjor	185	2,425.88		893,941.10
46	BP-2-A3095	Mr Kuenzang Wangchuk	23	327.20		126,299.20
47	BP-2-A3095	Mr Kueyang Wangchuk	53	747.84		298,191.05
48	BP-2-A3121	Mr Ugyen Tshering	224	3,138.50		1,140,059.50
49	BP-2-A3125	Mr Cheku Wangyel	185	2,507.95		904,239.88
50	BP-2-A3136	Mr Dorji Tshering	182	2,346.72		885,068.64
51	BP-2-A3137	Mr Rinchen Wangdi	209	2,961.82		1,192,251.79
52	BP-2-A3144	Mr Rinchen Chopel	221	2,937.50		1,049,722.87
53	BP-2-A3146	Mr Pem Letho	175	2,301.31		801,674.35
54	BP-2-A3159	Mr Ugyen Tshering	186	2,379.92		843,227.96
55	BP-2-A3171	Mr Ugyen Tshering	194	2,522.32		964,172.73
56	BP-2-A3172	Mr Kunzang Lhendup	219	3,009.26		1,076,219.29
57	BP-2-A3173	Mr Dorji	192	2,716.35		955,842.22
58	BP-2-A3177	Mr Tenzin Wangchuk	173	2,335.32		790,008.12
59	BP-2-A3195	Mr Sonam Norbu	227	2,983.40		1,087,101.33
60	BP-2-A3228	Mr Sonam Gyeltshen	168	2,221.07		785,355.93
61	BP-2-A3238	Mr Jamtsho	202	2,745.59		997,573.12
62	BP-2-A3271	Mr Chopel	248	3,194.02		1,166,002.35
63	BP-2-A3278	Mr Kuenzang	226	3,082.94		1,126,093.16
64	BP-2-A3291	Mr Karma Younten	147	2,032.62		732,595.80
65	BP-2-A3299	Mr Chencho Gyeltshen	41	526.25		205,154.22
66	BP-2-A3312	Mr Sonam Tshering	216	2,863.75		1,080,633.56
67	BP-2-A3313	Ms Karma Choiki	196	2,736.44		980,172.48
68	BP-2-A3320	Mr Dago Dorji	23	288.74		122,714.50
69	BP-2-A3360	Mr Wangdi	21	280.83		119,352.75
70	BP-2-A3366	Mr Dago Dorji	115	1,449.91		582,541.46
71	BP-2-A3389	Mr Samten Wangchuk	66	928.77		237,269.46
72	BP-2-A3407	Mr Karma Tshewang	218	2,937.07		1,059,690.84
73	BP-2-A3412	Mr Penjor	85	1,170.10		481,325.20
74	BP-2-A3413	Mr Chencho Gyeltshen	4	56.28		4,650.84
75	BP-2-A3477	Mr Kenga	111	1,538.58		651,008.70
76	BP-2-A3480	Mr Pema Gyeltshen	210	2,899.33		1,050,145.18
77	BP-2-A3518	Ms Yankam	7	90.68		31,738.00
78	BP-2-A3546	Mr Tashi Wangchuk	154	2,080.06		833,290.43
79	BP-2-A3614	Mr Dema	99	1,358.74		553,197.39
80	BP-2-A3616	Mr Penjor	186	2,532.35		1,027,731.72
81	BP-2-A3617	Mr Penjor	174	2,375.44		946,949.43
82	BP-2-A3644	Mr Karsel	145	1,938.44		791,646.16
83	BP-2-A3672	Mr Sonam Phuntsho	52	725.09		308,163.25
84	BP-2-A3686	Mr Sonam Tobgay	31	445.49		189,333.25
85	BP-2-A3691	Mr Samchung	63	874.07		363,530.50
86	BP-2-A3717	Mr Dechen Dorji	63	902.78		383,681.50
87	BP-2-A3722	Ms Kinzang	76	1,048.54		445,629.50
88	BP-2-A3723	Ms Chencho	78	1,090.88		463,624.00
89	BP-2-A3729	Mr Chopel	83	1,087.15		462,038.75

90	BP-2-A3740	Mr Leki	74	1,002.39		426,015.75
91	BP-2-A3741	Ms Kinzang	75	1,012.77		430,427.25
92	BP-2-A3743	Mr Ompo	77	1,090.35		463,398.75
93	BP-2-A3764	Mr Dotu	82	1,092.51		464,316.75
94	BP-2-A3788	Mr Karma Tenzin	38	524.20		222,785.00
95	BP-2-A3789	Mr Karma Tenzin	39	532.79		226,435.75
96	BP-2-A3795	Mr Yeshey Dorji	34	461.57		196,167.25
97	BP-2-A3796	Mr Zangpo	2	26.86		10,206.80
98	BP-2-A3803	Mr Karsel	63	839.94		356,974.50
99	BP-2-A3869	Mr Dorji	21	292.07		124,129.75
100	BP-3-0101	Mr Cheku Dorji	14	163.91		62,285.80
101	BP-3-0101	Mr Getu Sonam	70	827.03		293,199.40
102	BP-4-0012	Mr Cheku Dorji	151	1,874.52		629,284.29
103	BP-4-0042	Mr Drakpa	14	166.31		57,471.70
104	BP-4-0184	Mr Pema Gyeltshen	18	199.15		61,706.62
105	BP-4-0204	Mr Sangay	108	1,251.59		399,471.10
106	BP-4-0249	Mr Ugyen Tshewang	81	989.80		374,783.74
107	BP-4-0289	Mr Dorji	218	2,873.85		1,046,280.12
108	BP-4-0290	Mr Dorji	201	2,679.80		954,468.66
109	BP-4-A0117	Mr Tenzin	70	880.89		230,797.19
110	BP-4-A0117	Mr Ugyen Penjor	38	469.29		186,460.80
111	BP-4-A0198	Mr Dorji	68	812.38		275,235.12
112	BP-4-A0217	Mr Sonam Dorji	124	1,549.98		519,554.24
113	BP-4-A0223	Mr Tashi Phuntsho	33	392.52		132,470.17
114	BP-4-A0228	Mr Jamtsho	161	2,127.94		750,486.25
115	BP-4-A0295	Ms Sonam Zangmo	221	3,018.57		1,095,355.20
116	BP-4-A0298	Mr Sonam Tshering	97	1,382.69		458,791.05
117	BP-4-A0307	Mr Chopel	3	34.37		7,745.41
118	BP-4-A0323	Lam Sonam Tenzin	240	3,244.02		1,172,514.64
119	BP-4-A0328	Mr Sangay Tenzin	201	2,664.77		965,606.35
120	BP-4-A0353	Mr Dago Dorji	37	465.74		197,939.50
Sub Total						73,643,498.15

## Comparative Statement of hire charges paid to Sherja Hiring Unit with the Bhutan Schedule of Rates for the period 2008-12

Manchinery Make	Registration No.	Hrs. Worked	Sherja Hiring Unit		BSR Daily/Hr		Difference in Amount (Nu.)	Remarks
			Rate (Nu.)	Amount (Nu.)	Rate (Nu.)	Amount (Nu.)		
2012								
TD15E/I	BP-4-0331	858.00	4,500.00	3,861,000.00	2,174.00	1,865,292.00	1,995,708.00	PC 800/8 rate (2012) applied
TD15E/II	BP-4-0332	1,824.00	4,500.00	8,208,000.00	2,174.00	3,965,376.00	4,242,624.00	
TD15E/I	BP-4-0333	1,760.00	4,500.00	7,920,000.00	2,174.00	3,826,240.00	4,093,760.00	
TD15E/II	BP-4-0334	2,482.00	4,500.00	11,169,000.00	2,174.00	5,395,868.00	5,773,132.00	
D65EX	BP-2-2902	261.00	4,500.00	1,174,500.00	2,174.00	567,414.00	607,086.00	
PC-200	BP-4-0335	3,026.00	2,500.00	7,565,000.00	1,756.00	5,313,656.00	2,251,344.00	
PC-120	BP-2-3552	244.00	2,500.00	610,000.00	1,420.00	346,480.00	263,520.00	
PC-300	BP-4-0387	2,845.50	4,500.00	12,804,750.00	1,279.00	3,639,394.50	9,165,355.50	
Payloader	BP-2-2901	138.00	Nu 14000/day	1,932,000.00	1,544.00	213,072.00	1,718,928.00	
Road Roller	BP-4-0436	713.50	1,700.00	1,212,950.00	1,235.00	881,172.50	331,777.50	
PC-200	BP-4-A0440	3,663.00	2,500.00	9,157,500.00	1,756.00	6,432,228.00	2,725,272.00	
Excavator	BP-4-0444	3,591.50	2,500.00	8,978,750.00	1,756.00	6,306,674.00	2,672,076.00	
Excavator PC-200	BP-2-7385	3,326.50	2,500.00	8,316,250.00	1,756.00	5,841,334.00	2,474,916.00	
Excavator PC-200	BP-2-7386	3,413.00	2,500.00	8,532,500.00	1,756.00	5,993,228.00	2,539,272.00	
Excavator PC-200	BP-2-7601	1,972.50	2,500.00	4,931,250.00	1,756.00	3,463,710.00	1,467,540.00	
Excavator PC-200	BP-2-7602	1,982.50	2,500.00	4,956,250.00	1,756.00	3,481,270.00	1,474,980.00	
							43,797,291.00	
2011								
TD15E/I	BP-4-0331	1,667.00	4,500.00	7,501,500.00	2,174.00	3,624,058.00	3,877,442.00	PC 800/8 rate (2012) applied
TD15E/II	BP-4-0332	2,849.00	4,500.00	12,820,500.00	2,174.00	6,193,726.00	6,626,774.00	
TD15E/I	BP-4-0333	2,661.00	4,500.00	11,974,500.00	2,174.00	5,785,014.00	6,189,486.00	
TD15E/II	BP-4-0334	3,309.00	4,500.00	14,890,500.00	2,174.00	7,193,766.00	7,696,734.00	
D65EX	BP-2-2902	1,507.50	4,500.00	6,783,750.00	2,174.00	3,277,305.00	3,506,445.00	
PC-200	BP-4-0335	3,315.50	2,500.00	8,288,750.00	1,828.00	6,060,734.00	2,228,016.00	
PC-120	BP-2-3552	735.40	2,500.00	1,838,500.00	1,436.00	1,056,034.40	782,465.60	
PC-300	BP-4-0387	3,267.50	4,500.00	14,703,750.00	1,279.00	4,179,132.50	10,524,617.50	
Payloader	BP-2-2901	188.00	Nu 14000/day	2,883,500.00	1,530.00	287,640.00	2,595,860.00	
Road Roller	BP-4-0436	350.50	1,700.00	595,850.00	1,253.00	439,176.50	156,673.50	
PC-200	BP-4-A0440	1,552.00	2,500.00	3,880,000.00	1,828.00	2,837,056.00	1,042,944.00	
PC-200	BP-4-0444	1,200.00	2,500.00	3,000,000.00	1,828.00	2,193,600.00	806,400.00	
							46,033,857.60	
2010								

## Comparative Statement of hire charges paid to Sherja Hiring Unit with the Bhutan Schedule of Rates for the period 2008-12

Manchinery Make	Registration No.	Hrs. Worked	Sherja Hiring Unit		BSR Daily/Hr		Difference in Amount (Nu.)	Remarks
			Rate (Nu.)	Amount (Nu.)	Rate (Nu.)	Amount (Nu.)		
Payloader	BP-2-2901	58.48	14000/day	818,750.00	1,530.00	89,477.68	729,272.32	2011 rates applied for all
TD15E/I	BP-4-0331	241.39	4,500.00	1,086,250.00	2,174.00	524,779.44	561,470.56	
TD15E/II	BP-4-0332	2,319.09	4,500.00	10,435,900.00	2,174.00	5,041,699.24	5,394,200.76	
TD15E/I	BP-4-0333	2,304.61	4,500.00	10,370,725.00	2,174.00	5,010,212.48	5,360,512.52	
TD15E/II	BP-4-0334	2,814.43	4,500.00	12,664,930.50	2,174.00	6,118,568.65	6,546,361.85	
D65EX	BP-2-2902	524.91	4,500.00	2,362,100.00	2,174.00	1,141,156.76	1,220,943.24	
PC-200	BP-4-0335	2,346.12	2,500.00	5,865,300.00	1,828.00	4,288,707.36	1,576,592.64	
PC-120	BP-2-3552	204.48	2,500.00	511,200.00	1,436.00	293,633.28	217,566.72	
PC-300	BP-4-0387	2,199.94	4,500.00	9,899,750.00	1,279.00	2,813,728.94	7,086,021.06	
<b>2009</b>							<b>27,963,669.35</b>	
TD15E/I	BP-4-0331	816.50	3,950.00	3,225,175.00	2,174.00	1,775,071.00	1,450,104.00	2009 rates applied for all
TD15E/II	BP-4-0332	1,878.50	3,950.00	7,420,075.00	2,174.00	4,083,859.00	3,336,216.00	
TD15E/I	BP-4-0333	2,993.00	3,950.00	11,822,350.00	2,174.00	6,506,782.00	5,315,568.00	
TD15E/II	BP-4-0334	2,932.50	3,950.00	11,583,375.00	2,174.00	6,375,255.00	5,208,120.00	
D65EX	BP-2-2902	999.00	3,950.00	3,946,050.00	2,174.00	2,171,826.00	1,774,224.00	
PC-200	BP-4-0335	6,591.01	1,800.00	11,863,825.00	1,752.00	11,547,456.33	316,368.67	
PC-120	BP-2-3552	2,285.51	1,800.00	4,113,925.00	1,356.00	3,099,156.83	1,014,768.17	
Payloader	BP-2-2901	56.00	12500/day	87,500.00	1,455.00	81,480.00	6,020.00	
<b>2008</b>							<b>18,421,388.83</b>	
TD15E/I	BP-4-0331	3,022.62	3,950.00	11,939,350.00	2,174.00	6,571,176.43	5,368,173.57	2009 rates applied for all
TD15E/II	BP-4-0332	3,364.41	3,950.00	13,289,400.00	2,174.00	7,314,216.61	5,975,183.39	
TD15E/I	BP-4-0333	3,010.96	3,950.00	11,893,300.00	2,174.00	6,545,831.44	5,347,468.56	
TD15E/II	BP-4-0334	2,558.34	3,950.00	10,105,425.00	2,174.00	5,561,821.25	4,543,603.75	
D65EX Komatsu	BP-2-2902	2,196.77	3,950.00	8,677,250.00	2,174.00	4,775,782.66	3,901,467.34	
TD20E/III	BP-1-0515	2,008.85	4,450.00	8,939,400.00	2,174.00	4,367,248.45	4,572,151.55	
PC-200	BP-4-0335	3,546.33	3,950.00	14,008,000.00	1,752.00	6,213,168.61	7,794,831.39	
PC-120	BP-2-3552	618.03	3,950.00	2,441,225.00	1,356.00	838,050.91	1,603,174.09	
Payloader	BP-2-2901	19.00	Nu 12500/day	237,500.00	1,455.00	27,645.00	209,855.00	
TD20/I	BP-1-0679	1,302.14	3,950.00	5,143,450.00	2,174.00	2,830,850.71	2,312,599.29	
<b>GRAND TOTAL</b>							<b>177,844,714.71</b>	

## Details of Quartzite, Limestone and Talc mines in the country

Sl. No.	Minerals	Name of Entity/Owner	Name of Mine	Total Minable Reserve* (million MT)	Area leased (Acrea)	Nature of Mine
1	Quartzite	Bhutan Ferro Alloys Ltd.	Pakchina Quartzite mine	18.50	74.23	Captive
			Tintale Quartzite Mine	0.89	11.27	Captive
2	Quartzite	Ugyen Ferro Alloys Ltd	Noonpani Quartzite Mine	3.49	30.15	Captive
3	Quartzite	Druk Wang Alloys Ltd	Tinpawa Quartzite Mine	0.89	36.20	Captive
4	Quartzite	Bhutan Ferro Industries Ltd.	Jomokha Quartzite Mine	1.00	36.32	Captive
5	Quartzite	Druk Mining Ltd	Omchina Quartzite Mine	3.00	123.43	Lease mine
6	Quartzite	Jigme Dolomite Crushing Unit	Lampathay Quartzite Mine	0.15	9.71	Lease mine
7	Quartzite	Bhutan Minerals Pvt. Ltd.	Dappar Quartzite Mine	0.50	19.87	Lease mine
8	Quartzite	Druk Norbu Kuenphen	Kungkha Quartzite Mine	3.73	7.34	Lease mine
9	Colour Quartzite	Druk Ugyen Export House	Khaneukhola Quartzite Mine	0.40	18.83	Lease mine
10	Quartzite	Yangtsho Export	Shimamo Quarzite Mine	0.84	18.14	Lease mine
<b>TOTAL</b>				<b>33.39</b>	<b>385.49</b>	
1	Limestone	Bhutan Carbide and Chemicals Ltd.	Haurikhola Limestone Mine	0.21	23.47	Captive
			Rongri Limestone Mine	FMFS N/A	220.45	Captive
2	Limestone	Dungsum Cement Corporation Ltd.	Marung Ri Limestone Mine	38.79	377.52	Captive
			Kangrezi Limestone Mine	9.48	298.57	Captive
3	Limestone/ Marble	Gaden Yega Choling, Paro	Siluna Marble Mine	0.68	25.65	Lease Mine
4	Limestone	Kuenphen Norden Mining Company	Khariphu Limestone Mine	2.24	58.81	Lease Mine
5	Limestone	Lhaki Cement Pvt. Ltd.	Baunikhola Limestone Mine	4.72	310.11	Captive
			Titi Limestone Mines	0.80	82.68	Captive
6	Limestone/Marble	Nortak Mines and Minerals Pvt. Ltd	Gidaphug Top Marble Mine	0.53	24.17	Lease Mine
7	Limestone	Penden Cement Authority Ltd, Gomtu	Uttare Limestone Mine`	1.80	101.56	Captive
			Penden Limestone Mine	2.40	329.09	Captive
8	Limestone	RSA pvt. Ltd.	Gidaphug Marble Mine	0.04	67.21	Lease Mine
9	Limestone	Yangzom Cement Industry	Chilauneydara limestone Deposit	0.94	9.91	Captive
<b>TOTAL</b>				<b>62.64</b>	<b>1929.20</b>	
1	Talc	M/s Damchen Private Limited	Sadu Madu Talc Mine	0.01	17.73	Active Mine
2	Talc	Tsherim Mineral Export Company	Kharipakha Talc Mine (Durapani)	0.03	36.56	Closed
3	Talc	Nob Mineral Export	Soilaykhola Talc Mine	NA	4.08	Closed
4	Talc	Dochu Export House	Upper Sukreti Talc Mine	0.00	12.13	Closed
5	Talc	Dochu Export House	Sukrity Talc Mine / Phase 8 Talc	0.00	5.88	Closed
6	Talc	Druk Wongden Export	Sukreti Talc Mine	0.01	14.45	Closed
7	Talc	Tsholing Mineral Export	Alaypakha Talc Mine	NA	7.09	ACC Suspended
8	Talc	Puenzhi Export House. Pema Seldon	Mowater Talc Mine	0.00	18.77	Closed
9	Talc	Phuntsho Deylam Export	Haldurey Kholza Talc Mine	NA	6.62	Closed
10	Talc	Rinzin Export	Kusumtar Talc mine	0.00	6.94	ACC Suspended

## Details of Quartzite, Limestone and Talc mines in the country

11	Talc	Lam Mining	Lower Saureni Talc Mine	NA	23.05	ACC Suspended
12	Talc	Pema Khandu Export	Bhawanidara Talc Mine	NA	16.92	ACC Suspended
13	Talc	Chukha Export	Pistu Talc Mine	0.00	11.12	Closed
14	Talc	Choling Export Pema Khandu	Buduney Talc Mine	0.00	7.29	ACC Suspended
15	Talc	Lhamo Export	Thumkey Talc Mine	0.00	10.62	Closed
16	Talc	Phuntsho Doter Yangphel Tshongley Chirtshong Company	Dipujora Talc Mine	0.00	3.75	Closed
17	Talc	Jigme Talc, Sonam Dorji Tobgay	Simanadara Talc	0.01	9.09	Closed
18	Talc	Phuntsho Wangdi. C/o Nob Export House. Chuzang Mine	Lamitar Talc Mine	0.01	6.92	Closed
19	Talc	Eastern T.P Mines / Tashi Phuntsho	Lower Kharipakha Talc Mine	0.05	11.68	Closed
20	Talc	M/s Damchen Private Limited	Serina Talc Mine	0.02	13.59	Active Mines
<b>TOTAL</b>				<b>0.15</b>	<b>244.26</b>	

\* Note: Total Minable Reserve were compiled as per the Final Mine Feasibility Study (FMFS)

## Details of quarries in the country

Sl. No.	Company/Promoter	Name of mine	Form of entity	Dzongkhag	Lease		Area (in acre)	Deposit (in mil. MT)
					From	To		
1	Mr. Tshering Tobgay, Tshering Construction Company	Gathrak Stone Quarry	sole	Bumthang	11-Oct-06	10-Oct-16	30.34	0.330
2	U. W Environmental & Forestry Institute	Lamegompa Stone Quarry	Govt. Agency	Bumthang	01-Dec-07	30-Nov-17	12.55	
3	Kunzang Rinchen Dorji	Damchulum Stone Quarry	Sole	Chhukha	01-May-11	30-Apr-18	9.34	0.080
4	Mr. Phub Dorji	Paga Ketolungpa Stone Quarry	Sole	Chhukha	25-Jul-11	17-Jul-21	8.15	1.586
5	Mr. Sonam Tobgay, Thimphu	Chinathang Stone Quarry	Sole	Dagana	01/04/10	31-Mar-20	28.91	0.640
6	DHPC	Gomlachhu Stone Quarry	Corporate	Dagana	01-Apr-10	31-Mar-14	19.64	1.000
7	Department of Roads (MoWHS)	Kilikhar Stone Quarry	Corporate	Mongar	25-Aug-05	24-Aug-15	14.48	0.490
8	NRDCL, Thimphu	Tsangkhara Stone Quarry	Corporate	Mongar	01-Apr-13	31-Mar-23	45.53	2.390
9	Wangchuk Duppa Stone Private Limited	Wangchuk Duppa Stone Quarry	Private	Pemagatshel	01-Oct-10	30-Sep-20	8.8	0.210
10	Mr. Tshering Wangdi	Gashari Bali Stone Quarry	Sole	Pemagatshel	01-Apr-12	31-Mar-22	8.9	1.056
11	Natural Resources Development Corporation Limited	Ngangsing Stone Quarry	Corporate	Pemagatshel	01-Jan-13	31-Dec-22	30.76	1.460
12	Dawa Dhotshang	Pachulum Stone Quarry	Private	Paro	07-Jan-11	31-Dec-14	9.04	0.450
13	Tshetrim Phuntsho	Thongtimo Stone Quarry	Sole	Paro	01-Sep-12	14-Apr-15	15.72	1.080
14	Gup Tshering Wangchen	Lamjolo Stone Quarry (West Block)	Sole	Paro	16-Aug-06	15-Aug-16	5.04	0.123
15	Mr. Jamphel Norbu	Langukha Stone Quarry	Sole	Paro	15-Dec-10	31-May-14	12.11	0.499
16	Mr. Tshering Wangdi,	Thongtimo Stone Quarry	Sole	Paro	29-Dec-08	14-Apr-15	15.72	1.080
17	Mrs. Zangmo, Zangmo Export	Tshongkha Stone Quarry	Sole	Paro	01-Jul-09	30-Jun-19	7.31	0.320
18	Mr. Gem Tshering and Mr. Penjor, Dawakha	Lomekha Stone Quarry	Sole	Paro	01-Apr-10	31-Mar-20	13.96	0.308
19	Namgay, Tshongkha, Dogar	Lomekha-West Stone Quarry	Sole	Paro	01-Oct-12	30-Sep-22	5	0.168
20	Mr. Pema Dorji	Ghardara Stone Quarry	Sole	Samtse	06-Aug-10	31-Aug-20	10.43	0.760
21	Mrs. Tshering Gyem	Haurikhola Stone Quarry	Sole	Samtse	22-Oct-10	21-Oct-20	59.06	6.980
22	Bhutan Stones and Minerals Company	Pugli Stone Quarry	Private	Samtse	01-Jul-12	31-Jun-17	31.63	0.500
23	Mr. Ugyen Tshering, Ugyen Cement Agency Ltd.	Muga Dovan Stone Quarry	Sole	Sarpang	05-Jun-08	04-Jun-18	8.65	0.576
24	Tenzing Thinley and Sonam Pelzom	Gidaphug Stone Quarry	Sole	Thimphu	07-Jun-07	31-Mar-14	13.76	0.850
25	Bhutan Stone and Aggregate Factory	Dojim and Geerza Stone Quarry	Private	Thimphu	01-Aug-07	31-Jul-27	98.89	10.400



## Details of quarries in the country

26	East-West Construction Company	Kibuloomchu Stone Quarry	Private	Thimphu	01-Oct-09	30-Sep-14	24.98	1.000
27	Singye Group Of Companies Pvt. Ltd.	Bjemina Stone Qaurry	Private	Thimphu	01-Aug-10	31-Mar-16	66.22	6.690
28	Kunley Wangchuk	Upper Gida Stone Quarry	Sole	Thimphu	21-Nov-11	20-Nov-21	25.38	18.120
29	NRDCL	Chimithangka Stone Quarry	Corporate	Thimphu	01-Jul-12	30-Jun-22	57.1	0.815
30	Mrs. Thinley Wangmo	Chheya Stone Quarry	Sole	Trashigang	01-Jan-12	31-Dec-21	11.37	0.500
31	Mangdechhu Hydroelectric Project Authority	Braksha Stone Quarry	Corporate	Trongsa	01-Apr-13	31-Mar-18	10.9	0.240
32	Mangdechhu Hydroelectric Project Authority	Gortshum Stone Quarry	Corporate	Trongsa	01-Oct-13	30-Sep-19	17.12	0.550
33	Mr. Pasang Tamang	Kuchikhola Stone Quarry	Sole	Tsirang	01-Jun-10	20-Sep-14	7.26	0.302
34	Wakleytar Taksha Mining Private Limited	Wakletar Stone Quarry	Private	Tsirang	01-Oct-09	31-Sep-19	21.3	0.126
35	Sigay Dorji	Jungomlo Stone Quarry	Sole	Wangduephodrang	05-Jan-06	04-Jan-16	10.06	0.220
36	Mr. Kinley Nidup	Wangchena Stone Quarry	Sole	Wangduephodrang	01-Jun-07	31-May-17	6.2	0.400
37	Mrs.Kuenzang Choden	Tshodremithang Stone Quarry	Sole	Wangduephodrang	24-Nov-11	04-Nov-17	19.42	0.192
38	Mr. Wangchuk Gyaltsen and Mr. Wangdi Gyaltsen	Gewachhu Stone Quarry	Sole	Wangduephodrang	06-Jul-09	31-Mar-18	38.2	0.560
39	Dasho Kinley Wangdi	Tabchikha Stone Quarry	Sole	Wangduephodrang	01-Oct-08	30-Sep-18	8.9	0.400
40	Ex Lyonpo Sangay Nidup	Taksha Stone Quarry	Sole	Wangduephodrang	01-Jan-10	31-Dec-19	71.16	16.220
41	Tashi Norbu	Khenpajichung Stone Quarry	Sole	Wangduephodrang	23-Nov-10	22-Nov-20	12.03	0.590
42	Wakleytar Taksha Mining Private Limited	Taksha Tsilli Stone Quarry	Private	Wangduephodrang	09-Mar-11	08-Mar-21	88.61	11.110
43	Hindustan Construction Company, PHPA-I	Zhaowakha-I Stone Quarry	Corporate	Wangduephodrang	19-Jul-11	18-Jul-15	21.9	0.875
44	Larsen & Toubro, PHPA-I	Nyrechhu Stone Quarry	Corporate	Wangduephodrang	01-Jan-13	31-Dec-16	57.69	4.980
45	NRDCL, Thimphu	Petakarp Stone Quarry	Corporate	Wangduephodrang	01-Jul-13	30-Jun-23	12.6	0.077
46	Trulku Sonam Rinchen	Gebakha Stone Quarry	Sole	Wangduephodrang	01-Oct-13	30-Sep-23	15.02	1.400
47	Natural Resources Development Corporation Limited	Homdhar Stone Quarry	Corporate	Zhemgang	18-Nov-11	17-Nov-21	66.37	1.490
48	CDCL, Thimphu	Phoseng Stone Quarry	Corporate	Zhemgang	01-Oct-12	30-Sep-22	15.02	0.638
<b>TOTAL</b>							<b>1,208.53</b>	<b>100.83</b>

Sl. No.	Business Name	TPN	Tax contribution (in Nu.)				
			2008	2009	2010	2011	2012
1	Chhoglay Crusher (Damchulam Quarry)	100-864-85/PG02				Loss	Loss
2	Tshering Stone Quarry	250-144-51			Loss	791,214.53	Loss
3	Chinathang Stone Quarry	100-798-63			Loss	Loss	
4	Tshongkha Stone Quarry	350-146-48		Loss	5342	74,276.71	44159.89
5	Lomekha Stone Quarry	102-144-6x			Loss	20171.8	Loss
6	Langukha Stone Quarry	350-256-27		23,163.00	26,450.00	Loss	Loss
7	Taksha Stone Quarry	100-358-69/TH03			Loss	103,389.92	117,280.99
8	Gewachu Stone Quarry & Supplies	152-104-11/TH04			Loss	Loss	Loss
9	Wangchina Stone Quarry	100-788-06/TH02	loss	Loss		39,634.05	
10	Lhani Chawa Stone Quarry	100-956-82/TH02		Loss			
11	Dalukha Stone Industries	101-396-85/TH02	45,385	Loss	Loss		
12	Bhutan Stone & Aggregates Factory	101-894-77/TH-01	loss	loss	loss	loss	loss
13	Wangchuk Duppa Stone Private Limited	300-489-78				loss	loss
14	T.N Quarry	100-883-30/TH03				31,316.58	36,238.97
15	Wakleytar Taksha Mining Private Limited	C10-020-42			Loss	Loss	8,443,441.93
16	Bhutan Stones and Minerals Company		loss	581,412.60	219,875.33	loss	loss
17	Ghardara Stone Quarry	152-782-1X/SM01				loss	loss
18	Haurikhola Stone Quarry	250-149-41/sm02				loss	loss
19	Gidaphug Stone Quarry	101-148-31/TH03			1,500.38		
20	Jungomlo Stone Quarry	101-239-01/TH01	not filed	not filed	271,066.91	1,742,780.12	834,332.98
21	K & K Sand & Boulder	400-059-48					17,218.80
Total			45,385.00	604575.6	524,234.62	2,802,783.71	9,492,673.56