

# DHI: A Corporate game changer

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One of the most important reforms carried out by His Majesty The King was the formation of the Druk Holding and Investments (DHI) in 2007 under a Royal Charter.

At the time of its formation DHI had total assets of around Nu 51 bn but today that has more than tripled to 154.64 billion in 2015. Profit after tax which was Nu 3.9 bn in 2008 increased three fold to Nu 9.39 bn in 2015.

The Director of the Corporate Performance Department, Dambar S. Kharka said that a lot of this improvement was due to better accountability, corporate governance, coordination and performance brought about by the formation of DHI.

He said even accounting for the entry of Tala project there has been considerable growth in all companies on their own merits.

He said one example of such growth is the Bank of Bhutan which in 2007 had a Nu 183 mn profit, did not have a very service friendly image and was called a 'sleeping giant.' He said all of this changed over the years with better corporate governance, performance and customer service and as a result BoB's profit in 2014 alone was Nu 865 mn. This achievement was made possible despite the entry of private banks. He said in terms of services and facilities BoB today is ahead of private banks.

Another example is the Bhutan Power Corporation (BPC) which in 2007 had profit of Nu 455 mn and by 2015 it had crossed Nu 1.3 bn. Dambar said this growth was despite

BPC fulfilling many social obligations and taking electricity to all parts of the country at subsidized rates.

DHI's main cash cow is the Druk Green Power Corporation (DGPC) and here too DHI has played an important role in its success.

Dambar said that the formation of DGPC under DHI allowed the consolidation of separate Hydropower projects like Chukha, Basochu and Kurichu pulling together their strengths and resources and optimizing them. He said that today DGPC is not only capable of doing Feasibility Studies but it is also ready to take up its own Hydro projects like Nikachu and others and also do the four joint venture projects with India.

He said DGPC can now repair its own runners and equipments it earlier had to send outside Bhutan and is increasingly improving its capacity. Dambar said an important role for DGPC is to also prepare people and the systems to take over upcoming mega projects like Punatsangchu I and II, Mangdechu and others. He said such takeovers are not simple and requires trained manpower and resources which DGPC can provide.

Citing a smaller success story Dambar said that the Construction Development Corporation Limited which was a loss making company when it joined DHI recently has broken even and achieved a lot. He said the company has been taking up major construction works like bridges which other contractors cannot and that too with a 100 percent Bhutanese workforce. He said that the CDCL is also being geared towards Hydro construction and will be doing the Head Race Tunnel in the

Kholongchu project.

Dambar said that prior to DHI taking over these companies government revenue was sometimes high and sometimes low but after DHI took over the government has been able to forecast a steady growth in revenue making it much easier for the government to plan its budget.

A particular challenge that DHI had while taking over companies was many of them came with government department oriented mindsets with their managers being civil servants sent on deputation from the line ministry. The board would consist of some senior bureaucrats in the line ministry and the minister would usually be the Chairman of the board. In essence these state owned corporations had many bosses from the minister of the line ministry to the Finance Ministry and its board; however, nobody really was accountable for its performance.

The structure of the then companies also left it open to corruption and nepotism. The government mentality service also seeped down to mid-level and junior officials and as a result service suffered.

DHI came along changed all of that putting the senior management on short term contracts whose renewal depended on performance. Some managers did not see their contracts getting renewed while others resigned. Competent and qualified people, selected through a vigorous screening process were put in their places. DHI also set company, group and individual targets and the 15 percent allowance payment was based on performance.

DHI also carefully selected and

trained the board members and Chairpersons of these companies to ensure that they knew their roles and were accountable in what they did. The board is held accountable for its decisions and its meetings are even audited to check for performance. DHI also has important CEO and Chairman Forums to further train and help enhance their capabilities.

"We changed the system from people based management to system based management," said Dambar. He said that though DHI employees are eligible to an additional 15 percent allowance above the civil service pay it is paid only on the basis of individual and group performance and only those fulfilling both criteria get the full amount.

Dambar said that DHI does a lot of monitoring and it sends out people to the companies to also support and train them including setting up entire systems.

He said that one important aspect of DHI is that it has improved transparency and accountability of the companies due the systems it put in place. "Yes we may face some criticism as we let out all our information but that is much better than hiding things," Dambar said.

Dambar pointed out that another important achievement was to change the earlier 'bossy' attitude to a more service oriented system where the focus is on serving the customers.

He said that given the consolidated strength of DHI it was working on big projects like the Amochu land reclamation projects, hydro projects, State Mining Corporation and others.

Year		2007					2015			
Portfolio	#	Company	Revenue	PAT	Dividend	Tax	Revenue	PAT	Dividend	Tax
DHI-Owned Companies	1	DGPC	4,456.90	2,057.51	1,819.41	<b>897.57</b>	14,258.09	5,157.57	2,681.06	<b>2,244.98</b>
	2	BPC	1,225.30	455.62	100.00	<b>117.54</b>	9,769.65	1,380.74	702.08	<b>590.88</b>
	3	BTL	1,225.30	405.61	42.00	<b>178.74</b>	2,717.14	516.04	337.01	<b>232.65</b>
	4	Drukair	1,236.71	31.15	30.00	-	2,897.26	- 32.44	-	- <b>10.90</b>
	5	NRDCL	326.74	95.54	30.00	<b>43.31</b>	428.38	18.53	-	<b>8.67</b>
DHI-Controlled Companies	6	BoB	813.40	183.34	40.00	<b>72.41</b>	2,719.37	795.61	300.13	<b>340.95</b>
	7	STCBL	843.32	- 15.77	-	<b>3.13</b>	2,298.04	71.82	-	<b>30.85</b>
DHI-Linked Companies	8	BBPL	225.35	29.71	7.00	<b>14.33</b>	340.72	7.49	4.68	<b>3.12</b>
	9	BFAL	1,144.84	0.56	22.50	<b>1.01</b>	2,053.41	66.52	28.95	<b>29.58</b>
	10	PCAL	1,493.85	321.14	204.00	<b>142.54</b>	1,653.28	118.83	109.69	<b>54.91</b>
	11	RICBL	106.34	169.54	24.00	<b>45.57</b>	3,597.18	503.50	30.94	<b>220.45</b>
	12	BNBL	562.59	249.54	47.60	<b>112.60</b>	2,665.08	785.88	40.82	<b>500.74</b>
Total			<b>13,660.61</b>	<b>3,983.49</b>	<b>2,366.51</b>	<b>1,628.75</b>	<b>45,397.60</b>	<b>9,390.09</b>	<b>4,235.35</b>	<b>4,246.88</b>

New companies after 2007: CDCL, DCCL, SMCL, WCCL, DHI INFRA, TTPL, DPL & KIPL