



## We are switched on...

### Chairman's Letter

*Whilst all the signs are that we are poised for sustained growth, it will pay us well to remain a fully switched on enterprise.*

Dear Friends,

The great thing about entrepreneurship is that you get to embrace challenge and opportunity with equal relish. I often feel that opportunity is also a challenge - challenging one to make the best use of it. But perhaps I digress.

The degree of relish with which one meets challenge and opportunity is in direct proportion to how switched on one is.

Over 74 years of enterprise, Dimo has striven to build a business ethos which embodies every aspect of a switched on company and people. How successful we've been is to be seen in our performance as chronicled in the many publications of the Company. Over the years' efforts of the past generations of the Dimo family, our own Dimo Tribe, have built a business edifice that we are proud of.

A key attribute of switched on entities is that they learn to ride the rollercoaster-like vagaries of business, consistently staying on track, identifying the negatives, whilst prudently leveraging the positives. They accomplish this while always safeguarding the interests of the customer and progress of the employee alike.

Without condescension, I have to say that this is what the year in review has been about, for Dimo. In fact, this is what it's been about, throughout the history of Dimo.

As I predicted in my letter to you last year, 2012 truly tested our mettle. Our business emphasis remaining predominantly vested in the automobile industry presented us with many challenges. Key among them was the reversal to a high import duty regime on new vehicles beginning April 2012. This challenge was exacerbated by our inability to offer a luxury vehicle within the prescribed CIF limit of the permit regime. As a result, we did not benefit from the large number of luxury vehicles that were imported under this scheme.

All in all, the climate that prevailed in the year under review for our vehicles business was in sharp contrast to that of the preceding two years. The Government's decision to rationalise tariffs on imports, particularly those of passenger cars, at the time, saw a dramatic bounce back of new motor vehicle registrations. This together with the low interest rate regime that prevailed made motor vehicles affordable like never seen in recent times before.

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With this climate reversal, Dimo's Group revenue contracted by 30% to Rs. 27.7 bn from Rs. 39.9 bn in 2011/12 whilst Group Profit After Tax too reduced by 83% to Rs. 462 mn. If there's a silver lining, it is that we have done better than the 10 year compound annual growth rates (CAGR) recorded prior to 2010/11.

However, from the national perspective, development and growth is indicated in many areas - amongst them the infrastructure development, construction & technology and health & medical services sectors. The Group has significant interests in these areas and is geared to seize the opportunities that present themselves. Hence, Dimo remains highly optimistic of the future.

Succinctly put, the country is poised to grow and Dimo has an important role to play in this growth.

Among our core strategies, Dimo espouses the 'Employee First' approach. In an era which has enshrined a customer-first approach, this may seem a radical departure from the norm. Not so. Our premise is that a contented, motivated, empowered and rightly skilled workforce WILL place the customer first, ensuring that they deliver exemplary service and do justice to the premium products of our Principals. In so doing, Dimo will also serve its Principals well.

## Chairman's Letter

The growth of our customer and employee capital, together with other parameters of performance described throughout this report, serve as proof that this approach delivers the desired outcome. In this regard, a fact of which we are particularly proud is that Dimo has been ranked among the top 15 'Great Places to Work' in Sri Lanka, in a recent survey conducted.

Looking ahead, whilst our portfolio lies predominantly in the automobile sector, our non-auto sectors are developing apace which will see the growth of the Group for all the right reasons.

As always, Dimo grows a triple bottom line - which is to say that sustainability is integrated into our business strategy and effort. We account and will always account for value generation and addition across economic, social and environmental parameters. Dimo is a signatory to the UN Global Compact and continues to be guided by its precepts.

A word now about the fundamentals that govern Dimo.

Stewardship, trusteeship and accountability form the nucleus of the governance philosophy of Dimo and are embedded in our eight Strategic Imperatives. The Strategic Imperatives in turn provide the path to enterprise governance. In following this ethos, we deliver and derive stakeholder value with equal enthusiasm as detailed throughout this report.

I am happy to report that the Board has recommended that we reward our shareholders with a final dividend of Rs 10/- per share.

I am always grateful for the enduring loyalty and trust our customers place in us. Dimo greatly values these relationships and is committed to nurturing and developing them further for many years to come. I thank every member of the Dimo Tribe whose unreserved effort and commitment lies at the heart of our enterprise and achievements. Dimo honours for yet another year, our Principals whose faith and confidence in us we treasure. I am grateful for the significant guidance and counsel extended by my colleagues on the Board of Directors. Together, I believe we have charted a course of optimal success for the Group. My colleague, Mr. Gladwin Peiris retires from the Board at the forthcoming AGM, after a very long association with the Company. I thank him on behalf of you all, for his yeomen service and valued contribution to the affairs of Dimo.

I am looking forward to the year ahead. Whilst all the signs are that we are poised for sustained growth, it will pay us well to remain a fully switched on enterprise.

**A.R. Pandithage**

Chairman/Managing Director

Colombo

21st May 2013