

—○ Chief Executive Officer's Review

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My first full year as CEO was a challenging one. Yet it also vividly demonstrated the strength of the Dimo Group. The economic climate in Sri Lanka over the year in review proved unfavourable for our vehicles segment, as fiscal and tariff policies in force led to a decrease in vehicle imports and reducing market size. There was a decline in demand for construction machinery too.

Our other business segments performed well. Nevertheless, as our portfolio is heavily weighted towards the automobile industry, downturn in the fortunes of the vehicles segment proved to be the single greatest contributor to a corresponding downturn in turnover and profit.

Group turnover for the year in review was Rs. 27.7 bn, down 30% when compared to Rs. 39.9 bn achieved the previous year. However, turnover in the after sales area of the vehicles segment and the electro mechanical, biomedical engineering and marine solutions segment grew by 31.6% and 34.2% respectively.

The Group's gross profit margin reduced from 18.2% to 15.2% for the year in review.

Overall though, Dimo kept to strategy - we could look back on 2012/13 as a year of consolidation, during which we continued to invest in capacity development and property, plant and equipment.

We focussed much attention on enhancing capabilities and capacities of our staff - particularly the management team, to help drive business plans and objectives more aggressively.

In terms of infrastructure, work was completed on our auto workshop in Trincomalee, whilst work is ongoing on our proposed workshop in Jaffna and the new Mercedes Benz Centre. The latter is going to be a state of the art service centre for Mercedes Benz vehicles and has been designed with technical assistance from our principal Daimler AG. It will be one of the most modern and well-appointed facilities to be found anywhere in the world and certainly a trendsetter here in Sri Lanka. It is due to commence operations later in 2013.

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We have plans to also increase the capacity of our workshop in Matara.

Looking to the future, we will continue to widen our footprint and service to customers, by increasing our network of customer contact points and increasing the after sales facilities we offer.

We see substantial potential, both in the short and long term, for our Agri equipment business, which will remain an area of special focus. Whilst Dimo's pre-eminent focus remains firmly in the auto industry, the consistent growth witnessed in our electro mechanical, biomedical engineering and marine solutions business segment will figure largely in the continuing refinement of our portfolio mix.

It is good to note that our constant efforts to refine processes and nurture and enhance our intellectual capital are paying dividends. Dimo is a regular recipient of awards and accolades - among many received during the year in review were - The Best Sustainability Report - (awards from both The Institute of Chartered Accountants of Sri Lanka and Association of Chartered Certified Accountants), one of the Top Ten Best Corporate Citizens awarded by the Ceylon Chamber of Commerce and one of the Top Ten companies for Best Practices in HR - Awarded by the HR Professional's Association



[Complete list of awards received during the year](#)

I am confident that Dimo has the correct strategies in place for the coming years. The capacity building and investment that have distinguished our enterprise this year will hold us in good stead for the opportunities to come in the future.

A.G. Pandithage
Director/Chief Executive Officer

Colombo
21st May 2013