

# ECONOMIC PERFORMANCE

## Management Approach

Through its enterprise, Dimo seeks to enhance the economic well-being of all its stakeholders, that includes the society in general.

There is no gainsaying the need for a healthy bottom line from the Company’s viewpoint, yet we are concerned with a contribution of much greater scope and width which is to be found in the well-being and advancement of society at large and the contribution to country’s economy.

Empowering the wider community, which we can undertake precisely because of our own financial well-being, is an integral part of the Company’s process of value generation.

This value generation embraces both monetary and non-monetary aspects.

In this segment of the Report, we review the economic impact our enterprise has, on investors, suppliers, customers, employees and the Nation/Government.

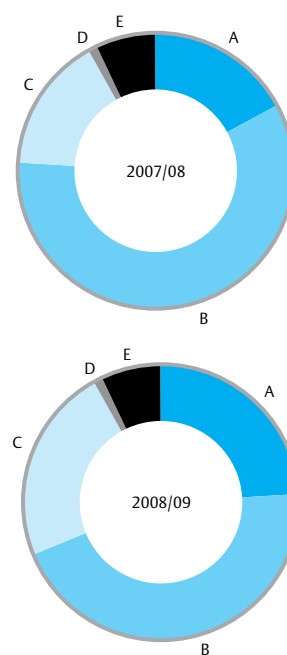
## Economic Performance

The ‘Statement of Value Added’ is the main tool that the Company uses to monitor its economic performance. It is supported by the use of other indices and information.

This statement indicates the value added to the economy by the Company and the value distribution to stakeholders.

The total value created for the financial year was Rs. 2.5 bn (as against Rs. 3.2 bn the previous year) which was distributed among Government, Employees, Lenders and Shareholders in the manner set out in the Statement of Value Added. Rs. 621 mn or 24% of the value created was shared with employees in comparison with the Rs. 573 Mn or 18% the previous year.

## Consolidated Value Added (%)



	2008/09	2007/08
A Employees	24%	17%
B Government	44%	58%
C Lenders	23%	16%
D Shareholders	1%	1%
E Retained in Business	7%	7%

## Statement of Value Added

	%	Consolidated 2008/09 Rs. '000	%	Consolidated 2007/08 Rs. '000	%	Company 2008/09 Rs. '000	%	Company 2007/08 Rs. '000
<b>Value Added</b>								
Gross turnover		9,274,103		12,687,289		8,666,943		12,169,146
Other Income		68,023		37,900		68,654		35,804
Less: Cost of Materials and Services brought in		(6,759,265)		(9,444,389)		(6,361,897)		(9,080,891)
		2,582,861		3,280,800		2,373,700		3,124,059
<b>Value Shared With</b>								
Employees	24	621,868	17	573,208	23	543,087	16	512,136
Government	44	1,143,422	58	1,906,343	46	1,103,234	60	1,882,218
Lenders	24	599,902	17	517,823	24	547,027	15	463,926
Shareholders	1	30,250	1	48,400	1	30,250	2	48,400
Retained in Business	7	187,419	7	235,026	6	150,102	7	217,379
Depreciation Set Aside	4	97,975	2	84,383	4	88,981	2	77,160
Profit Retained	3	89,444	5	150,643	2	61,121	5	140,219
	100	2,582,861	100	3,280,800	100	2,373,700	100	3,124,059

**Investors**

Earnings per share dropped from Rs. 16.95 to Rs. 9.36, this due to reasons set out in the Financial Review on page 48.

The value that accrues to a shareholder is a combination of the dividends per share and the appreciation/depreciation of the share over the medium to long term.

Shareholders' funds stood at Rs. 1,833 mn compared to Rs. 1,515 mn as at the end of the previous financial year.

**Economic Value Added (EVA)**

Economic Value Added (EVA) is a performance measure developed by Stern Stewart & Co. Ltd. that attempts to measure the true economic profit produced by a Company. It is frequently also referred to as 'economic profit' and provides a measurement of a company's economic success (or failure) over a period of time.

		2008/09 Rs. '000	2007/08 Rs. '000
<b>Total Capital Supplied</b>			
Shareholders' Fund		2,004,845	1,657,151
Long-term interest bearing loans and borrowings		898,867	730,702
		<b>2,903,712</b>	2,387,853
<b>Earnings</b>			
Profit After Tax		89,444	205,093
Add : Interest on long-term borrowings		124,182	67,915
Adjusted earnings		213,626	273,008
Weighted Average Cost of Capital		16.90%	16.54%
Economic charge		490,727	394,951
Economic Value Added		<b>(277,101)</b>	(121,943)
	Source	2008/09	2007/08
Average Risk Free Rate (AVG Treasury Bill Rate)	Central Bank	18.45%	17.81%
Beta Factor - DIMO	CSE	0.32	0.17
Risk premium	Assumed	2%	2%
All Share Price Index (ASPI)	CSE	1,638.06	2,550.5
Average Weighted Prime Lending Rate (AWPLR)	Central Bank	18.50%	17.95%
Rate of Income Tax	Applicable Rate	35%	35%
Cost of Equity (Based on CAPM)	Computed	19.09%	18.15%
Cost of Debt (After Tax)	Computed	12.03%	11.67%

**Employees**

The Company strictly adheres to all statutory requirements with regard to employee remuneration and has a performance-based reward structure.

Salaries are usually adjusted to reflect employee performance. The performance based incentive payment is linked to a pre-determined scheme. Staff costs increased from Rs. 573.2 mn to Rs. 621.8 mn reflecting both an upward movement in remuneration.

Dimo's salary regime provides for levels of pay that enables the Group to attract and retain talent.

Staff are also entitled to a comprehensive medical insurance cover and further medical facilities.

Dimo's present recruitment practice for senior management positions within the Company allows for first preference from the internal employee cadre, based on their potential, past performance and experience.

Under the Payment of Gratuity Act No. 12 of 1983, the Company has a defined benefit plan for all employees. Under the provisions of this Act, an employee whose period of service exceeds 5 years is entitled to receive a gratuity of half the monthly salary for every year served.

The liability payable is included on page 133 under Financial Statements Note 24.

**Customers**

The Dimo ethos provides for a complete solution for every customer. It is a 360° model we employ, that looks beyond basic product and after-sales offers to customers.

A sale made begins a relationship with the customer that we seek to grow to longevity. Throughout the period of post-sale. The Company continues to provide a high level of after care.

Dimo's highly trained staff provides excellent technical support which adds value to the investment made in the products.

**Improving Our Customer Service**

Over the year, Dimo took a critical look at ways and means of enhancing the customer service experience it offers.

We recognised that, apart from actual problem solving we needed to enhance visibility and presence in more areas across the country. We needed to ensure that Dimo's goods and services, and as many of our top brands as was relevant, were available and visible, in more areas than before.

Thus we opened new showrooms for the TATA product line in Kandy, as well as display points in Yakkala and Puttalam.

We also widened our dealer network in respect of Mahindra & Mahindra Tractors, Class Harvesters, TATA Parts and Services.

**DIMO "Fleet Owners Clubs" for Loyalty Customers**

Another opportunity to enhance our customer service is to be found in the 'Fleet Owners' Club'.

This Club was established with the intention of providing more value-added services for loyal customers. Membership is offered at different levels, based upon a system of loyalty points.

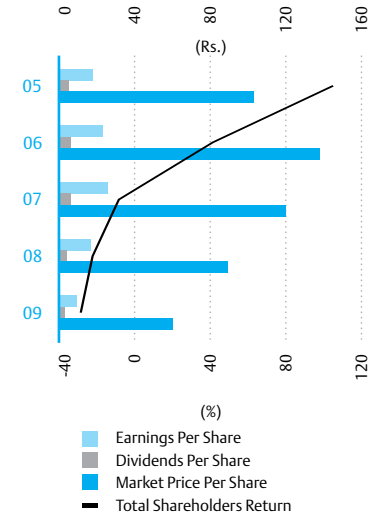
The number of loyalty points earned by a customer makes him/her eligible for one of four membership levels - Platinum, Gold, Silver or Bronze.

Based on these levels, a member will receive special discounts on repair or service jobs (discount applicable on labour and parts, but excluding repairs on vehicles involved in accidents). Special discounts are also extended on any purchases of genuine TATA spares parts, purchased from a Dimo Product.

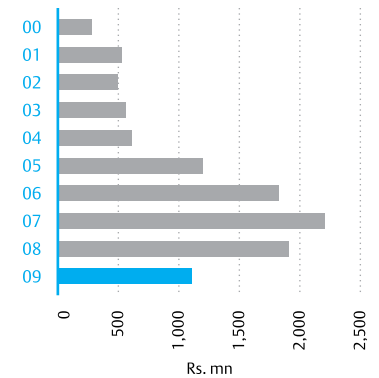
**SMS based Product Verification system**

An important aspect of good customer service is the reinforcement and reassurance at every point of our chain of interaction with the customer, that he/she 'Buys Genuine' when they purchase from Dimo.

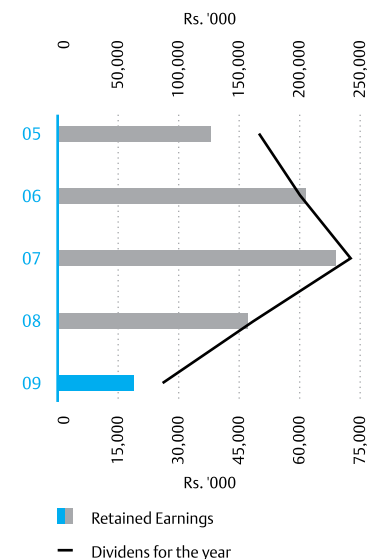
**Total Shareholder Return**



**Group Revenue to Government**



**Retained Earnings vs Dividend Distributed**



To minimize the impact of duplicate fuel injection products penetrating the local market, the Bosch Automotive Department has introduced a novel sticker with SMS verification facility.

All fuel injection components of Mico (Now Bosch), Zexel and Bosch will be affixed with a Holographic security sticker containing a hidden PIN number.

The customer only requires to uncover the hidden PIN number and send an SMS with this number to our contact telephone number 4656, which operates on both Dialog and Tigo networks. An immediate verification will be sent to the customer indicating whether the product is genuine or otherwise.

**Suppliers**

Our suppliers consist of Principals and other local suppliers

The Company’s aim is to build long lasting and sustainable relationships with our Principals whilst fostering even stronger affiliations with Principals who share our philosophy of sustainability.

Our Principals underpin the Dimo brand.

That we are able to offer world class products of real value, which in turn add value to the lives of consumers, is only possible because of the help and support of our Principals.

The Dimo ethic ensures that all contractual obligations with our Principals are honoured, to the letter.

We also invest substantially, financially and by way of human resources to add value to the world class product offers we make.

The economic value transferred to our Principals is shown in the Statement of Value added as ‘cost of goods and services bought’. The Statement appears on page 62 of this Report.

**Government**

The Company meets all its obligations to the Government of Sri Lanka as prescribed by law.

During the financial year under review, the Company paid out Rs. 1,143 mn by way of taxes and other levies. For purposes of comparison, the amount paid out last year was Rs. 1,906 mn.

This represents a total value added of 44% of total value added compared to 58% during the previous year.

The main reason for this decrease in taxes paid was due to the reduction in vehicle imports during the year.

The Company did not receive any financial assistance from the Government during the period under review.

**Indirect Economic Impact**

We wish to highlight a project which Dimo has channelled resources to, which benefits both the community and Company and strengthens infrastructure of the University of Peradeniya to provide such an opportunity to the public.

Dimo made a new investment in an Innovation & Research Centre in collaboration with the University of Peradeniya ( Faculty of Engineering)

The Research based knowledge that the new Centre will generate is to be shared between the Faculty of Engineering and Dimo.

The process involves carrying out joint undergraduate/postgraduate research projects, to exchange technical knowledge and to act as research partners.

In line with the above objectives, the DIMO Centre for Innovative Research has been established inside University of Peradeniya. This will facilitate the creation of the best engineering based knowledge.