

STRATEGY AND *resource allocation*

The corporate strategy of DIMO pivots predominantly around three main pillars, namely, Diversification, Differentiation, and Collaboration.

Figure 4: Corporate strategy framework

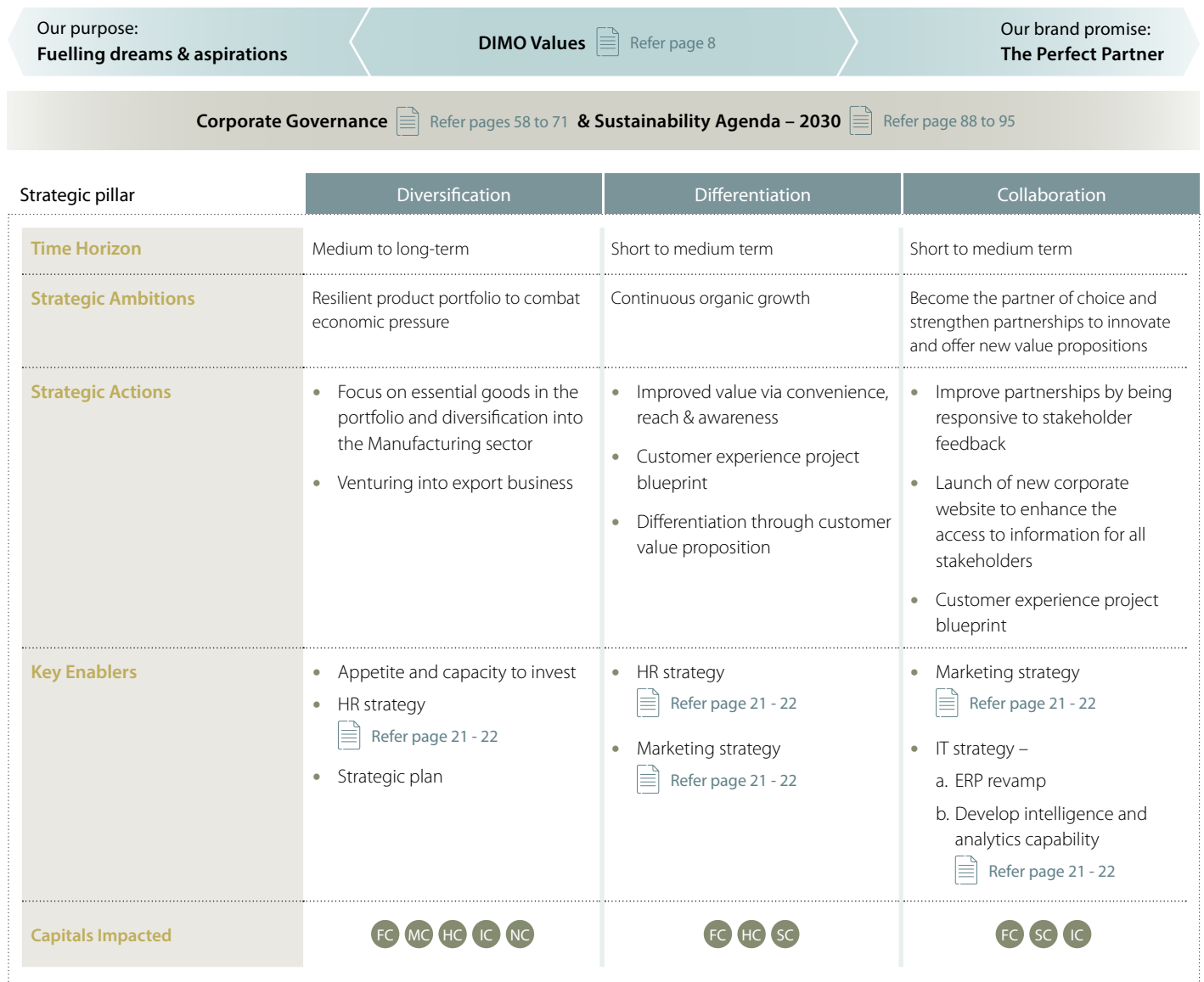





Table 1: Strategic actions explained

Strategic ambition	Strategic action	Strategy execution & capitals employed	Key challenges faced, our approach & its outcome
Resilient product portfolio to combat economic pressure	Focus on essential goods in the portfolio	Acquisition of Mansel (Ceylon) (Pvt) Ltd and Associated Laboratories (Pvt) Ltd in September 2022. Both companies are in the Pharmaceutical industry. (Total investment Rs. 225 million), Total staff is 55 and 32 respectively as at 31st March 2023.	Renegotiated banking facilities in order to obtain more attractive terms and tariffs despite economic conditions that prevailed.
	Diversification in to the Manufacturing sector and Venturing into export business	Acquisition of Virgin Oil International (Pvt) Ltd - a manufacturing base, which was rebranded as VOILA in August 2022 (Total investment Rs. 40 million), Total number of employees is 7 as at 31st March 2023.	Raising finances for new acquisitions during a period where banks had a liquidity shortfall. DIMO's resolve and commitment towards diversification made the acquisition possible.
		First ever export business invested by DIMO is Tropical Health Food (Pvt) Ltd (Total investment Rs. 450 million), 50 employees as at 31st March 2023. The venture is located in the Kurunegala District.	This company has been in operation for over 25 years and was mature in the processes and business partner relationships. Tough negotiations were needed to secure terms expected by DIMO.
Continuous organic growth	Differentiation through consumer value proposition	Offered more value for money to customers as measures to minimize the inflationary impact largely in the aftersales & retail segments.	In a situation where margins were under severe pressure due to subdued demand and the pressure to increase margins to cover increased overheads, the company was able to come up with value propositions that had the ability to win in the market.
	Improved value via convenience, reach & awareness	Expansion of distribution network for B2C markets. Total new dealers appointed under Agri and auto-motive parts businesses during the year was 193.	Q1 was the toughest period due to restricted economic activities and due to the fuel shortages. The Company managed to maintain customer interactions via virtual platforms during this period.
		Education and engagement with B2B customers through exhibitions, forums and congresses in Sri Lanka as well as overseas.	During a time where travel was restricted due to fuel shortages and also due to Covid-19, it was challenging to secure physical interactions with customers.

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Strategic ambition	Strategic action	Strategy execution & capitals employed	Key challenges faced, our approach & its outcome
	Customer experience implementation as a differentiation strategy	The long-term objective of the project is to induce the customers to purchase and develop loyalty. Successfully concluded the blueprint stage of the project. Total investment Rs. 70 million	Raising awareness and changing mindsets internally from Customer Relationship Management to customer experience was the main challenge, where a roadmap for a seamless transition was established with the engagement of Group HR function.
Become the partner of choice and strengthen partnerships	Improve partnerships by being responsive to stakeholder feedback	Investment of Rs. 6 million in a corporate brand health study in order to identify the stakeholder perceptions about DIMO with the intention of immediately responding to negative as well as positive remarks. The project comprises of three phases Phase 01  Finalisation of research framework and methodology Phase 02  Qualitative information gathering Phase 03  Quantitative information gathering	The diversified arms of DIMO and our presence in multiple sectors made it challenging to finalise phase 01 of the project, which consumed more hours of work than expected. Furthermore, the limited availability of our high-profile interviewees, such as doctors and engineers posed a challenge to the completion of phase 01 of the project on time.
	Launch of new corporate website to enhance access to information for all stakeholders	With the increasing emphasis, engagement and connectivity across digital platforms, we revamped our online presence by developing a state-of-the-art, user friendly, 100% responsive website for DIMO Group with a number of added features for the betterment of all stakeholders including potential employees, customers, community. The site was launched in March 2023 with a total investment of Rs. 4 million	Developing a site that was modern, compatible with the latest platforms and devices, user friendly and one that represents DIMO values with the right technology was a key challenge which was addressed via substantial research and study.
	Customer experience project blueprint implementation as a collaboration strategy	The blueprints ensured enhanced partnerships with customers as well as collaboration internally in working towards a common goal	As discussed earlier in this table



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A look into the future...

- Focus on geographical expansion in order to improve revenue and enhance foreign currency earnings.
- Reconsider the strategy of related diversification in favour of unrelated diversification in order to seek opportunities for more value addition by DIMO in industries that hold greater potential.
- Investment in Enterprise Resource Planning (ERP) is expected to deliver scalability and cost reductions.

Our HR, Marketing and IT strategy are indispensable in the journey towards succeeding in what we do. These are the key strategic enablers of DIMO, which strengthens the corporate strategy.

Key strategic enablers at a glance










DIMO's HR strategy, Marketing strategy, IT strategy & Sustainability Agenda 2030 also play a steadfast role supporting the corporate strategy.

Refer pages from 88 to 95 to read more on Sustainability Agenda 2030.

Table 02: Key strategic enablers

	HR Strategy	Marketing Strategy	IT Strategy
Corporate Objective	To achieve organisational growth in line with corporate plans and enhance competitiveness through people in the short, medium and long-term	To deliver our brand promise to our customers and achieve a sustainable competitive advantage across our diversified businesses to facilitate the achievement of short, medium and long-term targets	To optimise business processes and structures to cater to rapidly changing business environments by digitalizing front and back office functionality in the short, medium and long-term
Strategy 2022/23	<ul style="list-style-type: none"> a) Re-imagine organisational design b) Change management to embrace digital transformation c) Focused training arm on customer experience establishment 	<ul style="list-style-type: none"> a) Established a centralized team to work on the two corporate strategy pillars of differentiation and collaboration across the group, striving for strategic synergies 	<ul style="list-style-type: none"> a) Group-wide business process re-modelling and introduction of modern digital solutions b) Centrally driven analytics team structure and systems to support group-wide decision support and information needs c) Increase corporate loyalty and value through enhanced customer experience

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	HR Strategy	Marketing Strategy	IT Strategy
Challenges faced and our approach in 2022/23	<ul style="list-style-type: none"> Getting employees physically to workplace in Q1 - In response, hybrid work model that was initiated during the previous years was continued Brain drain - Special focus on the second layer employees while enhancing the employer brand Increase in cost of living - Designed attractive compensation packages 	<ul style="list-style-type: none"> Due to the unfavourable economic circumstances driven by inflation during the year, there were notable changes in consumer behaviour. In the second-half, with scaled-up marketing efforts, new value propositions were offered to customers in an affordable manner 	<ul style="list-style-type: none"> Difficulties in internal and external collaborations, especially during the pandemic were addressed by rolling out digital infrastructure for staff to work from anywhere while enabling cloud-based critical business systems and 'Risk-based' security mechanism for enhanced user experience and security controls
Opportunities capitalized in 2022/23	<ul style="list-style-type: none"> The travel restrictions brought about by fuel shortages threatened the group's operations. In response, shared travel and work-from-home enabled the company to create savings in terms of fuel costs, electricity costs and other costs related to running an office These times were used for virtual training, knowledge sharing and ERP development 	<ul style="list-style-type: none"> To ensure customer connection throughout the island's energy deficit, we enhanced online engagement with customers through digital channels including DIMO retail web store, thereby familiarizing customers with digital interactions, which increased digital savviness of both customers and employees Additionally, segment-specific solutions were developed to encourage revenue generation, such as providing the mobility sector with better lease and insurance conditions through specified financial partners 	<ul style="list-style-type: none"> Digitalization and automation including introduction of RPA (Robotic Process Automations), Digital signatures, Digital document management systems established to enable remote working for the staff Data centre was upgraded to 'Tier 4' level
Capital trade-offs	Increase in   Decrease in 	Increase in   Decrease in  	Increase in  Decrease in 
Outlook	2023/24 will be another challenging year due to continuous professional migration and relatively high staff costs. DIMO continues to look at reimagining the organisational structures and designs while unlearning and relearning new ways of working with the new ICT infrastructure	Predominant focus on the medium term would be to execute the customer experience project and offer better experiences for customers	Automation wherever possible would be of high emphasis to gain a strategic competitive advantage Looking forward to collecting structured as well as unstructured data to use Data Science and Artificial Intelligence to support business

Basis for resource allocation

The matrix below illustrates the basis of capital allocation for each strategy. The basis demonstrates the criticality of each capital for each strategic aspiration.


 Please refer to pages 42 and 56 of the Capital Report to get more information about how each capital is managed to ensure its availability, affordability and quality for each strategic pillar.

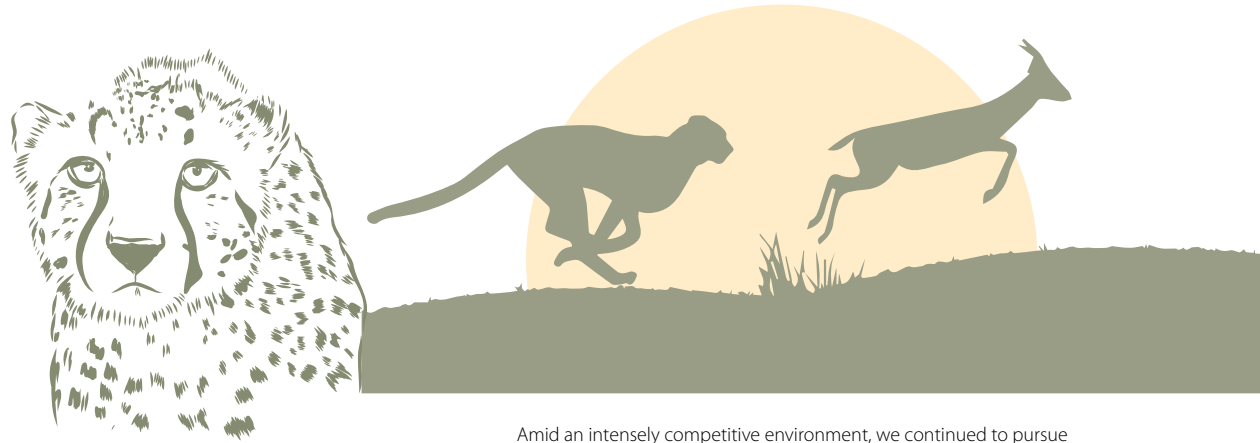
Table 03: Basis for resource allocation

Capital	Diversification	Differentiation	Collaboration
Financial	●	●	●
Manufactured	●	●	●
Human	●	●	●
Social & Relationship	●	●	●
Intellectual	●	●	●
Natural	●	●	●

● High dependency ● Moderate dependency ● Less dependency

Capital trade-off

The table of value creation activities contained in each Business Report (page 30 - 41) specifies the value creation activities applicable to each business segment and the capital trade-off that takes place with each relevant value creation activity. The purpose of this analysis is to identify areas that should be efficiently managed in order to maximize value creation or to minimize value erosion during each capital trade-off.



Amid an intensely competitive environment, we continued to pursue our goals with purposeful determination.