

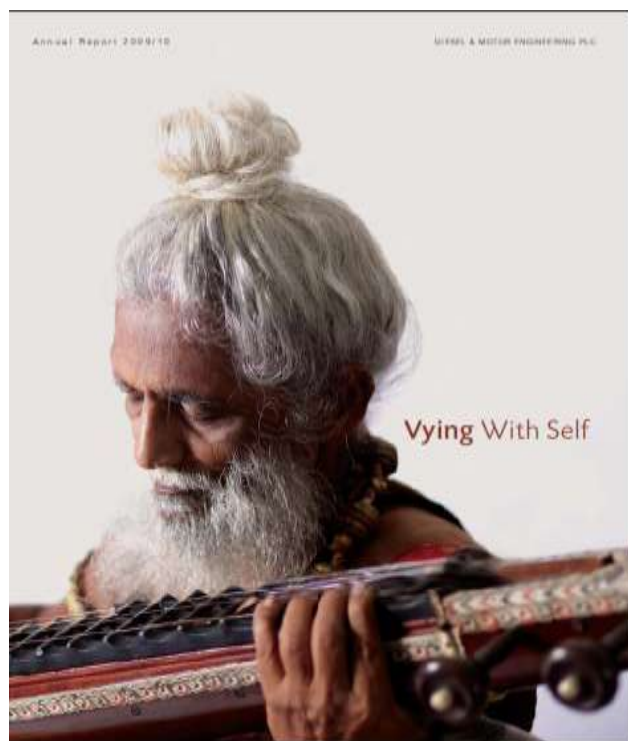
# Report of the Month

ReportWatch e.com

August 2010

## DIMO

Colombo, Sri Lanka



## Report Facts

**Company name:** DIESEL & MOTOR ENGINEERING PLC.

**Fiscal year end:** March 31, 2010

**Report title:** *Vying With Self.*

**Chairman and Chief Executive Officer:**

A.R. Pandithage

**Number of books:** 1

**Report length:** 190 pages

**Auditors:** KPMG Ford, Rhodes, Thornton & Co

**Design and production:** Smart Media

**Website:** [www.dimolanka.com](http://www.dimolanka.com)

## Report Rating: ★★★(★)

(Rating scale below)

## Profile-Mission

*Our pioneering drive throughout 70 years of enterprise has built a unique Sri Lankan brand, one that today represents over 50 of the world's best known brands. Business segments are: Vehicles; Vehicle Parts and Services; Lighting and Power Tools; Construction, Agricultural and Material Handling Machinery; Electro-Mechanical and Bio Medical Engineering.*

(Excerpts, as from the report. Italics are own company's words)

## Key Figures

**Turnover:** (Rs '000) 10,530,587

**Profit (continuing):** (Rs '000) 278,253

**Net profit:** (Rs '000) 248,297

**Net earnings per share:** (Rs) 28.53

**Dividends per share:** (Rs) 7.00

**Return on equity:** 11.30%

**Debt/equity:** 89.35%

**Current ratio:** (times) 1.28

**Price/earnings:** (times) 14.89

(Source: figures sourced from the annual report)

## Report Rating: ★★★(★) Triple A

- > A superbly shot cover that conveys a strong message, which builds up a theme and makes up the thread inside.
- > Detailed table of contents, index, glossary, note about the country where the company is headquartered.
- > Highly readable book, using modern typography.
- > Outstanding use of charts -many giving the long-term perspective- and diagrams.

## Double A

- > Informative review of segment business performance..
- > Though a bit too short, the *Financial Review* is clearly structured, very intelligible, and effectively backed with charts (many medium-term) and highlights (see Selected Page). It is also reinforced by a section on *Economic Performance – A Vital Aspect of Sustainable Value Creation*, which include two statements of value and economic value added.
- > Transparency and good degree of disclosure of governance policies and practices.
- > Substantial *Sustainability Report*, not lacking in measures.
- > Ten-year summary includes a batch of ratios.

## Simple A

- > Share information is OK and charted, but could be more accessible and more elaborate (e.g. on ratios).
- > Risk management is put in clear terms, not least through the use of diagrams, yet lacks sufficient details, as such and in the economic, business and geographic context.

## B Sides ?

- > Such a diversified group should show an earlier and clearer profile, as well as a rsnapshot of segments and their contribution.
- > Almost 200 pages long.

### Rating Scale

★★★★★: First-rate ★★★(★): Excellent ★★★: Very good ★★(★): Sound ★★: Average  
★(★): Uneven ★★: Common ★(★): Substandard ★: Poor (★): Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel's judgment. It may therefore differ from ratings (to be) published in the *Annual Report on Annual Reports*.

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e.com-ReportWatch does not provide comments other than the ones published in Reports of the Month.

How does the company report in key areas? What are the main report pluses and minuses? The **Report Scan** gives an overview of strengths and weaknesses, and scores each item. Contact [e.com@reportwatch.net](mailto:e.com@reportwatch.net)

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**Return on Equity (ROE)**

ROE increased to 11.30% from a ratio of 4.46% in the previous year. Improvement in the Net Profit Margin contributed significantly to the improved ROE.

**Dividends**

A Final dividend of Rs. 3.00 per share for the year 2008/09 (First and final dividend of Rs. 4.00 - 2007/08) and an interim dividend of Rs. 3.00 per share for the year 2009/10 (no interim dividend in 2008/09) was paid during the year. The gross dividend paid during the year amounted to Rs. 52,214 m (Rs. 26,107 m - 2008/09).

The Directors have approved a final dividend of Rs. 4.00 per share (first & final dividend of Rs. 3.00 per share in 2008/09) for the year ended 31st March 2010. The dividend cover was 3.11 times (2.34 times in 2008/09).

The company has access to necessary funds to finance the payment of the final dividend.

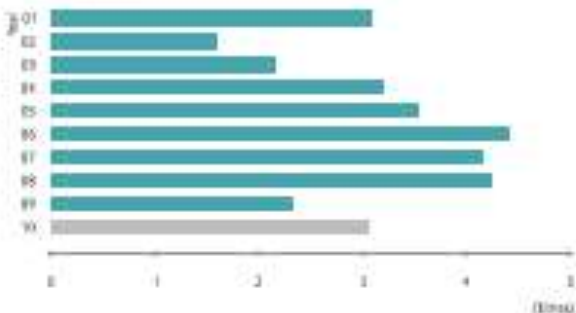
**Solvency**

Section 56 of the Companies Act No. 7 of 2007, requires that a solvency test be carried out prior to the payment of dividends. In order to satisfy this requirement, the Company Auditors certified that the Company meets the requisite solvency levels for payment of dividends.

Following is the computation of solvency for the Company as at the year end.

	2009/10 Rs. m	2008/09 Rs. m
Non-Current Assets	2,107	2,173
Current Assets	3,092	2,800
<b>Total Assets</b>	<b>5,199</b>	<b>4,973</b>
Current Liabilities	2,545	2,317
Non-Current Liabilities	683	821
<b>Total Liabilities</b>	<b>3,228</b>	<b>3,139</b>
Assets less Liabilities	1,971	1,834
Stated Capital	182	182
	<b>1,789</b>	<b>1,652</b>

**Dividend Cover**



**Return on Equity**

