Dhammika Perera: Awakening The Giants



His business acumen is spot on. He is quick to identify an opportunity regardless of the economic environment. His strength is numbers where any company that fits his business model would soon be molded into success. Dhammika Perera is a prominent figure in the Sri Lankan business landscape. Unknown to many He is the wielding hand behind a plethora of companies in the country. Many of his acquisitions are successes and his reach has spread across sectors. Since 1999 He has awakened the sleeping giants of corporate Sri Lanka. He is proving that the impossible is possible!

By Udeshi Amarasinghe | Photography Menaka Aravinda and Mahesh Bandara

Can you tell us how you have become who you are today?

It was through hard work not necessarily physical work but mentally where I was able to analyse and develop successful business models. From the beginning I worked only according to a mathematical structure or model. Through that I know the quickest and best path to take and as such make decisions quickly. At that moment I am 100% sure that my decisions are correct. When I input the required data into the business model and if it fits then I know that the decision is correct. Therefore it is not difficult to move from one place to another. It doesn't take me long to decide whether a business is good or bad and the decision is made within a short period of time. I will go as far as I can. From my childhood I have been very interested in electronics and electrical items. I entered the Katubedda University but later decided to leave and pursue my business interests. It is from that passion that I began my first business. From the money I earned from that I began a machine manufacturing business where we sold and rented as well. I started this business in 1987 and the factory was behind my ancestral home in Payagala, Kalutara. Till 1991 this is what I did. The business consisted of two models, one was manufacturing and selling, the other was manufacturing and renting, both brought in money.

Tito Electronics was your first step what can you tell us about this?

At the same time that I was manufacturing I had a shop where we repaired electronic circuit boards that was called Tito Electronics in Colpetty. It is from there that all the other business models were developed. Then I went on to car sales in 1991 and shipping. At that time, when you look at where you can invest money and get the best returns those were the best areas. In 1992-93 we ventured into gaming as well. We started casinos. The ownership was ours but the management was a different company. My working strategy is owning the business not operations, not running the business. I must stress this point that my interest lies only in owning the business not running it. I will rectify any problems in the management but once it is running smoothly I will undertake only the ownership. The professionals will run the business. When you take my business models only professionals can run the business. If there are any shortcomings in those who manage the business then we will step in and rectify it.

PABC was your first acquisition, what was the thinking behind this?

At the time I acquired Pan Asia Bank it was a loss making financial institution. Even though it was a bank it was loss making. But we were able to bring it up to a profit making company.

After the purchase of Pan Asia Bank, I met Nimal Perera. He is the person who does all my acquisitions. We make the decision and he takes the acquisition to completion.

At the time you took over Pan Asia Bank, the entire financial sector in the country was not in a good state. Why did you decide to take such a decision at that time?

When I look at the company through my mathematical models I can clearly see that the company can make profits within a 6-12 month period. It is my own model. Therefore when I input the required data into the model it will show that I can make profits from the company. Therefore however much the company is making a loss if the asset is there it is not an issue for me. In any model there is a business and there is an asset therefore it is not a difficult thing for me to make it a success.

When you look at Pan Asia Bank today, do you think it is a success?

I can say that I am really happy at the progress they have made from the day it was acquired. The steps they have taken are immense. They have built up a significant branch network, developed their capital and are making substantial profit. I am extremely pleased with their achievements.

That Is Why I Initially Put Rs 300,000 And For Three Years Watched And Learned How This System Works. At That Time I Did Not Have An Idea About How The Stock Market Worked As This Did Not Fit Into Any Of My Mathematical Models.

Why did you acquire NDB?

I tried to acquire NDB Bank for two reasons; CTC Eagle was owned by the bank and then through NDB I wanted to acquire Sampath Bank. It is for these two reasons that I went into NDB. But when I got there I realised that I would not be able to buy Sampath Bank through NDB. The people who were within were not too keen on doing that and as a matter of fact they were not interested in CTC Eagle as well. Their thinking was that it should be given out. As these two components were not

there I sold my stake of NDB and came out.

There was much resentment in the market of you purchasing shares of NDB. How did you overcome these challenges?

I was briefed about the bank as I was leaving Ward Place but by the time I had reached Colpetty I had made the decision to buy the bank. That is because during the preceding telephone conversations I asked about 15 questions and I received the right answer for all 15, then I was able to decide that I was going to make the investment.

There was much resentment within the business circles. At the time I was going to take over NDB, banks that had approved to provide me the facility stopped their offer. At that time it was only Seylan Bank and Commercial Bank that supported me. This is how I was able to become a major shareholder.

You entered the CSE in 1996 with Rs 300,000 what can you tell us about this?

I was asked to invest 50 million rupees by Bartleet. That is the amount required to handle my portfolio. At that time I was able to give 50 million but I wasn't comfortable doing so because what I wanted to do was to build the bank interest. That is why I initially put Rs 300,000 and for three years watched and learned how this system works. At that time I did not have an idea about how the stock market worked as this did not fit into any of my mathematical models. During that time I became well versed in how the stock market works and I purchased stocks from the entire stock market, about 100-200 at once and analysed whether the stocks could be sold or not and I was able to gain that knowledge. That is why even today I have no hesitation with working with the stock market and have been there for more than ten years.

However, I must stress that I do not trade but I only acquire companies and this has been so for the last six years.

At the time you bought over Royal Ceramics, the perception was that there were no prospects in the industry sector. Why did you purchase Royal Ceramics at that time, what was the thinking behind this move?

I had made the decision to take over Royal Ceramics in 1992, at that time the

company was loss making. I went to see this factory in 1992, but as the person I was supposed to meet was not there I returned to Colombo from Eheliyagoda. Therefore I knew the situation of the company very well. In 2000 when I took over the company it was making 40 million rupees in profits. However the company had gone on strike and the factory was in disrepair and had essentially collapsed, therefore I decided to enter into the industry sector. When we purchased the company they were manufacturing only porcelain tiles. After that we purchased the ceramic factory in Horana – Interbatch Porcelain – which was owned by Carsons however as they were running at a loss it had been acquired by Bank of Ceylon, we in turn purchased the company from them. We converted the ceramic tile factory.We turned a failure into a success. Thereafter we built the bathware factory totally from scratch which now manufactures bathroom fittings. ROCELL now manufactures porcelain, ceramics and bathware.

We can say that you always enter a market when the sector is at a low, you identify the potential. Would it be correct to call you forward thinking?

The markets can be good or bad, however regardless of the prevalent environment I see opportunities at all times. During difficult times when companies have collapsed I am able to identify the potential and build them up again. Even during good times like today, I am able to identify opportunities and know that it can be developed further. Whether the markets are good or bad is not an issue for me. The economic situation of the country does not affect my decisions. There are opportunities at all times. It is the asset that I acquire.

You are involved in the power and energy sector. Not many people are engaged in power but you saw it as the right move to make why?

Yes I am engaged in hydro and wind power generation. I entered into the power sector even before I took over Pan Asia Bank. We entered into this sector in 1998. After the Kyoto Protocol was signed we learned that there were opportunities in green energy. At that time we established new projects in this field. My first project was in Poranuwa Village in Kahawatte, it was 10 MW project and it was a four kilometre channel. The channel was big enough for a lorry to pass through. We have built a bridge over the river after a distance of two kilometres. The bridge is 130m and is at a height of 27m. This aqua duct is possibly the only bridge in Sri Lanka that can carry such a large weight.

Some of our calculations were wrong as we considered Balangoda as a forest area, it was according to that that we calculated the amount of water. But after we built it we realised that there was no forests but only tea estates therefore the water doesnt flow as easily to the river. From that we realised that the expected energy capacity could not be produced. It is at that moment we decided to sell the plant. Although we exited from Kahawatte, we continue to invest in power and energy generation.

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You are also involved in wind power generation – Balangoda Wind Power. Can you tell us how you entered in this sector? what about the technologies used?

Yes, when we focussed our attention towards wind power we initially started small with about 165 KW plant in Balangoda. It is still functioning now. Then we went on to construct a 10 MW plant through Hayleys. For the Balangoda plant we brought the technology from Denmark. The manufacturing of small wind power mill is not done in the world anymore therefore we have purchased the wind power technology that is available and the patent rights are totally ours. We are looking into manufacturing the wind power mill in Sri Lanka itself.

If we move on to LB Finance. How was the company before you acquired it and what has it become today?

LB Finance is a good example. A company that was making three million rupees with deposits of about two billion rupees within seven years has been converted to a billion rupee company. The staff has expanded from 160 to about 1000. The deposit base has increased from two billion rupees to 20 billion rupees. Therefore every company when it was going through a difficult period I have taken them and developed them to what they are today. Currently in the finance sector, we control LB Finance, Valibel Finance and we are the major shareholders of Pan Asia Bank and Sampath Bank.

You also have a neon light manufacturing?

Yes, that was in 1995 and the company is still in operation and it is now running on funds generated by itself. I decided to start this business because at that time there were no manufacturers in Sri Lanka who produced quality neon lights. What happened was that I had given a neon light board to be manufactured but the end product was not of the required standard. Therefore I decided to start my own factory so that I could get the quality I needed.

If you can explain how you have converted these loss making companies to profit making companies?

In every company we have employed professionals as the senior management of the company. We give them the proper guidance and direction and if they work according to that the company will be a success. The success of the company cannot be attributed to me alone. The C hairman and the Managing Director; the Top Management are the key to the success of the companies.

You control 20 listed companies and these same companies pay 5% of the total corporate income tax of Sri Lanka. What can you tell us about this?

If we can increase our contribution to the country that means from the corporates we earn the most as well. If we can increase the tax that we pay to about 10% of the total corporate income tax of Sri Lanka that would mean that our companies are the highest earning companies in the country. Our goal is to bring this up to 10%.

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Beverly Street was established with the aim of developing a department store chain in Sri Lanka. It is the first retail store to have 24 hour service. Why did you decide to venture into this area? It did not expand to a department store chain, why was that?

We started Beverly Street as a pilot project with the idea to expand to a department store chain. However then we realised that this type of business should be handled by individuals because designs, fabric quality, sizes needed to be decided then and there. It is a personalised business. It is not a business that can be controlled from an office. Furthermore the tax structure of the country when importing, needed to

be considered as the import duty was too high therefore we could not afford to import the goods. We bought everything from within the country. We realised that this could not be managed by a company. That is why we exited from that business.

Then you entered into the hospitality industry with the Amaya Group and Ruhunu Hotels. What was the thinking behind this? What can you tell us about the success of this venture? What would you do differently?

One thing that I realised sometime ago was that in a country where a terrorist group was operating everything depended on the leader of that terrorist group. However I knew that once the leader of the group is destroyed then the entire group will collapse. Therefore I had a vision for when that day came to develop the hospitality industry. Sri Lanka has a revenue of about USD 300 million from tourism alone and that has to increase by five folds. At that time it was a good opportunity, Amaya Hotels were initially under the Connaissance Group. At that time the Group was in a very difficult situation as they could not repay their loans to the bank. We restructured the group and turned it around. We built a brand new hotel in the South – Fortress. Many asked me why I built such a hotel at that time. But my thinking was that the war would end before 2006. I did not think that it would go on for that long and I thought the conflict would end in 2006 itself. I made every investment into the tourism sector in the belief that the war would end soon.

What were the lessons learnt?

We built the Fortress with the management company Peraquam. We spent too much on certain things. If you look at a room, there are four areas in which a person would look for comfort; the size of the TV screen, the bed, bathroom and especially the shower cubicle. In a hotel these are the most important areas where people would feel the comfort, therefore spending on unnecessary comforts is a waste of money. The experience we have garnered from the 53 room hotel has given us a great edge. Fortress is making profits. Even though many people asked me why I made such a large investment and their perception was that the hotel was a failure I could personally afford to make that commitment and we had identified at that time that we wanted to venture into luxury property.

You are in the process of building the largest hotel with 440 rooms in Negombo. Can you elaborate on this project?

When we were planning for this hotel we initially thought to build 250 rooms.

During the feasibility study when we looked at the common space – that is the space that does not generate revenue – it was too high. That is the reason we increased the number of rooms. Therefore 60% of the hotel will be rooms and the remaining 40% will be common areas. If you look at Fortress there is 60% of non revenue making space and 40% of revenue generating areas. Therefore we have reversed that. Certain groups build hotels with around 550 rooms because of this reason. That is to reduce non revenue generating areas and increase revenue generating areas. The name of the new hotel is Summer Seasons. We are still at the design stage and it has not been finalised as yet. Once the space plans and approvals are obtained we will start on a suitable date. And when we start we will not stop until we have completed the hotel. We are presently in negotiations with the best hotel management chain in the world. We have agreed on many areas there is only about 10% to finalise.

Can you tell us about the story of Hayleys? How you acquired it and the timing? It is a closely held company but you are the only one who was able to come in?

We entered Hayleys during a year when the company was badly managed. There was no confidence in the people that the company would go forward. That is why even the small shareholders sold their shares. That is the reason we were able to purchase up to 30% of the shares. At the same time the Hayleys subsidiaries and ESOP owned 21% of the shares. Therefore we have 51% control of the company. I dont think anyone thought it would be possible to acquire 30% of the holding in a company such as Hayleys but that opportunity was created by the earlier management because they were not managing the company efficiently and effectively.

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What can you tell us about the performance of the Group – looking at the industries (Haycarb, DPL gloves manufacturing, Hayleys Fibre, Fabric Knitting, Plantations – Kelani Valley and Talawakelle)?

If you take activated carbon, the best in the world in terms of quality is Y17, which is manufactured by a Japanese company. We have now matched that carbon and

producing the same in Sri Lanka. That is the greatest achievement in activated carbon. Y17 is the number one activated carbon in terms of quality and we have matched that. We have to only start on sales and we are happy that we have been able to bring our product up to the number one level.

Hayleys has manufacturing plants overseas in Japan (fibre and green tea bottling manufacturing), Thailand (gloves and activated carbon manufacturing plants) and Indonesia (activated carbon manufacturing plant), England (fibre) and Italy (trading), not many people know about these. You essentially took over a sleeping company and turned into a success can you elaborate?

Hayleys was not showing interest in the companies abroad which were essentially operating as separate entities. Individually these companies were sleeping as well. Now we are putting these into the business models and seeing how they can be further developed. Therefore it will take about two to three years for Hayleys to completely fit into our models and rise to its potential.

If you look at the fibre company in Japan, 60% of the holding is owned by Hayleys and the remaining 40% by the Japanese partner. However, even they did not realise that Hayleys has the majority stake in the company. I gathered this from the way they spoke. For instance the son of the Japanese partner came to Sri Lanka, at that time there was USD three million in the account, I asked them to declare 60% dividend and bring the money to Sri Lanka. They questioned as to why this should be done because they were under the impression that the cash belonged to them. It was only after we explained to them that Hayleys has the 60% shareholding that we were able to declare dividends and bring the money back to Sri Lanka. There was no one to look into these holdings before we became the majority shareholder.

Then, the trading company in Italy as well, it was only after we took over Hayleys that they started talking about it. Even in that instance 60% is owned by Hayleys and the remaining 40% by the Italian partner. The foreign party sent us a letter asking for 11% so that they can have 51% and become the majority shareholder. The tone of the letter was that we had to give them the 11%. We replied and said that we are ready to take over even their 40% for the stipulated price. That is how we saved that company and kept it within Hayleys. This company has a turnover of a round 30 million euros (about five billion rupees) and a profit of around two to three million euros and employs 35 staff members. In Thailand we employ around 600 and in Indonesia approximately 200. In England we have a small fibre company,

which has been subcontracted. Then we have separate offices in England and Australia for marketing.

After we came Hayleys made five acquisitions; Talawalakelle, we were able to get complete control, then Hunnas Falls, they had only 47% and we purchased 4% to have a total of 51% of the holding. Then we bought the tea company Macbrooke and the Aluminium manufacturing plant Alumex and Ceylon Continental.

We are in the process of refurbishing the former Ceylon Continental Hotel and Hunnas Falls. At the Ceylon Continental Hotel, the car park area will be utilised to construct two separate towers; a residence tower and a hotel tower. Even with Hunnas Falls we are hoping to increase the capacity by about 80 rooms.

What was the thinking behind the acquisition of Alumex?

I'm very interested in the manufacturing business and Aluminium is part of that. When we did a study in Sri Lanka we realised that there was no quality Aluminium but two companies were already manufacturing Aluminium. We looked at the possibility of coming in as a third player and produce quality Aluminium. However we realised that the market was too small as such we decided to acquire one of the already existing companies. We acquired one company, up to 36% the price they were asking for the balance shares was too high. Then we acquired Alumex.

Are you thinking of expanding Hayleys further?

Yes in Indonesia we are looking at expansion and also in Russia.

The Thinking And The Business Model Was Developed By Me For 20 Years. I Have Completed Only A Portion Of It, During The Next Nine Years We Can See The Remainder Of The Plan Being Implemented.

Will you be taking full control of Hayleys?

Yes.

Vallibel One recently took over Delmege, what was the thinking behind this and what new plans have been made with regards to this company?

We took over Delmege mainly for its distribution network. It is the best arm to distribute some of the consumer durables manufactured in Sri Lanka. This is what

we can develop. We bought the company for its asset so now that we have the control we can take it to great heights.

Delmege and Hayleys are conglomerates in Sri Lanka. We can say that until you took over these companies they were sleeping giants. What does this say about our private sector?

It is very simple. If one or two people who hold the highest positions in the company are not proactive and dynamic on the job then the entire company will sleep. That is the difference. A company doesn't sleep because of its employees but because of those at the top. In most companies we saw that it was either the managing director or the chairman who was sleeping but we say that the entire company was sleeping. But once we went in we realised that the staff and the directors were all very active. The main thing is to identify who are being a hindrance to the growth of the company.

What about shipping?

Our shipping company owned three ships but with the onset of the global economic crisis the demand for bulk cargo went down. There was a time when the ships were just docked at the harbour. It was a loss for the company and we could not afford it. Therefore we sold the company.

You acquired companies from your own funds not from shareholders or anyone else. what are you thoughts on this?

I had to take bank loans, but yes it was done by me. If you look at it, companies have been purchased through other companies, but we have the overall ownership.

For example we were also involved in the paint industry – Colourbrite was purchased through Royal Ceramics. Sometimes we purchase a company through another company, therefore I personally do not require money to purchase a company. A good example is Alumex and the Ceylon Continental, which were purchased through Hayleys. Therefore I personally do not need to have money to purchasing a company but to make the decision and to see where it matches and then purchase it through the identified company is the art of it.

Valibel One Is Just The Beginning. …There Will Be Four Or Five Holding Companies. Acquisitions And Investments Will Be Done Through These

Companies.

Can we say that all this was achieved through your talent, skill and acumen?

Well, there were contribution from others. But I made the 20 year plan in 1999. Then, Dr Nadeem Ul Haque supported me in developing this plan. However, the thinking and the business model was developed by me for 20 years. I have completed only a portion of it, during the next nine years we can see the remainder of the plan being implemented.

In 1998, Dr Nadeem Ul Haque the then IMF resident representative in Sri Lanka was a key person that shaped your career. What can you tell us about this?

He invited me to a private meeting and he discussed my business model and how best to improve it. He sent me for a three day seminar to Germany where I was the sole participant and I was trained in how to develop a business from a small capital. He helped me greatly. He was the one who taught me as to why there should be such large businesses.

What about Sampath Bank?

Yes, we entered Sampath Bank and we became the major shareholder. Since then it is the Top Management who was able to bring up the bank to the number one position in the banking sector. When we takeover a company we always look at how to make that company the number one in Sri Lanka. That is our goal. If we are number one in Sri Lanka then we look at the companies in the world and see how we can come to that level.

Can you tell us about the establishment of Vallibel One, what was the thinking behind it?

We had the need for a holding company and I want to establish about four-five holding companies. Valibel One is just the beginning. I have selected the companies that are making more than a billion in profit and created the holding company – Valibel One. There are not many diversified conglomerates in Sri Lanka that is another reason why we wanted to form such holding companies. In another year or two once the other companies also start making more than a billion in profit I will

group them together and establish another holding company – Valibel Two. Therefore according to this model there will be four or five holding companies. Acquisitions and investments will be done through these companies.

Valibel One was one of the most successful IPOs and it commenced trading on the Colombo Stock Exchange, what was the thinking behind this and how was the response?

When we went into the stock market and issued the shares at a price of Rs 25 each, we gave the private placement for Rs 25 and the public for Rs 25 as well. There are three types of investors and to all three we gave the same price as such the investors in Sri Lanka are very happy. Some have already received 20% return in about three weeks. I feel that the shareholders will get a 100% return within a year.

My Strength Is My Ability To Use Mathematical Models And Structures To Evaluate Companies Therefore I Am Able To Evaluate Any Company In The World Within 20 Minutes.

You have entered into the garment sector through the acquisition of Orit. During when there is a slow down in the sector why did you decided to get into this area? What was the status of the company at the time of the take-over?

Industries move from country to country. If we look at the garment industry high end fashion does not suffer even if the per capita is USD 8,000-10,000 therefore this industry can survive. Our country is still with a per capita income of USD 2,700 therefore garment factories that are producing high end fashion still have the opportunity for another 20 years. With Sri Lanka’s economic growth the only type of garment industry that can be sustained is high end apparels. Low end apparels can be manufactured by any low income earning country and the industry is moving in that direction.

Therefore Sri Lanka also has the opportunity to produce high end fashion and I am sure others too will follow suit and invest in the industry. Orit consists of eight factories employing 6,000 staff. They export around USD 80 million and there is a profit of around USD three million. That is why I say that high end fashion has a future.

Entry into the education sector can also be seen. Why?

Yes, but we are still studying this area to see in what way and level we can enter this field. We hope that in the future once the Government has put in place its regulations we will see what opportunities are there and enter this field.

Currently through Sampath Bank we are studying the possiblity of providing loans to students interest free where they can repay the money once they qualify and secure employment.

What drives you to achieve success?

Numbers. My parents guidance. When we were little we were given an allowance for the entire month. Therefore we had to be very careful. That taught us the value of money. From grade three I received an allowance which taught me how to spend for what I need, not only me but my two younger borthers and sister.

I personally look into all the plans and information before making a decision. No decision is made without my approval. My strength is my ability to use mathematical models and structures to evaluate companies therefore I am able to evaluate any company in the world within 20 minutes. It is only once I have done my anaylsis that we go into detailed evaluations.

Do you have any political ambitions?

No I have no political ambitions but I wish to do the maximum I can as an official to develop the country under the leadership of His Excellency President Mahinda Rajapaksa.

You are also involved in many CSR projects. Not many people know about this. Can you elaborate?

Our CSR projects go directly to the community. We do not engage in social service for publicity or to fund officers of the project. I have seen around the world more than 50% goes to pay the staff of the respective projects. The entire staff works not for financial gains and the funds go directly to who it should go to – the community. We started the CSR projects in 1992 and we will continue to support those who need our assistance the most.

You are person who believes in auspicious times, how has this strengthened you?

I only believe in the Rahu Kalaya. I dont believe that much in Neketh but on any given day I will start a business during the good time of the day.

What can you tell us about your family and parents?

I am from Payagala in Kalutara. My father was a businessman and my mother was a teacher. I have two brothers and a sister. My paternal grandfather was the wealthiest person in the village. I was born in a private hospital by the name of Katukurunda Nursing Home as far back as 1967. At that time the bill was Rs 952, this is a time when a car was Rs 3,500. My family consists of my wife and three daughters.

What I Can Tell Everyone Is That If You Have A Life That Is Focussed And If You Are Committed Then Anyone Can Achieve Greatness. The Country Has Reached That Stage Where There Are Opportunities For Everyone.

What are your future plans?

We have made many plans for the future. We know that the Sri Lankan economy is moving in the positive direction. But in international business we have to look at the world economy and monitor but with the Sri Lankan economy we do not have to worry.

As I mentioned previously I am not a trader but an investor. Therefore I will continue to invest in new and innovative ventures as well as acquire existing companies and conglomerates.

What I can tell everyone is that if you have a life that is focussed and if you are committed then anyone can achieve greatness. The country has reached that stage where there are opportunities for everyone.









