

Drill bit company thinks big

Dimatec buys new machine to make precision parts faster

By: Murray McNeill



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At a time when many companies are slashing their capital spending, a local manufacturing firm has forked out more than a million dollars for new equipment that will cut its production time nearly in half.

Dimatec Inc., a Winnipeg firm that manufactures diamond drill bits and precision-machined parts for the oil-and-gas and mining sectors, laid off 35 of its 80 workers in December in anticipation of a dramatic dropoff in revenues because of a worldwide decline in exploration activity.

But instead of also slashing its spending, the company went ahead with the purchase of \$1.4 million worth of new equipment, operations manager Thomas Ritter said in an interview Monday.

The equipment will enable the company to cut its production times for precision-machined parts by up to a half and to reduce its prices. That should not only attract new customers and help the firm ride out the recession, but will position the company to take full advantage of new sales opportunities when exploration activity rebounds.

About \$1 million of the \$1.4 million was spent on a new state-of-the art machining centre that Ritter said will reduce the turnaround time for new precision-machined parts from six to 14 weeks down to three to four weeks.

He said that of the thousands of machining firms in Canada, fewer than 40 have the same type of high-tech equipment, and only 17 others have the same Japanese-made model it purchased.

"There is really no machine like this one between London, Ont. and Edmonton, Alta.," he added.

He said all of the new equipment, which also includes a \$250,000 lathe machine, a \$100,000 robotic metal-powder-coating machine, and a \$50,000 hydraulic system that holds a part firmly in place while it's being machined, should enable the company to boost its parts-machining revenues by about 50 per cent to \$9 million this year. Without it, it would have been lucky to match last year's sales.

That increase on the machining side will help to partially offset an anticipated 62 per cent reduction in drill-bit sales, which are expected to plummet to about \$6 million from \$16 million in fiscal 2008.

Ritter said the decline in demand for drill bits is worldwide, as weak oil and metals prices force companies to postpone most new exploration projects.

And it could be 2012 before sales are back to where they were before the global recession hit, he added.

He noted that prior to the downturn, Dimatec had been riding a wave of prosperity that saw its annual sales more than triple between 2002 and 2007. Although 2008 revenues have not been released, Ritter said they were in the same ballpark as 2007 -- about \$20 million. If the demand for drill bits does rebound by the summer, Ritter said the company will start recalling some of the laid-off workers.

"It would be nice to get back up to about 60 people by the end of the year."

He said the new machining centre, which arrived in March and went into production last week, is capable of doing both lathe machining and milling work at the same time.

He said a part that used to take nearly two hours to produce using three different machines can now be done on the one new machine in about 18 minutes.

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A bit of history

Here's a thumbnail sketch of Dimatec Inc.:

Founded: 1988

Original ownership: Launched when four senior managers purchased the diamond drill bit manufacturing division of Midwest Drilling, called Delro Industries, and renamed it Dimatec.

Current ownership: Only one of the four original founders remains -- company president and general manager Ivor Perry.

Core businesses: Manufacturing diamond drill bits for the mining, oil and gas, and geotechnical survey industries. The latter conducts soil testing at proposed construction sites for things like bridges, dams and piers.

Revenue growth: Yearly sales more than tripled between 2002 and 2007, climbing to \$19.9 million from \$6 million. 2008 revenues were similar to 2007.

Breakdown of revenues: Last year, drill-bit sales accounted for about 60 per cent of the company's revenues, and parts machining the other 40 per cent. This year that's been reversed, with parts machining accounting for 60 per cent of sales.