

A man in a blue suit and patterned shirt stands on a city street, smiling. The background shows a building and a blue trash can.

BUSINESS REPORT

Date: **19th April 2024**

Business Reference: **32929**

About the Business:

Major engineering company at a bargain price

A platform for growth

Major engineering company at a bargain price



Sector: **Manufacturing**

Asking Price:

R **60,000,000**

Monthly Profit:

R **334,524**

Asset Value:

R **77,937,543**

Stock Value:

R **0**

Yearly Net Profit :

R **4,014,288**



Business Report

Fully describe the business's activities?

The company provides a comprehensive manufacturing and reconditioning service for mining companies, steel producers, power generation companies, armaments, railways and transport. The client list includes blue chip companies operating in all the major industrial sectors. The business is located in a customised building in an industrial area of Ekurhuleni and is well serviced by road infrastructure.

How does the business operate on a daily basis?

Since 1968 the business has relied on delivering high levels of customer satisfaction and the resultant client recommendation to grow and attract new customers. No marketing beyond word of mouth has ever been undertaken and no sales personnel have ever been employed. The orientation of the owners is on engineering. As a result, as the owners have aged so the revenue has diminished to the point where the business "ticks over" at a level that meets the owners needs but does not utilise the assets to their potential.

What Advertising/Marketing is carried out?

Word of mouth

What competition exists?

Various large heavy engineering companies may be seen as competition but in reality there is little competition due to machine capacity.

How could the profitability of the business be improved?

Employ sales personnel to generate awareness and obtain RFQs
Utilize part of the facility as an institute for heavy engineering training
Increase the number of qualified artisans to service an increasing number of contracts

Give a breakdown of staff/ functions/ length of service?

Administration x 2;
Cleaner x 1;
Qualified horizontal boring mill turner x 1;

Do any have management potential?

Yes

How involved is the Owner in running the business?

100%

When does the current lease end?

No lease. The building has been customised to the needs of the business and contains equipment valued in excess of R100 million. The premises are owned by the business owners in a separate private company which will require a separate sales agreement.

What are the trading hours?

Monday to Thursday 7h00 to 16h00
Friday 7h00 to 13h30
40 hour week

What are the main assets of the business?

Plant and equipment - Schiess, Union Double Column, Union Single Column, Poreba Centre lathe;
Measuring equipment;
Small tools and consumables.
An independent valuation of the assets at R54.3 million is available to an approved prospective buyer.

Strengths?

Established reputation for engineering excellence amongst blue chip clients
High quality machinery in excellent working order

Weaknesses?

Revenue decline as owners aged leads to diminishing return on assets
No succession plan
Shortage of skilled craftsmen to operate heavy machinery

Opportunities?

Restructuring operation to meet current market needs will boost revenue;
Quality asset base will support brand and profit differentiation.

Threats?

Macro economic issues may dampen economic activity to detriment of capital intensive heavy engineering industries;
Cheaper imports may create substitute effect in industry

What is the reason for the sale?

The owners established the business over 50 years ago and wish to retire