



# BUSINESS REPORT

Date: **17th May 2024**

Business Reference: **35676**

About the Business:

## **Price reduced/Urgent sale - Automotive body parts supplier on East Rand**

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Key features of the business: 1 - Great potential as it has basically been run remotely and successfully with the owner being on a different continent for the last five years. 2 - The parts industry is a great industry with a lot of potential for expansion with the right-minded buyer. 3 - The business is well established and has a relatively good presence on social media. 4 - Customers come from all over Gauteng

. 5 - This business is not greatly reliant on electricity to function so load shedding doesn't really impact the business. The business owns the premises that it operates from. The owner would like to sell the premises as well. The building generates a monthly net income of R31 040. This is excluded from the asking selling price.

## Price reduced/Urgent sale - Automotive body parts supplier on East Rand



Sector: **Sales & Services**

Asking Price:

**R 350,000**

Monthly Profit:

**R 31,733**

Asset Value:

**R 125,000**

Stock Value:

**R 580,000**

Yearly Net Profit :

**R 380,792**



# Business Report

## Fully describe the business's activities?

The business specialize in used body spares for all makes of vehicles, new or old.

All parts are stripped and shelved for the customer's convenience. They carry a variety of stock such as bonnets, bumpers, boot lids, doors, fenders, tail gates, mirrors, rims, canopies and lights for all makes of vehicles, from an Alfa to a Volvo.

This is not a scrapyards, they only buy and sell loose second hand body parts and panels as appose to buying and stripping accident damaged vehicles.

They are conveniently located near the major highway routes on the East Rand.

## How does the business operate on a daily basis?

All stock is sourced from a list of regular suppliers. Parts are then cleaned, stripped, market and packed. Parts are also procured through people who come into the stores to sell unwanted parts.

The branch is run by a senior sales person.

Occasionally the business also source and supply new aftermarket body parts (pirate parts) when they cannot supply second hand parts from stock.

The owner has built up a very wide range of stock and his philosophy is "if we buy it, then no one else can".

## What Advertising/Marketing is carried out?

Marketing and advertising is done via:

- Facebook and Instagram.
- A strong presence through WhatsApp vehicle and parts groups.

## What competition exists?

The business mostly competes with scrapyards and spares shops selling new pirate parts. They probably have the widest selection and range of used body parts panels in Gauteng. It is commonly known in the industry that a used part is of a much higher quality than a pirate part and that it fits much better than a pirate part.

The Seller has two other branches and a salvage yard located in Guateng. The Seller is open to sell then entire group.

## How could the profitability of the business be improved?

Profitability can easily be improved by:

- 1 - Creating an online store with adequate shipping offerings;
- 2 - Offering a wider range of new replacement parts (pirate parts);
- 3 - Diversifying into engine parts;
- 4 - Owner presence (probably the biggest opportunity); and
- 5 - Insurance affiliations (insurance company now allows panel beaters to use used parts) .

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

The salesmen have been with the business since the store opened. Basic functions are:

- receiving, labeling and packing stock; and
- selling of stock.

## Do any have management potential?

Not really. This type of business needs owner input and involvement.

## How involved is the Owner in running the business?

The business is currently run without constant owner input as he has been out of the country since 2017. Current owner checks in daily and approves all payments and expenses.

## When does the current lease end?

The current lease agreement is a 3 year lease ending 30 June 2025.

The Seller owns the premises from where the business operate. The Seller would like to sell the premises for together with the business as package deal. The asking selling price for the building is R3.3m (not included in the asking selling price of the business). The premises has 2 other tenants.

Tenants are responsible for utilities, all tenants are individually metered and billed on a monthly basis.

This building generates a monthly net income of R31 040 and is therefore well priced at R3.3 million.

## What are the trading hours?

Mondays - Thursdays 8am – 5pm  
Fridays: 8am 3pm  
Saturdays: 8:30am – 12:30pm  
Sundays and public holidays: closed.

## What are the main assets of the business?

The main assets of the business is stock. Current stock holding is R927 470 as per the 31 August 2022 stock count. All stock is fully paid for, the business does not have any liabilities.

Other fixed assets include:

- Shelving estimated at R100 000.
- CCTV camera system estimated at R25 000.

## Strengths?

- 1 - Established reputable business on the East Rand.
- 2 - Good variety of suppliers for stock procurement.
- 3 - Knowledgeable staff with many years of experience in the industry.
- 4 - Load shedding does not really impact the business.
- 5 - Strong and growing demand for used spare parts.

## Weaknesses?

- 1 - Business has been running on auto pilot for the last 5 years with insufficient expanding and diversifying due to current owner being overseas.
- 2 - General economic conditions affects business profits in general.

## Opportunities?

- 1 - Implementing a stock management system will change this business like "night & day".
- 2 - Creating an online store with adequate shipping offerings.
- 3 - The business needs a owner present to take it to the next level.
- 4 - Expanding and diversifying on stock selection (engine parts, larger variety of new pirate parts).
- 5 - Strong focus on repairing certain parts (expensive headlights, doors, bonnets, bumpers).
- 6 - Attracting new suppliers.
- 7 - Insurance and panel beater affiliations (insurance company now allows panel beaters to use used parts).
- 8 - Extensive and growing stock holding.

## Threats?

- 1 - Lack of oversight by new owner.
- 2 - Reduced supplier list.
- 3 - Economic conditions and political instability in SA.

## What is the reason for the sale?

The owner relocated to another continent in 2017.