G P Automotive Limited

Background

This West Midlands based distributor of car parts had been trading for 20 years primarily supplying branded parts such as belting and brake discs to UK automotive buying groups. G P Automotive also distributed own label automotive products, under the Veco brand, acquired in 2005, to independent motor factors however branded products made up the majority of turnover.

Branded car part distribution delivers relatively low profitability as a result of the high cost base associated with storage and distribution. The company pursued sales growth funded by an invoice discounting facility in order to capitalise on volume rebates and simultaneously sought to improve profitability through the expansion of the more profitable Veco own label division. From 2004 to 2007, sales grew by nearly 40% to in excess of £9m p.a.

MCR reduced costs making 42 employees redundant but continued to trade the business for four weeks

MCR Involvement

In mid-2008, the largest branded goods supplier changed strategy in order to deliver direct to two large buying groups. At a stroke this change reduced G P Automotive turnover by over 20%. The consequent loss of contribution caused by the loss of two major customers and the reduction of working capital (as the invoice discounting facility was generating less funding due to the reduction in sales) represented a severe double blow to the business. Efforts by G P Automotive to salvage at least logistics partner status were eventually rejected and the business was unable to raise additional funding. The directors sought insolvency advice from MCR who considered the position to be irretrievable. Accordingly, David Whitehouse and Steve Muncaster were appointed Administrators on the 11th July.

MCR reduced costs making 42 employees redundant but continued to trade the business for four weeks, albeit at a reduced level, whilst seeking a buyer for the business as rapidly as possible in order to preserve goodwill, to minimise the risk of future losses and to avoid erosion of the customer base. MCR focused upon buyers interested in acquiring the business and assets as a going concern in order to best protect the creditors and remaining employees.

Outcome

Trading generated a modest surplus and the business and assets, including the parts stock, were sold on the 6th August for £116,000 to Universal Automotive who paid 50% of the price upfront with the remainder payable monthly by November. The purchaser retained the remaining employees, agreed to deal with any outstanding ROT claims and to assist with the collection of the sales ledger. The invoice discounting advance was fully recovered. A full distribution will be made to the secured and the preferential creditors and the business continues to trade preserving the remaining employees' jobs.

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Client Testimonial

"A well managed Administration in a difficult sector. We appreciate the speed at which MCR progressed the sale of the business in order to preserve as much value as possible and assisted in the full recovery of our invoice discounting exposure."

Divisional Head - ABL Lender

"We appreciate the speed at which MCR progressed the sale of the business in order to preserve as much value as possible"

FOR FURTHER ASSISTANCE, PLEASE CONTACT

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