

Cronite Scomark

Debt acquisition and restructuring of petrochemical manufacturing company

Background

Cronite Scomark was an established specialist engineering business serving the onshore and offshore petrochemical industries since 1973. The business comprised a pipe manufacturing plant in Sheffield and a welding and fabrication facility near Derby.

Although the company had a strong technical reputation in the industry, its recent financial performance had been poor and the French parent company was seeking to divest itself of the loss-making business. However, efforts to achieve a trade sale had proved unsuccessful and increased working capital pressure in the business in late 2011 significantly impacted the company's commercial position as key long term strategic clients suspended orders due to concerns over its ability to fulfil orders for critical oil production installations. The situation was exacerbated by production constraints forcing the pipe manufacturing plant's output below break-even.

Hilco's Role

Hilco acquired the equity and unsecured debt associated with the business and immediately provided an additional £500,000 working capital facility, together with specialist operational support.

The Hilco team rapidly implemented new control processes to improve both the financial integrity and management the company. Operationally, Hilco facilitated the development of a detailed 90 day improvement plan with the existing management and technical teams. This covered detailed time based actions in 12 key improvement areas including output improvement, health and safety compliance, management reporting and controls, resources and cash management. Progress was tracked by use of key performance measures devised and introduced by Hilco and tracked weekly by the management team.

Results

Hilco's financial support allowed the completion of existing projects that were 'in build' and ensured that forward order commitments with key oil sector clients would be met.

The support of Hilco's manufacturing team enabled the company to effect an operational turnaround, delivering a 35% increase in production at the pipe manufacturing plant in four months. The operational turnaround was achieved with minimal capital expenditure and rapidly restored pipe manufacturing processes to profitable output levels.

Hilco's subsequent divestment of the business delivered a significant deferred 'upside' to the company's original owners on completion, less than five months after the original debt acquisition.



Casting of high integrity oil refinery tubes



Welding pipe systems for offshore platforms

Key Facts

- › Loss-making specialist petrochemical industry equipment supplier
- › Two site UK operation manufacturing and assembling complex, high integrity pipe systems
- › French parent company seeking to exit
- › Insufficient working capital to meet confirmed forward contract obligations

Results

- › Provision of specialist manufacturing and financial turnaround support
- › Operational turnaround increased pipe production by 35% four months
- › Pipe manufacturing rapidly restored to profitable output levels
- › Key forward contracts secured through provision of additional working capital support