



Star Engineering Fights Back Using Invoice Finance

Telford based tool maker Star Engineering is now seeing its universe open up after a rough ride over the last 5 years. Like most industrial companies it is subject to extreme competition from foreign manufacturers and some tough decisions have had to be made during this period. It is now using invoice finance to help the business grow again.

Manufacturing has been a declining but still important sector for the UK since the 1970s when John Pugh, the Managing Director of Star Engineering set up his company. At first, the company did really well with the original tool making business working alongside a new and growing area of business for the company, metal pressing. John expanded, tooling up for one customer in particular and their seat manufacturing operation. This represented £3.5 million of sales of £6 million. By now 90 people were employed in the metal pressing operation compared with 15 in tooling.

Then 4 years ago, the major customer withdrew its business at short notice to give to a Turkish supplier who could undercut John's prices. As John Pugh says; "I was left paying £20,000 a month for robots with no work to put through them."

This couldn't continue. So months later, John stopped metal pressing to concentrate on his original skills in tool making. Cash was tight and smart solutions were needed to finance new business. For this reason, John looked at invoice finance as a way of funding his projected growth. Small business invoice finance specialists Ashley Commercial Finance was recommended by John's advisors for this and Ashley's Sales Director, Ian Robins visited the company to talk through Star Engineering's needs and put a deal together to suit them.

John Pugh talks about how it works; "I send Ashley the sales invoices, for those customers we wish to finance (Ashley lets us choose!), and they pay us a proportion of this invoice immediately. Our main customer pays on 45 days. Ashley takes away the hassle of chasing our customers for payment. When the debt is collected we receive the remainder of the debt, less charges. Ashley helps with our financial management too, checking credit ratings, chasing debts and providing a personal contact for day to day business. It works well and I view Ashley as an extension of our business."

Looking back, John Pugh has two suggestions for anyone in business; "Don't put all your eggs in one basket with your customers. No more than 20% anyway. I had over 60% with one customer and they ended up calling the tune." He continues; "If you are making long term commitments you need long term agreements with all the 'what if' scenarios worked out. I had a gentleman's agreement over £2 million of capital investment I made. It's easy to ignore the fine print on a deal when things are going well."

Now things are going well again, John Pugh summarises; "Ashley has supported me, giving Star Engineering the cash injection it needed to fund growth and increase its profits."