Conveyor manufacturer SE-TEK collapsed owing £3.8m, report shows

A maker of conveyor systems for the mining and construction sectors went bust owing more than £3.8m, a report from administrators reveals.

SE-TEK, which was [set up only last year] following the management buyout of Komatsu Mining's UK operation, collapsed last month despite indications it was growing fast with "substantial" new business wins. Documents prepared by FRP Advisory show the firm had outstripped its business growth plan thanks to several large contracts that would have seen turnover reach £20m per year.

However, the company encountered working capital difficulties in the lag between investment and orders being received as well as what were described as "inefficiencies" as it was setting up. SE-TEK directors sought the support of equity investors to plug the gap but despite terms being agreed, the deal fell through and the firm turned to insolvency specialists to market it.

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One of SE-TEK's major customers agreed to fund the business for a limited time, but following administration, the Sunderland Enterprise Park plant was shutdown and the majority of its 135 staff were made redundant. A report from FRP shows the firm had assets of £1.2m and owed sums to employees, steel suppliers and lenders among other creditors.

Invoice financing outfit Close Brothers Assets have been repaid in full and administrators said employees owed more than £169,000 are likely to receive some money, though the amount is subject to asset realisations and the costs of the insolvency process. FRP said it was unlikely any of the £3.8m due to trade creditors, HRMC and some employees would be paid.

In a report, administrators Steven Ross and Allan Kelly wrote: "The MBO business plan was to diversify away from roller manufacture into predominately heavy fabrication for original equipment manufacturers in the crushing, screening and yellow goods sectors by harnessing the skills of the workforce and available infrastructure/facilities. The company began to Invest in the new products bringing additional people into the business to support alongside further investment into equipment and processes.

"The initial business plan growth was quickly superseded with a number of new heavy fabrications product orders won, giving an expected second year annualised turnover of some £20m per annum as these products were ramped up. However, the level of new products being introduced resulted in further cost due to the lag between investment and orders being received and initial inefficiencies during the learning curve.

"Despite a large future order book, the company was incurring losses with breakeven being forecast in early 2023. The company forecast a further working capital requirement and in January 2022 financed its unencumbered plant and machinery with Close Brothers Limited. At this point the directors also began discussions with an equity investor to support the growth and further working capital requirements around this.

"Exclusivity was agreed with an investor group of high net worth individuals and draft heads of terms agreed. The investment period became protracted and the company's working capital position continued to worsen."

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