

## Business Turnaround with 5X jump in valuation

### Executive Summary

A traditional automotive aftermarket parts distributor was witnessing headwinds with declining margins and increasing working capital due to increasing SKUs mix owing to newer models, declining growth due to better roads coupled with good build quality and longer vehicle warranty.

With 170 days of inventory and an average overdue AR of 100 days, the business was struggling for viability given the cost of capital was upwards of 15% p.a. and gross margin was around 10%

This is a perfect case of how Profito delivered both top-line and bottom-line growth in a traditionally slow moving industry sector

# The Profito Effect



Inventory re-design,  
rationalisation & decentralised  
warehousing, special collection  
focus with incentives

**Working Capital**  
**DOWN 48%**



New customers, new channels  
and addition of new product  
lines with a unique consumer  
loyalty program for workshops

**Revenue Growth**  
**UP 46%**



Focused categories, private  
labels, Competitive sourcing,  
operational efficiency, trimming  
of costs and parts substitution

**Margin Expansion**  
**UP 32%**



**These outcomes  
resulted in a global  
strategic group making  
a large ticket  
investment at a  
valuation multiple of  
over 5X**

Predictive demand forecasting for procurement of parts got institutionalized. Inventory rationalization & supply chain redesign actions led to decentralizing of warehouses, improving inventory turns significantly. A focused team was set up to clear the outstanding AR to bring the credit terms to industry standard ( < 60 days). New customers were added, a new garage loyalty program was launched and new products (with higher margin) and new business channels (fleet and institutional customers) launched. In twenty four months, the business turned around to become the top performer in the group.