

Who is Demonstration Steel Services

Demonstration Steel Services is a one-stop steel processing centre. Situated centrally in Gauteng, we provide precision steel cutting & bending & deliver to your doorstep.

Established in 2006, we had a dream to create a service centre to meet ALL our customer needs. We now specialize in Guillotining, Laser Cutting, CNC Plasma Cutting, CNC Profiling & CNC Bending.

Statutory
Documents



TO BE AVAILABLE
TO A BUYER

Known

For:-

DSSS

WE ARE KNOWN FOR :

1. Excellent service - we strive to deliver the correct product at a reasonable time (usually within 2-3 working days)
2. Quality Products - when a product exceeds satisfaction a customer is sure to return
3. Exceptional Price Structures - We strive for the best quality service at the best possible price.

Our open door policy enables us to interact openly with customers; thus we improve where necessary and meet the customer's needs

Our motto: "Call us when the rest just can't quite CUT it"

GENERAL HISTORY OF BUSINESS FROM DAY ONE (2006-PRESENT)

Feb-06 STARTED WITH R400.000 & 1 BAKKIE

BOUGHT 1 BENDING MACHINE R150,000

BOUGHT 1 GUILLOTINE MACHINE R150,000

WITH REMAINING MONEY BOUGHT STOCK / OFFICE SUPPLIES AND EQUIPMENT/5 STAFF

AND HAD TO SURVIVE A 2 MONTH SPRINT UNTIL 1ST PATMENTS CAME IN.

1ST MONTH TURN OVER WAS R28.000 JUST COVING EXPENSES.

2ND MONTH TURN OVER WAS R64.000.

3RD MONTH INVOICED R184.000.

BY MONTH 6 I BOUGHT A SECOND BENDING MACHINE

R350.000. CASH

BY MONTH 8 I BOUGHT A THIRD BENDING MACHINE R450.000 CASH

BY MONTH 10 I BOUGHT A FOURTH BENDING MACHINE

R120.000 CASH

BY END OF YEAR 2006 I BOUGHT A DELIVERY VEHICLE R230.000 CASH

BY MARCH 2007 I BOUGHT ANOTHER GUILLOTINE MACHINE

FOR R250.000. CASH

I LAYED A DEPOSIT OF R3.000.000 .

MOVED INTO PREMISES 2008 JANUARY.

BY END OF JANUARY 2008 I PURCHASED 3 PROFILE MACHINES, A NEW BENDING MACHINE

WORTH A TOTAL OF R3,000.000. CASH.

IN SEPT 2008 I LAID R2,500.000 DOWN AS A DEPOSIT FOR A NEW LASER MACHINE.

LAID DOWN NECESSARY PREPARATIONS FOR THE MACHINE COSTING R400.000. CASH.

JAN 2009 LASER ARRIVED AND WAS INSTALLED. LASER BEGAN PRODUCTION END OF FEB 2009.

I THEN APPROACHED THE BANK TO LOAN ME THE REMAINING AMOUNT OWED ON LASER

R5,000.000 ON A SIX MONTH PAYMENT PLAN. I PAID IT ALL BACK WITHIN THE SIX MONTHS.

FEBRUARY 2010 I PURCHED A PLASMA CUTTING MACHINE WORTH R1,200.000. A FORKLIFT

WORTH R300.000, A CRANE WORTH R120.000 AND MORE SOFTWARE AND OFFICE EQUIPMENT.

ALL WAS BOUGHT CASH.

WITHIN A 3 YEAR PERIOD THE COMPANY HAD SPENT R20,000.000 IN CASH ON NEW EQUIPMENT AND PRODUCTS.

ON A PRIVATE ASPECT I BOUGHT PERSONEL ASSETS. HOUSES, VEHICLES AND LUXURIES TO THE VALUE OF R5,000.000.

DURING 2010 - 2012 THE COMPANY HAS SPENT R2,000.00 ON UPGRADING

.

IN YEARS 2,3 & 4 THE PROFIT MARGINS WERE SO IMPRESSIVE THAT ALL COMPANY ASSETS BOUGHT WERE PAID FOR

IN HARD CASH. FROM YEAR 5 TO THE PRESENT I DECIDED NOT TO EXPAND ALTHOUGH THE OPTION WAS TEMPTING.

FOR PERSONEL REASONS I DECLINED.

CURRENTLY ERSS HAS NO DEBT EXCEPT FOR THE BUILDING.

THE COMPANY CAN EXPAND BUT I HAVE DECIDED TO PERSUE MY DREAM, RETIRE AND VENTURE IN OTHER OPPORTUNITIES.

ERSS

General History

DSSS

Guillotining

Guillotining:
Demonstration Steel Services houses three Guillotines which enables us to cut from 0.5mm up to 10mm plate in 3000mm long sections



SSS

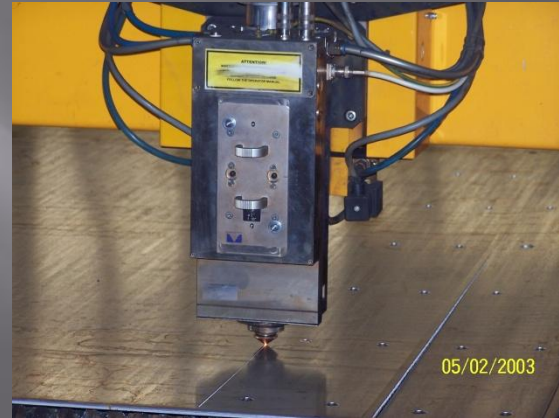
Laser Cutting



Laser Cutting:

The bed is 6000 x 2400 & thicknesses up to 20mm can be cut. Various materials like Armox, Hardox, Bennox 300WA, Stainless Steel & Mild Steel are cut

daily.



D
S
S

CNC Plasma
Cutting

CNC Plasma Cutting:

This machine is capable of cutting up to 50mm stainless steel. The waterbed is 6000 x 2500mm long. We specialize in high definition cutting.



Profile Cutting

Profile Cutting:

Our two burny machines & one Eye machine can flame cut up to 250mm. The tables are 2500 wide & exceed 20m.



D
S
S

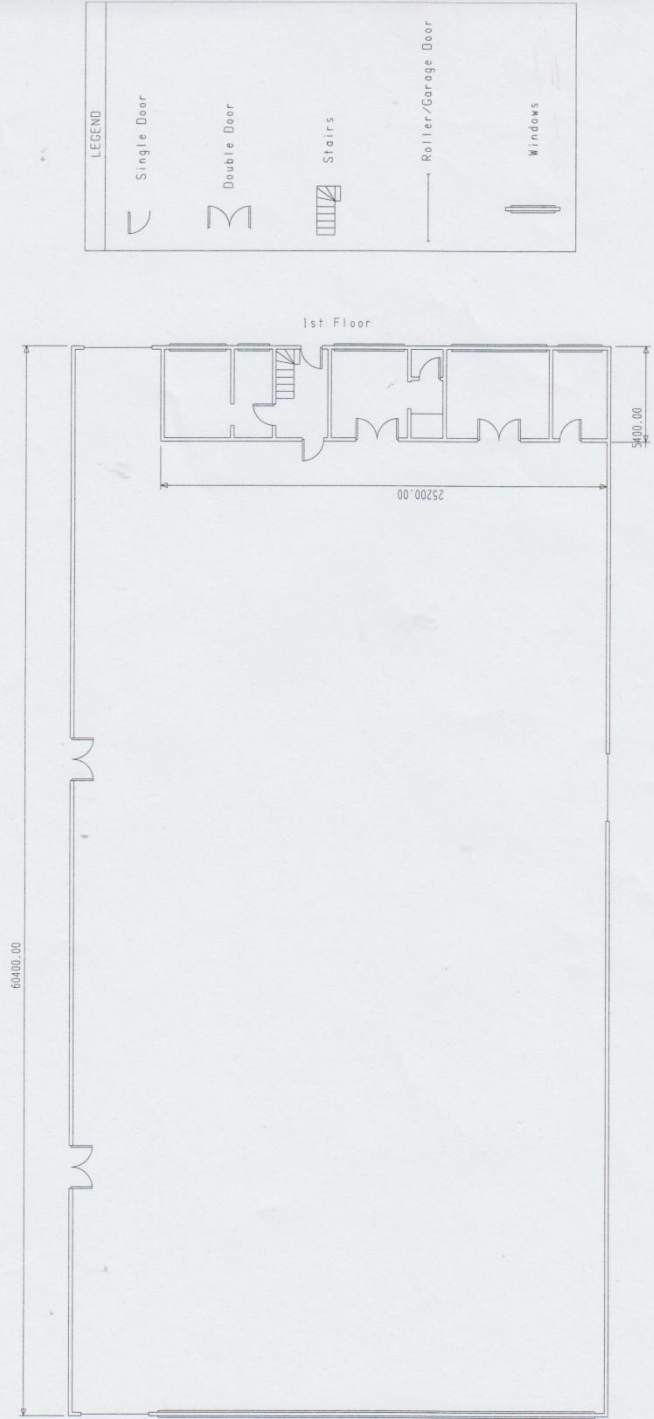
CNC Bending

CNC Bending:

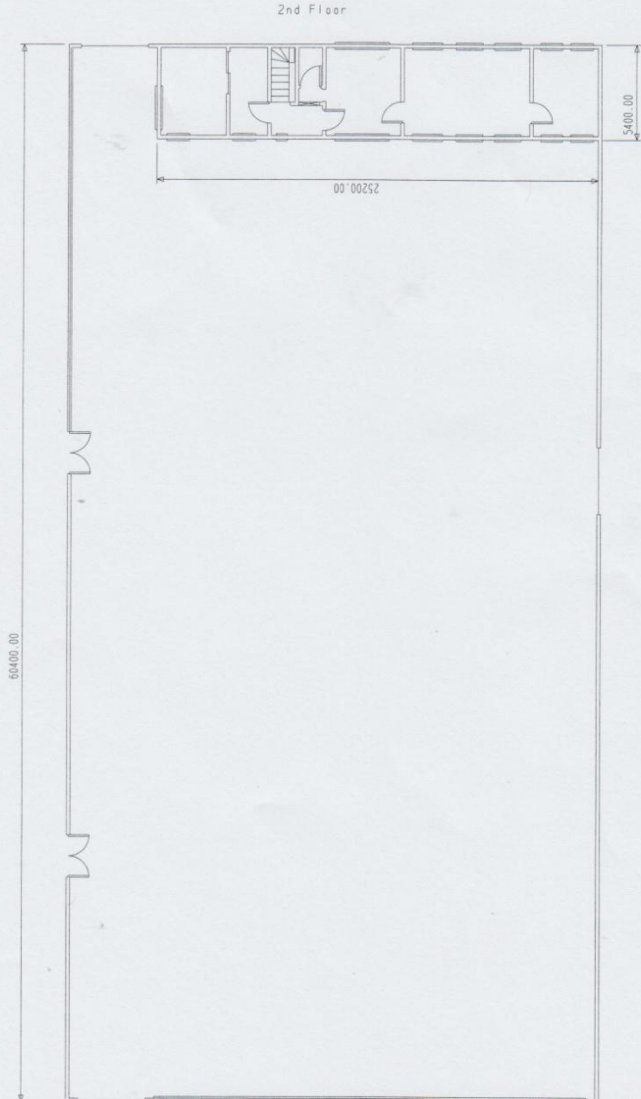
Demonstration Steel Services houses five bending machines, enabling us to bend a huge variety of parts of all sizes & thicknesses.



Property Plan



Property Plan



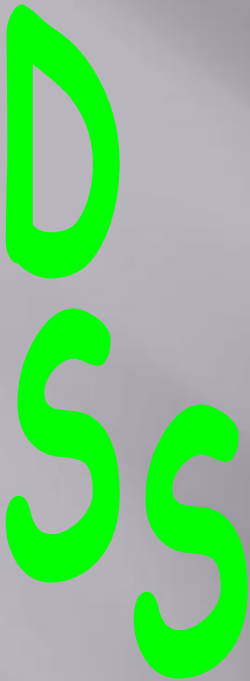
Bond

Account

SSD
SSD

AVAILABLE
TO BUYER

Employees and wages



Employees and Wages

WORKSHOP STAFF WEEKLY WAGES			
RATE P/H	NAME	WEEKLY NT	TOTAL NT
R 26.00	THEMBA	40.00	R 1,040.00
R 38.00	LUCKY	40.00	R 1,520.00
R 22.00	WILSON	40.00	R 880.00
R 26.00	EPHRAIM	40.00	R 1,040.00
R 35.00	SIMPHIWE	40.00	R 1,400.00
R 28.00	ISAAC	40.00	R 1,120.00
R 22.00	SIBUSISO	40.00	R 880.00
R 26.00	FANILE	40.00	R 1,040.00
R 25.00	CHARLES	40.00	R 1,000.00
R 22.00	DANIEL	40.00	R 880.00
R 22.00	MOSHE	40.00	R 880.00
R 28.00	JAN	40.00	R 1,120.00
R 26.00	GIVEN	40.00	R 1,040.00
R 22.00	LIVINGSTON	40.00	R 880.00
R 23.00	SIMON	40.00	R 920.00
R 45.00	BRIAN	40.00	R 1,800.00
R 40.00	JOHNNY	40.00	R 1,600.00
R 35.00	THEO	40.00	R 1,400.00
R 26.00	ALFRED	40.00	R 1,040.00
			R 21,480.00

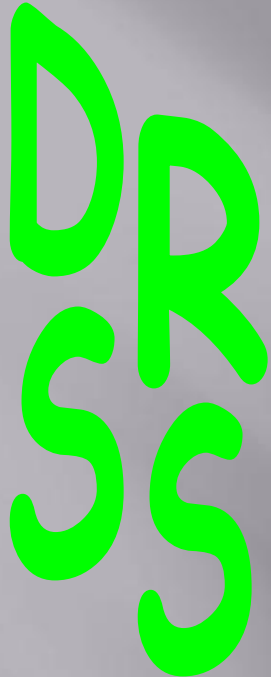
OFFICE STAFF	MONTHLY WAGES
NAME	
TANYA	R 15.000
JEFF	R 20.000
JANNIE	R 7.000
YOLANDI	R 5.000
JAUNDRE	R 4.500
TOTAL	R 51.500

MONTHLY COST OF WAGES
R 85,920.000
R 51,500.000
R 137,420.000

SSS

Assets

ASSET	NEW COST	REALISABLE VALUE
BUILDING	R 6,300.000	R 6,300.000
MICROSTEP 4KW 2500M X 6M BED LASER MACHINE	R 12,500.000	R 5,500.000
COOLING MACHINE COMPRESSOR & AIR RESERVOIR	R 250.000	R 150.000
5 TON CRANE & HOIST	R 150.000	R 80.000
7 TON FORKLIFT	R 500.000	R 250.000
2 CNC BURNY PROFILE MACHINES	R 900.000	R 600.000
1 EYE CUTTING PROFILE MACHINE	R 350.000	R 200.000
2 SPARE BACKUP COMPRESSORS	R 80.000	R 40.000
CNC OPERATED 2.5M X 6M BED PLASMA MACHINE	R 1,200.000	R 700.000
250 TON 4.5M BENDING MACHINE	R 1,500.000	R 600.000
3M X 12mm GUILLOTINE MACHINE	R 800.000	R 200.000
2 3M X 8M GUILLOTINE MACHINES	R 800.000	R 450.000
125 TON X 3.4M BENDING MACHINE	R 500.000	R 200.000
100 TONS X 4.5M BENDING MACHINE	R 650.000	R 200.000
30 TON X 2.5M BENDING MACHINE	R 250.000	R 130.000
165 TON X 3.2M BENDING MACHINE	R 600.000	R 300.000
250mm X 6mm CORNER NOTCHING MACHINE	R 100.000	R 40.000
EXTRA TOOLING ON BENDING MACHINES	R 120.000	R 70.000
1 NISSAN 3TON CABSTAR TRUCK	R 300.000	R 80.000
FORD BANTAM BAKKIE	R 120.000	R 70.000
ISUZU 250KB BAKKIE	R 230.000	R 60.000
8 TON MITSUBITSHI TRUCK	R 150.000	R 80.000
8 COMPUTERS & SOFTWARE & 4 PRINTERS	R 250.000	R 200.000
OFFICE FURNITURE & CHAIRS	R 150.000	R 100.000
PROFILE / GUILLOTINE/ BENDING TABLES	R 100.000	R 50.000
WELDING MACHINES / GRINDERS / QUICKIE PROFILE MACHINE	R 50.000	R 30.000
SMALL LOOSE TOOLS	R 30.000	R 10.000
SPARE PARTS FOR LASER MACHINE	R 400.000	R 400.000
SWITCHBOARD / DIGITAL COMPUTERISED FINGERPRINT		
CLOCKING SYSTEM / 13 CAMERA & MONITOR SYSTEM	R 150.000	R 80.000
STATIONARY	R 8.000	R 4.000
SPARE PART FOR PROFILING AND PLASMA MACHINES	R 20.000	R 20.000
	R 29,508.000	R 17,194.000

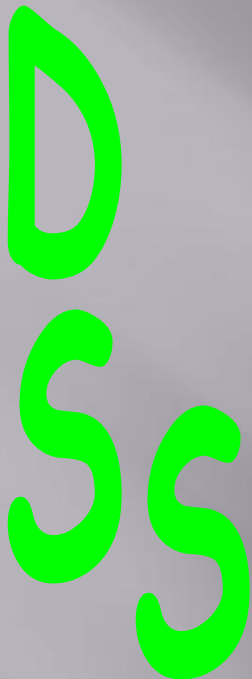


Income Statement
before adjustments

DEMONSTRATION STEEL SERVICES

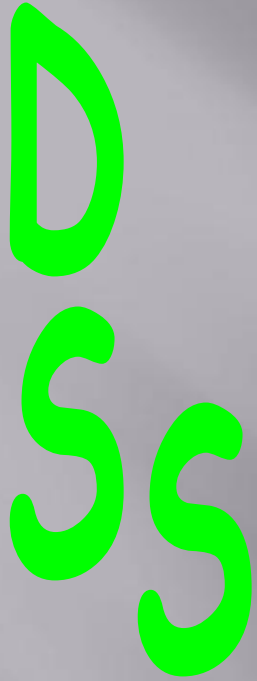
INCOME STATEMENT before adjustments as gleaned from the accounts

	2008	2009	2010	2011	2012	11 Months Ended January 2013
REVENUE						
Sale of goods	7,521,128	23,609,582	18,170,198	24,376,012	16,218,038	10,413,221
COST OF SALES						
Purchases	4,342,008	17,294,354	11,885,761	18,431,976	13,975,512	6,318,540
Gross Profit	3,179,120	6,315,228	6,284,437	5,944,036	2,242,526	4,094,681
GP %	42	27	35	24	14	39
OTHER INCOME						
Interest received		5,975	-			
OPERATING EXPENSES						
Accounting Fees	8,000	25,000	35,000	35,000	-	
Advertising		3,062	4,554	6,737	2,632	3,947
Bank Charges				-	47,185	8,753
Bond Repayments						496,648
Cleaning	11,886	11,608	-10,438	2,015		
Computer expenses		11,340	1,140	2,119		
Consulting & Profes	-	-	304	-	39,893	
Depreciation, amort	387,485	554,356	1,769,727	836,804	741,676	
Employee costs	180,000	2,161,373	3,091,128	3,115,431	849,511	890,919
Expensed Equipment		106,078	110,022	123,147		
Expense 2	-	-	134,262	-	8,753	
Gifts		10,529	-	10,119		
Hire		14,537	2,279	3,136		
Insurance	14,454	29,246	47,619	42,154	193,058	115,430
Interest Expense					8,844	84,918
Lease rentals on op	64,000		210,044	221,436	95,225	
Legal expenses	-	-	877	1,219	37,753	
Loan Account					380,621	
Medical Expense					2,784	
Members' Salaries / Drawings					33,000	
Motor vehicle expel	74,585	156,372	34,130	44,161	90,343	
Motor Vehicle Repayment					123,236	173,867
Pension / Provident					13,583	
Postage		268,691	-		252	1,618
Printing & stationer	7,789	16,734	12,127	10,114	5,318	
Rent & Rates					481,022	
Protective clothing	22,489	-	-			
Repairs & Maintena	18,796	253,162	120,384	86,144	28,600	
Security	-	-	6,765	7,036		
Subscriptions		1,215	8,470	2,148	698	
Telephone and Fax	19,978	40,440	62,135	51,116	72,228	39,239
Travel - local		2,200	-			
Unemployment Insurance					2,084	
Uniforms					10,929	
Union Fees					568	
Utilities	19,878	4,380	164,132	91,093		
	829,340	3,670,323	5,804,661	4,691,129	3,269,796	1,815,339
Operating profit	2,349,780	2,650,880	479,776	1,252,907	-1,027,270	2,279,343



Income Statement
after adjustments

DEMONSTRATION STEEL SERVICES						
INCOME STATEMENT after assumed adjustments						
	2008	2009	2010	2011	2012	2013
REVENUE						
Sale of goods	7,521,128	23,609,582	18,170,198	24,376,012	16,218,038	11,460,618
COST OF SALES						
Purchases	4,342,008	17,294,354	11,885,761	18,431,976	13,975,512	6,858,501
Gross Profit	3,179,120	6,315,228	6,284,437	5,944,036	2,242,526	4,602,117
GP %	42	27	35	24	14	40
OPERATING EXPENSES						
Accounting Fees	8,000	25,000	35,000	35,000	35,000	35,000
Advertising		3,062	4,554	6,737	2,632	3,947
Bank Charges	20,000	25,000	20,000	25,000	47,185	8,753
Cleaning	11,886	11,608	-10,438	2,015	2,000	2,000
Computer expenses		11,340	1,140	2,119	2,000	2,000
Employee costs	180,000	2,161,373	3,091,128	3,115,431	849,511	890,919
Expense 2	-	-	134,262	-	8,753	
Hire		14,537	2,279	3,136		
Insurance	14,454	29,246	47,619	42,154	193,058	115,430
Legal expenses	-	-	877	1,219	37,753	
Medical Expense					2,784	
Members' Salaries / Drawings					33,000	
Motor vehicle expens	74,585	156,372	34,130	44,161	90,343	75,000
Pension / Provident					13,583	
Postage			-		252	1,618
Printing & stationery	7,789	16,734	12,127	10,114	5,318	7,000
Rent & Rates	240,000	240,000	240,000	240,000	240,000	240,000
Protective clothing	22,489	-	-			
Repairs & Maintenance	18,796	253,162	120,384	86,144	28,600	25,000
Security	-	-	6,765	7,036		Added 2013
Subscriptions		1,215	8,470	2,148	698	
Telephone and Fax	19,978	40,440	62,135	51,116	72,228	39,239
Uniforms					10,929	
Utilities	19,878	4,380	164,132	91,093		
	637,855	2,993,469	3,974,564	3,764,623	1,675,627	1,445,906
Operating profit	2,541,265	3,321,759	2,309,873	2,179,413	566,899	3,156,211
Owners Purchases	4,591,894	4,591,894	4,591,894	4,591,894	4,591,894	4,591,894
Assumed real Profits	7,133,159	7,913,653	6,901,767	6,771,307	5,158,793	7,748,105



ACCOUNTS

For various reasons, the accounts, whilst being presumably representative in the main, have glaring inconsistencies and incorrect allocations.

I have recorded on one schedule the accounts as presented to me, Income Statements before adjustments, then I have adjusted them for valuation purposes, using common sense, and have concluded with what I believe to be representative accounts reflecting the real trading situation of the company.

ASSETS ONLY AND NO LIABILITIES.

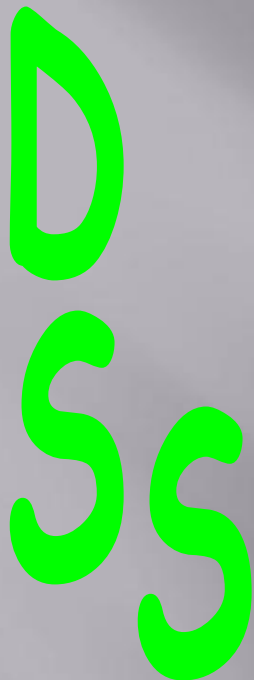
The buyer will be taking over only assets, being the Property, Plant and Machinery , Fixtures and Fittings, Equipment, Furniture, Computers and Stock, and no liabilities, and will be buying the business as a going concern.

STOCK.

At any one time stock on the floor would be approximately R500,000, selling for about R1,000,000.

WALK IN SALES AND SCRAP.

For all intents and purposes we have ignored walk in sales and scrap sales, estimated to be a minimum of R1.2 million a year.



Valuation

Valuation.

A. In light of the anomalies in the accounts, I will not use the net profit as reflected in the accounts to value the business, but it is a very clear indication of how the business is performing. If you study the accounts, Income statement after adjustments, it is clearly obvious, that they have made net profits of approximately R7 million per annum for 6 years.

If this is the case, and it can be verified, by purchases of Machinery and Equipment, Property, etc., during that period, the business without the property is worth at least R21 million. With the property at R6.4 million, the package is worth at least R27.4 million.

B. Property.

The property across the road has been sold for R32 per square metre.

We have 2000 square metres, therefore the value of our property, at R32 per square metre, is R6.4 million.

C. Fixed Assets.

The cost of the Fixed Assets is R14,35 million, and this is only what has been recorded in the books. We know that Machinery and Equipment purchased, was in fact, R37.2 million. And this can be verified!!!

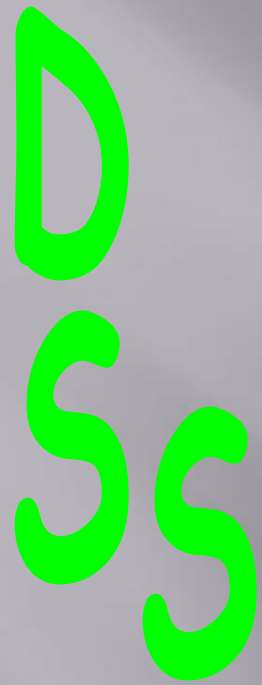
If we refer to our schedule in the presentation, the replacement value of Fixed Assets is R23.2 million, excluding property at R6.4 million.

The Realisable value, is R10.8 million, excluding the property.

So in worst case scenario, if we had to liquidate, we would receive R6.4 million for the property and R10.8 million for the fixed assets, equals R17.2 million. Plus stock of say, R1 million, which really almost recovers the full investment of R20 million.

D. Anyone knowing the industry, will also know that the unique services of demonstration Steel Services, namely, that they can cut up to 12 metres long, they can laser up to 6 metres long, they can guillotine up to 3 metres long, and they can bend up to 4.5 metres long, are an exceptional asset, and sets them aside from most competition.

E. The minimum expected turnover for the next 12 months, under the present miserable conditions, is R1 million per month, generating a net profit of R400,000 per month. This means R4.8 million net profit per annum. Again, value of the business would therefore be R14.4 million, plus the property at R6.4 million, equals, 20.8 million. And this is being ultra conservative.



CONCLUSION.

There is no doubt, that, at R20 million for the property and the business, which is almost at net realisable value of the assets, on a fire sale, this investment would be very attractive.

There is also huge potential to grow this business, because up till now, the owner has not chased business, and only one year ago, did he employ a rep on the road.

The owner did not have an appetite to expand this business, and there would be sufficient demand to justify the purchase of a second laser machine.

In light of the complexity of the accounting records, the best way forward for a potential investor, would be to meet the owner, and perform his own detailed due diligence to verify the facts pertaining to the valuation, which will not be a problem.

Conclusion