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Rectron exceeds expectations with year-end results

In a 12-month period during which the market has been under pressure with reduced sales and a credit squeeze, Rectron has posted very positive results, with annual turnover for the group at around R1.4 billion.

The figures show that the company has retained market share and held its ground in sales, while simultaneously achieving cost savings through efficiencies to boost profits. Profit before tax is some R48.9 million.

"We have improved group net profit by about 20 percent," says Dean Prinsloo, managing director of Rectron. "This has been achieved despite a couple of market-related obstacles and, mainly, by improving the efficiency of our business processes."

Another factor impacting the results was the decision to move from larger premises which were not fully utilised to smaller premises. Both properties are owned by Rectron but the relocation allowed for cost savings and equally significant productivity improvements.

"To an outside observer, it always looks like there is a problem when a company downsizes its premises," says Prinsloo. "Actually, this was a very positive decision, which means we can service more customers with greater efficiency – while still benefiting from a combination of lower costs and improved revenues on our property holdings."

Rectron has also invested heavily in upgraded infrastructure for its warehousing and inventory. While this was a major expense, the results show an immediate impact in cost savings that more than justify the expenditure involved.

Despite investments of some R40 million, the group's healthy R100 million cash position has enabled it to still have cash on hand at year end.

"The problem at the old premises was that some areas were not being utilised and those that were had the problem of being physically remote from other related areas," says Prinsloo. "The new premises has a very sophisticated robotics system for stock picking which is vastly more efficient."

"We are achieving much better utilisation and driving the value of our property holdings to a far greater degree with the new office and warehouse complex. And the present figures only represent about half a year of the benefits we have achieved."

The new warehouse handles about 3 000 palettes with a fully automated system. The major improvements in efficiency directly impact service delivery, which bodes well for further expansion of a company that has already shown successful growth over a number of years.

"Leaner and meaner pretty much describes what we have achieved and that is clearly shown in the results – we have exceeded expectations," says Prinsloo. "With improved systems and upgrades to the buildings at the new premises, we are well placed to handle anticipated expansion of sales and market share, while still maintaining the attractive profitability seen in this year's figures."