

BCRS loan helps Wolverhampton supplier MCS to rise again

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Black Country Reinvestment Society (BCRS) has helped a construction company to turn its fortunes from disaster to a £5 million turnover in two years.

MCS Ltd, which employs 25 people across two sites, is a Wolverhampton-based supplier and manufacturer of specialist products to the construction industry which has worked on complex projects including St Pancras International station – home of the Eurostar Channel Tunnel rail link.

Phil McDonald, founder and managing director of MCS Ltd, has 20 years' experience in the construction industry and is no stranger to its unpredictable nature.

“My first company, founded 11 years ago, collapsed due to a bad debt,” he said. “I thought we were insured against it but our invoice finance company, which was aligned to our bank, claimed a technicality. But HSBC Bank was very supportive and we founded MCS Ltd on the back of our experience.

“We started trading with Laing O'Rourke, one of the world's largest construction companies, 10 years ago, when they were simply O'Rourke and the biggest concrete frame contractors in the UK. We've built a relationship ever since and they are our biggest customer.

“We were about to land a huge contract at Heathrow Terminal 5 but again our bank said yes, but the invoice finance company said no. So we moved our invoice factoring to Charterhouse and have been with them ever since.

“In 2002, we went into administration and came out the other side six months later – that's very rare. We then went into Company Voluntary Arrangement (CVA) for three years and got through that. Towards the end of our period in CVA, we experienced a break-in and a fire at our Wolverhampton depot, on the last day of the firefighters' strike. Our premises burned to the ground along with our stock. We came through that as well – we're literally a phoenix company.

“Towards the end of the CVA in 2006 we knew we could move on and grow the business to where we are today.”

MCS supplies concrete floor work accessories, frame contractors and reinforcers for concrete to the construction industry.

“We supply the parts that make the steel and concrete work, including the chemicals and catalysts that are added to the concrete to make it strong, durable, waterproof, dustproof; whatever is required of it. We also source and supply steel reinforcing rods and spacers.

“The construction industry is very much a 'just in time' business, so it can be hard to plan the holding of stock – an order placed at 5pm today is often expected on site at 7am tomorrow, and 95 per cent of orders taken will be delivered the following day, from our depots in Wolverhampton and our site in London, near the Olympic Village.

“We have 20,000 sq ft of yard and 8,000 sq ft warehouse space in Wolverhampton, with 25,000 sq ft and 3,000 sq ft of warehouse in London.

“We still have only a very nominal overdraft with our bank and approached BCRS for a loan for working capital to use for stockholding in 2006. We had tried the Government’s Small Loans Guarantee Scheme, but our turnover at that time was just too high at £1.6million – the limit is £1.5million. We borrowed £50,000 from BCRS and paid it back within two years.

“The loan might seem small for a company with an increasing turnover but it allowed us to invest in more stock, so we could hold it at our depots for next-day delivery. I wouldn’t hesitate to go back to BCRS, but unfortunately, the present rules state a single application only.

“The law of averages would dictate that we shouldn’t have survived the bad debt, administration, CVA, fire and the invoice factoring mess, but we did, and we have put £1million per year on our turnover since. We achieved our target of £5million in 2008.

“It’s a great pity that the lending sector views the construction industry as high risk. We have some leading-edge companies with multi-million turnovers and employing thousands who are lumped in with the companies which operate unprofessionally – it sullies the waters. Construction is not on its knees, house building is and it is crucial to understand the difference when weighing the strength of the sector. Our biggest challenge right now is finding the right staff to increase our workforce.”

Pat McFadden, Labour MP for Wolverhampton South East, visited the company. “The Government has made available funds to be invested through Community Development Finance Institutions like the Black Country Reinvestment Society to help give small businesses access to credit,” he said.

“The success of MCS is a good example of how a relatively small amount of lending can make a huge difference to an important local business.”

“This company has a £5million turnover and has just taken on four new staff – this loan has really made a difference in securing the company’s future.”

MCS also develop new products in response to need. One example is a curing mat for large areas of concrete laid in extremely hot weather. “If you pour concrete in adversely hot conditions, the top will cure before the whole bed, but the bed won’t be strong enough”, said Mr McDonald.

“Until now, constructors have laid hessian or polythene over the surface but this is inefficient and creates trip hazards.

“To keep it open we have devised a rubber-based sponge-textured curing mat that can be laid over poured concrete and topped with a contained depth of water to delay curing. We’ll be putting our energies into selling this into the construction sites in the Middle East.”

Paul Kalinauckas, chief executive of BCRS, said: “MCS has the largest turnover of any company we have lent to and it has made us realise that a relatively small amount, less than a week’s turnover for them, can unlock tremendous potential.

“MCS has doubled its turnover since BCRS became involved.”