

Adding Value

The Caparo Group offers more than just top-of-the-range design and value-added steel and engineering products: it goes the extra mile to provide outstanding service across its global network.

Images by Ben Lister

The history of the Caparo Group is a genuine success story, surrounding one family's determination to continually add value for their company, their customers, and the countries in which they operate. The company started out as a spiral-weld tube manufacturer called Natural Gas Tubes, established by Lord Swraj Paul in 1968 with a £5,000 loan. Today, Caparo has a turnover of over \$1.2 billion, and is operating across Europe, the United States, and Asia.

In 2002, Lord Paul's youngest son, Angad Paul, stepped up as CEO to accelerate the company's growth and expansion. A dynamic and innovative leader, it is clear that Angad had inherited his father's entrepreneurial spirit, as well as his strong sense of social responsibility, and engagement with the major political and

economic issues affecting the manufacturing industry today.

Angad's ascent to leadership has been a triumph by any measure. Since his appointment, the Caparo Group's revenues have more than doubled. This growth has been driven by Angad's creativity, intelligence, and versatility. These qualities are evident in his academic achievements—which include a BSc in Economics from MIT—and in his successful stint as a producer and executive producer on hugely popular films including *Lock, Stock and Two Smoking Barrels* and *Snatch*.

Angad has taken risks in the name of innovation and progress, not least of which was the launch of the Caparo T1. Developed by former McLaren F1 engineers, the T1 once held the title of 'world's fastest supercar', and was hailed as a road-legal racing car following its launch in 2006. The project

allowed Caparo Vehicle Technologies to make exciting advancements in materials engineering and design services, as well as substantially raising the company's profile.

Angad brings his wide-ranging expertise to bear in a number of advisory roles at Imperial College and Trilantic Capital Partners, and is a patron of SHINE Education Trust. The company mirrors its leader's public spiritedness. In October 2014, the Caparo Group announced its plans to work with India's Defence Research and Development Organisation to roll out 'bio-digester' toilets across the nation. The goal is to create a sustainable solution for rural and urban areas by eliminating the need for plumbing and transforming waste into usable resources.

Angad spoke to *The CEO Magazine* about his experiences leading the >



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Energy for Business



Caparo Group, the company's pursuit of careful and tactical growth, and the challenges of dealing with a strong currency.

The CEO Magazine: How are you growing and diversifying Caparo's offering, and gradually reinventing the company?

Angad: Basically, when I was asked to take over and run the business on behalf of my family, we were primarily a steel converter. We were largely producing commodity steel products, as well as doing a little bit of engineering work. At that time—roughly 12 or 13 years ago now—I realised that we really needed to move up the value chain, and provide more components and systems.

In the UK, we steadily bought up a number of companies that were producing these kinds of wares. We're now covering a much wider range of products, all the way through to braking systems, as well as looking into electronics as management systems to go with our components.

In the United States, we were primarily a steel tubing producer, but now we're expanding into fabricated products and distribution. Part of the growth strategy there has been appointing a new team to take the business further forward.

But the real growth is taking place in our rapidly expanding business in India. We started there in automotive components and we are now increasing our range of products, all of which add further value to the kind of steel products we were making.

Overall, we are gradually taking the company up the value chain: the Caparo Group is all about measured, sensible growth. Since the financial crisis, it hasn't been an appropriate time to be overly aggressive. Taking into account that there are a lot of exogenous factors influencing the market at the moment, one has to be careful.

How is Caparo growing its presence in the global marketplace, and entering new markets?

As I said, one of the biggest areas of growth for us is India. We were really suffering from a complicated, uncertain situation there throughout 2013 and early 2014, due to the economic downturn. Following the elections, though, there was a lot more positivity.

We're really excited about growing our footprint in India, as well as utilising it as an export base. We're working on a number of contracts from India to Brazil, which seems unusual, but it's what people want. This is a really

interesting time to be moving our India strategy forward.

The UK has been more challenging to use as an export base, particularly because of the strength of the pound. We've kept our international marketplace up and running as far as possible, because ultimately these things move in cycles. There's no way that the sterling to euro exchange rate is going to stay where it is forever, and the sterling to dollar rate has already come back.

We are continuously looking at possibilities in other geographies. For instance, although we've yet to put more than a representative office into China, we realise that China is the elephant in the room, and somewhere we'd like to be in the future.

We're also currently in Canada and the US, and we've dipped a toe in the water regarding Mexico, so we're still entertaining that idea. By and large, our expansion strategy is driven less by geography, and more by particular opportunities. We like to grow our geographical footprint, but only when the right opportunities come along.

What sets Caparo apart from its competitors, and how do you deliver a different level of service to other players in the industry?

We are a privately owned company, where the owner/shareholder is also in charge of the day-to-day management. This means we have shorter lines of communication and the ability to make decisions quickly. We try to encourage a more personal approach to service for our customers and suppliers at every level. I don't think there's a prescriptive way of doing better than the competition, but our >

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- Angad Paul

"Our partnership with Caparo is a successful and valued relationship spanning more than 10 years. Throughout this time we've provided support during some challenging market conditions, as well as flexible contract options to enable them to maximise their commercial opportunities." - Jay Williamson, Director - Major Accounts Sales and Customer Service, Dong Energy



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differences are definitely embraced in the marketplace.

This is not to say that we are domineering as a family ownership. In fact, I'm made to understand that one of the factors that our management and customer/supplier base appreciate the most about us is that we do delegate true responsibility through the ranks. We like people at every level of the organisation to take ownership of decisions, and whilst no one likes mistakes, we accept people making mistakes and positively reward those people that learn from their mistakes and utilise them as a tool for improvement. I think the process of delegating responsibilities and making quick decisions is key to us delivering our level of service.

We are not a large company, so we really try to think of ourselves as a service business that is good at manufacturing things. At every level, and whatever we do, from the rudimentary right through to the more complicated components—like the engine cooling systems we provide for Rolls-Royce—we try to deliver a little bit more. We provide a just-in-time or short-turnaround service, which would perhaps be less easy to do in a company that is structured differently to ours. This quick-response service to Rolls-Royce is known as 'Strategic Fast Make', which is their description, not ours, and we are the only supplier worldwide with this accreditation.

We are quite lean, and we're constantly getting leaner. We're currently embarking on a program to upgrade our enterprise resource planning [ERP] and material requirements planning [MRP] systems. When we put the new ERP/MRP system into place, a

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cultural shift takes place in the company, and it enables us to improve our service offering radically. It also enhances the oversight we have over how our business is being conducted, which allows the management and the board to continue improving that offering further and further.

How do you work closely with suppliers and strategic partners to deliver consistent and quality service?

The service that suppliers provide is really down to them, but we try to keep in close contact and stay engaged. We don't take things for granted, and we keep growing an open dialogue. With our own customers, we ensure that we react to feedback. I don't think we're that different to anyone else in that respect. But we try to go the extra mile to deliver on that feedback for customers, which perhaps they don't get elsewhere. That's how we win and maintain our customers' loyalty.

In what we do, no matter how good the relationships are, no one is in control of everything, so there is always room for error. But if we do have a problem, we ensure we spend time actively working through it.

How have you drawn on the longevity and strong family background of Caparo as you've led the company to new heights?

As we've grown, we've continued not to act like a big monolithic company. I put this down to our family ownership and relatively short lines of communication. Of course, that approach may have certain disadvantages, but I think it's important that we continue to think of ourselves as a family, because ultimately that's what we are. I think it's key to ensure that the business is run with a sense of humility.

Business relationships, like any relationships, are fragile, and you have to treat them with respect. I think that being a family company allows you to understand that a little better. My job is to embrace our management and staff, who can then be welcoming and appreciative of those insights as opposed to trying to cultivate the rat-race environment, which you can find in more professionalised firms.

What is your vision for Caparo, and what challenges do you anticipate on the road to realising it?

In the short term, our goal is to keep growing steadily, and ensure >

"Buck & Hickman is delighted to be a key supply chain partner to Caparo, which is at the forefront of innovation in its sector, and to support the company in its drive to optimise long-term efficiency through a commitment to best practice in all operational areas." - Stuart Millar, Sales Director, Buck & Hickman



that we maintain our presence in the UK and continue to manufacture so successfully. Unfortunately, successive UK governments have shown an almost pathological lack of understanding of exchange rates, and in particular the longer-term effects of having an overvalued currency.

Having said that, there are many opportunities that exist in manufacturing in the UK and we certainly are always looking for strategic opportunities and areas in which we can continue the process of further value addition in manufacturing of components and systems as opposed to just widgets. We would like Caparo to expand its interest in precision engineering and improve our presence into OEMs, tier one suppliers, and the building trade.

Within Europe we also have a presence in Poland that we intend to grow. We like the country and its work ethic and find it an ideal

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companion to the UK in our European efforts. I’ve already mentioned our immediate intentions in the US but in North America we would potentially like to expand into product areas that we participate in in the UK and India, once again taking us further up the value chain. I also see continued expansion in India’s growth in the supply of many more products and services there. Most recently, we have added electric rickshaws, bio-digester toilets, and low-cost housing along with the installation of solar power facilities to our portfolio there, and we would like to increase the numbers of products that can serve a rapidly developing India under its new political leadership.

Overall, I would like to think that over the next seven-year period we can increase Caparo’s scale and footprint to at least two or three times its current size, at all times remembering we would want to improve rather than erode our profit margins. We are also

very keen on the GCC and have just begun an expansion of Caparo Middle East. I would like to see that grow, along with our footprint in Poland where we have made a start.

Your readers might have seen Secretary of State for Business, Innovation, and Skills Vince Cable’s 2014 statement that sterling is 10 to 15 per cent overvalued. While it’s great that someone’s talking about this issue, unfortunately no one’s really listening to the Liberal Democrat contingent at the moment.

As a company, we’ve endured great pains to take many quantifiable steps toward efficiency over the past year. But 40 per cent of our UK PLC’s exports are to Europe, and we’re finding that every single penny of our efficiency savings has been eaten up by the exchange rate.

This trend is especially worrying when bankers are telling you that apart from all the positivity in the

UK economy, one of the big reasons that the value of sterling is rising is because Russians and Ukrainians can’t buy dollars at the moment. Instead, they’re buying into currencies like the Swiss franc and the British pound. As a result, the issue of currency overvaluation becomes very difficult and distracting for UK manufacturers.

I’m passionate about maintaining our manufacturing presence in the UK, so I really hope future governments are a little bit more sensitive toward the need to iron out this volatility in the currency. Traditionally, they have been very poor at that. Inevitably, sterling will get stronger and then it will collapse, and the usual fiscal famine will follow. Unfortunately, the electorate seems to feel that Britain is strong when sterling is strong. Yet this feeling seems incongruous with the observation that part of that strength is a result of the people we’re at odds with buying up our currency.

Why is the overvaluation of the currency a concern for the manufacturing sector in particular?

If you look at the industry in the UK, the British-born leaders of manufacturing-related companies are becoming fewer and more far between, because people are put off. That’s when international players come in and buy up these industries, and the UK loses out. A key point I’d like to convey is how important making things, and making things well, is for the UK and for its position within Europe.

There’s really a direct correlation between the success of the UK’s manufacturing industries and the exchange rate with Europe. When the pound was trading between 1.13 and 1.18 with the euro, manufacturing was going well, and we had a surge of people taking an interest in engineering. Within almost a year, the value of the pound has increased, and that interest has petered out again.



The reason I’ve spoken so extensively about exchange rates and other such problems is because there are serious repercussions in a scenario where Britain is less competitive on a macro-economic level in manufacturing. As soon as that happens, you start putting bright, young people off going into manufacturing and engineering, and as a result our competitiveness drops again. It’s a vicious cycle, and we already have a very small pool to choose from.

I think the youth are very much maligned. They actually have a very acute sensibility in their decision-making, and they’re much wiser to what’s really going on with our political leadership, as opposed to people who have been brainwashed over many years. Unfortunately for the manufacturing industry, they vote with their feet. Although there’s a

lot of engineering going on at UK colleges, you’d be amazed at how many of those people are actually foreign students.

I sit on the advisory panel of the Department of Materials at Imperial College, London, and so I go and advise them. I was quite startled, because they are a phenomenal organisation and do a lot of impressive work, but it’s almost as though we’re becoming a country where Bond Street exists for the international community, London exists for the international community, and our universities exist for the international community. Yet most of the international community is blown away by the fact that we welcome them with open arms, while we really do so little for ourselves as a nation. We feel the effects of doing all the work, and we’re not getting the rewards for it. •

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