

Caparo India in consolidation mode

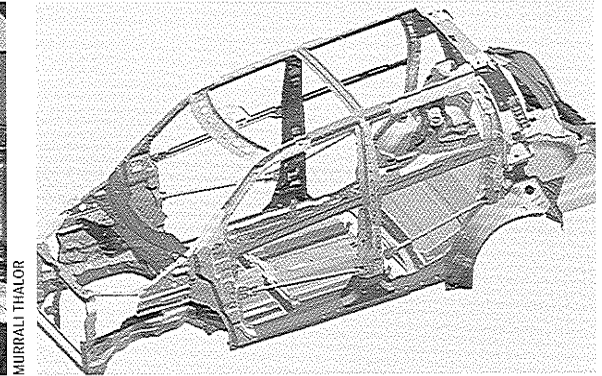
With 19 plants up and running in India, the Caparo Group aims to leverage its existing capabilities and transform itself into a business solutions provider to the auto industry.

Caparo India, the Indian business arm of the UK-based steel conversion and distribution business house, the Euro 1bn Caparo Group, has recast its growth plan. The company that initially wanted to contribute to about 50 percent of its parent company's revenue by 2010, based on the vision of the CEO Angad Paul, is now deferring its plan by three years. This is primarily due to its changed focus in line with new developments in the global and domestic markets in various industry segments.

To tackle the slowdown last year, the company devised a unified system encapsulating all its plants to serve customers better. Prior to 2008, it had 16 plants which operated independently.

Elaborating the strategy, Uttam Bose, managing director of Caparo India, says: "We utilised the slowdown and consolidated our operations in India. In the three years starting 2003, Caparo increased its number of plants from three to 16 as the period was conducive. Till 2008 Caparo was looked upon as a component supplier as 11 of the 16 plants were catering to the automotive industry and the rest to engineering sectors."

But despite building huge capacities, their



utilisation was averaging only around 40 percent and the company decided to optimise its existing resources rather than set up new plants.

As per the company's 2007 blueprint, Caparo was to have 29 manufacturing facilities by 2010 across India. The changed market scenario has had that figure trimmed to 19 plants, which are up and running at present. The braking system components manufacturing units that are coming up in Chennai and Pune will be commissioned by early 2011 while a plan to set up an iron foundry in Pune has been shelved.

Thus far, Caparo India has invested about Rs 1,250 crore in its operations in the country and plans to invest another Rs 200 crore this year. Eleven plants, which manufacture stampings and supply to a varied range of customers, earlier functioned as independent entities,

Uttam Bose: "We have created a single Central Validation Cell, which is a single business development window to serve customers."

Above right: Caparo makes skin and inner panels, customised stampings and other BIW parts including high tensile components.

Caparo India is now focusing more on high-value components besides enhancing the product portfolio with its existing customers.

which meant that customer servicing was not uniform. Hence, according to Bose, "We created a Central Validation Cell, which became the single business development window to serve customers. We have also set up a customer relationship management cell." Such measures have also helped Caparo India transform itself into a complete business solution provider from being a pure component supplier.

This has enabled the company to migrate from a low-volume low-margin business to high-volume and better margins. The result showed in 2008 with the bottom line growing by 50 percent for a topline growth of 20 percent, says Bose. The company reported a turnover of Rs 760 crore in 2008 and hopes to register around Rs 1,000 crore in 2009. The target for 2012 is Rs 3,000 crore, he adds.

Caparo India is now focussing more on high-

value components besides enhancing its product portfolio with existing clients. "By 2012, about 40 percent of Caparo's global sales will come from its Indian operations," he says.

Meanwhile, in line with its new consolidation and growth strategy to optimise existing resources and to support infrastructure requirements, the company has decided to make a foray into the energy and other engineering sectors. Towards this, it has recently entered into a joint venture agreement with Wartsila. It is currently setting up a 25 MW green power plant in Bawal, on the Delhi-Rajasthan highway. The Rs 40 crore project will be commissioned by the end of this year. In addition Caparo India plans to set up two more power plants in Chennai and Pune next year. While the Chennai plant will have 100 MW capacity, the Pune plant's capacity is yet to be decided, reveals Bose. ■