

**BLACK COUNTRY LOCAL ENTERPRISE PARTNERSHIP**

**23<sup>rd</sup> November 2015**

**Caparo Industries - Update**

**1. Purpose**

The purpose of this note is to inform LEP Board Members of the recent development surrounding Caparo and the co-ordinated activity underway to support available to companies affected by the situation.

**2. Overview / Background**

2.1 Caparo Industries plc (CIP) is a Midlands and London headquartered diversified industrial group. CIP comprises approximately 20 individual businesses which are active in UK steel and associated engineering businesses. Specific activities include the forging and pressing of metal products for aerospace, automotive and other industries. It also produces fastenings, wire, tubes and other accessories.

2.2 On 19<sup>th</sup> October 2015 a team of Administrators, partners and directors from PwC, were appointed Joint Administrators over the following companies within the Caparo Industries group:

- (1) Caparo Industries Plc
- (2) Caparo Engineering Ltd
- (3) Caparo Steel Products Ltd
- (4) Caparo Vehicle Products Ltd
- (5) GW 957 Ltd
- (6) Bridge Aluminium Ltd
- (7) Material Measurements Ltd
- (8) Caparo Precision Tubes Ltd
- (9) Caparo Precision Strip Ltd
- (10) Caparo Vehicle Technologies Ltd
- (11) Caparo Tube Components Ltd
- (12) Caparo Modular Systems Ltd
- (13) Caparo Advanced Composites Ltd
- (14) Caparo Accles & Pollock Ltd
- (15) Caparo Tube Components 2 Ltd
- (16) Caparo Atlas Fastenings Ltd

2.3 CIP is part of a global network of businesses under the Caparo name, with operations in China, India and the US. In addition to steel, Caparo's global business is also involved in product development, materials testing services, hotels, media, furniture and interior design, financial services, energy and private equity investment.

Other than the companies specifically listed above all other business interests of Caparo are unaffected.

- 2.4 Specifically three subsidiaries of Caparo Industries plc are not in administration, these are Caparo Merchant Bar and Caparo India (both UK entities) and Bomet SA (a Polish business), those businesses continue to operate normally.
- 2.5 The Joint Administrators' team from PwC will be rapidly taking control of the companies listed above. Employees across these entities of the Caparo Industries group totalling just over 1,700, are being briefed on the impact of administration at the businesses.
- 2.6 The Joint Administrators will also be working closely with the senior management team at Caparo Industries group to rapidly contact key customers and suppliers with the objective of stabilising trading of the businesses while they assess opportunities to restructure or sell the businesses and their assets.
- 2.7 The impact of steel prices and exchange rates has had an impact on some parts of the Caparo Industries group. However there are businesses in the group that are not directly affected by steel prices, and likewise many where there is both strong customer demand and critical supplier support.

In terms of redundancies around 320 have been announced in the Black Country.

### **3. Activity Underway**

3.1 BIS are bringing together several agencies to form the Caparo Task Group.

3.2 There is a weekly teleconference of the following agencies:

Business Growth Service, Sandwell MBC, Black Country Consortium, Walsall MBC, Dudley MBC, City of Wolverhampton Council, Black Country Growth Hub, Black Country Chamber of Commerce, BIS, UKTI, Job Centre Plus.

3.3 The specific activity currently underway to support this situation is set out below, aligned to People Business and Place.

#### **3.4 People**

- Job Fair – Planned for November 12<sup>th</sup> and 13<sup>th</sup>.
  - There has been a very good response from potential employers to the Jobs Fair which will take place on 12<sup>th</sup> and 13<sup>th</sup> November. So much so that the relatively modest size of the Council chamber means that it has been necessary to restrict those attending to the best prospects (firms with current vacancies in the right skills sets). In all there will be c20 stalls.
  - Those companies that have not been able to have a stall at the fair will have their job vacancies distributed by JCP to affected employees in order to maximise redeployment.
  - Support for those affected by redundancies will continue to be available beyond 13<sup>th</sup> November.

#### **3.5 Business**

- The administrators are encouraged by the level of interest in the remaining businesses. This includes 2 or 3 firms which are interested in buying them as a

unit. PwC are considering the strength of the various initial bids. The first sales may be announced within a fortnight (i.e. by around 19 November).

- PwC have advised that the creditors' meeting will probably not take place until December (enabling them to present as complete a picture as possible). They are unwilling to share information about creditors and suppliers. It was noted that the scale of the administration means that PwC have a very large number of firms to deal with. In accordance with the administration process, the Directors will issue a Statement of Affairs, which will include a list of creditors. This report will be released in 5 weeks time.
- The LEP Sub Board has recommended the use LGF / GPS towards projects which safeguard jobs – only where viable business remains. This s being pursued as a matter of priority and is dealt with further in the report on the LGF Pipeline (Agenda Item 6).
- The Black Country Growth Hub has ensured all staff are apprised of the situation. A dedicated Caparo helpline has been set up with direct links to specialist support.
- Transition Finance - The Black Country has been asked to look a route through which financial assistance could be offered to support the private sector, in response to the recent announcement of Caparo's administration. See Annex 1 for full outline

### 3.6 Place

- It is understood that Caparo holds significant land assets. It is further understood that the majority of these assets belong to the organisation's pension fund. This will be investigated to determine if any assets can be supported through the LEP finance mechanisms where Jobs or Houses can be delivered.
- The secretariat, alongside Council Staff are in discussion with Caparo and Land Owners where one of the 16 businesses occupies a potential development opportunity. This will feed into the work being undertaken by Thomas Lister where any application or opportunity for financial assistance can be initiated.

## 4. **Recommendations**

- 4.1 That the Board note the ongoing actions to mitigate the impact of the Caparo situation.

**Wayne Langford**

**Invest Black Country**

Contact Officer:

Wayne Langford [wayne\\_langford@blackcountryconsortium.co.uk](mailto:wayne_langford@blackcountryconsortium.co.uk)

Tel: 01384 471117

Source Documents:

## Annex 1 – Caparo Transition Fund

The feedback already being captured by teams across the area identifies varying situations businesses are facing. In establishing a resilience fund, one of the key attributes it will need will be its ability to be flexible, so that it accounts for individual circumstances, a difficult ask in terms of governance and compliance frameworks.

Current guidelines allow up to 10%, 20% and 30% for larger, medium and small companies respectively. The LEP Board may need to seek guidance if a higher level is to be offered.

The following sets out the key considerations the programme will need demonstrate-

### Mechanism

Ensure the application process is streamline to enable a quick response. At present there are two approval processes in place, one through the A2F group, the other through Paul Mellon. These need to be assessed if they can respond within a timeframe suitable for the audience whilst still remaining within their governance structure.

### Audience

It is expected that approaches will be made from

- i) Companies looking to acquire and expand using Caparo assets
- ii) Companies who have been adversely affected by Caparo's announcement and may need some short term funding support

### Governance

To ensure any awards are made in line with current legal frameworks including state aid and within the terms of the funding agreements.

### Outcomes / Outputs

The programme has to establish its objectives, indicators such as jobs safeguarded, investment attracted (match) and new floorspace (for those with plan to expand), could captured.

### Assessment

Companies coming forward will need to be quickly assessed in terms of viability and need. Companies will have to be able to demonstrate the gap in the funding package and also provide evidence that they are sustainable beyond the impact of Caparo. Due diligence, an action currently carried out after a grant has been awarded, may need to come in to play before a decision is reached, in order to reduce decision time.

