

Iron Strength Through The Ages

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Inspired by the strength of a father, who laid the foundation for a thriving family business, St Anthony's Industries Group has blossomed through the years, making a mark in the industrial sector of Sri Lanka. Following in the footsteps of A Y S Gnanam, his son A S G Gnanam, Managing Director of the Group, as do his brothers, continue to take this trend from strength to strength and envision a prosperous country that can battle the challenges of a developing world. He shared his thoughts on the challenges met, the lessons learnt and the actions to be taken for a brighter future...

By Kamalika Jayathilaka

The St Anthony's Industries Group has made a strong presence in the building material market with several associate companies. Can you take us to its beginning, how the Group came to be and the journey so far?

When You Start An Industry People Learn And With That The Industry Grows. If This Does Not Happen And A Particular Industry Does Not Have Skilled People, It Becomes A Big Problem.

My father came from very humble beginnings. He came to Sri Lanka with very little by way of money and education. He took on odd jobs, worked in a grocery store and sold scrap on the road. However, during the Second World War there were many British vessels in Trincomalee. He saw this as an opportunity and he started to buy scrap from these vessels. My father then started a hardware business where he sold scrap iron. He always said that the British were very nice to him and hence used to visit Trincomalee often as the British always gave him a good price. This is how the business began and gradually the store began to import various other hardware related products.

Then, in the late 1960's and early 1970's, the Government discouraged imported items coming into the market and promoted local industry and nationalisation. My father saw another opportunity to begin manufacturing in Sri Lanka. This is how much of the local industry and industrialisation began. He started looking at various products and possibilities and with his experience in hardware business, he was able to venture into the production of nuts, bolts and hinges at St Anthony's Industries. Later it expanded into piping, plastic pipes and others. He even took over an ailing roofing manufacturing company, now called Rhino and turned it into a successful venture.

During the same period my father realised that there was a big shortage of textiles in Sri Lanka. Therefore, he formed a joint venture with Mitsui Company and established Cyntex. This was the first public company that was initiated with Japanese collaboration in Sri Lanka and he was one of the first entrepreneurs to get World Bank funding. From the experience garnered through this venture my father started Tokyo Cement as his second biggest public company in investment and this still lays the foundations for the building industry in Sri Lanka.

St Anthony's Industries started with basic hardware materials such as pipes, which was my father's main interest at that time. Since then there has been much competition in the market and we had to introduce new products with better technology. Even today, we try to develop innovative products; for instance at the roofing sheet company we are looking at developing newer products during the next year. It is continuous; once you get into it, you have to keep moving forward.

During the past few years leading up to 2010, strong effects of a depressed economy were widely felt across the industrial sector as a result of a downturn in construction activities. How did St Anthony's Industries Group face these challenges?

Most of the Group did face a very difficult time during the global crisis. Various cost cutting measures had to be implemented and decisions on further investments were put off due to the bleak market outlook. However, we were able to manage the storm as we are reasonably diversified and some businesses were able to generate good returns while others did not. Everybody went through a rough period but now things are returning to normal and we are seeing a positive trend.

Industrial development is a prime force of value creation in economic development. Being involved in the manufacturing of building materials including roofing, cement, and PVC products, what has been your contribution so far to the industrial development and growth in Sri Lanka?

Whenever we create a new industry or factory, the end result is greater than the sum of its parts. The value generated from the skilled employment, the technology and learning that takes place, I personally believe, is valuable for the country and its economic development.

Technology is vital in our industry, we have been involved in training people because technology is lacking in Sri Lanka. When my father started the textile industry everything had to be imported from Japan or India. Then they learnt. When you start an industry people learn and with that the industry grows. If this does not happen and a particular industry does not have skilled people it becomes a big problem.

We are involved for example, in the plastic industry, and we have started making window profiles. The technology is lacking; our graduates don't have the opportunity to learn in an industry where this product is being made. They have to

go to a few industries and learn. Experience is what finally matters in any industry. In that sense we have contributed in providing the skill and relevant experience, thereby creating groups of skilled experts. We are proud because we have been the first in most of the industries and have created a set of people who would be the next creators of newer, better industries than ours.

The Government ensures that by 2020, Sri Lanka's industrial sector will be a highly value added, internationally competitive and diversified sector, which employs a highly paid and skilled workforce. What is your opinion on this and how would the Group gear up to achieve this for the country?

If You Want To Develop The Industry You Have To Train And Develop Your Own People, But That Is Not Sufficient; The Government Should Look At The Industries That Are Going To Be There Within The Next Ten Years And Focus Our Youth In That Direction.

Sri Lanka needs to be globally competitive and for that to happen, due to our limited human resources, productivity needs to drastically improve. Today industries cannot have too many people. I would rather have 25 skilled people doing the work of 50 unskilled people. That is one of the safest ways. When giving employment you have to give them a good salary since the cost of living is very high. Therefore, it is necessary to train and give skills to people. It is better to have a lesser number of people and more output which is the future of manufacturing. The Group continues to look at automation in most of its processes and I am happy to say that there are a number of initiatives already under way.

The future for Sri Lanka will be IT because the value addition in it is better than the garment industry. It involves more thinking and less labour which is what Sri Lankans want because we have more intellectuals. The country has a very good literacy rate and this is the way forward. The new generation is already involved. My elder son is currently running a back office exporting software business but he has to bring trainers from Pakistan because Sri Lanka still lacks IT education. They train these youngsters on how to do trade in the back office. There are enough graduates coming out of the universities and we have to train them to take over IT. The textiles industry was good at one time but now the margins have all dropped. Hence everyone in the industry is trying to go into a new field.

If you want to develop the industry you have to train and develop your own people, but that is not sufficient; the Government should look at the industries that are

going to be there within the next ten years and focus our youth in that direction. Some of the industries will just close down; America is giving many incentives to African countries to export garments. We are not going to be very competitive in a few years. I believe IT is something that we can really focus on because our education is good; it is just a matter of the Government refocusing its strategy.

In 2007 the group ventured into the IT and BPO sector with the initiation of Orion City, the first-ever IT Park in the Country. What was the thinking behind this and how would you describe its journey so far?

Orion is another first by the Group in Sri Lanka. My youngest son is mainly involved in this. This is very much a strategic move for us initiated by Orion. We look at value addition in real estate to what we already do which is primarily building materials.

Today our vision is to ensure that this entire area, which is about 13-14 acres, becomes an IT park so that people can come and work for long hours and have facilities such as food courts, banks and supermarkets. Our end vision is to have three million sqft in the entire park; and should stand as a leader in the IT/BPO industry.

Could you explain the significance of environment friendly manufacturing and your current efforts and future plans in contributing towards greening product activities?

Many of our companies are involved in green initiatives. Anton for example is a founding member of the green building council in Sri Lanka. As part of our initiative we have introduced PVC windows; it is more environment friendly than aluminium or timber. However, some of these environment friendly processes come at a slight cost increase. We have to look at the market first and whether it can actually take the product. We are also looking at providing green solutions such as rain water harvesting and recycling systems as part of the Anton solutions mix. The group will continue to look at various sustainability initiatives within the group and most of our new investments will be scrutinised to meet environmentally friendly criteria.

The other important aspect when it comes to businesses and industries is social responsibility, if you can talk a bit about how you practice CSR?

Every year we earmark a particular amount. Last year, Rhino carried out CSR activities for a cancer ward. This year it is planning to provide IT education and a

complete package of items to a disadvantaged school. Hence we always think of ways to invest in the future, so that we can get some return in the future, for the country as well as the industry. Being a family owned business we do many other charities.

The Government in its development strategy has envisaged a knowledge-based economy for Sri Lanka in time to come, which would require developments in science and technology, training and skills to serve the requirements of modernisation. In your opinion how could the country achieve this and how does it relate to industrialists?

We can achieve it if we are given the correct push. Various other countries have achieved it; our country is small, hence we don't have big problems as India and China. We can achieve it if there are enough laws to protect us, incentives provided to the people and education. Science and Technology is not something that you can only study through books. If I hire an engineer directly from university, even if he has a degree he cannot come and work in my factory. He has to go through four years of training before he can contribute to the industry. This experience is lacking in Sri Lanka. In China or India, it's industry based; after students leave university, they work in a small factory in order to acquire practical experience and contribute to the industry. In Sri Lanka, they join their first job, and take a few years to contribute. Therefore we need industry related institutes – institutes that can provide young people more training so that they come out experienced because until then they cannot contribute to the industry.

Any further plans for diversification?

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As the economy expands we plan to diversify. We cannot say we are focused on one particular area because there are different opportunities arising all the time. Everything changes as a result of what the neighbouring country or competitor is doing. Opportunities arise not only in the industry but also in other areas; for instance, we are looking at the leisure industry to see if there is something we can focus on. Renewable energy is another possibility we are studying and also value addition in certain agricultural products.

What would you say are your major achievements and milestones?

The St Anthony's Group stands for continuous innovation. St Anthony's Industries has moved on to higher value added products. We find that it is a great achievement. If we stick to the same products and if we don't keep improving, we will have to shut down. I always stress on developing something new and keeping it ready because the old product will automatically die. Sometimes we have to change according to technology. Therefore, it will take three to four years to get into the correct perspective.

Future plans?

We are looking at going public at some point and scaling our various businesses.

You as a person would have gained a wealth of experience throughout the years. Can you speak a bit about yourself or experience through the business. What has been the journey?

I'm an Engineer and studied in the US; when you study there and come back you think everything is easy. But in this country it is not so easy. I returned in 1973, a very difficult time, as everything was in short supply. My first job involved going to the Ministry of Industries everyday and getting the license for raw material. Then as a Director at Cyntex, my job was to pass allocation of textiles. At that time, if you were getting married you had to produce a slip to take the textiles. The welfare association used to come with a list and this was my job.

After that I learned about the market because there are people who bring false documents to get extra allocations. When you go to the Ministry of Industries you meet people from every level with different opinions. Gradually, I understood that competition is good for the survival of a company; if you don't have competition you die because you think that everything is easy. I realised from the experience I garnered during the beginning that it is fortunate that we have competition. After the open economy was introduced it was a different ball game altogether; you have the chance of going out and acquiring new technology. You have to learn from others, that is how you can develop. When I travel, I learn.

Any final comments?

The next generation must receive a proper education. They must focus on what is

required to take the next step and then analyse the competition from other countries. India, China and East European countries are all competing for the same pie. What is the next step; what should be done? My hope is that Sri Lanka will take that next step.

