

**Gruppo Tessile Miroglio S.p.A.**

**A Company Profile**

Report written on behalf of the European Trade Union Committee:

Textiles, Clothing and Leather, Brussels

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**SOMO**

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## Introduction.

In the textile sector, Gruppo Tessile Miroglio (GTM) is the fourth largest in Italy, behind Benneton, Marzotto and GFT, and the ninth largest<sup>1</sup> at European level.<sup>2</sup> The Miroglio group covers three divisions: the textile division, the clothing division, both with sales companies and manufacturing companies, and a financial/administrative division consisting of several holding companies.

At the moment, the group includes 47 companies and employed 6.246 people at the end of 1994.<sup>3</sup> There are 11 companies in Italy (including the parent company) and 36 abroad of which 23 in the other countries<sup>4</sup> of the European Union, 5 in the rest of Europe<sup>5</sup> and 8 in the rest of the world<sup>6</sup>. Miroglio meets with the requirements of the Directive on European Works Councils (1000 employees within the Member States and at least 150 employees in each of at least two Member States).

There already have been two international meetings between trade union representatives in order to exchange experiences and to push forward the idea of setting up a European Works Council. The first meeting was organized with the support of the European Committee and was held in February 1993 in Alba, Italy, the second was in February 1994, also in Alba where Miroglio's headquarters are located.

## History and general picture of Miroglio

Miroglio was set up in 1947 and at the time it covered only textile activities, it integrated women's clothing activities in 1955. Initially the company's activities were typically industrial, then the group moved to a vertical integration throughout the production cycle, from spinning to weaving activities, from upgrading fabrics to clothing articles.

MTG started to internationalize its activities in 1972, at that time plants were set up in Tunisia and in Egypt<sup>7</sup>. Today the group is located in 18 different countries.

In an interview in 1993<sup>8</sup> Franco Miroglio, managing director of Gruppo Tessile Miroglio, explained the three factors at the heart of the group's success. Firstly, he emphasizes the success of the company's policy of transferring production plants to countries where labour costs are low. This is a policy which the group proposes to continue. The second

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<sup>1</sup> (Ranking Europe 1992: 1. Coats Viyella, 2. Benneton, 3. Beaulieu, 4. Courtaulds, 5. DMC, 6. Chargeurs, 7. Freudenberg, 8. Marzotto, 9. Miroglio, 10. Dawson. (Textil Wirtschaft, 3 Dec 92)

<sup>2</sup> Textil Wirtschaft 3 Dec 93

<sup>3</sup> Consolidated Financial Statements, 1994

<sup>4</sup> 7 in Germany, 5 in Spain, 5 in France, 1 in The Netherlands, 1 in Luxembourg, 1 in Belgium, 1 in England, 1 in Greece and 1 in Austria.

<sup>5</sup> 1 in Bulgaria 1 in Ukraine, 3 in Switzerland.

<sup>6</sup> 1 in U.S.A., 1 in Hong Kong, 1 in Marokko, 1 in Egypt, 3 in Tunisia, 1 in Dutch Antiles.

<sup>7</sup> Marcello Guardianelli, 1994

<sup>8</sup> Il Sole 24 Ore, February 28th 1993

element in the group's strategy is a major technical investment program, the aim is to increase the productivity of all the group's plants. The third element in Miroglio's development has been the acquisition of market shares in the major EU countries by buying up local companies.

In the last five years Miroglio has invested almost L700bn, of which L200bn in acquisitions. The most significant development of production activities at international level can be summarized as follows:

in 1987 the group started to expand in Europe by buying out the French company Louis Rohmer;

in 1989 GTM took over 5 German companies;

in 1992 GTM acquired two Spanish companies: Fashion Commercial and Subitex.

In 1993 GTM also took over the Yves Rocher clothing business in France, which includes the Claverie and Sym labels. In this year the groups Miroglio and GFT dropped their plans for a merger because of differing views about how to operate on the market, the losses of GFT in 1992 and the level of debt.

Alba-based Miroglio is primarily a producer of more medium-priced goods. Franco Miroglio built up his successful business without having to use famous designers. So until the start of the 1990s the Miroglio group adopted a low-profile strategy, without famous labels, showrooms, or luxury shops in city centres. It then launched a new strategy, firstly in Italy and later in France, and it plans to open further boutiques in Paris.

However, in 1993, over one-third of the group's turnover in France was still contributed by GBV, which sells low-price clothes through shopping centres and hypermarkets.<sup>9</sup>

### **Group's activities**

The group produced around 10m garments and 80m metres of cloth in 1994. The clothing and textile divisions contribute equally in terms of revenue, 60% of the turnover was generated on foreign markets.

The Group can be divided into three divisions.

#### **Divisional structure**

- A. Textile Division**
- B. Confection Division**
- C. Financial Division**

#### **Textile division**

The textile division covers the entire production cycle, characterized by a vertical integration of processes, and centres its own strategy around the following competing factors: high technology, automation, wide use of infrastructures and flexibility of production structures, the latter being organized as competing, autonomous activity centres<sup>10</sup>.

The table on the following page shows the sales companies and the manufacturing companies with their activity and their registered office.<sup>11</sup>

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<sup>9</sup> Il Mondo, 10 May 1993

<sup>10</sup> Marcello Guardianelli, 1994

<sup>11</sup> Consolidated Financial Statement, 1994

## Textile Division

### Sales Companies

- Miroglio Tessile, Divisione Tessuti, Alba (Italy)
- Ulmia Steiger & Deschler, Ulm (Germany)
- Gestioni Industriali, Gallarate (Italy)
- Miroglio Textiles USA, New York (USA)
- Miroglio U.K., London (U.K.)
- Subitex, Barbera del Valles (Spain)
- Miroglio España, Barbera del Valles (Spain)
- Lugantex, Lugano (Switzerland)

### Manufacturing Companies

- Spinning Factories in: Saluzzo (Italy), Morro d'Oro (Italy), Vitalba (Italy), Ginosa (I), Castellaneta (I)
- Polyester yarns, texturing and twisting in: Saluzzo (Italy), Ginosa (I), Castellaneta (I)
- Dyeing and twisting in: Castagnole Lanze (Italy)
- Mesh weaving, paper for printing in: Guarene (Italy)
- Weaving in: Castagnito (Italy), Cortemilia (Italy), Tunis (Tunisia)
- Knitting in: Novello (Italy)
- Printing in: Govone (Italy), Weissenau (Germany)
- Finishing in: Weissenau (Germany)

### The clothing division

The activity of GTM's clothing division focuses on the production of women`s garments. This sector is basically an industrial one and aims at internationalizing its production activities in order to keep production costs stable by decentralizing production towards countries with lower labour cost and/or towards subcontracting companies and companies outside The European Union.

The table shows the sales and manufacturing companies.

## Clothing Division

### Sales Companies

- Miroglio Tessile, Divisione Confezioni, Alba (Italy)
- Gläser, Bad Kreuznach (Germany)
- Flick Aktuell, Bielefeld (Germany)
- La Nuova Moda, Alba (Italy)
- Scarabaeus Mode, Bielefeld (Germany)
- Rohmer, Lisieux (France)
- Miroglio France, Lisieux (France)
- SYM, Roissy (France)
- Miroglio Suisse, Zürich (Switzerland)
- CMD, Roissy (France)
- Miroglio Textil, Vienna (Austria)
- Miroglio U.K., Clothing Division, London (U.K.)
- Gruppo Vestebene España, Barcelona (Spain)
- Button's, Mollet del Valles (Spain)

### Manufacturing Companies

Clothing Companies in: Bra (Italy), Alexandria (Egypt), Cortemilia (Italy), Patras (Greece), Galatina (Italy), Roddi (Italy), Hong Kong, Tunis (Tunisia), Marrakech (GVB Comar)(Marocco)

Storing and Expedition in: Pollenzo (Italy)

## C. Financial Division

### Financial Division

- Grupo Tessile Miroglio, Alba (I)
- Miroglio International, Amsterdam, The Netherlands
- Miroglio Deutschland, Ulm (Deutschland)
- Newdale Company, Curaçao (Netherlands Antilles)
- GTM Miroglio France, Roissy (France)
- GTM Miroglio España, Barcelona (Spain)
- Mirinvest, Alba (I)
- Miroglio Service, Lugano (Switzerland)
- Miroglio Finance, Luxembourg
- Flick Aktuell Geschäftsführung, Bielefeld (Germany)
- Gläser Beteiligung, Bad Kreuznach (Germany)

These companies are all holding companies except for GTM Miroglio France and GTM Miroglio España.

### Group's structure

The parent company is the holding company Gruppo Tessile Miroglio Spa in Alba, Italy. The Italian companies and Miroglio Finance (Luxembourg) and Miroglio International (The Netherlands) have a direct line with the parent company. The foreign activities of Miroglio are controlled by the Netherlands-based holding company Miroglio International. With an exception for Miroglio France and Miroglio Deutschland which are partly controlled by Miroglio International and partly by the parent company (see also the diagram in the appendix).

The following changes occurred during 1994:

- Merger of Fintex s.r.l. into Miroglio Tessile S.p.a.;
- Disposal of a product line. The spin-off of Ulimia Steiger & Deschler technical fabrics sector has been implemented as of January 1, 1994 by establishing a new company, Ulimia Technischen Textilien, that was disposed of during the year as this sector was not deemed to be strategic within the group's activities;
- Acquisition of an additional stake of 22% in Ulimia Steiger & Deschler, bringing the total interest in the Company to 99,6%.; Acquisition of the residual 31,25% stake of Filatura de Vitalba, bringing the Group ownership to 100%.

### Structure of employment

As of December 31, 1994 the Group staff consisted of 6.246 employees<sup>12</sup>, this is a decrease of 268 units compared to the previous year, due to the transfer of Ulimia Technischen Textilien<sup>13</sup> and to a staff reduction in the Group factories. The total staff divided into categories is as follows:

-Managers	103
-Employees and specialized workers	2.576
-Workers	3.387

### The employment figures of recent years:

	1991	1992	1993	1994
No. of employees	6.189	6.166	6.514	6.246
Total cost of labour*	-	289.720	317.242	312.889

(\* in billions of Lires)<sup>14</sup>

In spite of the fact that GTM acquired a number of companies in the past five years, the total number of employees did not change much. This means that after going through a significant development phase which leads to a higher number of production plants and more workers, the group's structure is undergoing a consolidation and streamlining phase.<sup>15</sup>

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<sup>12</sup> The average staff during 1994 amounted to 6.380 units.

<sup>13</sup> UTT employs 130 staff.

<sup>14</sup> Consolidated Financial Statements 1994

<sup>15</sup> D Guardianelli, 1994

### Economics and financial results in 1994

The Italian companies, which could benefit from favourable exchange rates, were able to improve their performances, even though they are operating in markets still suffering from a very negative economic situation. Certain foreign subsidiaries in France and Germany, which could not benefit of the same advantage, together suffered a loss of around L20bn.<sup>16</sup>

### Financial highlights (millions of lire)<sup>17</sup>

	1994	1993	1992
Turnover	1.370.361	1.331.412	1.173.603
Average turnover per employee	219	204	190
Net profit	82.627	94.514	90.112
Cash flow	174.630	176.827	165.736
Depreciation	92.003	82.313	75.624
Expenditure in fixed assets	87.621	96.809	118.475

On the whole the Group reached a turnover of 1.370.361 million Lires in 1994, an increase of 4% compared in homogenous terms to 1993. Ulmia Technische Textilien, which was sold in 1994, is excluded from the consolidation, this company would have contributed 50 billion lire to the Group's turnover.

The textile and clothing division contributed almost equally to the group's turnover.

There is an increase in turnover per employee, but the increase is not to such an extent that can be concluded that more subcontracting has taken place.

In 1994 the depreciation exceeds the expenditure of fixed assets, this in contrast of previous years.

MTG is remarkably solid, has a substantial shareholders equity, accounting for 58% of the total liabilities. This capital enables the group to expand and to acquire.

But Miroglio must also be careful because of its substantial equity capital, because it makes the company a interesting candidate to be taken over themselves.

### Forecasts 1995

The international markets of the textile-clothing sector do not seem to be benefitting from the positive effects of an increased demand, which is however characterizing other sectors. In Italy in particular both the textile and the clothing sector are suffering from stagnation or even reduction in domestic demand, notwithstanding the impulse received from the upswing in exports.

The Miroglio Group has nevertheless attained positive results in the first part of 1995.<sup>18</sup> In the first eight months of 1995 Miroglio reported an 8% increase in turnover on the corresponding period of 1994.<sup>19</sup> According to Carlo Miroglio, the real danger is represented by the general increase in the costs of raw materials, which together with

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<sup>16</sup> Il Sole 24 Ore, 4 Feb 1995

<sup>17</sup> Consolidated Financial Statements, 1994

<sup>18</sup> Consolidated Financial Statements, 1994

<sup>19</sup> Il Sole 24 Ore, 10 Oct 1995



further depreciation of the lira risks to overthrow the income statements of the company.<sup>20</sup>

## Group's strategy

### Investments

Although the internationalization of MTG's activities is still characteristic for the company's strategy, the group has decided to freeze the plans to invest in China and instead increasing investment in southern Italy and establishing its presence in the former Soviet Union.

Miroglio had planned to invest L 100bn in two printing plants in Zhejiang province in China, one to produce viscose, polyester and cotton for the South-East Asian market and the second to produce silk and other refined fabrics designed to be sent out for the European market. But managing director Franco Miroglio has admitted being disaffected with the group's Chinese adventure, constant delays and problems have prompted the company to close the Chinese chapter. On the other hand, Miroglio is doing more and more business with Central and Eastern European countries. The company is already present in Poland, Hungary, Romania and the Czech Republic, where it sells textiles worth a total of L20bn annually. Furthermore, it has set up a trading company in Ukraine's capital Kiev and is planning to do the same in St Petersburg.

The company is also paying increasing attention to the Italian South. Already two new production units are being built in the province of Taranto: a weaving and throwing plant in Ginosa and a spinning plant in Castellaneta. The plants should be fully operational by end-1995.<sup>21</sup> Once fully operational these plants, requiring investment of L140bn, should employ some 400 people and generate annual turnover of L130bn.<sup>22</sup> The complex will be Miroglio's fourth in southern Italy.

Miroglio sold in December 1994 its subsidiary Ulmia Technische Textilien GmbH & Co. of Ulm-Krumbach to a group formed by the company's own managers and several bankers. Ulmia Tessuti Tecnici employs 130 staff and represents turnover of L50bn. Its sale generated capital gains of almost L8bn, plus around L20bn from the sale of property in Germany which the group no longer needed. As a consequence of this operation the consolidated cash flow remains on the same level, despite the losses of around L20bn registered by the subsidiaries in Germany and France in 1994 (these are aiming to break even in 1995). The difficulties abroad prevented the group from making new acquisitions outside Italy in 1994. To compensate, efforts were concentrated on internal activities: for example, polyester production capacity rose by 60% and the number of sales outlets was increased to just under 130.<sup>23</sup>

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<sup>20</sup> Consolidated Financial Statements, 1994, p.18

<sup>21</sup> Il sole 24 Ore, 10 oct 95

<sup>22</sup> Il sole 24 Ore, 13 jun 95

<sup>23</sup> Il sole 24 ore, 4 feb 95

A large part of the groups production is subsequently moved to countries with low labour costs. In 1993 50% of GTM's manufacturing was carried out in countries as Tunisia, Morocco, Egypt, Turkey and the Ukraine. It is not quite clear to what extent this concerns subcontracting or their own plants abroad.

As an example, until 1993 most of the production of GVB (France) was manufactured in Greece by GBV Hellas, but production was being wound down there because the cost of labour was risen to over L11,000 an hour, compared with at that time L3,500 in Tunisia and L1,200 in Egypt. From that moment on GBV France was being supplied from the Ukraine, where a worker earns only L50,000 a month in those days, and where the Miroglio group had build a new factory. It already had three other factories in eastern Europe, in Poland, Hungary and Albania.<sup>24</sup>

### **Management**

The Miroglio family is well represented in the board of directors. Chairman of Gruppo Tessile Miroglio is Carlo Miroglio, his brother Franco Miroglio is the managing director of the Miroglio group. The company is a family business.

Other members of the board of directors are: Eduardo Miroglio, Nicoletta Miroglio, Giovanni Coccodrill, Roberto Ronchi and Marco Vitale.

### **Conclusion**

It is Gruppo Tessile Miroglio's strategic policy to transfer production plants to countries where labour costs are low. Since 1987 the company has expanded considerably, amongst other things through acquisitions at international level, but the number of employees did not increase significant.

The company made major investments in technical improvements to increase the productivity of the group's plants and to be able to cover all activities in the production cycle. In the beginning the company only covered textile activities but now it has moved to a vertical integration throughout the production cycle.

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<sup>24</sup> Il Mondo, 10 may 1993

## Exchange rates

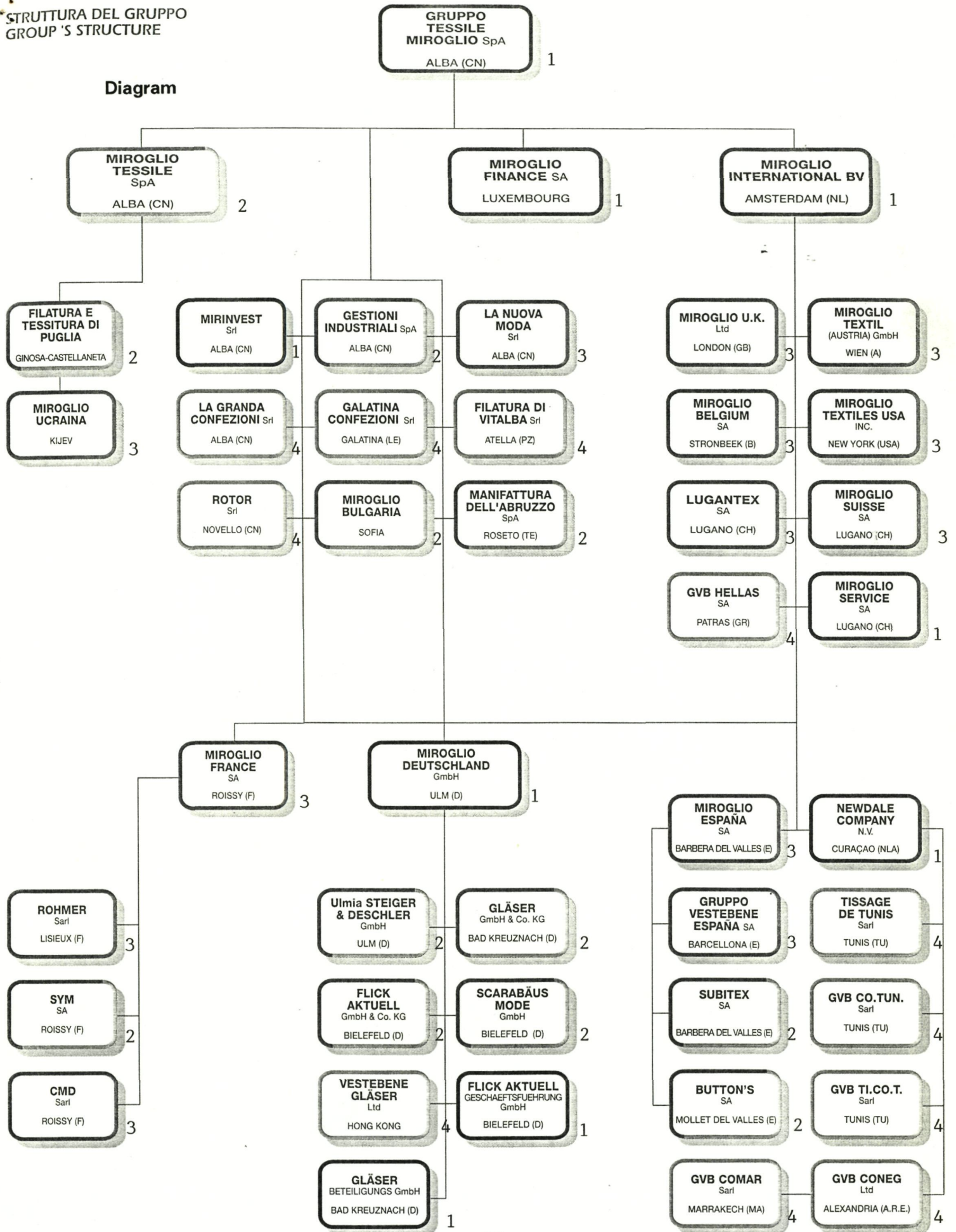
10000 Lire	1.000.000 Lire	1.000.000.000.000 (1 biljoen Lire)
fl 9,96	FL 996,-	FL 996.000.000
\$ 6,28	\$ 628	\$ 628.000000
BP 3,79	BP 379	BP 379.000.000
DM 8,89	DM 889	DM 889.000.000
FFR 30,65	FFR 3065	FFR 3065.000.000
BFR 182,89	BFR 18289	BFR 18289.000.000

## Subsidiary companies

<i>Società Italiane Italian companies</i>	<i>Capit. sociale (milioni Lit.) Share Capital (millions of lire)</i>	<i>- % di partecipaz. % of shareholding</i>
MIROGLIO TESSILE S.p.A. - Alba	47.000	100
MIRINVEST S.r.l. - Alba	40.000	100
GESTIONI INDUSTRIALI S.p.A. - Alba	200	100
LA NUOVA MODA s.r.l. - Alba	5.000	100
LA GRANDA CONFEZIONI S.r.l. - Cortemilia	3.200	100
GALATINA CONFEZIONI S.r.l. - Galatina	2.000	100
FILATURA DI VITALBA s.r.l. - Alba	9.600	100
ROTOR S.r.l. - Novello	1.000	100
INIZIATIVA TESSILE s.r.l. - Alba	200	100
MANIFATTURA DELL'ABRUZZO S.p.A. - Roseto degli Abruzzi	9.000	50
FILATURA DI PUGLIA s.r.l. - Alba	20	100
<i>Società Estere Foreign companies</i>	<i>Capit. sociale Share Capital</i>	<i>% di partecipaz. % of shareholding</i>
MIROGLIO INTERNATIONAL B. V. - Amsterdam	HFL 15.000.000	100
MIROGLIO FINANCE S. A. - Luxembourg	FLX 600.000.000	100
MIROGLIO U. K. LTD. - London	LGS 100.000	100
MIROGLIO TEXTIL G.m.b.H. - Wien	AS 2.000.000	100
MIROGLIO BELGIUM S.a.r.l. - Bruxelles	FB 4.000.000	100
MIROGLIO TEXTILES USA INC. - New York	US\$ 950.000	100
LUGANTEX S. A. - Lugano	FSV 1.000.000	100
MIROGLIO (SUISSE) S. A. - Lugano	FSV 1.000.000	100
GVB HELLAS S. A. - Patras	DRS 112.972.615	100
MIROGLIO SERVICE S. A. - Lugano	FSV 100.000	100
MIROGLIO ESPAÑA S. A. - Barbera del Valles	PTS 800.000.000	100
GRUPPO VESTEBENE ESPAÑA S. A. - Barcelona	PTS 50.000.000	100
SUBITEX S. A. - Barbera del Valles	PTS 800.000.000	100
BUTTON'S S. A. - Mollet del Valles	PTS 200.000.000	100
CONFECCIONES CASPE S. A. - Barcelona	PTS 20.000.000	100
NEWDALE COMPANY N. V. - Curaçao	US\$ 30.000.000	100
TISSAGE DE TUNIS S.a.r.l. - Tunis	DNT 200.000	100
GVB CO.TUN S.a.r.l. - Tunis	DNT 100.000	100
GVB TI.CO.T. S.a.r.l. - Tunis	DNT 100.000	100
GVB CONEG LTD. - Alexandria A.R.E.	LIT. 800.000.000	100
GVB COMAR S.a.r.l. - Marrakech	MAD 100.000	100
MIROGLIO FRANCE S. A. - Lisieux	FF 90.000.000	100
ROHMER S. A. - Lisieux	FF 20.000.000	100
SYM S.A. - Paris	FF 40.000.000	100
SYM EXPLOITATION S.a.r.l. - Alençon	FF 50.000	90
C. M. DIFFUSION S.a.r.l. - Roissy C.D.G.	FF 50.000	100
MIROGLIO DEUTSCHLAND G.m.b.H. - Ulm	DM 50.000.000	100
ULMIA STEIGER & DESCHLER G.m.b.H. - Ulm	DM 15.000.000	99,6
GLÄSER G.m.b.H. & Co. KG - Bad Kreuznach	DM 3.000.000	100
FLICK "AKTUELL" G.m.b.H. & Co KG - Bielefeld	DM 5.000.000	100
SCARABÄUS MODE G.m.b.H. - Bielefeld	DM 2.500.000	100
VESTEBENE GLÄSER (FAR EAST) LTD. - Hong Kong	HK\$ 200.000	100
GLÄSER BETEILIGUNGS G.m.b.H. - Bad Kreuznach	DM 50.000	100
FLICK AKTUELL GESCHAEFTSF. G.m.b.H. - Bielefeld	DM 100.000	100
MIROGLIO UKRAINE S.a.r.l. - Kiev	<b>12</b> US\$ 11.000	100
MIROGLIO BULGARIA E.O.O.D. - Sofia	LEVA 50.000	100

STRUTTURA DEL GRUPPO  
GROUP'S STRUCTURE

Diagram



- 1 = Holding company
- 2 = Manufact. and sales comp.
- 3 = Sales company
- 4 = Manufacturing company