

Mölnlycke/Melka-Tenson

A short Profile written on behalf of the ETUC-TCL

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History and background to the company

Until the end of 1994 Melka-Tenson was a sub-division of Mölnlycke, itself a division of SCA, one of Europe's largest paper companies. The other three divisions of SCA include Packaging, Graphic Paper and Forest and Timber.

Mölnlycke is SCA 's division of consumer products, mostly tissue, (paper) diapers, tampons and the like. Until february 1995 it also included a sub-division toiletries.

Mölnlycke's History

In 1849, G F Hennig founded Mölnlycke Manufaktur AB in the parish of Råda to the east of Göteborg in a meadow (Mölnlycke = mill meadow) next to a small river. Thirty years later, the company had developed to become one of the most modern textile mills in Sweden and the name of the company had become the name of the surrounding community.

After a difficult period around the turn of the century, Mölnlycke was reconstructed and a new era began. The company management concentrated on staying at the forefront of developments in the field of textile technology and a range of new products, such as health care products, sewing thread and sanitary towels, were included in the product programme.

As a result of this specialisation, the company began to focus increasingly on hygiene products. At the beginning of the 1960s, these products accounted for 20% of turnover.

Mölnlycke shares were first quoted on the stock exchange in 1961. The Nätraby paper mill was acquired in the same year. The Tissue division expanded and, towards the end of the decade, toiletries were included as an extension of hygiene operations.

In 1970, hygiene operations accounted for 67% of turnover and, for the first time, sales outside Sweden exceeded those in Sweden (55%).

In 1975, SCA acquired all the shares in Mölnlycke. As a result, Mölnlycke's access to raw materials and capital and to advanced know-how in the field of fibre technology was assured.

Growth continued throughout the 1980s as a result of company acquisitions and expansion within the group. Today, in 1994, Mölnlycke is one of the world's largest companies in its specific sector.

Source: annual report

The clothing division within Mölnlycke is mostly referred to by its brand-names: Melka-Tenson or Melka-Tenson Ambizz. It is Swedens largest clothing company and in Europe one of the leading companies in branded shirts, jackets and slacks. Its products are sold in 14 European countries. For the past years it reported

- 'the trend of business during the year was very good' (annual report SCA 1991).
- 'the trend of business was favorable during the year' (annual report SCA 1992).
- 'sales of clothing in Europe has declined (...) Mölnlycke however retained its market shares (annual report SCA 1993).

Within Mölnlycke, Melka-Tenson held a marginal position, e.g. in annual reports only a few lines were spent to describe this business area.

Melka Tenson	1990	1991	1992	1993	1994
Sales (SEK million)	606	628	681	713	720*
Employees	?	1185	1158	1109	1100

* For comparison with the next table: 720 million SEK is about £ 61 million.

Source: annual report(s)

Melka Tenson production is concentrated in Portugal after closing its shirt factory in Hoogezand (the Netherlands) in 1989. This closure raised a fierce argument between management and unions. Unions accused the company of transplanting production to Portugal. Management stated that falling demand in the Belgium, Dutch and German markets caused the company to close this plant. The unions were only informed at a very late stage. 68 jobs were lost. Hoogezand remains as an administrative and distribution centre, with a task in quality control as well.

Sale to William Baird PLC

Just before christmas 1994, Melka-Tenson was sold for around SEK 165 million to the Scottish company William Baird PLC, one of the worlds biggest clothing companies. William Baird has recently been very active in take-overs, including Van Gils (Neth.), Morris Cohen (Wales) and Richard I Racke (Great Britain). This has caused an increase in debts, debt as % total equity has risen to 53.9% for the first halve of 1995, compared to 40,4% in 1992. (William Baird has also operated an engineering division Darchem which has been gradually disposed of).

William Baird operates 4 divisions: Contract Clothing, Fabrics, Home Products and Bairds Brand Clothing division. Melka-Tenson has become part of Bairds Brand Clothing division. Other parts of this division are:

- the Winsmoor Group,
- Baird Menswear Brands (incl. van Gils),
- Dannimac, Telemac and Baracuta
- Banner and Beau Brummel
- Bridal Fashions

The company states to have a de-centralised structure, in which every company makes its own decisions.

William Baird sales are concentrated in the UK. Over 90% is produced and sold in the UK (94.5% in 1992). Exports from the UK to the rest of Europe are as large as production made and sold in the rest of Europe (\pm £ 16 million). Production made and sold in Asia is \pm £12 million.

William Baird

	turnover by origin and destination*		capital employed (%)	
	1994	1993	1994	1993
UK	90.4	86.9	79.1	84.1
exports from UK	3.7	5.6	-	-
Rest of Europe	3.1	1.9	6.4	5.8
Asia	2.3	2.3	2.0	2.3
Rest of the world	0.5	3.3	0.0	1.1
Melka-Tenson/Cohen	-	-	6.0	-
Associated undertakings	-	-	6.3	6.6
Total	100	100	100	100

(*: according to the companies annual report materially there is no difference)

Source: annual report(s)

Notice that production in Europe is far more capital-intensive than average.

Domestic production and exports from the UK is the most import source for company profits. The rest of Europe have proved to be loss making over 1993 and 1994. Asia posted a small profit in 1994.

William Baird Key financial figures

£ 1000	½-1995	1994	1993	1992
Turnover	304,046	534,327	522,574	541,534
Profits before interest	10,723	27,538	21,738	17,508
Profits before taxes	8,400	25,146	19,579	14,175
Margin %	3.5	5.2	4.2	3.2
Debt as % total equity	53.9	52.8		40.4
Employees Textiles		16,065	15,451	14,251
(Darchem)		361	1,061	2,746)

Bairds Branded clothing

Turnover (*)	155,982	236,688	212,900	208,800
Profits before interest (**)	7,124	11,164	11,200	12,200
Margin %	4.6	4.7	5.3	5.8

(*)increase with first half of 1994: 44,317

(**)increase with first half of 1994: 1,828 (hence incremental margin is 4.1%)

Source: annual report(s)

As can be seen from this table, Branded Clothing, the division which include Mölnlycke is becoming an ever more important part of William Baird (38% of turnover in 1992, 51% in the first half of 1995). As the margin in this sector is higher than in other textile sector, it is easy to understand why William Baird is making this move. Only in 1994 the margin was lower, because of the costs associated with the closure of the Bekertex dress business. On the other hand, the return on capital employed is higher in the other 3 divisions of the William Baird group.

To judge William Baird financial position, it seems most useful to use the so-called quick ratio, which gives the relation between short-term debt and cash with short-term creditors. (This because is of the hugh share of stocks in total assets and the low level of fixed assets).

William Baird Group	1994	1993	1992
Quick Ratio	68,8	99,7	110,8

As can be seen, the financial situation of the company has become worse.

William Baird yearly donates to the Conservative Party, £10,000 in 1994.

Conclusions

- Melka-Tenson as a textiles company did not meet the requirements for establishing a EWC, as it did not have 150 or more employees in two EC countries. William Baird certainly does meet the requirements.
- Changing to William Baird means for Melka-Tenson that is now has a parent company committed to the textiles business. But from now on, it has to deal with a company with far more opportunities for internal competition (e.g. William Baird acquired a second outerwear factory in Sri Lanka.)

Adresses (situation before the take over)

Headquarters:

* AB Melka/Tenson AB
S-405 03 Göteborg
Datavägen 17 Askim Sweden
tel. 46 31 289020
fax 46 31 285369

Production:

* Melka Confecções Lda
PT-2736 Cacém
Desvio a Rua Elias garcia-Apartado 3
tel. 351 (01) 9143175
fax 351 (01) 9147994

Employees: < 50

Products: Female garments: Articles of jersey fabric, articles of jersey fully fashioned, casual and game wear. Male garments: Jackets, blazers, trousers Swim and beach wear, Blouses. Health care Products.

* Melka Confecções
Evora

* Melka Confecções
Palmela

Distribution and quality control:

Melka-Tenson-Ambrizz
Vredenburgweg 7
Hoogezand
The Netherlands
tel. 31-5980-16911

Sales offices:

Sweden, Finland, Norway, Danmark, UK, Netherlands, Belgium, Germany, Switzerland, Japan.

William Baird PLC

79 Mount Street
London W1Y 5HJ
tel. 44 171-409 1785
fax. 44 171-499 6788

Principal Subsidiary and Associated Undertakings

AT 31 DECEMBER 1994

BAIRD TEXTILE HOLDINGS LIMITED

Bairdwear (Bridgwater) Ltd
Bairdwear (Harcourt) Ltd
Bairdwear (Telford) Ltd
Bairdwear (Whitefield) Ltd
Morris Cohen (Underwear) Ltd

Bairdwear Racke Ltd

Praxis Activewear Ltd
Praxis International Ltd
Praxis Schoolwear Ltd
Praxis Tailoring Ltd
Praxis (Far East) Ltd (Hong Kong)
Praxis (Far East) Corporation (Philippines)*
Prego (Praxis) Philippines Inc (Philippines)*
Broadsword Apparel (PVT) Ltd (Sri Lanka)

Arditti Ltd
Career Apparel Ltd

Bairdtext Ltd
Joshua Wardle Ltd

Banner Ltd
Beau Brummel Ltd

Bridal Fashions Ltd
Berkertex Brides Ltd

Alexandre of England 1988 Ltd
Alexandre of England Inc. (USA)
Baird Menswear Brands Ltd
Centaur Clothes Netherlands BV (Holland)

Dannimac Ltd
Telemac Ltd

Windsmoor (London) Ltd
Planet Fashions Ltd
Windsmoor (Précis) Ltd

AB Melka (Sweden)
Tenson AB (Sweden)

Continental Imports (Blackpool) Ltd
Cowley Distributors (Far East) Ltd (Hong Kong)
Mr Christmas Ltd
Robenau Ltd

WB INDUSTRIAL LIMITED *

ACR Heat Transfer Manufacturing Ltd
DBS Construction SA (France)
Euromac NV (Belgium)
Euromac SA (France)

WILLIAM BAIRD INSURANCE COMPANY LIMITED

Incorporated and registered in the Isle of Man

ASSOCIATED UNDERTAKINGS

Micropore International Ltd*
Mori Lee (UK) Ltd
Thomas Marshall (International) Ltd
Windsmoor (Hong Kong) Ltd* (Hong Kong)

% of ordinary shares owned
46% of 35,000 issued shares of £1
50% of 1,000 issued shares of £1
50% of 1,000 issued shares of £1
50% of 40,000 issued shares of HK\$100

BAIRD TEXTILE HOLDINGS LIMITED

At 31 December 1994 Broadsword Apparel (PVT) Ltd which is registered and incorporated in Sri Lanka was 85% owned. All other companies listed above were wholly owned. All are incorporated in Great Britain and registered in England except Baird Textile Holdings Limited and Bairdwear Racke Ltd which are registered in Scotland, Praxis (Far East) Ltd and Cowley Distributors (Far East) Ltd which are incorporated and registered in Hong Kong, Centaur Clothes Netherlands BV which is incorporated and registered in the Netherlands, Praxis (Far East) Corporation and Prego (Praxis) Philippines Inc which are incorporated and registered in the Philippines, Alexandre of England Inc. which is incorporated and registered in the State of Virginia, United States of America and AB Melka and Tenson AB which are incorporated and registered in Sweden.

WB INDUSTRIAL LIMITED

At 31 December 1994 all companies listed above were wholly owned. All are incorporated in Great Britain and registered in England except Euromac NV which is incorporated and registered in Belgium, Euromac SA and DBS Construction SA which are incorporated and registered in France.

The principal country in which each subsidiary undertaking operates is Great Britain, except where otherwise stated.