

# Pietro Radici SpA

## A Company Profile

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### *CONTENTS:*

INTRODUCTION	2
FINANCIAL AND GENERAL HIGHLIGHTS	2
INTERNATIONALISATION	3
TEXTILE MACHINERY SECTOR	4
APPENDIX: SUBSIDIARIES	6

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## INTRODUCTION

The Radici group is family-run: none of its 60 companies are quoted. Miro Radici, who runs the group together with his brother Gianni, wants to keep it that way, stating that the family numbers many members and is not short of funds. However, recent acquisition plans may change this policy. Attendant consequence is, that not much information on the group's course of affairs is revealed.

Miro Radici is known to the general public as the 'carpet king', as he owns the well known Sit-In brand. Nevertheless, the group's activities vary apparently strong and range from textiles to textile machinery, from chemicals to engineering and from packaging to technical polymers. The group's origins date back to before World War II, when Pietro Radici set up a textile company in Leffe, in the Bergamo province Italy. Nowadays the group employs 6,000 people and generates a consolidated turnover of over L2,000 billion.

The home base of the company was and still is Bergamo province, which locates 12 of the group's 30 production sites. Most foreign companies are trading companies, but eight production sites are located abroad as well.

## FINANCIAL AND GENERAL HIGHLIGHTS

The group's activities cover a rather broad range of sectors. A more detailed examination, however, shows that most of them are closely interwoven. Started as a textile production company, Radici through the years followed a strategy of vertical integration. Vertical integration means adding a larger part of the total production column (ranging from raw materials to final product and after sales service) to a company's activities.

Backwards integration added the production of fibres to the textile production. Even further back, plastics and chemicals joined the group. Forward integration involved packaging, but since recently retail companies. The proverbial exception on the strategy is a horizontal step into the production of textile machinery, making Radici one of the largest in Europe in this field. A position reached in just a handful of years.

Evaluation of the group's turnover (L billion<sup>1</sup>) is as follows:

1994	2,057
1993	1,781
1992	1,485

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<sup>1</sup> Exchange rates for the Italian Lire are:

	1995	1994	1993	1992	1991	1990
L10,000	€4.68	€5.24	€5.45	€6.30	€6.52	€6.56

The Italian market accounted for 43% of total turnover, while other European Community countries accounted for 31% of total turnover. The remaining 26% was realised outside the European Community.

Details on profitability are hardly revealed. Nevertheless, net profit for 1993 is estimated at L30 billion, as compared with L5 billion for 1992. Gross operating margins, however, is quite high with 15% for 1993 and 12% for 1992<sup>2</sup>.

The last few years have been hard for the group. Demand has declined whilst investment requirements have continued. Some L210 billion was spent at the Novara and Udine plants in 1993. Additionally, capital injections of around L100 billion were made within the group. In 1993 total debts reached a level of L800 billion, of which short-term debts account for L500 billion.

The 1994 consolidated turnover of approximately L2,000 billion breakdown to sectors was as follows<sup>3</sup>:

Fibres	53%
Textiles	14%
Engineering	13%
Chemicals	8%
Packaging	6%
Plastics	6%

With the production of textile machinery being relatively detachable from the rest of the group, they are not considered core activities. Early 1994 the Radici group announced a plan to take its textile machinery companies to the stock market in 1996. By that time they are expected to have registered the necessary three years of profit. The flotation should provide the liquidity necessary for the group's next great leap forward: ongoing vertical integration of its nylon operations through the acquisition of Enichem's caprolactam plant at Marghera.

## INTERNATIONALISATION

Radici started in Italy and still has a strong national home-base. The company has, with a 85% market share, a near monopoly position on the Italian car carpet market. The same is true for the Italian moquette market. Tappetificio Nazionale Pietro Radici SpA has with its well known brands Sit-In and Due Palms a 50% market share. The Italian market, however, is rather small. Annual consumption amounts to 4 million m<sup>2</sup>, compared with 70 million m<sup>2</sup> in France and even 170 million m<sup>2</sup> in Germany.

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<sup>2</sup> Il Sole - 24 Ore, 8 March 1994.

<sup>3</sup> Note that retail activities were added to the group only in 1995.

As a result half of Radici's production is exported, but foreign establishments were necessary. Within the European Community, the German market was the most important one to penetrate. In 1991 the Radici Group acquired the Opew carpet factory for L8 billion. This acquisition was the first agreement concluded between an Italian company and the government agency responsible for the privatisation of former East German companies. Radici started a three year investment program. German government incentives covered 30% of the L15 billion program. The workforce was reduced from 250 to 150 employees and turnover doubled from DM120 million (L89 billion) in 1990. Furthermore, the company was renamed to Erzgebirgisches Radici Teppich Werke (ERTW). Soon talks with Volkswagen started for supplying internal fittings for its vehicles.

This acquisition was followed by the acquisition of Sit-In Westfalia with annual turnover of L40 billion.

January 1995 the Radici group acquired the textile wholesaler Rothman, which it has renamed Radici Trading. The company, which supplies various retail chains, will market Italian clothing and textiles in Germany. The operation was effected through Tappetificio Radici. Tappetificio Radici already supplied carpets to Rothman, which will now provide a gateway onto the German market for Italian textile and clothing companies. Radici Trading, which generated turnover of approximately L65 billion in 1994, aims to introduce the products to various retail chains, including Aldi, Ikea, Metro and Bauhaus.

Next to Germany, Radici's attention was aimed at the opening up of the Eastern European market. In 1993 the group purchased two factories when the Hungarian Silk Industry Company went into liquidation. Radici has since replaced all the machinery and equipment.

Mid 1995 a large scale HUF1.3 billion (L19 billion) investment program was set in motion. As a result of the investment, one of its wholly-owned subsidiaries, Lurotex Kft, will produce 25 million metres of synthetic silk this year. A waste water treatment facility is expected to be completed in 1995 and a dyeing plant will also be constructed. The investment project will mean that Lurotex will go over to the manufacture of finished synthetic silk products.

Lurotex and the other wholly-owned subsidiary, Krimafil Kft, are both located in Szentgotthard in Western Hungary. Commission work contracts account for 99% of the output of the factories and their products are exported to Western Europe.

Radici's ambitions reach beyond Europe. Although still on a modest scale Tappetificio Nazionale Pietro Radici develops activities in Hong Kong and USA where it recently opened an unit (1994).

## TEXTILE MACHINERY SECTOR

Maybe an intruder compared with Radici's other activities, the development of the group's textile machinery sector is worth examining.

The division became part of the Radici group in 1992, when Vamatex SpA was acquired from the defaulted Nello Pezzoli. Somet SpA soon joined the Radici group. Radici directors explained that the 1995 results would confirm the group's status as one of Europe's top textile machinery groups, outdone only by Switzerland's Sulzer and Picanol from Belgium. Combined turnover increased from approximately L200 billion in 1991 to an expected L560 billion in 1995. 800 people are employed and profit is said to be 'good'. The strength of this activity was achieved by a heavy R&D involvement and a sophisticated export policy. R&D takes up between 5% and 6% of annual turnover and aims at the development of easy to use, but still high tech, machines. With this starting-point a 40% market share in Italy was achieved. Nevertheless, sales in Europe did not increase or at a much lower level than sales outside Europe. The European market accounted in 1994 for only 23% of the textile machinery export. In 1991 this figure was 40%. The attention was shifted to Asia, where the company now sells 50% of its output. Some and Vomitus are market leader in China, Taiwan, South Korea and Japan, as well as in the USA.

As said earlier, the floatation of both companies will probably be used for strengthening other activities of the group.

## SUBSIDIARIES

### RADICI MANIFATTURA AUTOMATICA SpA

Via Ca Antonelli 55, 24024 Gandino (Bergamo), Italy

tel: #35/731638, fax: #35/732688

employees: 500

turnover (L billion): 72

export (%): 50

### RADICI NOVACIPS SpA

Via Provinciale 11, 24020 Villa D'Ogna (Bergamo), Italy

tel: #346/22453, fax: #346/23730

employees: 49

turnover (L billion): 49

export (%): 50

### PIETRO RADICI TAPPETIFICO NAZIONALE SpA

Via Fitacut 2, 24020 Cazzano Sant'Andrea (Bergamo), Italy

tel: #35/741515, fax: #35/741549

employees: 70

turnover (L billion): 220

export (%):

### RADICI PIETRO TESSITURE SpA

Via P. D'Albertoni 37, 24026 Lefte (Bergamo), Italy

tel: #35/731130, fax: #35/731311

employees: 703

turnover (L billion): 117

export (%): n.a.

### RADICI CHIMICA SpA

Via G. Fauser 50, 28100 Novrara (No), Italy

tel: #321/693111, FAX: #321/693201

employees: 300

turnover (L billion): 120

export (%): 40

### RADICI SUD INDUSTRIALE SpA

Str. Statale 148 Km 47, 04011 Aprilia (Lt), Italy

tel: #6/9280355, fax: #6/9282440

employees: 114

turnover (L billion): 14

export (%): n.a.

RADICI MANIFATTURA AUTOMATICA SpA  
Via Ca Antonelli, 24024 Gandino (Bergamo), Italy  
tel: #35/731638, fax: #35/727100

employees:	375
turnover (L billion):	82
export (%):	45

RADICI FIL SpA  
Via San Carlo, 24020 Casnigo (Bergamo), Italy  
tel: #35/724222, fax: #35/740580

employees:	339
turnover (L billion):	131
export (%):	70

RADICI & PREVITALI Srl  
Via Tonale 51, 24026 Leffe (Bergamo), Italy  
tel: #35/731493, fax: #35/727104

employees:	26
turnover (L billion):	2
export (%):	15

RADICI NOVACIPS SpA  
Via Provinciale 11, 24020 Villa D'Ogna (Bergamo), Italy  
tel: #346/22453, fax: #346/23730

employees:	49
turnover (L billion):	49
export (%):	50

SOMET SpA  
Str. Provinciale Valseriana Km 23, 24020 Colzate (Bergamo), Italy  
tel: #35/743111, fax: #35/740505

employees:	460
turnover (L billion):	330
export (%):	n.a.

VAMATEX SpA  
Italy

employees:	345
turnover (L billion):	230
export (%):	n.a.

RADICI TRADING GmbH  
Germany

employees:	n.a.
turnover (L billion):	65
export (%):	n.a.

SIT-IN WESTFALIA

Germany

employees:	n.a.
turnover (L billion):	40
export (%):	n.a.

ERZGEBIRGISCHES RADICI TEPPICH WERKE GmbH

Germany

employees:	n.a.
turnover (L billion):	n.a.
export (%):	n.a.

LURROTEX Kft

Hungary

employees:	n.a.
turnover (L billion):	n.a.
export (%):	n.a.

KRIMAFIL Kft

Hungary

employees:	n.a.
turnover (L billion):	n.a.
export (%):	n.a.