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Foreign Banks Acquire Majority Stake In Mexico's Largest Private Company

by John Neagle
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The Mexican government announced last week that five dozen foreign banks will acquire a majority stake in the nation's largest private company, Grupo Industrial Alfa S.A. Grupo Alfa will also pay the banks $25 million in cash and $200 million in Mexican government debt. In return, the banks will cancel the company's $920 million debt. The Monterrey-based company manufactures synthetic fibers, chemicals, paper, and other products. With the foreign bank transaction, the Garza Sada family effectively loses control over company. Under Mexican law, all 15 members of the executive board must be Mexican. However, the new agreement stipulates that nine board members will be named jointly by the banks and the Garza Sada family, five are to be elected by present stockholders, and one appointed by the Mexican government. Sixteen percent of Garza Sada stock and the 45% bank stock will be placed in a five-year voting trust, and trustees will vote the stock. This arrangement was necessary to comply with Mexican law prohibiting more than 49% foreign control of national companies. (Basic data from NEW YORK TIMES, 12/11/86)

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