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Aeromexico Announces Debt-Restructuring Plan

by LADB Staff

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Mexico's largest airline, Aeromexico, has proposed a plan to restructure US\$137.5 million owed to foreign banks. Under the plan, the airline would restructure the debt over a five- year period, converting US\$100 million in obligations into Eurobonds and another US\$37.5 million into other financial instruments in European money markets. Aeromexico finance director Guillermo Quiroz Abed told reporters the plan was proposed in order to keep the airline from defaulting on the US \$137.5 million in debt, which is due to mature in June of this year. He said the proposal was part of an overall restructuring plan of the company's total debt, which reached about 4.9 billion nuevo pesos (US\$796 million) as of March of this year. Company officials said the US\$137.5 million being renegotiated represents almost 30% of the total debt of US\$490 million the airline owes in foreign-currency denomination. The remainder of Aeromexico's debt is owed in pesos to domestic sources, including about 289 million nuevo pesos (US\$47 million) to Mexican banks.

According to company officials, if foreign banks reject the restructuring plan, Aeromexico is prepared to file for protection in a US bankruptcy court in New York. Additionally, company officials said the airline is drafting a proposal to stockholders to seek ways to expand capital. Speaking to reporters, Aeromexico's chief executive officer Ernesto Martens raised the possibility that the airline may eventually be sold to other investors. However, no sale will be considered until the company is able to restructure its debt and improve its financial health. According to Aeromexico officials, Mexican banks to whom Aeromexico owes debt such as Banco Mexicano, Serfin, and Bancomer could conceivably increase their share of stock in the airline beyond their current ownership of 40%. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on June 14, reported at 6.15 nuevo pesos per US\$1.00] (Sources: Agence France-Presse, 06/07/95; La Jornada, Reforma, 06/08/95; Wall Street Journal, 06/09/95)

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