7-21-1999

Bufete Industrial, Dina Join List of Mexican Firms Failing to Pay Debt on Time

LADB Staff

Follow this and additional works at: https://digitalrepository.unm.edu/sourcemex

Recommended Citation
https://digitalrepository.unm.edu/sourcemex/4109

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.
Bufete Industrial, Dina Join List of Mexican Firms Failing to Pay Debt on Time

by LADB Staff
Category/Department: Mexico
Published: 1999-07-21

Mexican industrial giants Bufete Industrial and Grupo Dina shook the global financial markets when they failed to make timely payments on maturing debt during July. Bufete Industrial, an engineering and construction company, and Dina, a truck manufacturer, were unable to meet debt payments due July 15. Dina failed to make an interest payment of US$6.5 million on a US$164 million bond, while Bufete industrial declared an outright default on its US$100 million Eurobond. Jose Ignacio Morales, Dina's chief financial officer, said the company has not yet declared default on the payment and was planning to meet its obligation before the Aug. 14 end of a 30-day grace period. "The conditions of the bond establish a 30-day period of grace (for paying the interest), so we are still on time," Morales told Reuters.

Bufete, which hinted in June about a possible default, confirmed that no payment would be forthcoming in the near future. The company reported total debts of 4.046 billion pesos (US$433 million) at the end of the first quarter, compared with total assets of 4.803 billion pesos (US$514 million). As part of its strategy to deal with its debt problems, Bufete has begun to field offers to sell a portion of the company to domestic or foreign investors. The company already has joint ventures with several foreign firms, including Chile-based Ovalle Moore. Other Mexican companies have faced liquidity problems in recent months.

In May, Altos Hornos de Mexico (AHMSA) and its parent company Grupo Acerero del Norte (GAN) defaulted on loan payments totaling more than US$63 million (see SourceMex, 1999-05-05, 1999-06-09). AHMSA has initiated the search for a strategic partner, but it has attracted very little interest. The only serious suitor is Mexico's Grupo IMSA, which was expected to announce by the end of September whether it had decided to acquire AHMSA. IMSA has laid down strict conditions to acquire AHMSA, including the stipulation that AHMSA restructure US$1.8 billion in debt owed to commercial banks and implement a major cost-reduction program.

These cost cuts are expected to include the possible layoff of as many as 2,000 workers. If the IMSA-AHMSA deal falls through, Mexican steel manufacturer Hylsamex has expressed interest in initiating its own negotiations with AHMSA. Meanwhile, construction and engineering company Grupo Tribasa also missed a debt payment on a Eurobond earlier this year. In mid-July, Tribasa reduced part of its debt by selling its interest in the Ferrosur railroad to Grupo Carso for US$73 million. Ferrosur was originally part of the state-run railroad Ferrocarriles Nacionales (FERRONALES), but the railway was sold off to Tribasa in June 1998 (see SourceMex, 1998-07-08).

Financing could become more difficult for Mexican firms Financial analysts say the inability of Bufete, Dina, AHMSA, and Tribasa to make payments on time could affect the ability of other Mexican companies to obtain financing through the issue of bonds on international markets. "Companies with weak balance sheets will find it difficult to obtain financing at acceptable terms,"
said Damian Fraser, a financial analyst at the US brokerage company Warburg Dillon Read. Pedro Javier Gonzalez, an economist at the Instituto de Estudios Politicos in Mexico City, said the defaults could hamper the ability of many Mexican companies to obtain credit even if their finances are fairly healthy. "Telmex, Cemex, Alfa, Televisa, huge companies like that are really special cases because they have long histories of dealing with foreign banks and have no problem getting foreign credit," Gonzalez told The New York Times. "But there are dozens of businesses in good condition that will have more difficulty getting credit because of the reputation Mexico now has for defaults."

Victor Manuel Herrera, a managing director of Standard & Poor's in Mexico, said the defaults could also affect Mexico's efforts to portray itself as a safe haven for direct investments. "When there are defaults, it affects the image of the country," said Herrera. "Healthier companies will have to convince investors and banks that there's no generalized problem in Mexico." [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on July 21, reported at 9.34 pesos per US$1.00] (Sources: The News, 06/29/99, 07/02/99, 07/09/99; El Financiero International, 07/12/99; La Cronica, 07/14/99; Novedades, 06/29/99, 07/15/99; Excelsior, 06/29/99, 07/09/99, 07/15/99; El Universal, 06/29/99, 06/30/99, 07/14-16/99; The New York Times, 07/17/99; El Economista, 06/29/99, 06/30/99, 07/14-16/99, 07/19/99; Reuters, 06/28/99, 07/02/99, 07/08/99, 07/13/99, 07/15/99, 07/16/99, 07/20/99)

-- End --