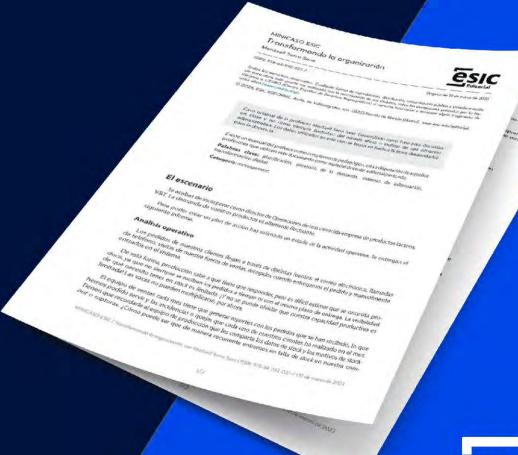
MINICASO ESIC



ESIC

MINICASE ESIC INDUGAYALSA. Invesment in Latin America

ESIC Editorial

Jesús Centenera Ph.D.

ISBN: 978-84-1192-104-6

Original from August, the 7th, 2024

All rights reserved. Any form of reproduction, distribution, public communication or transformation of this work may only be made with the authorization of its owners, except as otherwise provided by law. Please contact CEDRO (Centro Español de Derechos Reprográficos) if you need to photocopy or scan any part of this work (<u>www.cedro.ora</u>).

© 2024, ESIC EDITORIAL. Avda. de Valdenigriales, s/n. 28223 Pozuelo de Alarcón (Madrid). www.esic.edu/editorial.

Original case by Professor Dr. Jesús Centenera Ph.D. Developed as a basis for class discussion and not as an illustrative example of effective or ineffective management of a business situation. The data used in this case are based on fictitious facts developed for teaching purposes.

A teacher's manual is available as a pedagogical supplement for teachers who use this document as teaching material: editorial@esic.edu.

Key words: Green-Field; Foreign Direct Investment; Mergers and Acquisition; Emerging markets; Entry modes; corruption.

Category: Internacionalization.

Presentation

The Spanish company Industria de la Gasa y el Algodón, s.a. (INDUGAYALSA) had been selling in the Spanish healthcare market for 30 years. The company was considering going to the secondary stock market, for which it was necessary to demonstrate future growth potential to improve the expected discounted Cash flows. The domestic market was flat, since there was a single European market with a lot of competitors and with the removal of import duties to Chinese gauze, prices had been falling in public tenders, to the point that some competitors went bankrupt because they were not efficient enough. Taking advantage of this occasion, Industrias de la Gasa y el Algodón (INDUGAYALSA) bought a competitor in Catalonia, increasing its presence in the local market. The company is now considering a purchase of another company in Latin America, which would provide immediate growth, but with many potential problems.

Analysis of the situation

The origin of the company, more than 50 years ago, was the sale of gauze and cotton rolls that were imported in bulk and then cut and delivered to pharmacies and hospitals in the area in smaller rolls. Over time, they had bought the first weaving machines and cotton processing machines, and the business grew throughout Spain, although their area of influence was mainly the centre of Spain. The company diversified its portfolio and offered a wide range of single-use disposable products for the healthcare sector, which were marketed in nursing homes, pharmacies and hospitals, with a 28% national market share in some of those lines. Now, with the situation a bit stagnant, the company was considering the possibility of going