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CORPORACION DURANGO SA DE CV

Form 6-K

May 04, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16
OR 15D-16 OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of Abril 30th, 2004
Durango Corporation
(f/k/a Grupo Industrial Durango, S.A. de C.V.)

(Translation of registrant's name into English)

Torre Corporativa Durango, Potasio 150, Ciudad Industrial,
Durango, Durango, Mexico

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F. Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. CORPORACION DURANGO, S.A. DE C.V.

Date: April 30th, 2004
Durango, Mexico

By /s/ Mayela Rincon de Velasco

Name: Mayela Rincon de Velasco
Title: Chief Financial Officer

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Durango, Mexico, April 30, 2004 - Corporacion Durango, S.A. de C.V., (NYSE: CDG, BMV: CODUSA) ("Durango" or the "Company"), the largest integrated paper producer in Mexico, today announced its unaudited consolidated results for the 1Q 2004. All figures were prepared in accordance with Mexican generally accepted accounting principles and are stated in constant Mexican pesos as of the end of each period and converted into U.S. dollars using the exchange rate at the end of each period. All comparative figures for the first quarter 2004 and 2003 were prepared on a pro-forma basis after excluding the results of the Pronal and Molded Pulp operations as well as discontinued operations.

H I G H L I G H T S

- o Financial Restructuring Agreement In Principle Reached
- o Terms of Financial Restructuring Announced Today
- o Strong shipments growth of 9% vs 1Q 2003
- o Pricing still 4% below 1Q 2003
- o Net sales growth of 5% for the first time in three years
- o Substantial cost increases of raw material and energy offset through improved and rationalized manufacturing operations
- o Unit cost 1% below 1Q 2003, one of the lowest in the industry
- o EBITDA only US\$ 0.6 million below the same quarter of last year
- o EBITDA margin of 10%, today one of the best in our industry

INDUSTRY OUTLOOK

After several years of restructuring, the paper industry today shows sound fundamentals. For the long term, on the supply side, the capacity outlook remains the best in 30 years and new supply growth is likely to be well below historical average levels for the coming years. Most analysts agree that the worst is over, total paper demand will continue to grow and the industry will enter into a long lasting and profitable cycle.

With customer and mill inventories at low levels, destocking completed, relatively little new global capacity on stream (mostly in China), and a 5% reduction in global capacity, any pickup in demand should lead to a rapid restocking and pricing recovery. On the cost side, growing fiber and energy costs remain a key concern for the industry.

Tighter markets and the weak dollar should fuel a strong recovery in U.S. industry profitability. However, due to the strength of their currencies against U.S. dollar, the recovery for the paper industry in Europe, Canada and Mexico is expected to be quite modest in 2004.

PERFORMANCE

Although the North American paper industry is showing signs of cyclical recovery, most major companies continued to report losses in their primary paper operations for the first quarter of 2004 and overall earnings were lackluster.

The Company's results for the first quarter 2004 have been affected by the delay of the implementation of price increases and the continued higher raw material and energy costs, coupled with a slower economic

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growth and weaker demand in Mexico than in the US.

Item	1Q04	1Q03	VAR	EBITDA EFFECT*
Total Shipments ('000 Short Tons)	316.9	291.9	9%	+2.9
Pricing (US\$/Short Ton)	485	503	-4%	-6.1
Net Sales (US\$Million)	153.8	146.9	5%	+1.5
Unit Cost (US\$/Short Ton)	436	440	-1%	+1.1
EBITDA (US\$Million)	14.7	15.3	-4%	-0.6
EBITDA Margin	10%	10%	-	-

*US\$Million

"It is important to note the 9% shipments growth achieved this quarter in spite of a still weak and very competitive market environment, as well as the substantial achievement of improvement in the company's manufacturing operations during this quarter, which allowed it to offset more than US\$5.0 million of increased cost in energy and raw material to deliver a unit cost slightly below that of the same quarter of the last year. The average unit cost of US\$436 per short ton for our mix of products: containerboard-packaging, newsprint and uncoated free sheet grades confirms Durango's position among the lowest cost producers in the industry", said Miguel Rincon, Durango CEO.

Commenting on the outlook for the second quarter, Rincon said: "We are seeing a modest recovery of demand for our products and average price realizations in the second quarter. This upturn, combined with our continued focus on cost control, should position us to deliver a stronger second quarter. We believe that most of the benefits from higher prices and increased volumes will be realized through the second half of this year".

FINANCIAL RESTRUCTURING

Miguel Rincon, Chairman of Corporacion Durango, commented: 'After the Company announced that it had reached an agreement in principle with its bank lenders and members of the Ad Hoc Bondholders Committee, who collectively hold a substantial portion of its outstanding unsecured indebtedness, Durango is pleased to announce at this time the principal terms of our agreement in principle. As we stated earlier, this consensual agreement with our creditors represents an important milestone in our proposed financial restructuring. We expect that the proposed recapitalization plan will result in a more adequate and competitive capital structure for Durango and substantially enhance the financial flexibility of the company and its operating subsidiaries. If the restructuring is completed as planned, Durango will have one of the lowest costs of capital of the industry with an average cash interest rate of 4.5% annually, which, combined with lower debt, will result in lowering our financial cost by approximately 2/3. The company will have the opportunity to continue reducing debt through the prepayment of portions of its debt at a 50% discount over the next 7 years.

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Additionally, if the restructuring is completed as planned, the Company's debt maturity profile will be extended thru the year 2013. As a result of this restructuring, the Company will have not only a competitive cost production structure but also a competitive cost of capital, which, coupled with its market leadership, will position the Company to benefit all of our stakeholders. We wish to thank our creditors for their unwavering support and look forward to a swift conclusion to this transaction".

HIGHLIGHTS FOR THE FIRST QUARTER 2004

Shipments(000 Short tons)	1Q04	1Q03
Paper	151.1	134.7
Packaging	162.8	154.0
Other	3.0	3.2
Total	316.9	291.9

Net Sales (US\$ Million)	1Q04	1Q03
Paper	65.1	58.8
Packaging	86.6	85.9
Other	2.1	2.2
Total	153.8	146.9

Prices (US\$/Short Ton)	1Q04	1Q03
Paper	431	437
Packaging	532	558
Other	703	691
Total	485	503

Unit Cost (US\$/ Short Ton)	1Q04	1Q03
Total	436	440

EBITDA(US\$ Million)	1Q04	Margin	1Q03	Margin
Paper	2.44	%3.66%		
Packaging	12.0	14%	11.6	13%
Other	0.31	5%	0.2	7%
Total	14.7	10%	15.3	10%

Special Note Regarding Forward-Looking Statements

This press release contains statements that are forward-looking within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are only predictions and are not guarantees of future performance. Investors are cautioned that any such forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the operations and business environments of Corporacion Durango and its subsidiaries that may cause the actual results of the companies to be materially different from any future results expressed or implied in such forward-looking statements.

Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following: the ability of Corporacion Durango and its subsidiaries to continue as going concerns the agreement of Corporacion Durango

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creditors to the restructuring plan; their ability to obtain and maintain normal terms with vendors and service providers; their ability to maintain contracts that are critical to their operations; their ability to fund and execute their business plan; their ability to attract, motivate and/o retain key executives and associates; their ability to attract and retain customers; general economic, market, or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by the Company and its subsidiaries; the availability of raw materials used by the Company and its subsidiaries; competitive actions by other companies; changes in laws or regulations, and other factors, many of which are beyond the control of the Company and its subsidiaries.

Additionally, other factors should be considered in connection with any Forward Looking Statements, including other risks and uncertainties set forth from time to time in Corporacion Durango's reports filed with the United States Securities and Exchange Commission. Although Corporacion Durango believes that the expectations and assumptions reflected in the forward-looking statements are reasonable based on information currently available to its management, Corporacion Durango cannot guarantee future results or events. Corporacion Durango expressly disclaims a duty to update any of the forward-looking statement.

CONTACTS

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CORPORACION DURANGO, S.A. DE C.V. AND SUBSIDIARIES
 CONSOLIDATED CONDENSED BALANCE SHEETS
 AS OF DECEMBER 31, 2003 AND MARCH 31, 2004 (UNAUDITED)
 EXPRESSED IN TERMS OF THE PURCHASING POWER OF MEXICAN PESOS
 AS OF MARCH 31, 2004
 (Stated in thousands of Pesos and Dollars)

	December 31, 2003 (Unaudited)	March 31, 2004 (Unaudited)	US\$ DLLS. March 31, 2004 (Unaudited)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 658,879	\$ 633,326	\$ 56,674
Accounts receivable, net	2,008,535	1,975,363	176,769
Taxes recoverable and other assets	94,647	42,293	3,785
Inventories, net	1,111,415	1,089,018	97,453

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Prepays	22,974	15,484	1,386
Total current assets	3,896,450	3,755,484	336,067
RESTRICTED CASH	159,961	157,245	14,071
PROPERTY, PLANT AND EQUIPMENT, net	11,508,537	10,256,736	917,845
OTHER ASSETS, net	805,394	761,905	68,181
Total assets	\$ 16,370,342\$	14,931,370	1,336,164

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Bank loans and current portion of long-term debt	8,791,003	8,105,438	725,332
Interest payable	1,409,506	1,655,285	148,127
Trade accounts payable	922,505	796,138	71,244
Notes payable	52,777	57,174	5,116
Accrued liabilities	546,451	539,909	48,315
Employee profit-sharing	2,450	2,111	189
Total current liabilities	11,724,692	11,156,055	998,323
LONG-TERM DEBT	403,938	850,461	76,105
NOTES PAYABLE	102,192	125,016	11,187
OTHER LIABILITIES	193,214	186,596	16,698
DEFERRED TAXES	1,947,539	1,535,446	137,403
LIABILITY FOR EMPLOYEE BENEFITS	202,579	200,476	17,940
Total long term liabilities	2,849,462	2,897,995	259,333
Total liabilities	14,574,154	14,054,050	1,257,656

STOCKHOLDERS' EQUITY:

Majority interest	1,727,355	813,929	72,836
Minority interest	68,833	63,391	5,673
Total stockholders' equity	1,796,188	877,320	78,509
Total liabilities and stockholders' equity	\$ 16,370,342\$	14,931,370	1,336,164

Exchange rate: \$ 11.1748 per Dollar

CORPORACION DURANGO, S.A. DE C.V. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION
EXPRESSED IN TERMS OF THE PURCHASING POWER OF MEXICAN PESOS
AS OF MARCH 31, 2004
(Stated in thousands of Pesos and Dollars)

	Full Year 2003 (Unaudited)	Acum. March 2004 (Unaudited)	* Acum. US\$
OPERATING ACTIVITIES:			
Net income (loss)	\$ -3,406,102\$	-708,515	-63,
Add (deduct)- Charges (credits) to income which do not require (provide) cash-			
Depreciation and amortization	402,003	105,259	9,
Provision for employee benefits	41,167	1,013	
Special items	503,575	0	
Amortization of Financial Comissions	93,868	27,358	2,
Provision for deferred taxes	-73,204	-265,729	-23,
Impairment	549,514	917,982	82,
Other	342,968	-11,817	-1,
Total items which do not require cash	1,859,891	774,066	69,
Net resources generated from income	-1,546,211	65,551	5,
Changes in operating assets and liabilities:			
Decrease (Increase) in restricted cash	-159,961	2,716	

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Decrease (Increase) in inventories	49,024	22,397	2,
Decrease (Increase) in current assets	7,403	-34,803	-3,
Decrease (increase) in account receivables, net	-91,815	148,723	13,
(Decrease) increase in accounts payable and accrued liabilities	1,030,900	133,488	11,
Resources generated by continued operating	-710,660	338,072	30,
Assets and liabilities discontinued	180,721	-39,980	-3,
Resources generated by operating activities	-529,939	298,092	26,
FINANCING ACTIVITIES:			
Increase (Decrease) in bank loans and others	147,361	-248,263	-22,
Increase (Decrease) in capital	-34,873	0	
Net resources generated from financing activities	112,488	-248,263	-22,
INVESTMENT ACTIVITIES:			
Additions to property, plant and equipment.....	-108,366	-61,843	-5,
Divestiture to property, plant and equipment.....	605,752	3,625	
Disposition of subsidiaries	323,593	0	
Increase in deferred assets	14,648	-17,164	-1,
Minority interest	0	0	
Net resources applied to investing activities	835,627	-75,382	-6,
INCREASE IN CASH AND CASH EQUIVALENTS	418,176	-25,553	-2,
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD.....	240,703	658,879	58,
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	658,879\$	633,326US	56,

* The exchange rate of 11.1748 was used for translation purposes.

CORPORACION DURANGO, S.A. DE C.V. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)
EXPRESSED IN TERMS OF THE PURCHASING POWER OF MEXICAN PESOS
AS OF MARCH 31, 2004

	Thousands of Pesos			Thousands of Dollars	
	1Q 2003	1Q 2004	Var	1Q 2003	1Q 2004
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)
NET SALES	\$ 1,655,145	\$ 1,718,935	4%	146,884	153,
COST OF SALES	1,445,759	1,545,198	7%	128,291	138,
Gross profit.....	209,386	173,737	-17%	18,593	15,
Selling and Administrative expenses	130,805	115,229	-12%	11,620	10,
Operating income	78,581	58,508	-26%	6,973	5,
FINANCIAL EXPENSE:					
Interest expense	329,322	326,495	-1%	29,282	29,
Interest income	-9,036	-12,545	39%	-799	-1,
Exchange (gain) loss, net	327,112	-63,894	-120%	29,089	-5,
Gain on monetary position	-108,078	-136,013	26%	-9,615	-12,
Total financial expense	539,320	114,043	-79%	47,957	10,
OTHER INCOME (EXPENSES):					
Other income (expense), net	-49,620	4,032	N/A	-4,413	
Total other income (expense)	-49,620	4,032	N/A	-4,413	
Income (loss) before income and asset t	-510,359	-51,503	-90%	-45,397	-4,
Provisions for income and asset taxes ...	39,223	32,567	-17%	3,482	2,
Provision for deferred income taxes	-55,377	-265,729	380%	-4,924	-23,
Net income after taxes	-494,205	181,659	N/A	-43,955	16,
Special items	-1,028	-15,124	1371%	-91	-1,

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Extraordinary items	0	3,173	0	0	
Impairment	0	917,982	0	0	82,
Discontinued operations	-298,855	-15,857	-95%	-26,576	-1,
Net income before minority interest.....\$	-194,322\$	-708,515	265%	-17,288	-63,
Minority interest.....	308	-6,246	N/A	27	-
Majority net income.....\$	-194,630\$	-702,269	261%	-17,315	-62,
Depreciation & amortization	94,002	105,259	12%	8,347	9,
EBITDA	172,583	163,767	-5%	15,320	14,