

Egypt clinches pioneering deal

By Sherine Nasr



Bavaria Egypt, a major manufacturer of fire extinguishing equipment, has acquired a 100 per cent stake in its mother company, Bavaria Waldmunchen, which has been based in Germany for the past 80 years.

It was a rare case that brought together an Egyptian and a German company under Egyptian ownership.

Chairman of Bavaria Egypt Nader Riad would not disclose details of the deal, but dismissed as "inaccurate" a recently published report that it was valued at a mere LE8 million.

According to Riad, both companies started operating under one Egyptian management on 1 February 1999. "This will definitely unite their interests, goals and policies," he said.

Funding for the deal was obtained through the credit facilities provided by the National Bank of Egypt (NBE) to German banks securing the payment of future liabilities, Riad said. "When a multinational deal takes place in Germany, the commitments of the company's new owner have to be approved by the German banks," he said.

According to Riad, NBE played a key role in assuring the deal's success through the large guarantees offered, which "made it difficult for other competing companies to win the deal."

"This shows that Egyptian banks should assist Egyptian industries in accessing international markets," said Riad.

He expressed confidence that the acquisition will give impetus to plans for the company's future expansion. "With the combined production facilities of both Waldmunchen and Cairo, we are sure to have more than a fair share of the international market," said Riad.

"We intend to increase the company's turnover threefold in the next five years," he said, adding that he would keep the German company's 80-strong labour force.

Riad also predicted that the acquisition will increase the package of products available for export, widen the company's marketing basis, and increase its share in European markets.

But the merging of the two companies will also require some "managerial adjustments", according to Riad. "The challenges will be great because now we will be faced with differences in management patterns, in personnel, in market impact and in the very nature of the problems faced by the two companies," he said.



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Established in early 1972 through an Egyptian-German joint venture, Bavaria Egypt was one of the first private sector companies to provide the local market with fire extinguishing equipment. Its current capital is LE20 million, with an overall investment figure of LE68 million.

Until 1974, Bavaria Waldmunchen owned 49 per cent of Bavaria Egypt shares -- a stake which dwindled to only one per cent as it gradually sold shares over to the Egyptian company.

According to Riad, almost 85 per cent of the Egyptian market's needs are covered by Bavaria Egypt, which also operates in Arab regional markets through its agents in Kuwait, Qatar and Bahrain.

Riad said that Bavaria Egypt had recently diversified its activities to cover the field of alarm and automatic fire extinguishing. "It also offers professional consultation, design, installation and maintenance services, as well as firemen training," he added.

Bavaria Egypt has acquired a series of international quality recognition certificates including the ISO 9001 and the ISO 14001.



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