



InterAlloys
RAW MATERIALS FOR THE IRON AND STEEL INDUSTRY

Inter Alloys: From Commercial Agents to Business Group

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The sunny day beckoned us to stroll to the Inter Alloys headquarters on Avenida de Ategorrieta. However, Monday's busy work schedule prevented us from doing so, and once again, the Citroën C3 brought us to the main office of this family business. As we entered, we felt the activity cease and suddenly, we were greeted and welcomed by several alumni of the Deusto Business School. Following a brief exchange of news and memories, Ainhoa Sedano, also an ESTE alumnus, welcomed us inside her office. There, Pablo Munilla joined us and immediately immersed himself in the past, transporting us back in time to when his family started the activities of the current business group.

The beginning of the entrepreneurial family

In January 1974, Vicente Munilla, together with the businessmen Luis Olarra from Aceros Inoxidables OLARRA and José María Galdós, a shareholder of CEGASA, founded the company EUROALDE to import the minerals needed to manufacture steel. In those difficult years for Basque entrepreneurs, the three friends became partners to create this company dedicated to the wholesale trade of ferroalloys, tied to the world of steel. The initiative came from Vicente Munilla because CEGASA needed to import minerals to manufacture the famous Tximist batteries; once they started with one mineral, they moved on to another and, thus, the business gradually grew.

After a few years of activity, Vicente Munilla became head of the company as the sole partner and laid the foundations for EUROALDE, a company dedicated to importing and exporting raw materials for steel manufacturing.

- *"My father was a man of connections and became a commercial agent for Spain and Portugal for the major commodity trading companies, like Société Anonyme des Minerais, which was one of the leading European traders at the time offering a wide range of products that my father sold on their behalf to steel mills in Spain and Portugal,"* recalls Pablo Munilla, son of the founder and current Chairman of the holding company InterAlloys & Investments.

Besides working with these large mineral traders, Vicente also began working with Outokumpu, a Finnish company founded in 1910 following the discovery of a chrome mine in Finland, which focused on mineral extraction and refinement. Working directly with this producer, Vicente brought ships full of minerals to Pasajes, Bilbao, and other ports on the Iberian Peninsula to serve his customers, such as Acerinox, Sidenor, Aceros Inoxidables OLARRA, and TUBACEX, among others.

"At that time, my father acted as an intermediary and managed the contracts between the steel mills and the traders, who took charge of the goods and financed their transport to the agreed port. From there, my father took care of inland transport to the customer's home and received a commission for all of this," explains Pablo Munilla.

Fig. 1. Pablo Munilla with some Russians at the Chicago Fair in 1976.



Source: Inter Alloys

During the 1980s, many Spanish steel mills suffered financial difficulties, which led to a series of suspensions of payments that had a fatal impact on the company's activity. These included several of its main customers, such as Aceros Inoxidables OLARRA, which declared a suspension of payments in 1979 and was taken over by the State, followed by TUBACEX, also forced to declare a suspension of payments in 1983. The company's activity suffered greatly during those difficult years. This, in addition to other failed family investments like a residential complex that was initially planned but ultimately proved to be a failure, caused Vicente Munilla to lose everything he had built up to that point, including his own wealth, leading to a dire situation for the family.

- *"I was young in those days, but I remember the situation vividly. We saved the family house where we lived but lost the rest of the family heritage," Pablo Munilla recalls sadly.*

The crisis and incorporating the second generation

Amid this complicated situation, and because Vicente was off on sick leave, his second son, Pablo, who was only 23 years old at the time, joined the company. With his cousin Félix Munilla, Pablo began to travel and hold meetings with customers and suppliers. As the company's Financial Director and Vicente's most trusted person, Félix was also pivotal for Pablo and the company's future. When it came to studies, Pablo had never shown much interest, but he quickly felt drawn to the company. His other brothers, Yon, Iñigo, and Iban continued studying.

- *“The company was an opportunity for me. My brothers had been good students, whereas I, on the other hand, after going to various boarding schools, didn’t study for a university degree. So, I started visiting customers, suppliers, and international congresses. It was a very special time for me. I started to get to know this world, and I had the chance to accompany my father on some occasions when his illness allowed him to do so. Seeing everything my father had built and the affection that customers and suppliers alike had for him meant a lot to me,” - Pablo Munilla remembers nostalgically.*

The financial situation worsened, and the company declared a suspension of payments. Following this, on June 16, 1994, Inter Alloys was founded, and shortly after that, Vicente Munilla passed away in a motorcycle accident, leaving Pablo, aged 23, in charge of the company. Given the complicated financial situation of the company and the family, they left their premises on Avenida de la Libertad, where they had been until that point, for a small ground floor on Bidebieta 1.

- *“At home, the family decided that my cousin Félix, who had always been by my father’s side managing the financial side of the company, and I would take over the company. Félix, who was about 15 years older than me, was invaluable at that critical moment. He was a strategic person for the business and like a second father to me. He always helped me tremendously, and I wouldn’t have been able to do it without him,” – affirms Pablo Munilla.*

Though deeply affected by their father’s death and despite not being directly involved in the day-to-day running of the company, the three brothers recognised and valued their role in the continuity and success of the company.

- *“When our father died suddenly, the change was disruptive. Because of his passionate personality and how important personal relationships were to him, my father would sometimes dive in without checking whether there was water in the pool or not. Although Pablo also has that entrepreneurial and relational side, he is always careful before taking important steps, and he recognises the importance of the team and pays attention to what the people around him think,” reflects Iñigo Munilla, board member of InterAlloys & Investments.*

Pablo realised early on in the company that there were horizons beyond the world of trading. As a result, he spent much of his first months at the helm of the company touring mines around the world, establishing relationships with producers wherever they were, Kazakhstan, South Africa, or Russia, and attending international congresses in the steel industry to locate all the producers he was interested in. Although his intuition told him they should enter the business in a different way, they had no financial resources, so starting over again was like re-founding the company and was something of a miracle.

- *“After much effort, a producer from Kazakhstan summoned us to his tennis club in Marbella. My cousin Félix and I went there dressed in suits and were met by the CEO of this big production company, dressed in his tennis clothes, and carrying his racket in his hand. We didn't have any money, and I told him so clearly, but I also convinced him that he could trust us and send us a first ship under his financing. That's how we started up again,”* recalls Pablo Munilla.

This business model was based on working directly with the producer through agency contracts with a back-to-back philosophy, moving away from working as a trader. The basis of this way of operating was the trust placed in the intermediaries and their transparency with both the buyer and the seller. Following this philosophy, the company switched from spot sales as a trader to focusing on high-volume annual contracts as an agent (producer's representative). Visiting producers and building trusting relationships with them was paramount.

- *“In Kazakhstan, we would visit the mines escorted by the Kazakh army, with soldiers in front and behind us. The producers gave us a private plane to take us to the mine, and sometimes, we would take the customer with us. It was crucial to establish relationships with producers since these countries' resources, banks, mines, etc., were in the hands of only a few,”* - Pablo Munilla explains.

In this exchange, Inter Alloys acted as an intermediary between the customer and the producer to facilitate the closing of the transaction and the logistics between the two without taking any financial risk in the operation.

- *“At that time, we didn't buy anything; we only put the producer in contact with the customers. The material belonged to the producer, and our role was to act as their agent and ensure supply since we had no purchasing power,”* – remembers Pablo Munilla.

Once the viability of this formula had been confirmed, and thanks to these relationships of trust with customers, manufacturers of both common steel and special and stainless steels, Pablo saw the possibility of extending the range of minerals to provide a more complete service to meet the needs of Inter Alloys' customers. The challenge in this strategy was to find international producers. Inter Alloys, therefore, focused its efforts on securing intermediation with some of the world's leading mines of molybdenum, nickel, and chrome, among others, in order to have a broad and interesting portfolio of minerals to meet the needs of its steel mill customers.

Fig. 2. Freeport – McMoRan mining group



The trust of these suppliers in Inter Alloys was as strategic as the loyalty of its domestic customers, whose loyalty and trust were also part of the legacy left by Vicente Munilla to the family business.

- *“My father was a much-loved individual in the steel mills, which made it easier for us to get customer support. They all helped us: Acerinox, TUBACEX, OLARRA, Sidenor, Ucin-Arcelor Mittal, Celsa, Productos Tubulares, and TUBOS REUNIDOS,... We had no problem selling,” - Pablo Munilla acknowledges gratefully.*

Thanks to the expansion of this network, Inter Alloys' services were broadening, and the company was growing. However, the family's financial situation was still weak, and in times of cash flow stress, after all his experiences, Pablo's criterion was clear: never jeopardise the family's assets and allocate the business returns to restoring them.

- *“At that time, I was obsessed with family expenses and that my mother would recover her lost assets and have enough to live on in the future. So, she joined the company and accompanied me to some congresses. For me, the most important thing was that the company's turnover should pay the salaries of people outside the family first and, secondly, that she should receive a salary to be able to support herself. Only then would Félix and I receive our salaries, if possible. Until my mother's assets were secured, I didn't have peace of mind,” - recalls Pablo Munilla.*

From agents to full-service providers

As an ally of its customers, Inter Alloys knew well the people who headed the most important steel companies in the country and, in particular, the purchasing managers with whom it collaborated directly. Thus, it was not surprising that when Antxon San Vicente, Sidenor's purchasing manager and head of steelworks, took early retirement, Pablo Munilla invited him to join the Inter Alloys team.

Fig. 3. Sidenor-Climax visit



Source: Inter Alloys

This incorporation enhanced the company's technical capabilities, which proved strategic in expanding the business value it could provide its customers. Specifically, it facilitated the development of a business line with greater added value, which included advice on mineral raw materials for steelmaking.

- *"Antxon San Vicente was a strategic person at Sidenor. He was a great professional with a long career, and so he was very well-known and highly regarded in the sector. In the Inter Alloys' internal team, Félix continued to be responsible for the financial side, while Antxon was in charge of the technical aspect, providing advisory services to customers. He knew the purchasing managers of other steel mills who were of the same generation and approached them with complete familiarity to offer our services. His support in these relationships with national customers provided me with some respite from the intense dedication that commercial work with this type of customer required," - shares Pablo Munilla.*

With the team strengthened, Antxon San Vicente's years at Inter Alloys were years of growth. He was with the company from the age of 55 to 70, during which time he helped strengthen customer relationships by providing expert knowledge that allowed the company to expand. Proof of this development was Inter Alloys' turnover of more than 6 million euros in 2000.

During these years of growth, the staff increased. The team formed by the General Manager, Pablo Munilla, the Financial Manager, Félix Munilla, and the Technical Manager, Antxon San Vicente, was joined by María José Campanillas, who took care of supporting the commercial side and is now in charge of ferroalloys, as well as Sergio Murua, in an administrative position. It was a relatively small team, later joined by Ainhoa Sedano in 2002, who is today the CEO of Inter Alloys.

- *"I came in to assist Félix and Sergio in implementing the ISO 9001 Quality Management System. Also, we were starting to invoice customers and needed to integrate the ERP. As a result, in 2003, we were able to better define, optimise, organise, and carry the information through the ERP. After that, when the company's turnover increased, I became more involved in financial matters,"* - explains Ainhoa Sedano, CEO of Inter Alloys.

Fig. 4. Félix Munilla, Pablo Munilla, Antxon San Vicente, and Sergio Murua (from left to right)



Source: Inter Alloys

The industry dynamics and the fact that the customers were a small number of important companies allowed Inter Alloys to establish a close and tight relationship with those in charge. Knowledge of the steel mills' material, process, and financial needs enabled the company to extend its service. Thus, Inter Alloys became a full-service provider. In keeping with its policy of total transparency, the company added to the service of organising all logistics for the transportation of minerals via sea and land, additional services like supplier and customer financing, and technical advice to the customer.

“The comprehensive service offered to suppliers involves closing agreements with customers, which includes the logistical part and its supervision, finalising maritime and land transport (including customs clearance), and the financial aspect, i.e., advancing payments to suppliers, extending payment deadlines to customers, currency insurance, etc. It’s all about being flexible,” - Pablo Munilla explains.

The client companies consisted of a dozen or so national companies with international operations in France, Portugal, South Africa, and the United States, with whom the relationship is long-term and built on mutual trust.

- *“For the past thirty years, as a result of wars, high market volatility, etc., a long-term vision has been maintained, where there’s no speculation at all, and intermediation is done through a commission or fee with a small margin on the operation, following the back-to-back philosophy. There have been others who were more opportunistic or speculative and have had to close. In our case, we prioritise long-term, privileged relationships and guaranteeing a regular supply to our customers,” shares Ainhoa Sedano.*

Fig. 5. Visit to Brazil for Pig Iron



Source: Inter Alloys

In addition to ferroalloys, the company has also started working with scrap, a raw material used in steel manufacturing.

- *“We’d worked with scrap metal before, specifically because a mineral supplier suggested that we bring in a scrap ship, which was larger than other ships, 18,500 tonnes. It was an adventure, but we didn’t know much about it until Antxon San Vicente came along,”* - explains Pablo Munilla.

As a result of seeing the potential of scrap, Antxon San Vicente's son, Jon, joined the company at the beginning of 2005 to expand the range of scrap suppliers. For this purpose, one of his main tasks was to travel the world in search of scrap metal dealers to incorporate them as scrap metal suppliers for Inter Alloys and be able to offer their product to Inter Alloys' customer steel mills.

- *“We apply the same formula with these suppliers that had worked with those of minerals: start as agents, move on to financing once sold, and finally, buy and sell, all with a low-risk philosophy based on not selling anything without coverage,”* - describes Pablo Munilla.

Jon San Vicente was and is crucial for the growth of the scrap division. It is thanks to his work that Inter Alloys has established itself as an importer for the Spanish and Portuguese market and has entered the Turkish market. A major steel producer and a large scrap importer, this country has a significant impact on the sector. As such, Turkey requires trading services to receive scrap from producing countries like those belonging to Scandinavia, Europe, and the United Kingdom.

Fig. 6. 1st Metallurgical Encounter organised by Inter Alloys, Donostia 2019



Source: Inter Alloys

The family: the reason for Inter Alloys' existence

Since the beginning of Inter Alloys, the family has been a fundamental pillar, not only because the company was founded as a family business but also because the family was its backbone in the first generation and became its purpose in the second. The first period, when Vicente Munilla was briefly in charge of management, was followed by a second, longer period when Pablo took over. When the business project stabilised, Pablo opened up the possibility for the other brothers to join the more practical aspects of business management to support the company's growth. However, for various reasons, although the brothers remain involved in the ownership and governance, it is Pablo who oversees the project, and is the only family member currently active in it.

- *"My brother Iñigo participated in the company's management for a few years, which gave him insight into how the business works from the inside, and now he serves on the Board where he plays an important role", says Pablo Munilla.*

In its early days, when the Board was mostly composed of the owner shareholders, all of whom were family members, it acted as a General Meeting of Shareholders that met quarterly with a strong informative focus. The high level of consensus in decision-making that has existed from the outset, even on delicate matters such as dividend distribution, the eventual departure of a member of the company, or the recognition of Pablo Munilla as the leader, has allowed for agile and decisive decision-making in the business.

- *"The company has been doing well, and it's important to look after its partners. Dividend distribution was established from the start. We also have a board advisor and a lawyer who acts as secretary to the Board," shares Pablo Munilla.*

However, the brothers and mother decided to set up regular meetings once a year to address family-related issues rather than just business matters. In this context, in 2004, after Pablo shared his concern with his brothers about determining the most appropriate shareholding distribution for the company's reality, the brothers created a new balance of shares in the company, taking into consideration the future. This process led to a broad reflection on family issues related to the company, which resulted in a first family protocol.

With his entrepreneurial spirit, Pablo proposed diversifying the business beyond developing only the company. Consequently, with the support of a local consultancy firm, the decision was made to restructure the business portfolio in 2016 by setting up a holding company to act as an umbrella over the other investments: InterAlloys & Investment S.L. (I&I).

- *"The diversification of the holding arises from a vision aimed at continually adding value to the business and providing stability to the Inter Alloys project. In order to define the vision and foster growth, there is a process of learning and reflection, taking into account future issues," - Ainhoa Sedano explains.*

In this dynamic and with the aim of identifying new business projects, Pablo and Félix decided to go to Madrid and contact different investment funds. During 2016-2018, they made various investments in order to analyse the way diverse funds and venture capital managers operate (technology funds, venture capital, growth funds). By analysing various funds with different themes, it was found that having a direct relationship with the fund management team, whose advice was relied on in different investment processes, was paramount.

- *"I know I have weaknesses, so I rely on external advisors and delegate tasks to powerful companies that can help me... We invest a lot in doing things well and safely, and to achieve this, we have experts who complement and support us,"* - acknowledges Pablo Munilla.

Thus, Inter Alloys began a process of inorganic growth by entering into different companies with the aim of creating synergies and growing together. In addition, INDIPartners was set up along with Digitalentu to promote investment in technology-based business opportunities within the steel industry.

Currently, Inter Alloys continues to be the core business, with an average annual turnover of 100 million euros, although in years like 2022, when commodity prices were exceptionally high, it recorded a turnover exceeding 150 million euros. Inter Alloys constitutes 60% of the assets, with the remaining 40% allocated to other investments undertaken by I&I as part of the diversification strategy. Among these investments, it has diversified into financial ventures (Private Equity and Venture Capital Funds), as well as start-ups (e.g., Biotech Foods), other types of businesses (e.g., IBS Capital and Digitalentu), and real estate. Diversification is also being pursued across other sectors, including renewable energies, forestry assets, digitalisation, technology, and the health sector.

On the advice of an advisor and to enhance family participation on the board, it was decided to assign specific functions to each family member in 2018 for which they would be accountable to the others.

- *"In 2018, as a result of the protocol review in 2018, it was defined where each brother could give his best. Yon took on new investments, Félix handled appointments and audits, and I was tasked with family-business relationships. The idea is that issues will be more thoroughly addressed when they reach the board,"* - Iñigo Munilla explains.

Moreover, to balance commitment between investments and the core business, Pablo delegated the role of InterAlloys' CEO to Ainhoa Sedano in 2022.

Inter Alloys of the future: the next challenge

The business group of the present seeks greater diversification based on relationships and trust. A key component for accomplishing this is the participation of family members and managers who are committed and linked to the project. This involvement has been confirmed over the years, and today, the family group has a consolidated team that takes on new responsibilities.

“Pablo has created a very solid internal structure with his team: Ainhoa, Mari José, Jon, etc. In addition, the family element is important, and its participation is growing with a more business-focused vision,” - explains Iñigo Munilla.

In this respect, the group’s growth cannot be achieved by neglecting Inter Alloys' core business customers and suppliers.

- *“We have to understand how the market will evolve and how it can affect us. Our aim is to be sustainable in the long term,” affirms Ainhoa Sedano.*

Inter Alloys' people are crucial for the future project because they are the ones who give substance to the company’s values and to what it stands for and strives to be. It is not only about people within the company walls but also those within an expanded company vision, which integrates customers and suppliers in an ecosystem where interpersonal relationships are essential and are sustained by mutual trust.

- *It’s essential to look after and invest in the team and its training. There are only a few of us, ten people, with hardly any turnover; we understand the company in a very humane way, and where we see that we can help, we help, or we seek how we can help,” – says Ainhoa Sedano.*

Fig. 7. The Inter Alloys team, 2021



Source: Inter Alloys

This sense of trust is based on the values that have characterised the company and on the unbreakable bond of the family that, from the beginning, has been dedicated to the company.

- *“Humility and integrity have been hallmarks of the company, along with the family’s commitment and sense of responsibility. The fact that the brothers and Félix have remained united throughout these years is pivotal. They’ve been able to find solutions to problems, and the company and the family have always emerged stronger. Pablo has always put the family first: my mother, cousin, and siblings...”* acknowledges Iñigo Munilla.

The third generation, already present in the family with Félix’s three children and the founder’s eight grandchildren aged between three and thirty-three, will have its say in that future. Although their incorporation into the company is not yet a reality, the family is aware that now that the family group is in a healthy situation and focused on the future, it is the right time to tackle the integration process of the third generation.

- *“Inter Alloys is no longer just a ferrochrome business; it is much more, with future projects to develop and possibilities to work on each project or with the Board... The question now is how to approach our work with the new generations. Focusing on succession is key for the benefit of everyone and the business, strongly rooted in relationships and trust,”* - asserts Iñigo Munilla.

Fig. 8. Vicente Munilla’s sons (Yon, Iñigo, Iban y Pablo), and his wife Arancha at the 16th International Regatta in memory of Toto Munilla



Source: Inter Alloys

These reflections have already been included in the third and last revision of the protocol (2014, 2018, 2022). With a diversified group of companies and a completely different situation to that of the first succession, the family is now considering an intergenerational handover in advance and with careful planning. A new challenge awaits the company: supporting the members of the third generation in their contemplation as a family business.