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CVRD sells its stake in GIIC

Companhia Vale do Rio Doce (CVRD) sold its 50% stake in Gulf Industrial Investment Company (GIIC), a pellet producer based in Bahrain, for US\$ 418 million, out of which US\$ 41 million corresponds to retained earnings.

Having different views about GIIC business management, CVRD and its partner in the joint venture, Gulf Investment Corporation, decided to enter into a mandatory buy-sell agreement to solve the divergences in accordance with the current shareholders' agreement.

One of the key points of the Company's strategy for the ferrous minerals business is to pursue the consolidation of its global leadership in the pellet seaborne market in order to maximize the benefits arising from the significant long term growth potential of the pellet demand.

CVRD is developing the Itabiritos project, in the state of Minas Gerais, Brazil, which involves the construction of a pellet plant with a production capacity of 7 million tons per year. Simultaneously, the Tubarão VIII project will be submitted to the approval of CVRD's Board of Directors. Tubarão VIII involves the construction of a pelletizing plant at the CVRD port of Tubarão, Vitoria, state of Espírito Santo, Brazil, with a capacity to produce 7 million tons per year.

Samarco, a joint venture where CVRD owns 50%, is investing in a project to build its third pellet plant, with 7.6 million tons per year production capacity.

GIIC produced 4 million tons of pellets last year, 7.1% of the total pellet production of CVRD and its joint ventures, 56.4 million tons. Therefore, the sale of the Company's stake will not thwart its strategy to expand its presence in the attractive global pellet market. The conclusion of the above-mentioned projects is expected to increase total production capacity of CVRD and its joint ventures to 74.0 million tons by 2008.

The sale of the stake in GIIC will not have any effect on the supply of pellets to CVRD clients in the Middle East, as the Company has capacity to continue to supply them from its operating units in Brazil.

More information



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