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Brazil CVRD's Agrees To Acquire Sparrows Point Through JV

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SAO PAULO (Dow Jones)--Brazilian mining giant Companhia Vale do Rio Doce (RIO), or CVRD, confirmed that it is a partner in a joint venture that has entered into an agreement to acquire all assets of Sparrows Point steel mill, the company said late Thursday in a statement.

Sparrows Point is an integral subsidiary of the ArcelorMittal (MT).

CVRD did not unveil the total amount of the acquisition, but said that it is committed to invest up to \$270 million to take a minority stake in the joint venture whether and when the transaction is approved.

Sources familiar with the transaction valued it at \$1.35 billion including debt and equity.

CVRD partners in the joint venture are Industrial Union of Donbass, an Ukrainian steel company, Esmark Inc., a U.S. steel services company, Wheeling-Pittsburgh Corporation, a U.S. steel company, and some U.S. based institutional investors.

Sparrows Point, based near Baltimore, is a former Bethlehem Steel plant that is a fully integrated steel-making facility capable of producing 3.9 million tons of raw steel annually. Products made at Sparrows Point include hot-rolled sheets, cold-rolled sheet, galvanized sheet, Galvalume, tin mill products and semi-finished steel. Markets served include construction, steel service centers, automotive, container and appliance.

"The acquisition of Sparrows Point is consistent with our strategy of investing in minority stakes in steel assets to foster iron ore sales growth," said CVRD.

The transaction still must be approved by the United States Department of Justice.