

UAE and South Africa Firm Alliance Targets Global Leadership In Ferrochrome Exports

Written by Australian Business

DUBAI, UAE, September 21, 2013 **/24-7PressRelease/** -- UAE based businessman, Mr Alibek Issaev, whose group of companies include growing global software business Dudu Communications, acquired a 50% stake in FerroChrome Furnaces (Pty) Ltd ("FCF"), a South Africa based producer of low and medium carbon ferrochrome for the export market.

"We aim to corner the low and medium carbon ferrochrome supply markets during the next two to three years, and if that means a price war to achieve market share, we are ready to do battle and we have the resources to do so", said Mr Alibek Issaev.

Following the success of his IT business, Mr Issaev sought to expand and diversify his business interests, amongst others the monetised, multi-lingual social media platform dudu.com. When an opportunity arose, the alliance was a good fit and the transaction was the next logical step also having regard to the significant upward demand of low and medium carbon ferrochrome globally.

The international alliance is set to challenge global monopolies in the global supply of the metal and will also bring substantial cash injection into the South African economy and almost double production at the FCF plant over the next two years.

Venmyn Deloitte, a division of Deloitte worldwide, with professional expertise in the independent technical and economic assessment and review of mineral projects, conducted a two-year due diligence study to determine the viability of the project and has evaluated FCF business at \$1.7 billion USD.

This however is largely conservative valuation in light of the higher discount rates utilised and the higher than usual industry and country risk assumptions used in the valuation. The delivery risk assumption is also higher than usual as completion of the relevant phases will only be realized after 31 Dec 2013. It is expected that the completion date valuation should in all probability be substantially higher.

FCF spokesman Mr Ashruf Kaka said the alliance assures access to hitherto closed UAE business interests and will fast-track the firm's aggressive expansion ideals. "An international partner such as Mr Issaev places FCF at the forefront of the competition with two other overseas competitors, and will make us the biggest exporter of low and medium carbon ferrochrome within the next three to four years." FCF, a privately owned company, has one of the first private beneficiation smelters of low and medium carbon ferrochrome in South Africa.

The deal was struck between Mr Issaev and South African businessman Mr Abbas Moti. Former Ashanti Goldfields CEO Sir Sam Jonah acts as a non-executive chairman of FCF. The Moti family already has considerable experience in mining technology through its involvement in Kilken and Global Tailings Solutions (GTS), a platinum beneficiation plant at the Amandelbult mine at Thabazimbi, owned by Rustenburg Platinum (Rustplats), a subsidiary of Anglo American.

The main application of ferrochrome resides in the production of particularly stainless steel, as it gives the metal its appearance and composition and makes it resistant to corrosion. As a globally-significant resource, there is considerable upward demand for low and medium carbon ferrochrome globally. Whilst China is unofficially the largest producer of low and medium carbon ferrochrome, its production is mainly for domestic use. Hence, the remainder of the market is fair game. To meet global demand, FCF will be able to increase production capacity to 420,000 tons per annum over the next 24 months. This will make it the largest producer of low and medium carbon ferrochrome in the country.

All processes are governed by intelligent technology and automation through Swedish management systems, provided by Uvån Hagfors Teknologi AB (UHT), and are overseen by metallurgic engineers. Electricity costs are making ferrochrome beneficiation increasingly expensive globally. FCF's efficiency of electric and thermal energy, its utilisation of AOD & VOD technology, state-of-the-art technology, proximity to raw materials, availability of efficient logistics and the strong dollar against a weaker rand help to favourably position itself in the global pricing market. This situation also lends itself to become not only the world's largest low and medium ferrochrome producer, but also the lowest cost per ton producer of low and medium ferrochrome worldwide.

The firm has also formalised exclusive supply chain agreements with Metal Partner GMBH, a company based in Germany, and a Dubai agency for the distribution of low and medium carbon ferrochrome throughout the world.

Venmyn Deloitte, a division of Deloitte's worldwide, with professional expertise in the independent technical and economic assessment and review of mineral projects, conducted the assessment of FCF's operation prior to the conclusion of the investment to determine the compliance and competence of the project.

Mr Abbas Moti said the establishment of the production facility has already created significant

opportunities for the local community and the accelerated expansion will add 3000 new jobs directly and indirectly.

"This is in line with the South African Government's macro-economic plans for job creation and community development, and will further benefit our balance of payments. South Africa has traditionally exported raw materials for beneficiation offshore, and then re-importing refined materials at high cost. The South African ferrochrome industry has requested the SA Government to levy taxation of 100 dollars per ton of chrome ore for raw ore export to encourage beneficiation locally. FCF supports this decision and encourages local beneficiation."

About Dudu CommunicationsDudu Communications is a software company with offices around the world offering high-end IT solutions. In 2011, the company launched dudud.com, a multilingual social network that is unique in offering simultaneous translation from one language into another. The dudud.com website is developed by specialists from different countries, in offices across the world. This is a team of dedicated professional linguists, programmers, translators etc. with extensive experience in their respective fields.

The main objective of dudud.com is to remove language barriers and bring people around the world closer to each other. The company actively engages in supporting businesses, new cultural and entertainment projects (cultural events, shows, musical performances etc.) in the GCC region.

For more information, please visit <http://www.dudud.com>

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