

Business Standard

New Delhi, 11 May 2008

`LET`S DISCUSS ON A FRIENDLY BASIS`

MITTAL'S AVUNCULAR SMILE CAME INTO PLAY, ALONG WITH THE COLDER GIMLET BROWN EYES, WHICH ALWAYS SEEMED TO BE ON AN INTELLIGENCE-GATHERING MISSION.

The protracted battle that Lakshmi Mittal fought for Arcelor in 2006 was played out on a truly world stage. As this book, researched and written by a freelance journalist and a PR consultant with the cooperation of the Mittals, shows, the action was intense and involved a host of business characters, some of them distinctly shady, as well as organisations and leading politicians. In this extract from Cold Steel, the authors offer us a view of the first meeting between the Mittals (father and son) and Arcelor head Guy Doll at which Lakshmi Mittal broached the topic of the takeover.

Doll and [Alain] Davezac [Doll's "international emissary"] pulled up outside Lakshmi Mittal's large front door, where the two men were greeted and welcomed discreetly inside by a servant. Doll had visited Mittal's home once before and felt uncomfortable in its overt splendour, just as he did when forced to attend functions in the plush drawing rooms of Paris, where he was happier renting a modest flat.

Numbers 18 and 19 Kensington Palace Gardens had once housed the Russian and Egyptian embassies... The fifty-five thousand square feet of floor space included twelve bedrooms, a ballroom, a picture gallery, parking for twenty cars, Turkish baths and a jewelled swimming pool in the basement...

Of all the houses the Mittals had bought this was the only one that Lakshmi had chosen. Usha had not been keen to move from the Summer Palace [their earlier home in London], where she felt happy and settled. Then the children started to lobby. Mummy, you always have your say in houses,' they said. If Papa likes it, just say yes.'

Mittal chose to move because this house with its mixture of large formal rooms for greeting and entertaining and private family quarters was ideal for a man whose two great loves, his only loves, were his work and his family. In a garden room a sculpture of six arms with upturned palms cradled a steel globe. The piece was commissioned by Mittal. A close look revealed its true symbolism. Each arm and hand was different. One was moulded from Lakshmi. Another was Usha's. The four remaining arms were those of Aditya and his wife Megha, and Vanisha and her husband Amit.

As Davezac complimented him on his ormolu furniture, fine porcelain and Impressionist paintings the kind of artefacts that most people only see cordoned off by silk ropes and security beams Mittal explained: I chose the house but Usha furnished it. Everything you see in this house has a history, so it would take me years to understand the history of everything she has done.'

Guy Doll glanced up at one of the massive chandeliers twinkling like a constellation, and blinked. He was not in the mood for interior design.

Lakshmi and Aditya invited their guests to sit. Drinks were ordered. The four men sat facing one another on large formal sofas by the fireplace, nursing their champagne.

They kicked off with steel industry small-talk, second-guessing the market, iron ore supply, personalities on the move, politicians on the make or the meddle, and how the consolidation of the industry was going to pan out. When it came to the facts and figures of their business Davezac found that he was increasingly captivated by Aditya Mittal's grasp of a complex and globally fragmented industry. For somebody so relatively inexperienced he seemed to know deals inside out.

Guy Doll had no time for Aditya. As far as he was concerned he had just been born rich and lucky. But, even if they were poles apart as people and he did not trust his charm, he admired Lakshmi as a steelman. Aditya had not worked his way up as he and his father had. What Davezac took for brilliance Doll regarded as an irritating brashness. Sometimes, like right now, he found it hard to be in the same room as him. He could not even call Aditya by his name, always referring to him as the son'.

Then suddenly Lakshmi said to Doll: 'If you bid \$C5.6 billion for Dofasco you will get it.' As always, Mittal's avuncular smile came into play, along with the colder gimlet brown eyes, which always seemed to be on an intelligence-gathering mission.

'Excuse me?' Doll bristled. He was not in the market for acquisition advice from Mittal. You must bid higher than Thyssen,' Mittal smiled again.

Doll tried to steer the conversation back to the business of the next meeting of the International Iron and Steel Institute (IISI), which he chaired, scheduled for Paris early in February.

Mittal's eyes were focusing on a much bigger agenda. 'Guy,' he said. Doll stopped short. 'I have something very important to tell you. Our two companies are both undervalued in the market. We share the same consolidation goals. We should discuss how we could work more closely together. Let's discuss on a friendly basis.'

'The cultures of the two companies are entirely different,' Doll said, barely able to hide his disdain. Mittal shrugged and smiled patiently. 'There is only one thing we can do for the benefit of both companies and the steel industry, and that is to merge. Where we are strong you are weak, and you have great strengths that we don't have. If we joined forces we could be a great steel champion.'

Davezac looked at Doll and grew concerned. The normally assured Frenchman had slumped into the sofa. This was the man who had told Wilbur Ross after the combative billionaire had given a keynote conference speech in Paris on the consolidation of the steel industry: 'That wasn't bad for somebody who knows so little about the industry.' He was determined to cap his distinguished career by regaining his crown from Mittal as the King of Steel. He was not going to be relegated to a footnote.

'Seventy-five per cent of such mergers fail because the cultures of the two companies don't mix,' Doll said. 'There is too much friction. Three-way mergers work much better,' he insisted, going off into a long account of how Usinor, Arbed and Aceralia had come together to form Arcelor and what a strong and competitive company it had become, focusing on the high end of the market. 'Arcelor has been a success story for the simple reason that we have developed a new model, balanced between profit, employee relations, customers...' Mittal pressed him again.

As Doll played for time and tried to recover his composure, his English began to get ragged. Davezac stepped in to translate for him. Our companies are not compatible,' Doll continued. Arcelor specialises in high-end steel for the automobile and packaging industries, while you focus on emerging-market volume steel for the construction industry.'

So why are you bidding for the same emerging-market volume steel companies in places like Ukraine? Mittal thought. But he didn't pursue it.

Lakshmi, you are the owner of your company. I am just an employee. I cannot take such decisions. I have to talk to my board, and to others. And even if we were to merge you would become the dominant shareholder. My board would not appreciate that. They have their own strategy.' OK,' Mittal said. We will meet to discuss this again.'

The large dining table was covered in an armada of Indian dishes. On the wall was a large painting of a Mughal emperor with a hawk on his arm. Doll was a devotee of Indian food, and of the country, which he had visited several times. The big glasses were filled with the best French red. We should make Guy feel at home,' Lakshmi Mittal had instructed. As the four men ate, he set about putting Doll at his ease. Never less than relaxed, Mittal was always happy to listen and let his guests steer the conversation, touching the tiller here and there himself with a well placed joke or observation. I see my team is doing better than yours,' he laughed.

Yes, it's too bad,' Doll smiled wanly. ... How is the labour situation in your company?' Aditya asked, switching the subject. Intelligence reports told him that there had been friction between workforce and management in some Arcelor plants. Very optimistic,' Doll told him formally. There is no significant need for any concern.'

Aditya nodded. As far as he was concerned Guy Doll had ticked the last box. Arcelor was a profitable company with widely held shares and few labour problems.

The concept of Mittal Steel and Arcelor teaming up was not mentioned again as the dinner stretched out over three hours. At 9.15 Doll and Davezac took their leave. Having arrived by cab, they were offered Mrs Mittal's car and driver to return them to their hotel...

Sitting in the back of Mrs Mittal's car, Guy Doll was non-committal. There was a silent surliness about him. He had visions of his host's smiling face, the food, the opulent surroundings, and of being pole-axed. He did not want to talk any more about getting into bed with Lakshmi Mittal.

As Lakshmi and Aditya watched the car pull away into the night, father turned to son. Adit,' he said, we must acquire that company.' Excerpted with permission from Hachette India