

BOOKS

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How the 'Carnegie of Calcutta' Lakshmi Mittal captured the jewel in the crown of Europe's steel industry, making the old guard bristle. By John Thornhill



Lakshmi Mittal now controls 10 per cent of global steel production

COLD STEEL:

The Multi-billion Dollar Battle for a Global Empire
by Tim Bouquet and Byron Ousey

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Europe's identity has been partly forged in the crucible of steel. In 1961 six nations founded the European Coal and Steel Community to pool their industrial resources and proclaim a new era of international co-operation after decades of war.

Over the next half century, this economic community developed into the European Union and several of the continent's steel firms merged to form the world's most technologically advanced steel group, Arcelor. With its consensual style of management and labour relations, the Luxembourg-based company appeared a model of European industrial strength, scientific prowess and social market democracy.

But in 2006 this cosy stakeholder capitalism was shattered when Lakshmi Mittal, a swash-buckling steel magnate from India, launched a massive hostile takeover bid. Here was a bold entrepreneur from the emerging sub-continent taking a tilt at one of Europe's most established companies. It was, the authors of *Cold Steel* contend, the takeover that defined an era.

The corporate battle that raged over the next few months was rich in passion, intrigue and drama. A powerful amalgam of charm and ruthlessness, Mittal was intent on dominating the fragmented global steel industry. As the majority owner of a listed business, he was able to move with deadly speed and daring.

Over the previous 15 years this 'Carnegie of Calcutta' had spent \$15bn acquiring 47 companies. But the capture of Arcelor would be his most stunning triumph, creating a giant group with a market value of \$46bn controlling almost 10 per cent of global steel production and employing about 320,000 people.

Arcelor was determined to resist. The Luxembourg and French governments bristled at the idea of an outsider grabbing so symbolic an industrial jewel. The company's bruising defence was masterminded by Guy Dollé, a brilliant but acerbic steel man with a fatal talent for making inappropriate remarks.

Unwisely, he referred to Mittal as a company of Indians offering *monnaie de singe* (literally monkey's money), which has nastier overtones in English than in the original French. Mittal's public relations advisers leapt on the translated comment, fanning a fire in India that damaged Arcelor's reputation.

The authors take some liberties. They reconstruct private conversations verbatim that could not possibly have been recorded and – at times – their fast-paced narrative lapses into overwrought prose. They also pay more attention to the battle between the two sides' advisers than the financial and industrial calculations behind the deal.

Given the background of the two authors, that is perhaps unsurprising. Tim Bouquet, a features journalist, teaches creative writing. Byron Ousey works for a financial public relations company that advised the Luxembourg government. Their collaboration has produced a compelling tale. Too few page-turning books are written on the high drama and low cunning of business and finance. *Cold Steel* is a welcome addition.

It is said that history is written by the victors. But contemporary history is also shaped by those who bother to talk to the historians. Both the Mittal camp and

Dollé co-operated with this book. Two other key corporate players, Severstal and ThyssenKrupp, companies heavily involved in the manoeuvring surrounding the bid, refused to engage. In spite of the authors' commendable even-handedness, the book is somewhat lopsided as a result.

Yet, as the authors make clear, almost everyone gained from Mittal's revised offer, which won the unanimous backing of Arcelor's board. Arcelor's shareholders benefited from a huge rise in the value of their shares. Mittal ended up paying less than its own internal valuations suggested Arcelor was worth. The tiny Luxembourg state received €400m from selling part of its stake in Arcelor. Yet it also retained a 3 per cent stake in the enlarged group and the headquarters of ArcelorMittal. The 13 banks that advised both sides of the deal collected \$200m in fees. Mittal has now been warmly embraced by Europe's corporate – and political – establishment.

The only clear loser was Dollé, who turned down Mittal's gracious offer to remain at the company. There was a certain tragic nobility in Dollé's stubbornness.

But as John Plender, an FT columnist, wrote at the time, the bid also raised nagging questions about how companies are best owned and run. In particular, the ability of hedge funds to 'borrow' shares and exercise their voting rights is an area ripe for abuse. Such practices should be included in the regulatory debate that is now beginning as the reckless excesses of financial market capitalism are so painfully unwound.