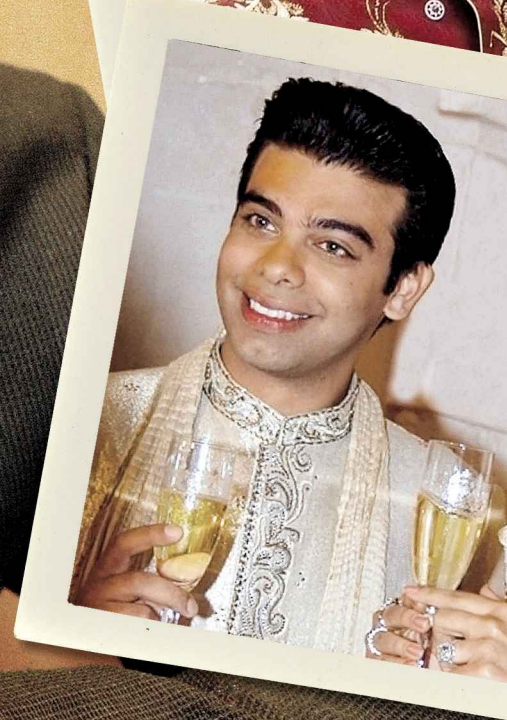


# A MODERN

Lakshmi Mittal, London's richest man, made another £4 billion last year. To and conspicuous consumption. At the same time, he's risking his empire



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# MAHARAJAH

celebrate, he's shed his diffidence and is casting himself as a Bond villain with an appetite for lavish parties with ever more extravagant takeovers. **Mark Hollingsworth** asks: is the metal magnate in meltdown?



**Main pic:** Lakshmi Mittal at his London HQ. **Above:** daughter Vanisha with Amit Bhatia at their £30 million wedding at Versailles in 2004. **Top:** son Aditya with wife Megha. **Far left:** Lakshmi with his wife Usha

**F**or the quietly spoken Lakshmi Mittal, Britain's wealthiest man (he recently topped a Rich List with his £19 billion fortune, up from £14.9 billion last year) and owner of London's most expensive house, cultivating the social elite does not come naturally. It is 7.30pm on 24 February 2006 and the Indian steel billionaire is hosting a party at his chalet at Chantarella, overlooking St Moritz. Nearby is the exclusive Corviglia Ski Club, which has played host to generations of tycoons from Aristotle Onassis to Giovanni Agnelli.

And so Mittal would have expected an A-list of movers and shakers on that Friday night. After all, barely three weeks earlier he had launched an epic, ground-breaking £12.7 billion hostile bid for the Luxembourg-based steel giant Arcelor. But despite copious quantities of Krug Clos de Mesnil, the soiree is far from the hoped-for networking success. The polite Indian tycoon is not mixing easily. With the exception of Prince Augusto Ruffo di Calabria, Italian president of the Corviglia Club, the turnout is distinctly B-list. 'It was very much rent-a-crowd,' recalled one guest. 'Mittal was clearly trying to ingratiate himself with the great and the good, but they seemed to prefer the bar at Chantarella. He was very courteous but didn't seem to know anyone. He just stood around looking a little lost.'

But Mittal was unperturbed. The next morning he went cross-country skiing and that evening dined at the Dracula club, a private restaurant in St Moritz where he was formally accepted as a member. It was all part of his global charm offensive, designed to brand himself as part of the billionaire tycoon jet set. Two months earlier, his 94m yacht *Almeida*, built by the Blohm and Voss shipyard for £160 million, was moored in Dubai's Mina Seyahi resort. Just before Christmas, Mittal and his brothers hosted a lavish party at the seven-star Burj al-Arab hotel in Dubai. Despite its opulence, it was a discreet affair and no journalists were invited. 'People were flown in from all over

the world and put up at the Burj al-Arab just for the party. He was aiming to impress,' one guest told ES.

As the event was just five weeks before Mittal's bid for Arcelor, it was an intriguing scenario. It is unlikely that he was chasing Dubai-based finance. In fact, he was sounding out major institutional and high net-worth individuals in Abu Dhabi, Kuwait and Saudi Arabia who have traditionally taken discreet and even informal equity positions in international investments. 'Mittal came here chasing some passive, nameless capital,' said a local investment banker.

Now anything that the 56-year-old steel magnate does commands attention. He is the fifth richest man on the planet and over the past three decades has built up the world's largest steel company with three times the output of its closest rival. He represents 'new money' buccaneering tycoons from the emerging markets who have raided entrenched economic interests in a series of audacious acquisitions. Last month his company Arcelor

Mittal paid out £922 million in dividends based on operating profits of £4 billion and Mittal himself pocketed a cool £400 million.

The Indian billionaire has not been shy in spending his fortune. For tax purposes, Mittal claims 'non-domicile status' – a loophole whereby wealthy foreigners residing in the UK do not pay income tax on their worldwide income. Mittal is an Indian national, temporarily living in Britain, and so he can keep all his foreign capital and income away from the Inland Revenue. Unsurprisingly, all his London properties are owned by offshore companies registered in Jersey. His spending spree started in 2000 when he bought Summer Palace on The Bishops Avenue, Hampstead, for £9 million, which is adorned by photographs of Mittal's encounters with Prince Charles and the Princess Royal. He then upgraded in April



**Buyout:** a steel factory in Hayange, north-eastern France, part of the Arcelor group, taken over in a hostile bid by Mittal Steel

2004 by purchasing a 12-bedroom mansion in Kensington Palace Gardens from Bernie Ecclestone, the Formula One boss, for £57.1 million. Comprising the former Russian and Egyptian embassies knocked together, it's 55 times bigger than the average home and has garage space for 20 cars. A previous owner, the art dealer David Khalili, imported marble for its floors from the quarry

# He staged a six-day party for Vanisha's wedding costing £30 million

used to create the Taj Mahal. Inside are Turkish baths, a ballroom and a swimming pool inlaid with precious stones.

The following month Mittal paid out £13.8 million for a townhouse on a street near Chelsea Barracks in Belgravia for his 31-year-old son Aditya, the baby-faced but brilliant chief financial officer of Arcelor Mittal. Another director, his daughter Vanisha, was also looking for property, but on a far grander scale. In October 2004, she owned a luxury penthouse flat at Cheval Place on Montpelier

deal, in October 2005, paying £27 million to the owners, CREMS Ltd.

Spending nearly £100 million on three houses in London has drawn comparisons with Russian oligarchs. But Mittal is far from the ruthless megalomaniacs from Moscow. An orthodox Hindu and vegetarian, he lives an ascetic life. He practises yoga every morning and on holiday relishes the demands of cross-country skiing up mountains. His physical prowess is a running joke in the Mittal family. His son Aditya prefers downhill skiing

steel executives. A former colleague told the *Financial Times* that Mittal sometimes practises 'deliberate misdirection'. 'You can say that I think outside the box,' acknowledged the tycoon. 'If I go into a meeting and there's an agenda I disagree with, then I'll change it or at least put it in a different order.'

The Indian tycoon can also turn his hand to poker. There is an element of the hustler in his style. Although he is formal in his appearance and manner, he is still regarded as an outsider, even in his native India. Many of his corporate raids and forays have been risky. One banker told the *FT* that there is something 'a little bit devilish about him. He seems to enjoy the fact that a lot of the time people don't really know what his game plan is.'

Mittal's origins are not so mysterious. He was born on 15 June 1950, in a poor and remote town in Rajasthan, northwest India, into a family of Marwaris – a hard-working merchant class renowned for their shrewd trading skills. Appropriately, he is named after the Hindu goddess of prosperity, Lakshmi.

Soon after independence, the family moved to Calcutta where his father, Mohan, took over a small steel factory which he renamed Ispat – Sanskrit for steel. The business flourished, and by the time he was in his teens, Lakshmi was combining his studies at the prestigious St Xavier's College with a full working day at the plant.

After a lengthy apprenticeship, the 25-year-old Mittal struck out alone and moved to Jakarta, Indonesia. Backed by his father, he acquired the local steel factory. Although the demand for steel was falling in the late Seventies, production was still geared around huge blast furnaces. His solution was to pioneer smaller mills that burned direct reduced iron – a material that cost a third of the price of the traditional scrap steel. The result was soaring profits and market domination. Mittal was a popular boss: he talked to line workers and knew how to operate the furnaces.

The Indian entrepreneur was on his way. No territory was too daunting for the Mittal treatment, which followed a pattern: identify an ailing state-owned plant in a developing country, cultivate the political ruler, hire a middleman, buy the asset on the cheap, slash and burn costs, and watch the profits flow. Flying in his Gulfstream G550, he snapped up plants from Trinidad and Tobago to Inner Mongolia. With plants in 25 countries spread across five continents, his company Arcelor Mittal now has annual sales of more than £35 billion, employs 330,000 people and is responsible for ten per cent of the world's steel production.

But Mittal has also attracted controversy. He has been accused of hiring dubious agents and making payments to political parties to sweeten deals. In 1995 he cast his hungry eyes on the state-owned Karmet plant in Kazakhstan. But he needed an intermediary to lobby President Nazarbayev. He chose Patokh Chodiev, a confidante of the President with a controversial track record (he was later charged by a Belgian judge with money-laundering by buying a villa 'with money we think was of criminal origin', although he was never convicted).

Chodiev had management contracts to privatise



Spending spree, clockwise from top left: Mittal's £57.1m house in Kensington Palace Gardens; the £13.8m house in Belgravia bought for son Aditya; the £27m Mayfair house bought for daughter Vanisha; his Gulfstream jet; his £9m property on The Bishops Avenue

Walk, Knightsbridge, which she later sold for £9.5 million. But she had recently married investment banker Amit Bhatia and needed a more luxurious family home. Estate agents were told: the new house must be in Mayfair and off-market, the budget is limitless and no one must know the identity of the ultimate client. The level of secrecy was unusually high.

Mittal's daughter visited a £25 million house on Brick Street, Mayfair, but dismissed it as 'too small'. She was then shown an 18th-century 30,000sq ft house in Mayfair previously inhabited by royalty, notably the Queen Mother in the Twenties. This was deemed suitable and Mittal negotiated the

which Mittal senior dismisses as for 'lazy people'. The billionaire's manner is diffident, reflective and understated, but with a strong physical presence and deep sibilant voice. Occasionally, at about 6.30pm, he will ask the driver of his black Mercedes Maybach limousine, full of gadgets, to stop at the gates of Hyde Park. He will then walk alone across the park and contemplate his latest deal.

Like an astute chess player, Mittal meticulously plans his every move. His negotiating style is low-key but Machiavellian, with a lethal combination of relentlessness and seduction. He is renowned for protracted meetings, fuelled by little more than sandwiches and green tea, in order to wear down



Steel magnates: Lakshmi Mittal with son Aditya at a company press conference in Paris in 2006

## Mittal cast himself in Frank Sinatra's role in *Ocean's Eleven* with his son as his accomplice

Kazakhstan state assets and was well placed to promote the tycoon's interests. He duly did so and Mittal bought the plant for a mere \$450 million. A delighted Mittal then paid Chodiev's company a staggering \$100 million commission over four years, according to his former chief executive Johannes Sittard. 'It was a nice bundle of money,' Sittard admitted to the BBC's *Money Programme*. He added that it was 'a commission to conclude the deal... You have to reach an agreement with the President.' When asked about the payment, Mittal replied: 'When you go to a country you don't know anyone, and so you appoint people to introduce you to that country... They showed us the different opportunities, so that's it.'

**C**ultivating politicians is all part of the process for Mittal. In 1997, his company, then LNM Holdings, donated £21,000 to the Labour party during election year. When Tony Blair stood for re-election in 2001, Mittal handed over a cheque for £125,000. At the time Mittal was bidding for a 90 per cent stake in Sidex, the Romanian state-run steel plant. He needed the approval of the Prime Minister, Adrian Nastase. On 23 July 2001, only a month after Mittal's donation, Blair sent a letter to the Premier supporting Mittal's £300 million bid and saying that it could help his country's quest for EU membership. Two days after the letter was delivered the plant was sold to Mittal, although he claims that at the time he was the only bidder and the deal had been approved prior to any letter sent by Blair.

When Blair's letter was leaked, Mittal was embroiled in accusations of cash-for-favours. Downing Street said that Mittal was British and the Prime Minister was backing a British company. Both claims were false. Mittal is an Indian national and LNM Holdings, his company, was registered in the offshore tax haven of the Dutch Antilles. Nastase compounded the error by saying that he had been 'reassured' by guarantees that LNM was not an offshore operation with a 'post office box as a headquarters'.

This reputation for political influence-peddling to secure cheap yet lucrative state assets was reinforced in 2003 when he hired a notorious lobbyist, Marek Dochnal, to help him acquire the Polish steel producers PHS and Huta Czerwona. In March 2004, Mittal's bid was

was suspected of bribing a Polish MP with a £70,000 Mercedes in return for information about energy sector sell-offs. He was arrested in Poland on his jet after flying home from London where he'd celebrated his birthday with a £120,000 party. He was held in custody for three months after bail was denied.

The implications of the Dochnal scandal for Mittal's reputation remain relevant to this day. The criminal investigation is ongoing. In April 2005, Dochnal's computer hard drive was recovered by Poland's Internal Security Agency. The data included correspondence with Aditya Mittal, finance director of Arcelor Mittal. In one e-mail, Dochnal urged Mittal to call a top adviser to the Polish president because 'it would help me in my games'. The e-mail was sent on 11 February 2004. Nine days later, Mittal was successful in his bid.

Today, Mittal sees himself as a 'global citizen' and his wealth is set to soar while demand for steel remains high. In the past his diffident personality stopped him from becoming the new Richard Branson or Philip Green. But now he is increasingly showing an aptitude for the high life and cultivating the British Establishment. He has dined with Prince Charles at St James's Palace, with the Princess Royal at Banqueting House, and entertained Prince Andrew at his house on The Bishops Avenue. He is a major benefactor to the Prince's Trust and the NSPCC, the Royals' favourite charity.

Despite the disdain demonstrated by other Indian businessmen, Mittal enjoys throwing lavish parties. The wedding of

successful and he secured a 75 per cent stake in PHS. But retaining Dochnal's services backfired just six months later when the Polish middleman was arrested. In a separate deal, Dochnal

his son Aditya in Calcutta was in the grounds of the Victoria Memorial – the first time that a private event was permitted in that location. The guests included movie stars and tycoons who were greeted by rows of garlanded elephants and showered with flowers. Unfortunately, the nuptials were marred by hooligans who torched lorries in protest at the wedding being held in the grounds of the memorial. In 2004 he staged a six-day party for the wedding of Vanisha in Paris costing £30 million. One night Mittal invited 1,000 guests to the Palace of Versailles, with one Indian industrialist commenting that the event was 'beyond decency'.

Mittal's new-found exuberance was demonstrated last October when he spent hundreds of thousands on a party to celebrate his acquisition of Arcelor. He hired Brocket Hall in Hertfordshire, the former home of Lord Brocket, and invited 100 executives who worked on the transaction. The party was themed 'Mittal's Ill' after the 1960 movie *Ocean's Eleven*, starring Frank Sinatra as a former soldier who decides to rob the casinos of Las Vegas in a series of daring raids with ten associates. The comparison with Mittal's corporate

career was inescapable. In posters Mittal cast himself in Frank Sinatra's role, and *Ocean's* key accomplice – portrayed in the film by Dean Cain – was filled by Aditya.

The highlight of the evening was a flamboyant display by Fantastic Fireworks that was specially choreographed alongside Mittal's favourite music – James Bond themes. This resulted in inevitable quips by guests about James Bond villains. He appeared happy about the analogies. And here lies the intriguing question: just how far will he throw the dice? In the past, he snapped up rust-bucket steel mills that no one else wanted. But now he is paying top prices: Arcelor cost £17.7 billion for a 45 per cent stake and while its share price has surged, it is loaded with debt. Any slump in the demand for steel could make it tough to pay that off. And if Mittal cannot resist indulging in another risky takeover, then it could be one deal too far.



Above: Marek Dochnal with the Queen and his wife Alex. Below: ex-Romanian PM Adrian Nastase

