

Essar Steel Ltd**Fresh twist in race for India's Essar Steel**

Court orders creditors to reconsider bids by ArcelorMittal and Russian-led consortium

Simon Mundy in Mumbai 12 MINUTES AGO

The race for India's Essar Steel has taken a fresh twist after a court ordered its creditors to reconsider bids from ArcelorMittal and a Russian-led consortium, sidelining a rival offer from London-listed Vedanta.

The ailing steel company was forced into insolvency proceedings last August after falling behind on debt repayments — the biggest case to be dealt with so far under India's radically reformed new insolvency framework.

Both bids for Essar Steel, from Luxembourg-based ArcelorMittal and the newly formed entity Numetal, had been [dismissed as ineligible](#) by Satish Kumar, the external professional handling the case — prompting a second round of bidding in which both companies participated, alongside a third bid from Vedanta.

But India's National Company Law Tribunal — a new judicial body formed under the 2016 bankruptcy law — overturned this decision on Thursday by ruling that Mr Kumar and the creditors should reconsider the initial two bids.

The move revives the possibility that Essar's [controlling Ruia family](#) will retain influence over Essar Steel, which owns one of India's largest steel plants in the western state of Gujarat. A quarter of Numetal is owned by an offshore trust whose beneficiary is Rewant Ruia, son of Essar co-founder Ravi Ruia.

This connection had prompted the insolvency professional's initial ruling that the bid was in breach of an amendment to the code made last year, which prohibits the “promoters”, or controlling shareholders, of defaulting companies from taking part in bidding processes under the code.

The same amendment lay behind the earlier disqualification of Arcelor, which had been registered as a promoter of Uttam Galva, another steelmaker that has defaulted on its debt. Arcelor sold its shares in that company in February.

Arcelor, the world's biggest steelmaker by sales, said it was pleased by the NCLT's decision. “We had made a strong and competitive offer backed up by a detailed industrial plan and now hope

for a swift resolution for Essar Steel,” it said.

The ruling was also welcomed by Numetal, whose biggest shareholder is Russia's VTB Bank, a long-time lender to Essar companies under the Ruia. It intends to pursue its bid with the continued involvement of the Ruia-linked trust, according to a person close to the company.

This would come as a disappointment to observers [who hoped](#) that the new insolvency code would force underperforming promoters to walk away from failing companies. It would also deal a [blow to JSW Steel](#), one of the country's largest metal producers, which stepped in after Numetal's first bid was rejected and had been in line to take over the trust's interest in the group had its second bid been approved.

Vik Mehrotra, chief executive of fund manager Venus Capital, said that the previous disqualification of both bids had been a sign of “overkill” by those designing and enforcing the new system.

“I don't see why the bidding process has to be so rigid,” he said. “If there's a bidding war, it benefits the creditors. The purpose of the whole process should be to maximise the amount to be recovered.”

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