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## **Severstal Takes on Essar Steel With Bid for Esmark of U.S.**

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In what could escalate into a bidding war for troubled U.S. steel assets, Russia's OAO Severstal is going after steelmaker [Esmark](#) Inc., offering \$17 a share, or \$1.1 billion, and the backing of the United Steelworkers, in an effort to beat out India's Essar Steel. Essar's earlier \$17-a-share offer was rejected by the union.

The latest all-cash bid pits two aggressive international steelmakers against each other as both try to gain strength in the lucrative U.S. market. Steel prices in the U.S. have been climbing and are poised to remain high, as global demand for steel prevents steelmakers from importing into the U.S. Esmark consists of Wheeling-Pittsburgh, a 2.5-million-short-tons integrated steel mill in West Virginia, as well as a Midwest distribution network.

Severstal is banking on the support of the United Steelworkers to help it win the deal. On Friday, the union said it would block the proposed merger between Essar and Esmark because, it contends, the proposal violated the union's contract and didn't allow the union to put forward an alternative proposal or deal.

"Esmark and Essar cannot close the proposed transaction until Essar has entered into a collective-bargaining agreement with the USW and the USW has told the company that it will use that power to block the Essar deal," the USW said in a news release.

Esmark responded early Tuesday that it wasn't in violation of any contract agreements and said that the union didn't offer up a competing proposal. Within the hour, the Severstal proposal was made public.

"It may come to a bidding war if it happens, but the big thing we have is the support of the union," Severstal spokesman John P. Dudzinsky said.

Severstal, the fourth-largest steelmaker in the U.S., has been on a buying spree. On Friday, it announced an agreement to purchase Ohio-based WCI Steel Inc. for \$331 million, including cash and debt assumption. In May, it completed a deal to buy Sparrows Point mill in Maryland for \$810 million. It also built a new mini-mill in Columbus, Mississippi, and owns the former Rouge Steel in Dearborn, Michigan.

Severstal said Wheeling-Pittsburgh would fit into its growing U.S. network by processing hot-rolled steel, a basic steel product, made at Sparrows Point. Severstal has not ruled out closing some high-cost operations at its various plants.

Cash-rich Essar Steel, a wholly owned subsidiary of Essar Global Ltd., is bidding for Esmark to broaden its presence outside of India. Last year, it bought Canada's Algoma Steel for \$1.6 billion and iron-ore reserves in Minnesota for \$1.65 billion, and last month broke ground on a 2.5-million-metric-ton mill in Trinidad.