

## Sanjeev Gupta's walk-away price

The situation at Liberty Ostrava steelworks has gradually deteriorated since workers were sent home just before Christmas. [Industry Min. Jozef Síkela \(STAN\)](#) said after meeting with the company's representatives on Dec. 20 that the state would no longer act as the cash till for Liberty's owner, Sanjeev Gupta, and that he wanted the restructuring plan to be reworked by the first week in Jan. He again criticized the plan [after meeting with Gupta in Prague on Wed. of this week](#) and said that there are now perhaps more questions than before. Nothing has happened since Dec., he said, except that the whole process has been blocked by the [preventative-restructuring moratorium](#).

Gupta displayed a continued level of commitment to Liberty Ostrava on Wed. by traveling to Prague, but Finance Min. Zbyněk Stanjura said that he had the feeling that the only reason Gupta asked for the appointment was so that Liberty's owners could say that they're meeting with the government. [Andrzej Rejner of Tameh Czech](#), the energy company at Liberty that is owned by Tauron of Poland and ArcelorMittal, said in HN on Tues. that nothing has been done by Liberty to resume production in Ostrava in June or July, as called for by the restructuring plan.

From an outside perspective, Liberty Ostrava brings together in one place several of the current trends and new realities of Czech and European business. Some of them might not be so apparent to those without any real interest in the situation at Liberty, esp. given that Liberty's owner is doing so much to drag out making a decision, so we mention them now.

The first reality is the most obvious, namely that the Czech steel sector is suffering. [Kovo labor leader Roman Ďurčo](#) said this week that it's fighting for its life. Czech companies have some of the highest energy prices, he said, and they have a very hard time competing with European and third-country companies with rates that are "hundreds of percent cheaper." The CR is a traditional producer of steel, he said, but there is now a risk that we will become an importer of it.

Liberty says in its [restructuring plan](#) that the steel markets across Europe have

seen their worst times since the global financial crisis of 2008. This has reduced both the demand and the prices for its products, forcing it to lower production volumes and even to halt operations, but it sees the restructuring as the solution.

Second, the government is slow to react. Síkela and Stanjura flexed their mus-

last year puts emphasis on preparing for a "long-lasting, high-intensity defensive war with a technologically advanced adversary equipped with nuclear weapons," and the [security-related resolution passed in Parliament on March 19](#) calls on the Fiala government to "continue to pay heightened attention to ensuring the

defence capabilities of the Czech Republic." Steel is essential for defense manufacturing and infrastructure and should logically be a major concern for a country that expects to be one of the next in line if Russia wins in Ukraine, but Síkela and Stanjura aren't doing much to address this situation.

Fourth, Liberty, like many other investors, seems to be taking a wait-and-see attitude in terms of energy prices, tariffs, changes to the Green Deal after the

new EU Parliament and Commission take over, the war in Ukraine and interest rates. Liberty is spending a lot on legal fees and PR (including Gupta's time for meetings in the CR), but the [presentation of the restructuring plan](#) is fairly shoddy work. For example, the key question of when creditors would get their money under Plan B is explained in two different ways that don't fully match the official version in the plan itself. (See Pages 17 & 18 of the presentation, and Article 9.3 of the plan). Someone didn't take the preparation of the presentation very seriously.

HN asked Andrzej Rejner of Tameh if the Polish co-owner is part of the talks that Gupta often says he's holding with Tameh on a higher level outside of the CR. "I can absolutely rule out any such meetings with Tauron," he said. (He's also an adviser to Tauron's chairman.) "I can't rule it out on the level of Liberty-ArcelorMittal," he added, "especially after reading in the press that Sanjeev Gupta lost an arbitration with ArcelorMittal. But if talks did take place, Tauron would have to agree to the outcome anyway."

Perhaps not, though, if Gupta and Lakshmi Mittal have been in cahoots all along, as the unions claimed at the time of the sale in 2018. Síkela wants Gupta to return Kč 10bn, but what's the value of Liberty given all the uncertainties? The longer the government lets Gupta drag this out, the greater the chance that he - and Mittal too - will just walk away and leave the creditors to clean up the mess.

### Restructuring Plan – Impact to Creditors

Plan	Impact on Creditors
Plan A	<ul style="list-style-type: none"> <li>Agreement reached with Tameh</li> <li>Blast Furnace restart 1 June 2024</li> <li>Blast Furnace operational mid July 2024</li> <li>Total restructuring period 24 months</li> </ul>
Plan B	<ul style="list-style-type: none"> <li>No agreement reached with Tameh</li> <li>Blast Furnace restart 31 Dec 2024</li> <li>Blast Furnace operational mid Feb 2025</li> <li>Total restructuring period 21 months</li> </ul>

cles on Wed. and demanded the return of Kč 10bn that has been diverted out of Liberty Ostrava, but they didn't announce any specific steps with regard to Liberty or to the overall energy situation faced by industrial companies. Labor Min. Marian Jurečka and ČMKOS labor leader Josef Středula had been more forceful on [Jan. 7](#), when they talked about asset-stripping at Liberty. Jurečka said then that Gupta has essentially been "tunneling" Liberty ever since he became the owner in late 2018, and Středula said that the police and FAÚ analytical office should get involved.

Středula also said then that he considers the EU Commission to be responsible for the mess. When the EC told ArcelorMittal that it had to sell some of its companies, including the Ostrava steelworks, Středula said, the unions warned it that Gupta wasn't a reputable business partner. The complaints filed by the unions in Nov. 2018 had argued that Liberty and ArcelorMittal were connected and that Arcelor would retain control over Liberty in violation of the terms set by the EC. Then-PM Andrej Babiš also [intervened](#) by asking the EC to look into the emissions allowances granted to the Ostrava company and retained by ArcelorMittal. [Commissioner Margrethe Vestager](#) assured him that the concerns would be reviewed. Nothing more was done.

Third, the lack of a sense of urgency by the Fiala government is at odds with its stated policy of wanting to be ready for war. The [Defense Strategy](#) approved