Annexure D

Apollo TriCoat

THREE STEPS AHEAD

REPORT OF THE AUDIT COMMTTTEE OF THE BOARD OF DIRECTORS OF APOLLO TRICOAT TUBES LIMITED RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION BETWEEN APL APOLLO TUBES LIMITED AND SHRI LAKSHMI METAL UDYOG LIMITED AND APOLLO TRICOAT TUBES LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON FEBRUARY 27, 2021.

Members Present

Shri Rahul Gupta	Managing Director (Member)
Ms. Neeru Abrol	Independent Director (Member)
Shri Anil Kumar Bansal	Chairman and Independent Director

In Attendance

Shri Deepak C S	Company Secretary of APL Apollo Tubes Limited (Ultimate Holding Company)
Mrs. Surbhi Arora	Company Secretary and Compliance Officer
Shri Nandlal Bansal	Chief Financial Officer

Invitees

Shri Bharat Bhushan Sahny	Independent Director
Shri Romi Sehgal	Whole-time Director
Shri Anubhav Gupta	Chief Strategy Officer of APL Apollo Tubes Limited (Ultimate Holding Company)
Shri Deepak Goyal	Chief Financial Officer of APL Apollo Tubes Limited (Ultimate Holding Company)
Shri Shivam Maheshwari	Company Secretary of Shri Lakshmi Metal Udyog Limited (Holding Company)

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For Apollo Tricoat Tubes Ltd.

Company Secretary

1. Background

1.1. The Proposal to approve a Draft Scheme of Arrangement between Shri Lakshmi Metal Udyog Ltd ('Amalgamating Company 1') and Apollo Tricoat Tubes Ltd ('Amalgamating Company 2' or 'Company') with APL Apollo Tubes Ltd ('Amalgamated Company') and their respective shareholders ('the Scheme') was placed before and considered by members of the Audit Committee at its meeting held on Saturday 27 February 2021 at 3:00 PM through Video Conferencing/OAVM.

1.2. The Equity shares of Company are listed on BSE Limited ('BSE'). It will be filing the Scheme along with necessary information/documents with the above-mentioned exchanges.

1.3. The Report of the Audit Committee is made to comply with the requirements of the SEBI Circular No SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020 read with SEBI Circular CFD/DIL3/2017/21 dated March 10, 2017 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 after considering following:

i. Draft Scheme of Arrangement;
ii. Valuation Report issued by Mr. Vikram Jain (Partner SSPA & Co, Chartered Accountants) dated 27 February 2021 being registered valuer appointed for the purposes of this Scheme (Registration No. IBBI/RV-E/06/2020/126);
iii. Fairness Opinion Report dated 27 February 2021 issued by Fortress Capital Management Services Pvt Ltd, Category-I SEBI Registered Merchant Banker (Reg No INM000011146) providing fairness opinion on the share entitlement recommended in the valuation report issued by SSPA & Co,; and
iv. That a Certificate to the effect that the Scheme is in compliance with applicable Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013, would be obtained from the Statutory Auditors of Amalgamated Company i.e. Deloitte Haskin & Sells LLP, Chartered Accountants (Firm's Registration No. 117366W/W-100018) in pursuance of the SEBI Circular.

2. Proposed Scheme

2.1 The Scheme, inter-alia, provides the following:
i. Amalgamation of Shri Lakshmi Metal Udyog Limited and Apollo Tricoat Tubes Limited with APL Apollo Tubes Limited; and
ii. Various other matters consequential or otherwise integrally connected herewith

2.2 Consideration/ Share Exchange Ratio

Upon the Scheme being effective, and in consideration to Amalgamating Company 1, being shareholder of Amalgamating Company 2, in terms of the Scheme, 1,69,70,000 equity shares held by the Amalgamating Company 1 i.e. approximately 55.82% of the total equity shares of the Amalgamating Company 2, shall stand cancelled and extinguished and in lieu thereof, no allotment of any shares in the Amalgamated Company shall be made against those 55 .82% of the total equity shares of the Amalgamating Company 2.

In terms of the Scheme and based on Valuation Report issued by issued by Mr. Vikram Jain (Partner SSPA & Co, Chartered Accountants), Registered Valuer dated February 27 2021and Fairness Opinion issued by Fortress Capital Management Services Private Limited, Category-I SEBI Registered Merchant Banker, following would be the share entitlement ratio for Eligible Members (as defined in the Scheme) of Amalgamating Company 2:

"one fully paid up equity share of face value of INR 2/- (Indian Rupees Two) of Amalgamated Company to be issued and allotted to the Eligible Members of Amalgamating Company 2 against one fully paid up equity share of face value of INR 2/- (Indian Rupees Two) each held in Amalgamating Company 2."

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APOLLO TRICOAT TUBES LTD.

For Apollo Tricoat Tubes Ltd.
Surbhi
Company Secretary

2.3 Appointed date for the Scheme is April 1,2021

2.4 The 'Effective Date' for the Scheme means the day on which last of the conditions specified in Clause 5.11 of the Scheme are complied with.

2.5 The Scheme would be subject to the sanction or approval of the National Company Law Tribunal, SEBI, Stock Exchanges, Shareholders, Creditors and other Appropriate Authorities (as defined in the Scheme).

3. Purpose and Rationale of Scheme

The proposed amalgamation of Amalgamating Companies with the Amalgamated Company is in the interest of shareholders and creditors on account of following reasons:

3.1 Combined business under 'APL Apollo' brand with wide product offerings and geographical footprint leading to a stronger market presence, to be best suitable for long term growth market

3.2 Amalgamation shall result in consolidation of the respective operations served by one platform thereby leveraging the capability of the Amalgamated entity;

3.3 The Amalgamating Companies operate businesses that complement each other, the combination to result in stronger consolidated revenue and profitability, with diversification in product portfolio thereby reducing business risks for mutual benefit of the shareholders of the companies;

3.4 Ensuring a streamlined group structure by reducing the number of legal entities in the group structure, and thereby eliminating inter-company transactions, administrative duplications and consequently reducing the administrative costs of maintaining separate companies;

3.5 Pooling of assets, proprietary information, personnel, financial, managerial and technical resources of the companies, thereby contributing to the future growth of the Amalgamated entity; and

3.6 Overall reduction in administrative, managerial and other expenditure and achieving productivity gains and logistical advantages by pooling technologies for optimum utilization of various resources.

4. Synergies

4.1 The Companies are engaged in the business of production of ERW steel tubes and GP Coils. The amalgamation will ensure creation of a combined entity under 'APL Apollo' brand, hosting all value-added ERW tubes products under the Amalgamated Company, as the holding entity of the cluster, thereby resulting in on-time supplies, efficiency of management and maximizing value for the shareholders. Further, such restructuring will lead to simplification of group structure by eliminating multiple companies in similar business.

4.2. The Companies believe that the financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of each of the Companies pooled in the Amalgamated Company, will lead to optimum use of infrastructure, cost reduction and efficiencies, productivity gains and logistic advantages and reduction of administrative and operational costs, thereby significantly contributing to the future growth and maximising shareholder value;

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For Apollo Tricoat Tubes Ltd.
Company Secretary

4.3. The proposed amalgamation under the Scheme would be in the best interest of the Companies and their respective shareholders, employees, creditors, customers and other stakeholders as the proposed amalgamation will yield advantages as set out, inter alia, below:

i. realising benefits of greater synergies between their businesses, yield beneficial results and pool financial resources as well as managerial, technical, distribution and marketing resources of each other in the interest of maximizing value to their shareholders and the other stakeholders;
ii. integrated value chain to enhance degree of vertical integration in the ERW tubes products segment;
iii. greater efficiency in cash and debt management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to maximize shareholders value and better debt management;
iv. The Amalgamating Companies have strong balance sheet along with a profitable business will:
    a. strengthen the financial of the Amalgamated Company, enabling the combined entity to source external funds for future expansion and business requirements; and
    b. enhance the combined entity's risk-taking capability to bid for large value project contracts;
v. pooling of resources, creating better synergies, optimal utilisation of resources, centralization of inventory and greater economies of scale, such as:
    a. The strong presence of Amalgamating Companies in the ERW tubes segment will further augment the value-added product portfolio basket of the ERW tubes segment undertaken by the Amalgamated Company;
    b. Common production process till the hot metal stage will lead to opportunities for better operational efficiencies;
    c. Combined sourcing of raw materials and other procurements with centralized inventory management will lead to better economies of scale, increased synergies and operational efficiencies;
    d. sharing of best practices and cross-functional learnings;
    e. leverage of resources for aggressive growth in its product segment;
    f. augmenting the infrastructural capability of the Amalgamated Company to effectively meet future challenges;
    g. Utilize pan India distribution and marketing network of the combined entity to sell its value-added products;
    h. Clubbing of shipments and combining of stockyards will facilitate optimization of logistics movements and freight costs.
vi. The customers' need would be addressed
    a. By providing them uniform products and service experience;
    b. owing to dedicated stock yards and supply chain efficiencies across multiple locations, in India;
vii. simplification of management structure, elimination of duplication and multiplicity of compliance requirements, rationalization of administrative expenses; better administration and cost reduction (including reduction in administrative and other common costs);
viii. further expanding the business of Amalgamated Company into growing markets;
ix. adoption of improved safety, environment and sustainability practices owing to a centralized committee at combined level to provide focused approach towards safety, environment and sustainability practices resulting in overall improvement; and
x. create value for the stakeholders including the respective shareholders, customers, lenders and employees.

5. Impact of the Scheme on the shareholders of the Company on Amalgamation with Amalgamated Company

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For Apollo Tricoat Tubes Ltd.

Company Secretary

5.1 The Company is a step-down subsidiary of the Amalgamated Company (i.e. Amalgamated Company owns Amalgamating Company 1 which in turn holds 55.82% in Company)

5.2 It is proposed to amalgamate Amalgamating Company 2 into the Amalgamated Company which shall result in cancellation of investment by Amalgamating Company 1 in the Company and issuance of equity shares to public shareholding as per the swap proposed.

5.3 The scheme has been drafted keeping in mind the provisions of section 2(1B) of Income-tax Act, 1961and therefore there it may not have any tax implications.

5.4 The financial capability shall be strengthened on amalgamation of Amalgamating Company 2 with Amalgamated Company. All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) arising out of or incurred in carrying out and implementing the said amalgamation and matters incidental thereto shall be borne by Amalgamated Company and the same would be eligible to be claimed as a tax deduction as per the provisions of section 35DD of the Income-tax Act, 1961.

5.5 Further, the Fairness Opinion confirmed that the share entitlement in the valuation report is fair to the Company and Amalgamated Company 2 and their respective shareholders.

5.6 Therefore, the said Scheme is not detrimental to the shareholders of the Company.

6. Cost benefit analysis of the Scheme

Keeping in view of synergies and the cost benefits expected (refer clause 3 above) the Audit Committee is of the view that post amalgamation, the Company would be able to achieve synergies of business , cost reduction, increase efficiencies, productivity gains and logistical advantages, thereby continuing to future growth and enhancement of shareholder value.

7. Recommendations of the Audit Committee

The Audit Committee after due deliberations and due consideration of all the terms of the draft Scheme, Valuation report, Fairness Opinion Report and the specific points mentioned above, recommends the Draft Scheme for favorable consideration by the Board of Directors of the Company, the BSE Limited, the Securities and The Securities and Exchange Board of India and other statutory or regulatory authorities.

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For and on behalf of the Audit Committee of
Apollo Tricoat Tubes Limited

APOLLO TRICOAT TUBES LTD.

For Apollo Tricoat Tubes Ltd.
Company Secretary

Anil Kumar Bansal
Chairman of the Audit Committee
DIN: 06752578

Date: 27 February 2021