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STRICTLY PRIVATE & CONFIDENTIAL

February 27, 2021

The Board of Directors
APL Apollo Tubes Limited
37, Hargovind Enclave, Vikas Marg,
Delhi – 110 092

The Board of Directors
Apollo Tricoat Tubes Limited
37, Hargovind Enclave, Vikas Marg,
Delhi – 110 092

The Board of Directors
Shri Lakshmi Metal Udyog Limited
37, Hargovind Enclave, Vikas Marg,
Delhi – 110 092

Dear Sir(s) / Madam(s),

Sub: Recommendation of fair equity share exchange ratio for the proposed amalgamation of Apollo Tricoat Tubes Limited and Shri Lakshmi Metal Udyog Limited into APL Apollo Tubes Limited

We refer to the engagement letter dated February 05, 2021 whereby we, SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'Valuer' or 'We') have been appointed by the management of Apollo Tricoat Tubes Limited, Shri Lakshmi Metal Udyog Limited and APL Apollo Tubes Limited (hereinafter collectively referred to as 'the Management') to issue a report containing recommendation of fair equity share exchange ratio for the proposed amalgamation of Apollo Tricoat Tubes Limited (hereinafter referred to as 'ATTL' or 'Transferor Company 1) and Shri Lakshmi Metal Udyog Limited (hereinafter referred to as 'SLMUL' or Transferor Company 2) with APL Apollo Tubes Limited (hereinafter referred to as 'APL Apollo' or Transferee Company').

ATTL, SLMUL and APL Apollo are hereinafter collectively referred to as the 'Companies'.

1. SCOPE AND PURPOSE OF THIS REPORT

1.1 We have been informed by the Management that they are considering a proposal for amalgamation of ATTL and SLMUL with APL Apollo (hereinafter referred to as the

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'Proposed Amalgamation') pursuant to the scheme of amalgamation between the Companies and their respective shareholders under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, including rules and regulations made thereunder (hereinafter referred to as the 'Scheme'). Subject to necessary approvals, the aforesaid Proposed Amalgamation will be with effect from Appointed Date of April 01, 2021 ('Appointed Date').

1.2 In this regards, we have been appointed by the Management to carry out the relative valuation of equity shares of the Companies and to recommend the fair equity share exchange ratio for the Proposed Amalgamation. The report is being furnished by SSPA in the capacity of Registered Valuer under section 247 of the Companies Act, 2013 which would suffice the requirements of Securities Exchange Board of India and Companies Act, 2013.

1.3 For the purpose of this valuation, we have carried out relative valuations of the Companies and the valuation is based on 'going concern' premise.

1.4 The report sets out our recommendation of the fair equity share exchange ratio and discusses the methodologies and approach considered for arriving at relative value of the equity shares of the APL Apollo and ATTL for the purpose of recommendation of share exchange ratio.

2. BRIEF BACKGROUND

2.1. APL APOLLO TUBES LIMITED

APL Apollo is a public limited Company incorporated in India on February 24, 1986 with its registered office in Delhi, India. The company is the largest producer of Electric Resistance Welded (ERW) Steel Pipes and Sections in India, with a capacity to produce 2.5 Million Tonnes per annum. The company caters extensively to the region and exports to over 20 countries globally. The company's vast distribution network is spread across India, with warehouses and branch offices in 29 cities. The company has four manufacturing units, one at Sikanderabad, Uttar Pradesh, one at Hosur, Tamilnadu, one at Raipur, Chhattisgarh and one at Murbad, Maharashtra.

The equity shares of the company are listed on The BSE Limited (BSE) and the The National Stock Exchange of India Limited (NSE).

APL Apollo holds 100% equity stake in SLMUL and in turn SLMUL holds ~55.82% in ATTL.

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The issued, subscribed and fully paid up equity share capital of the Transferee Company as on March 31, 2020 is INR 24.87 crores comprising of 2,48,69,015 equity shares of INR 10 each fully paid up.

2.2. **APOLLO TRICOAT TUBES LIMITED**

ATTL (formerly known as Best Steel Logistics Limited) incorporated on January 12, 1983 is engaged in the business of production of ERW steel tubes and GP Coils. The company has two manufacturing unit one at Malur Bangalore, and second at Ghaziabad Uttar Pradesh. The registered office of the Company is in New Delhi. The shares of the company are listed on the BSE. ATTL was acquired by APL Apollo through its subsidiary in FY 2018-19.

The issued, subscribed and fully paid up equity share capital of the Transferor Company 1 as on March 31, 2020 is INR 6.08 crores comprising of 3,04,00,000 equity shares of INR 2 each fully paid up.

2.3. **SHRI LAKSHMI METAL UDYOG LIMITED**

SLMUL is an unlisted public company incorporated on April 25, 1994 under the provisions of the Companies Act, 1956 as a private limited company with the name and style of Estima Investment & Financial Services Private Limited. Then, on January 13, 1995, the constitution of company changed from private limited company to public limited company and the name changed to 'Estima Investment & Financial Services Limited' and subsequently on September 16, 2003 the name changed to Shri Lakshmi Metal Udyog Limited. SLMUL is engaged in the business of manufacturing of steel tubes and pipes.

SLMUL is a wholely owned Subsidiary ('WoS') of APL Apollo.

The issued, subscribed and fully paid up equity share capital of the Transferor Company 2 as on March 31, 2020 is INR 5.90 crores comprising of 58,95,000 equity shares of INR 10 each fully paid up.

Since, SLMUL is a WoS of APL Apollo, on amalgamation all equity shares held by APL Apollo in SLMUL shall stand cancelled and no shares shall be issued to the shareholders of SLMUL upon its amalgamation with APL Apollo.

3. **REGISTERED VALUER - SSPA & CO., CHARTERED ACCOUNTANTS**

SSPA & Co., Chartered Accountants, is a partnership firm, located at 1st Floor, Arjun Building, Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is

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engaged in providing various corporate consultancy services.

SSPA is a firm of practicising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). SSPA is also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

4. SOURCES OF INFORMATION

The valuation exercise is based on the following information which has been received from the Management and any information available in the public domain:

(a) Annual Report of ATTL and APL Apollo for financial year ('FY') 2019-20.

(b) Management certified financial statements of ATTL for 9 months period ended December 31, 2020 ('9ME Dec20').

(c) Management certified consolidated balance sheet and profit and loss account of APL Apollo (excluding ATTL) for 9ME Dec20.

(d) Financial projections of ATTL from FY 2020-21 to FY 2024-25.

(e) Consolidated financial projections of APL Apollo (excluding ATTL) from FY 2020-21 to FY 2024-25.

(f) Draft Scheme of Amalgamation.

(g) Discussions with the Management on various issues relevant to valuation including prospects and outlook of the business, expected growth rate and other relevant information relating to future expected profitability, etc.

(h) Such other information and explanations as we required and which have been provided by the Management including Management Representations.

5. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

5.1. This report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. Further, our report on recommendation of fair equity share exchange ratio for the proposed amalgamation of ATTL and SLMUL with APL Apollo is in accordance with ICAI VS 2018 issued by The Institute of Chartered Accountants of India.

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5.2. Valuation is not a precise science and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we have provided an assessment of value by applying certain formulae which are based on the information available, others may place a different value.

5.3. The report assumes that the Companies comply fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet provided to us.

5.4. The draft of the present report was circulated to the Management (excluding the recommended fair equity share exchange ratio) for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.

5.5. Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report and is as per agreed terms of our engagement.

5.6. For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Companies / auditors / consultants, is that of the Companies. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management that they have not omitted any relevant and material information about the Companies. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/conclusions.

5.7. Our work does not constitute an audit, due diligence or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report and consequential impact on the present exercise. However, we have evaluated the information provided

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to us by the Companies through broad inquiry, analysis and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.

5.8. Our recommendation is based on the estimates of future financial performance as projected by the Management, which represents their view of reasonable expectation at the point of time when they were prepared, after giving due considerations to commercial and financial aspects of the Companies and the industry in which the Companies operate and taking into account the current economic scenario and business disruptions caused on account of spread of COVID-19 pandemic. But such information and estimates are not offered as assurances that the particular level of income or profit will be achieved, or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

5.9. We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.

5.10. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the value of the shares of the Companies including any significant changes that have taken place or are likely to take place in the financial position of the Companies. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.

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5.11. We are independent of the Companies and have no current or expected interest in the Companies or its assets. The fee paid for our services in no way influenced the results of our analysis.

5.12. Our report is not, nor should it be construed as our opining or certifying the compliance with the provisions of any law including companies, competition, taxation and capital market related laws or as regards any legal implications or issues arising in India or abroad from the Proposed Amalgamation.

5.13. Any person/party intending to provide finance/divest/invest in the shares/convertible instruments/business of the Companies shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

5.14. The decision to carry out the Proposed Amalgamation (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a recommendation as to whether or not the parties should carry out the Proposed Amalgamation.

5.15. Our Report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of the Companies and may be submitted to regulatory/statutory authority for obtaining requisite approvals. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.

5.16. SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. We owe responsibility to only to the Companies that has appointed us under the terms of the Engagement Letter. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the client or companies, their directors, employees or agents.

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6. VALUATION APPROACH AND METHODOLOGIES

6.1. For the purpose of valuation, generally following approaches can be considered, viz,

(a) the 'Market' approach;

(b) the 'Income' approach; and

(c) the 'Asset' approach

6.2. Under the Asset approach, the Net Asset Value ('NAV') method is considered, which is based on the underlying net assets and liabilities of the company, taking into account operating assets and liabilities on a book value basis and appropriate adjustments for, interalia, value of surplus / non-operating assets.

In the present case, the business of APL Apollo and ATTL are intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Asset approach is not adopted for the present valuation exercise.

6.3. Considering the above, we have thought fit to consider a combination of 'Market' approach and 'Income' approach for valuation of equity shares of APL Apollo and ATTL. The report date is the valuation date.

6.4. MARKET APPROACH

In the present case, the equity shares of APL Apollo and ATTL are listed and frequently traded on recognized stock exchanges. Therefore, we have thought fit to use Market Price ('MP') Method for valuation of equity shares of APL Apollo and ATTL under Market Approach.

6.4.1. MARKET PRICE METHOD

The market price of an equity share, as quoted on a stock exchange, is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

As mentioned above, the equity shares of APL Apollo and ATTL are listed on recognized stock exchanges. The value of equity shares of APL Apollo and ATTL under this method is determined considering the share prices of APL Apollo and ATTL on NSE and BSE respectively over an appropriate period.

6.5. INCOME APPROACH

6.5.1. Under the 'Income' approach, equity shares of APL Apollo and ATTL are valued using 'Discounted Cash Flow' ('DCF') Method.

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6.5.2. Under the DCF method the projected free cash flows from business operations after considering fund requirements for projected capital expenditure and incremental working capital are discounted at the Weighted Average Cost of Capital (WACC). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.

6.5.3. The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to profit before tax, (i) interest on loans, if any, (ii) depreciation and amortizations (non-cash charge), and (iii) any non-operating item. The cash flow is adjusted for outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.

6.5.4. WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the company. In other words, WACC is the weighted average of the company's cost of equity and debt.

6.5.5. To the value so arrived, appropriate adjustments have been made for contingent liabilities, loan funds, value of investments, cash and cash equivalents and cash inflow on account of exercise of employee stock options (ESOPs) post December 31, 2020, after considering the tax impact wherever applicable to arrive at the equity value.

6.5.6. The value as arrived above is divided by the diluted number of equity shares to arrive at the value per equity share of APL Apollo and ATTL.

7. RECOMMENDATION OF FAIR SHARE EXCHANGE RATIO

7.1. The fair basis of amalgamation of APL Apollo and ATTL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under different methods, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of APL Apollo and ATTL. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each company. Our exercise is to work out relative value of shares of APL Apollo and ATTL to facilitate the determination of a ratio of exchange.For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

7.2. As mentioned above, we have considered MP method under 'Market' approach and DCF method under 'Income' approach for arriving at the value per share of APL Apollo

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and ATTL. The values under each of the approaches is given in the table below:

Valuation Approach	APL APOLLO		ATTL	
	Value per Share (INR)	Weights	Value per Share (INR)	Weights
Asset Approach *	NA	NA	NA	NA
Income Approach	994.59	50%	1,014.62	50%
Market Approach - MP Method	878.53	50%	855.81	50%
Fair Value per Equity Share	**936.56**	**100%**	**935.22**	**100%**
Equity share exchange ratio (Rounded off)	**1:1**			

NA = Not Applied / Not Applicable

** Since, the business of APL Apollo and ATTL are both intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Asset Approach is not adopted for the present valuation exercise.*

7.3. The fair equity share exchange ratio has been arrived on the basis of a relative valuation of shares of APL Apollo and ATTL based on the approaches explained herein earlier and various qualitative factors relevant to the APL Apollo and ATTL and the business dynamics and growth potential of the businesses, having regard to information base, management representation and perceptions, key underlying assumptions and limitations.

7.4. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgement taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

'If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation

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possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.'

7.5. In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion, the fair equity share exchange ratio for the Proposed Amalgamation of ATTL with APL Apollo is as under:

1 (One) equity share of APL Apollo of INR 2 each fully paid up for every 1 (One) equity share of ATTL of INR 2 each fully paid up.

Thanking you,
Yours faithfully,

For SSPA & CO.
Chartered Accountants
ICAI Firm registration number: 128851W
IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126

Vikram Jain, Partner
ICAI Membership No. 114613
UDIN: 21114613AAAAAI5783
Place: Mumbai

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PROPOSED AMALGAMATION OF
APOLLO TRICOAT TUBES LIMITED ('ATTL') INTO APL APOLLO TUBES LIMITED ('APL Apollo')

Computation of Fair Equity Share Exchange Ratio

Method of Valuation	APL Apollo		ATTL	
	Value per share (INR)	Weights	Value per share (INR)	Weights
Asset Approach *	NA	NA	NA	NA
Income Approach				
DCF Method	994.59	100%	1,014.62	100%
Market Approach				
MP Method	878.53	100%	855.81	100%
Fair value per equity share	**936.56**		**935.22**	
Equity Share Exchange Ratio (rounded off)			**1**	
	Annexure 1 and Annexure 1A		**Annexure 2 and Annexure 2A**	

NA = Not Applied / Not Applicable

** Since, the business of APL Apollo and ATTL are both intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the 'Asset' approach is not adopted for the present valuation exercise.*

Equity Share Exchange Ratio:

1 (One) equity share of APL Apollo of INR 2 each fully paid up for every 1 (One) equity share of ATTL of INR 2 each fully paid up.

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