

FAIRNESS OPINION

APL APOLLO TUBES LIMITED

June, 2015



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Ref. No: CPC/MB/027/2015-16

Dated 10.06.2015

SEBI Reg. No: INM000011435

To,

The Board of Directors

APL Apollo Tubes Limited

AND

Lloyds Line Pipes Limited

Subject: Fairness Opinion on the Valuation Report issued pursuant to the Proposed Scheme of Arrangement

Dear Sir,

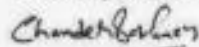
We refer to our letter of engagement dated 07.05.2015 for the purpose of arriving at an opinion on the proposed scheme of arrangement which provides the transfer and vesting of entire business of Lloyds Line Pipes Limited (Transferor Company) into APL Apollo Tubes Limited (Transferee Company) on a going concern basis, pursuant to the provisions of Section 391-394 and other applicable provisions of the Companies Act, 1956 and/or Rules/Regulations made there under.

In terms of our engagement letter, we are enclosing our opinion along with this letter. Please note that this is just an opinion on the captioned subject on the basis of the documents submitted to us and does not constitute our independent Analysis. All comments as contained herein must be read in conjunction with the Caveats to this opinion.

The opinion is confidential and has been prepared exclusively for the management of APL Apollo Tubes Limited (Transferee Company) and Lloyds Line Pipes Limited (Transferor Company). It should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of Corporate Professionals Capital Private Limited, such consent will only be given after full consideration of the circumstance at the time. We are however aware that the conclusion in this report may be used for the purpose of certain statutory disclosures and we provide consent for the same. Please feel free to contact us in case you require any additional information or clarifications.


Yours Faithfully,

For Corporate Professionals Capital Private Limited



Chander Sawhney

[Partner]



Maneesh Srivastava

[Asst. Vice President]



Content

Context and Background	4
Brief about Companies	5
Key facts & certain extracts of the scheme	6
Valuers Analysis	7
Conclusion & Opinion	8
Caveats	9



CONTEXT AND BACKGROUND

1. We understand that the Shares of APL Apollo Tubes Limited is listed at the BSE Limited (BSE), National Stock Exchange of India Limited (NSE), Calcutta Stock Exchange Limited (CSE) and Ahmedabad Stock Exchange Limited (ASE). The proposed scheme of arrangement provides for transfer and vesting of the entire business of Lloyds Line Pipes Limited (Transferor Company) into APL Apollo Tubes Limited (Transferee Company) by way of merger, on a going concern basis, pursuant to the provisions of Section 391-394 and other applicable provisions of the Companies Act, 1956 or any corresponding provisions of Companies Act, 2013 and/or Rules/Regulations made there under.
2. In accordance with Clause 24(h) of the Listing Agreement and SEBI Circular No CIR/CFD/DIL/5/2013, dated February 04, 2013 as clarified by SEBI Circular No CIR/CFDDIL/8/2013 dated May 21, 2013 as applicable to the Listed Companies, the listed Company as well as the Unlisted Company is required to obtain a "Fairness Opinion" on the Valuation of assets / Equity shares done by the Valuers for the Company and Unlisted Company from an independent Merchant Banker.

Clause 24(h) of the Listing Agreement reads as below-

The company agrees that in the explanatory statement forwarded by it to the shareholders u/s 393 or accompanying a proposed resolution to be passed u/s 100 of the Companies Act, it shall disclose the pre and post-arrangement or amalgamation (expected) capital structure and shareholding pattern, and the "fairness opinion" obtained from an Independent merchant bankers on Valuation of assets / Equity shares done by the Valuers for the company and unlisted company

3. With reference to the above, Corporate Professionals Capital Private Limited has been appointed as a Merchant Bankers by APL Apollo Tubes Limited to provide the "fairness opinion" in accordance with the clause 24(h) of the Listing Agreement.



BRIEF ABOUT COMPANIES

APL Apollo Tubes Limited ("APTL" / Transferee Company) is a company incorporated under the provisions of the Companies Act, 1956 having its Registered Office at 37, Hargobind Enclave, Vikas Marg Delhi - 110092. The company is listed at the BSE Limited (BSE), National Stock Exchange of India Limited (NSE), Calcutta Stock Exchange Limited (CSE) and Ahmedabad Stock Exchange Limited (ASE), and is engaged in manufacturing of steel pipes and tubes.

Lloyds Line Pipes Limited ("LLPL" / Transferor Company), is a company incorporated under the provisions of the Companies Act, 1956 having its Registered Office at 37, Hargobind Enclave, Vikas Marg Delhi - 110092. The Transferor Company is wholly owned subsidiary of Transferee Company. The company is engaged in manufacturing of Steel Pipes.



KEY FACTS & CERTAIN EXTRACT OF THE SCHEME

Based on our discussion with the key management personnel of the companies under the scheme of arrangement, we understand that Lloyds Line Pipes Limited is a wholly owned subsidiary of APL Apollo Tubes Limited, and both the Companies are managed by the same group of management. The amalgamation would enable consolidation and further expansion of the Transferee Company. This amalgamation will contribute in furthering and fulfilling the objectives and business strategies of both the companies thereby accelerating growth, expansion and development of their business. Further, the independent operations of Transferor Company and Transferee Company leads to incurrance of significant costs and thus the amalgamation would enable economies of scale by attaining critical mass and achieving cost saving. The amalgamation would also provide the Transferee Company a strong and focused base to undertake the business more advantageously. The other benefits likely to arise through the proposed amalgamation are as follows:

- I. Optimum and efficient utilization of capital, resources, assets and facilities;
- II. Enhancement of competitive strengths including financial resources;
- III. Obtaining synergy benefits;
- IV. Better management and focus on growing the businesses.
- V. The amalgamation would result in reduction of overheads, administrative, managerial and other expenditure and bring about operational rationalization, efficiency and optimum utilization of various resources.

Due to the aforesaid reasons, it is considered desirable and expedient to amalgamate both the companies in accordance with this Scheme, pursuant to Section 391 read with section 394 and other relevant provisions of the Companies Act, 1956 or any corresponding provisions of the Companies Act, 2013.

The amalgamation of the Transferor Company with the Transferee Company, pursuant to and in accordance with this Scheme, under Section 394 and other relevant provisions of the Companies Act, 1956 or any corresponding provisions of Companies Act, 2013, shall take place with effect from the Appointed Date and shall be in compliance with Section 2(1B) of the Income Tax Act, 1961.

Further the entire share capital of the Lloyds Lines Pipes Limited (Transferor Company) is presently held by APL Apollo Tubes Limited (Transferee Company) Therefore; the Transferee Company will not issue any shares or pay any consideration to the Transferor Company or to their shareholders.



VALUER ANALYSIS

The Valuation certificate dated June 9th 2015 obtained from VAPS & CO, Chartered Accountants states that-

Lloyds Line Pipes Limited (Transferor Company) is wholly owned subsidiary company of APL Apollo Tubes Limited (Transferee Company) and as a result of the amalgamation, the entire shares of Transferor Company held by the Transferee Company, would stand cancelled, with no further issuance of shares or payment of any other consideration by Transferee Company. Accordingly, no Valuation process, is applicable to the transaction contemplated by the aforesaid Scheme.



CONCLUSION & OPINION

- With reference to above and based on information provided by the management of the entities forming part of the arrangement, valuation certificate pursuant to the scheme of arrangement, we understand that the present scheme has been structured with the objective of providing focused management orientation to each of the growth areas and to create a leaner organization and to fulfill the overall objectives and business strategies of group as a whole.
- The scheme on an overall basis consolidated the business of Transferee Company through merger of its wholly owned subsidiary company and it does not involve any movement of assets or liabilities outside the group. There is also no change in the promoter and public shareholding pattern of the Listed Company i.e. APL Apollo Tubes Limited.

"Subject to above and read with the caveats as detailed later, we as a Merchant Banker hereby certify that pursuant to Clause 24 (h) of the listing agreement and SEBI circular No. CIR/CFDDIL/5/2013 dated Feb 04, 2013 and clarified by SEBI Circular No CIR/CFDDIL/8/2013 dated May 21, 2013, we have reviewed the valuation certificate, with reference to the scheme of arrangement for amalgamation and believe it to be fair and reasonable to the Equity shareholders of the company".



CAVEATS

- We wish to emphasize that, we have relied on explanations and information provided by the respective key managements, and other public available information while verifying the valuation certificate pursuant to the Scheme of Arrangement. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.
- We have not made an appraisal or independent valuation of any of the assets or liabilities of the companies and have not conducted an audit or due diligence or reviewed/validated the financial data except what is provided to us by the Companies.
- The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this scheme of arrangement, which might be relevant in the context of the transaction and which a wider scope might uncover.
- We have no present or planned future interest in APL Apollo Tubes Limited or in its wholly owned subsidiaries like Lloyds Line Pipes Limited, and the fee payable for this opinion is not contingent upon the opinion reported herein.
- Our Fairness Opinion should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Report. This opinion is issued on the understanding that the Management of APL Apollo Tubes Limited and its wholly owned subsidiary, under the scheme has drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of signature. We have no responsibility to update this report for events and circumstances occurring after the date of this Report.

