



APL Apollo Tubes Limited

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Re: Minority Equity Investment in Shankara Building Products Ltd

Delhi, Mar 21, 2022: APL Apollo Tubes Ltd (APL Apollo), India's leading branded structural steel tube manufacturer, announced a minority equity investment by APL Apollo Mart Limited (Apollo Mart), a wholly owned subsidiary of APL Apollo in Shankara Building Products Ltd (Shankara) through a combination of purchase of secondary promoter shares today and proposed preferential allotment of convertible warrants. The investment is in-line with APL Apollo's growth vision.

APL Apollo and Shankara have a business association of over 15 years, with Shankara being one of the key distributors of APL Apollo's products. APL Apollo's association will ensure consistency in sales through Shankara's retail and wholesale network and will create synergies for APL Apollo Tubes.

Investment Highlights

- Purchase of 1,000,000 Equity shares at Rs 755 per share from a person belonging to promoter category
 - Proposed subscription of 1,400,000 warrants at Rs 750 per warrant (price to be approved by the Board of Directors of Shankara in accordance with the applicable SEBI Regulations) fully convertible into equity shares by way of preferential allotment, subject to receipt of requisite approvals by Shankara.
 - Total holding of Apollo Mart in Shankara after issue of the warrants will be 9.90% on fully diluted basis
 - Total investment size of upto Rs 1,805mn
 - Immediate investment of Rs 1,018mn (Secondary market purchase +25% warrant subscription money)
 - Remaining investment of Rs 787mn within 18 months (75% on warrant conversion)
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Commenting on the investment with Shankara Building Products Ltd, Mr. Sanjay Gupta, Chairman, APL Apollo, said

"I am pleased to announce that APL Apollo has entered into an agreement with Shankara to invest Rs 1,050mn through preferential convertible warrants. I am hopeful that this investment will further strengthen our long standing association with Shankara and help both the companies in chalking out enhanced revenue trajectory over coming years."

About APL Apollo Tubes Limited

APL Apollo Tubes Limited (APL Apollo) BSE: 533758, NSE: APLAPOLLO is India's leading structural steel tube manufacturer. Headquartered at Delhi NCR, the Company operates 10 manufacturing facilities with a total capacity of 2.6 million tons. It has a pan-India presence with units are located in Sikandarabad (UP), Hyderabad, Bangalore, Hosur, Raipur, Dujana, Malur and Murbad. APL Apollo's multi-product offerings include over 1,500+ varieties for multiple building material structural steel applications. With state-of-the-art-manufacturing facilities, APL Apollo serves as a 'onestop shop' for a wide spectrum of tubular products, catering to an array of industry applications such as urban infrastructure and real estate, rural housing, commercial construction, greenhouse structures and engineering applications. The Company's vast 3-tier distribution network of over 800 Distributors is spread across India, with presence in over 300 towns and cities.

For more information about us, please visit www.aplapollo.com or contact:

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DISCLAIMER:

Certain statements in this document that are not historical facts are forward looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local, political or economic developments, technological risks, and many other factors that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. APL Apollo Tubes Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.



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WE SUPPLY**



Minority Equity Investment in Shankara Building
Products Ltd

21 March 2022

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Transaction Overview



APL Apollo Mart Ltd (A wholly owned subsidiary of **APL Apollo Tubes Ltd**) to buy minority equity stake in **Shankara Building Products Ltd**

- 1,000,000 shares from Promoters @ Rs755 per share
- 1,400,000 preferential convertible warrants @ Rs750 per warrant *
- Total holding after issue of the warrants will be 9.90% on fully diluted basis



Investment in line with APL Apollo's growth plan



Target company valued at **0.9x** EV/Sales (FY22 annualized)



Expected to be EPS and ROCE accretive from first-year onwards



Completion targeted in Q1FY23, subject to all requisite closing conditions

**To be approved by the Board of Directors of Shankara Building Products in accordance with the applicable SEBI Regulations*

Investment Details

- Total investment outlay: Rs 1,805mn
 - Immediate: Rs 1,018mn (Secondary purchase+25% warrant subscription money)
 - Within 18 months: Rs 787mn (75% on warrant conversion)
- Investment to be funded from internal cash flows
- Shankara amongst APL Apollo's key distributors
- Total investment accounts for 6% of APL Apollo's total capital employed*
- EPS and ROCE accretive from first year onwards

Investment Rationale

APL APOLLO TUBES

Investment aligned with APL Apollo's growth plan

Launch platform for APL Apollo's new products

Existing Business association for last 15 years

Synergies through Shankara's Retail/Wholesale network

Shankara amongst APL Apollo's key distributors

Expansion of structural steel tubes market

Association to ensure sales consistency

Aligned with APL Apollo's growth plan

In-line with APL Apollo's growth plans for next 3 years

Shankara's management to bring retail/wholesale expertise to accelerate growth plans

Attractive revenue and cost synergy potential

Platform for APL Apollo to launch new value added products

Expected to drive margin and earnings growth from first-year onwards

Opportunity to sell other steel building material products through Shankara (Apollo Mart's business model)

Shankara Overview

- **Shankara Building Products:** One of India's leading organized retailer/wholesaler of home improvement and building products
- Revenue of Rs22bn (annualized FY22) with Steel tubes/products forming majority of sales
- Presence in 10 states with cumulative store base of 90 covering 450,000 sq. ft.
- Sells over 30,000+ SKUs across the entire home construction and renovation lifecycle



Case Study – Previous Experience with Shankara

- APL Apollo acquired Shankara's 200k ton Hyderabad plant for Rs 700mn in April 2019
- APL Apollo recovered its investment cost within 3 years boosting overall ROCE
 - *Plant contribution in expansion of Southern India sales*
 - *Sales boost from MoU*
- Plant continues to contribute towards APL Apollo's growth



Similar global transactions-Case Studies

Arcelor Mittal-DSTC FZCO

Acquirer: Arcelor Mittal
Target Company: DSTC FZCO
Industry: Steel

- Aim was to create full fledged distribution network in Gulf countries
- DSTC had 450,000 sq. ft. stockyard in Al Quoz for steel storage

Carrier Corp-AT Distributor

Acquirer: Carrier Corp
Target Company: AT Distributor
Industry: Air Conditioning

- Aim was to gain greater control over distribution of its products
- A.T. Distributors had sales of US\$40mn

UFP Industries- Shelter Products

Acquirer: UFP Industries
Target Company: Shelter Products
Industry: Wooden Structure

- Acquired operating assets of Shelter products
- Aim was to meet growing demand of factory-built housing and distribute new products in South US
- Shelter had sales of \$11.4mn with 87,800 sq.ft. warehouse

Thank You

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