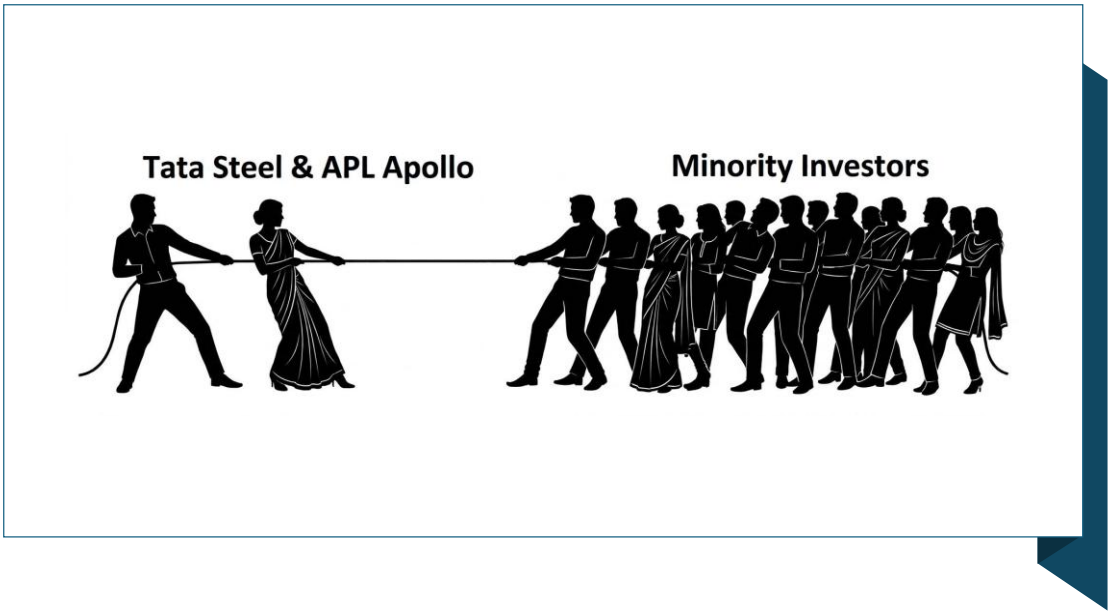
Tata Steel–APL Apollo: Minority shareholders foot the bill

Tata Steel will sell its tubes and colour-coated businesses to APL Apollo for Rs 280.0 bn and then take control of APL Apollo. Because the sale was agreed a day before Tata Steel bought its first share, it seemingly falls outside the related party framework. APL Apollo will have to borrow heavily to buy assets from the company that is about to become its promoter, and its public shareholders will carry that debt. That outcome is hard to reconcile with what the related party rules are for, even if the timing technically keeps the deal outside their scope.



On 22 and 23 November 2026, Tata Steel Limited (Tata Steel) and APL Apollo Tubes Limited (APL Apollo) announced a set of linked transactions. APL Apollo will buy Tata Steel's downstream tubes and colour-coated businesses with borrowed money. Tata Steel will then buy a substantial stake from the promoters in APL Apollo and thereafter make an open offer to its public shareholders. If the offer is fully accepted, Tata Steel will hold 52.6%, classify itself as APL Apollo's promoter and consolidate it as a subsidiary.

About Tata Steel and APL Apollo

Tata Steel, part of the Tata group, is an integrated steel producer with 36 MTPA of capacity across India, the Netherlands, the UK and Thailand. Its downstream products include tubes, colour-coated products, tinplate and wires. Its promoter

Tata Sons Private Limited owns 31.76% of its equity[1]; the promoter group in aggregate owns 32.94%.

APL Apollo was incorporated in 1986 and makes steel tubes and pipes, and metal and colour-coated coils. Its promoters, the Sanjay Gupta family, hold their stake through S Gupta Holding Private Limited. Sanjay Gupta is Chairperson and Managing Director.

The shareholding pattern and board members are given in Annex A.

Proposed transaction

APL Apollo will acquire Tata Steel's tubes business and Tata Steel Colors Private Limited for Rs 280.0 bn. Tata Steel will then buy the promoter stake in APL Apollo[2] at Rs 2,100.0 per share. It will also make an open offer for a further 26% at Rs 2,301.4 per share. If the offer is fully accepted, Tata Steel will hold 52.6%, classify itself as APL Apollo's promoter and consolidate it as a subsidiary.

APL Apollo will first pay for the businesses with acquisition debt, then replace that debt with long-term capital. On its earnings call, Tata Steel said APL Apollo would be recapitalised within about 12 months, bringing net debt down to about 2.5x EBITDA. The agreements carry a long-stop date of 31 March 2028.

The transaction will be executed in three stages, with a fourth arrangement alongside them.

Stage 1: Tata Steel's board approved the sale of its tubes business, as a going concern on a slump sale basis, and of Tata Steel Colors to APL Apollo on 22 November 2026. APL Apollo's board approved it the same day.

Because APL Apollo's board approved the acquisition of Tata Steel's tubes business and Tata Steel Colors before Tata Steel acquired any equity stake in the company, Tata Steel was not a related party of APL Apollo when the agreements were signed. Consequently, the purchase does not need approval from APL Apollo's audit committee under Regulation 23 of SEBI LODR. It also does not need a shareholder resolution on which related parties are barred from voting.

Stage 2: Tata Steel executed the share purchase agreement with S Gupta Holding the next morning, on 23 November 2026. It bought the first tranche (9.9%) through a block deal the same day.

[1] *Tata Investment Corporation Limited, a part of the Tata Group, is one of IiAS' shareholders.*
[2] Tata Steel will, in stages, buy 26.6% of the total promoter equity of 28.18%.

Exhibit 1: Transaction structure

Stage	Buyer	Seller	What is being bought	Consideration
1a	APL Apollo	Tata Steel	Steel tubes business, as a going concern on a slump sale basis (plants at Jamshedpur, Hosur, Khopoli and Sahibabad)	Rs 117.0 bn
1b	APL Apollo	Tata Steel and Tata Steel Downstream Products (50% each)	100% of Tata Steel Colors Private Limited (formerly Tata BlueScope Steel)	Rs 163.0 bn
2	Tata Steel	S Gupta Holding (promoter)	26.38% of APL Apollo's expanded voting share capital (26.60% of paid-up capital), at Rs 2,100 per share, in three tranches	Rs 155.1 bn
3	Tata Steel	Public shareholders	Mandatory open offer for up to 26% of the expanded voting share capital at Rs 2,301.40 per share	Up to Rs 167.6 bn
Post-deal	Tata Steel (contract manufacturing)	SG Tech Engineering (SG Spectra), a promoter-group entity	MoU for exclusive contract manufacturing of up to 5 MTPA of colour-coated steel. This MoU may in part explain the price difference	Not disclosed

Source: Company disclosures

Stage 3: The SPA triggers a mandatory open offer under Regulations 3(1) and 4 of the SEBI (SAST) Regulations, 2011, which Tata Steel will undertake. The open offer too does not need shareholder approval.

Exhibit 2: Shareholder and regulatory approvals

Company	Approval	Shareholder Vote
APL Apollo	Section 186(3) of the Companies Act, 2013 for the investment in Tata Steel Colors	Special resolution; at least 75% of votes cast must be in favour
APL Apollo	Increase in borrowing limits and creation of charges under Sections 180(1)(c) and 180(1)(a)	Special resolution; at least 75% of votes cast must be in favour
APL Apollo	Reasoned recommendation on the open offer by a committee of independent directors under Regulation 26(6) of SEBI SAST	Not needed
Tata Steel	Shareholder approval for the sale of the tubes business and Tata Steel Colors	Not needed
Tata Steel	Open offer	Not needed
Both	Competition Commission of India	Not needed

Source: Company disclosures, IiAS research

The day after the board approved the acquisition of assets, the promoters agreed to sell their shares to Tata Steel. A promoter-group entity also signed an exclusive contract-manufacturing MoU with Tata Steel for the contract manufacture of up to 5 MTPA of colour-coated steel.

Valuation and deal structuring

The Rs 280.0 bn price implies an EV/EBITDA of 24.8x for Tata Steel's tubes and colour-coated businesses, based on projected FY27 EBITDA. Exhibit 3 compares this with listed companies in the same space, albeit of smaller sizes.

Exhibit 3: Comparison with listed companies in same space

Company	Equity (Rs. bn)	Debt (Rs. bn)	Cash (Rs. bn)	EV (Rs. bn)	EBITDA (Rs. bn)	EV/EBITDA
Hariom Pipe Industries	10.7	5.2	0.2	15.7	2.3	6.9
Tata Steel	2222.0	913.0	83.8	3051.2	378.3	8.1
Hi Tech Pipes	15.3	3.2	0.8	17.7	1.9	9.1
Sambhv Steel Tubes	46.6	5.6	0.2	51.9	3.4	15.3
JTL Industries	29.3	2.6	0.3	31.6	2.1	15.4
Tata Steel's tubes division and coated steel	-	-	-	280.0	11.3*	24.8
APL Apollo	589.1	9.2	11.5	586.8	19.7	29.8

Source: Stock exchange filings, Annual reports, IiAS Research
Notes: Market price as on 20 November 2026
EV = Equity + debt – cash
Debt and cash figures are as on 30 September 2026
EBITDA is the trailing 12 months EBITDA
**Based on projected FY27 EBITDA*

APL Apollo's board must explain how it satisfied itself that the price is fair. Disclosing the full valuation report, including a comparison with listed peers, along with a fairness opinion, would bring clarity.

This matters even more given what Tata Steel itself paid for the business recently. Less than a year ago, in December 2025, Tata Steel acquired BlueScope's 50% stake in Tata BlueScope Steel (now Tata Steel Colors) for Rs 11.0 bn. This valued the entire company at about Rs 22.0 bn, or roughly 2x book value. Within a year, Tata Steel is selling 100% of Tata Steel Colors to APL Apollo for Rs 163.0 bn, about 16x its book value of Rs 10.16 bn as on 31 March 2026.

On its earnings call, Tata Steel's management said the two transactions are not comparable. It gave four reasons: the time and effort invested since the buyout, the launch of new European brands under Tata Steel Colors, the removal of restrictions under the joint venture that had held back growth, and volume growth over the past year. A roughly 7.4x increase in value in under a year needs to be backed by numbers. Tata Steel will also pay tax on the asset sale.

APL Apollo will initially fund the acquisition through acquisition financing of up to Rs 280.0 bn. In effect, the money APL Apollo borrows will be paid to Tata Steel,

which will then use it to fund most of its purchase of control of APL Apollo. The board must explain why APL Apollo's balance sheet is being used to finance a change in its own control.

APL Apollo's minority shareholders bear the cost of this structure. The selling promoter exits almost entirely. Public shareholders can sell only a part of their holding in the open offer – and given the drop in share price, the acceptance ratio will drop. They will be left with a highly leveraged company, and an equity raise whose terms have not been set. In this context, shareholders should note that APL Apollo has had a conservative capital structure, as Exhibit 4 shows. After the deal, the standalone debt-equity ratio will rise to 7.6x and consolidated to ~5x. This is not what APL Apollo's investors bought into.

Exhibit 4: Standalone and consolidated debt-equity of APL Apollo over the past five years

	Standalone					Consolidated				
	FY22	FY23	FY24	FY25	FY26	FY22	FY23	FY24	FY25	FY26
Debt to equity ratio	0.16	0.16	0.05	0.18	0.22	0.24	0.29	0.31	0.15	0.09

Source: Annual reports
Note: Debt includes short-term and long-term borrowings

The APL Apollo promoter's side arrangement
The SG Spectra MoU gives a promoter-group company an exclusive contract-manufacturing arrangement for up to 5 MTPA of colour-coated steel. Its terms will be disclosed once the MoU becomes a definitive agreement. APL Apollo includes the 5 MTPA in its target platform of 15.5 MTPA.

Tata Steel needs to clarify why it is not building this capacity in-house. Colour-coated steel appears to be a higher-margin business. Placing this growth capacity in a private entity of the outgoing promoter means part of the business's future value may not reach public shareholders and may amount to an indirect payment to APL Apollo's promoters.

Form over substance

The deal makes commercial sense. Tata Steel gets a bigger downstream footprint, its tubes and colour-coated businesses come together in one company, and the Gupta family's exit, paired with an open offer, gives public shareholders a partial way out too. Where the parties went wrong was in presenting a single deal as several separate transactions.

Each step appears to comply with the letter of the regulations. But the related party framework exists to protect minority shareholders when the people negotiating a deal sit on both sides of it. Here, the outgoing promoter negotiated a Rs 280.0 bn purchase from the company to which he sold control the next day

and secured an ongoing commercial arrangement with it. The parties deserve credit for disclosing everything at once. A staggered disclosure of the post-deal arrangement would have drawn the same scrutiny later, and the damage to the Tata group's reputation would have been worse.

Exhibit 5: Combined entity

	APL Apollo	Transferred businesses	Total (Rs bn)
Total Revenue (FY26) (In Rs bn)	230.79	160.6	391.4
EBITDA (In Rs bn)	18.0	11.3*	29.3
Capacity (MTPA)	5.0	2.5	7.5

Source: Company filings, earnings call transcripts, IiAS Research
Projected FY27 EBITDA

Shareholders can veto the Section 186 and the borrowings – just as they have voted down four earlier resolutions proposed by APL. But regulators too need to step in.

It is rare for investors in both the buyer and the seller to dislike the same deal. That this one managed, should tell SEBI it needs to act. SEBI should say whether the existing purpose-and-effect test applies here.[3] It should also decide whether the arrangement between Tata Steel and the Gupta family amounts to a differential payment to two sets of investors. This deal cannot be unannounced, but can be made more equitable, and rules can be tightened for the next one.

[3] The contract may therefore look arm's length even where the economic arrangement is not. It was added by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, and is applicable from April 1, 2023.

Annex A

Shareholding pattern

Exhibit 6: Shareholding pattern as on 30 September 2026 (%)

Category	Tata Steel	APL Apollo
Promoter and promoter group	32.94	28.18
Foreign institutional investors	18.19	34.14
Domestic institutional investors (incl. mutual funds)	27.52	20.82
Public and others	21.34	16.86
Total	**100.00**	**100.00**

Source: Stock exchange filings

Tata Steel's Board of Directors

Exhibit 7: Tata Steel Board

#	Name of Director	Occupation
1	N. Chandrasekaran (PR)	Chairperson, Tata Sons Private Limited
2	T. V. Narendran	CEO and Managing Director
3	Koushik Chatterjee	Executive Director and CFO
4	Saurabh Agrawal (PR)	Group CFO, Tata Sons Private Limited
5	Deepak Kapoor	Former Chairperson, PwC India
6	Vijay Kumar Sharma	Former Chairperson, LIC
7	Ms. Bharti Gupta Ramola	Former Partner, PwC India
8	Dr. Shekhar Mande	Professor, Savitribai Phule Pune University
9	Pramod Agrawal	Former CMD, Coal India Limited

Source: BSE, company filings
PR – Promoter representative

APL Apollo's Board of Directors

Exhibit 8: APL Apollo's Board

#	Name of Director	Occupation
1	Sanjay Gupta (P)(C)	MD & Chairperson
2	Deepak Kumar	Director – Operations
3	Chakram Singh	Chief Operating Officer
4	Vinay Gupta (P)	Managing Director, Apollo Metalex Ltd.
5	Ashok K. Gupta (P)	Former MD, Shalimar Paints Ltd
6	Rahul Gupta (P)	Managing Director, APL Apollo Building Products
7	Ms. Asha Agarwal	Former Principal Chief Commissioner of Income Tax
8	Upendra Kamath	Former MD & CEO of Tamilnad Mercantile Bank Limited
9	Rajeev Anand	Former Chairperson & Managing Director, Goodyear India Limited
10	Dinesh Kumar Mittal	Retired IAS Officer
11	Dukhabandhu Rath	Former Senior Banker, SBI
12	Rakesh Sharma	Former Chief General Manager, SBI

Source: BSE, company filings
P- Promoter; C-Chairperson

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