

A Governance-Busting Bombshell: The Tata Steel and APL Apollo Deal

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BACKGROUND

On 22nd November, 2026, Tata Steel Limited has announced a strategic restructuring of its downstream Steel Tubes Business and Colour Coated Business through a comprehensive transaction with APL Apollo Tubes Ltd. [Source]

Under the proposed arrangement, Tata Steel will transfer its Steel Tubes Business Undertaking, valued at approximately ₹11,700 crore (**Transaction 1**), and its wholly owned subsidiary Tata Steel Colors Private Limited (50% direct holding and 50% indirectly through its another wholly owned subsidiary i.e. Tata Steel Downstream Products Limited), valued at ₹16,300 crore (**Transaction 2**), to APL Apollo for a combined consideration of ₹28,000 crore.

Later on 23rd November, 2026, Tata Steel has agreed to acquire up to 26.38% stake in APL Apollo from its promoter group at ₹ 2,100 per share (**Transaction 3**), followed by an open offer to acquire an additional 26% from public shareholders at ₹ 2,301.40 per share, in accordance with the SEBI (SAST) Regulations. Upon completion of these transactions, Tata Steel would hold approx. 52.38% in APL Apollo and become its controlling shareholder. [Source]

Additionally, Tata Steel has entered into an MoU with SG Tech Engineering Pvt Ltd (SG Spectra), an entity associated with the Gupta family (Promoters of APL Apollo), for developing up to 5 MTPA of colour-coated steel manufacturing capacity under an exclusive contract manufacturing arrangement. (**Transaction 4**) [Source]

The transaction is aimed at consolidating Tata Steel's downstream operations under APL Apollo, combining manufacturing capabilities and distribution networks across steel tubes and colour-coated products. The proposed arrangement also involves a change in APL Apollo's ownership structure, with Tata Steel acquiring a controlling stake while the Gupta family retains its separate manufacturing interest through SG Spectra.

Pursuant to the above Share Purchase Agreement (SPA), Tata Steel has, on 23rd November, 2026, completed the acquisition of 1st Tranche i.e. 2,77,38,075 equity shares of ₹ 2/- each of APL Apollo Tubes representing approx. 9.91% of the Expanded Voting Share Capital (on fully diluted basis), through an on-market purchase by way of a block deal, at a price of ₹ 2,100/- per equity share, at an aggregate consideration of approximately ₹ 5,825 crore from S Gupta Holding Private Limited, a member of the promoter/promoter group of APL Apollo Tubes. [Source]

THESE TRANSACTIONS HAVE TRIGGERED THE FOLLOWING QUESTIONS

Approvals Related -

A. Should all the above transactions be considered in isolation or inter-linked with each other?

B. Whether, the Board approval is considered as final or will shareholders' approval be required and sought for all the above transactions or for any specific transaction?

Capacity Related -

C. Does APL Apollo have the capacity to carry out Transaction 1 & 2 on its own without getting support of Tata Steel balance sheet resulting out of Transaction #3?

D. How would APL Apollo fund the acquisition of Steel Business and Colors Business being part of SG Group?

Strategy Related -

E. Why SG Spectra contract is part of the announcement by Tata Steel? Is it a part of 4 integrated inter-connected transactions? If yes, what is the impact of Transaction 4 on other transactions, especially open offer price?

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F. Why Tata Steel (including via APL Apollo post transactions 1, 2 & 3) could not build the Color Coated product business that is proposed under contract manufacturing MOU with SG Spectra? What makes Tata Steel not capable of doing the same on its own?

SES' Analysis on Sequence of Events

Transactions 1 & 2:

On 22nd November, 2026, Tata Steel and APL Apollo announced one leg of the transaction i.e. **Transaction 1 & 2**.

On face of it, these two transactions in absence of Transaction 3 are kosher as long as

- The Board meeting was duly convened,
- The Board had the authority and;
- The Company had shareholders approval for requisite investment limits and borrowing limits,
- The Company did not require any shareholder approval.

However, when one deep dives, multiple questions crop up.

The first and foremost question is, **did the Boards knew of transaction #3?**

It is hard to believe that the Boards, at the time of approving Transactions #1 and #2 were unaware of Transaction #3 as Board Meeting for Transaction #3 was held on 23rd November, 2026, mere a day after Board Meeting held on 22nd November, 2026 for Transactions #1 and #2.

Agenda Papers for Board Meetings in relation with transactions involving valuations and strategic nuances will require advance circulation of at least a day even if convened at a shorted notice. So, it is safe to assume that the Boards were aware of Transaction #3.

Then a question arises as to why the transaction was announced in a staggered manner? Also, from a disclosure standpoint, shouldn't the shareholders of Tata Steel have known that even post divestment of the businesses under Transactions #1 and #2, Tata Steel will continue to hold some stake indirectly. Isn't this a material disclosure from the standpoint of divestment related transaction.

And if it is that the Boards were unaware of the Transaction #3, a question would have arose as to how the consideration of ₹ 28,000 Crores would be settled by APL Apollo, as the amount is considerably beyond the liquidity position of APL Apollo. The Board would / should have asked as to how the transaction will be funded, given that as of 30th September 2026, total assets APL Apollo were less than ₹ 10,000 Crores. Effectively, the Board was approving a transaction which is 2.6 times the existing asset base.

As a result, first question that needs to be asked, is from the Board, as to how was funding of the transaction by APL Apollo was structured and will Tata Steel had/have any role in this?

Did Promoters of APL recuse from the Board meeting which approved transactions 1 & 2?

APL Apollo Promoters were to take an exit from APL Apollo by selling their stake to Tata Steel shortly after Tata Steel divested its certain businesses into APL Apollo. Hence, it is clear that APL Promoters were interested parties in this entire arrangement as they were to take an exit from the businesses being bought by APL Apollo.

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If the APL promoters did not recuse and participated in the meetings that approved Transactions 1 and 2, then the promoters have not been fair as also have not carried out their fiduciary duty.

What would have changed, if the Board of APL would have known of transaction #3?

The question has two distinct answers: one legal and one of good governance. The legal answer is that probably nothing would have changed. But foundations of good governance do not rest on tricky legal interpretations. It is an issue for legal experts to debate, for SEBI to adjudicate, but for investors to evaluate from fairness and compliance in spirit benchmark. It is here that SES finds that in spirit Transactions 1 & 2 are related party transactions, once transaction #3 happened.

Transaction # 3 once consummated puts Tata Steel in position of promoter, an argument can be made that Transaction #3 is going to be completed in tranches and at present only 9.91% is acquired by Tata Steel, which does not make it a related party, the two companies believe this. That is why while disclosing the Transactions 1 & 2, both the companies have stated that, the acquisition does not fall within the scope of a related party transaction.

Did Tata Steel Board believe that Transactions 1 & 2 are not RPTs?

It is no body's case that Transaction 1 & 2 would not be RPTs even after transaction # 3 is consummated. And it appears that the Tata Steel believes that first tranche of transaction #3 does not make Tata Steel as promoter of APL. If that be the case, in that case a question arises, as to why the transactions were structured in the sequence as reported?

It is here that role of Tata Steel Board comes into picture. If Tata Steel was about to acquire almost 10% stake on very next day, whether this fact was considered during the approval of Transactions 1 & 2 by the Board of Directors of both the Companies? The Board of Directors of Tata Steel should be aware of the same, as they themselves were decision maker on Transaction 3, which was announced within 12 hours of announcement of Transactions 1 & 2.

Transaction #3:

On the very next day (or in less than 12 hours after Transactions 1 & 2), Tata Steel announced the acquisition of controlling stake from the Promoters of APL Apollo (**Transaction 3**) and consequent acquisition under the Open Offer from the Public Shareholders.

Transaction 3 is designed in such a manner, that Tata Steel acquired only 9.91% stake under first tranche. This raises a question, whether it was deliberately kept slightly below the 10% threshold for related party transactions under SEBI Listing Regulations? Tata Steel needs to clarify its stand on keeping such a narrow path to avoid legal requirements.

Was the Market aware of the Deal?

A question of transparency also arises based on a recent event about these transactions. On 19th November, 2026, a news item published on Moneycontrol, titled "*APL Apollo Tubes promoter family explores stake sale; deal size could top Rs 32,000 crore with open offer.*"

On the very next day, APL Apollo clarified that, *"The Company has not received any communication from its Promoters or Promoter Group about any proposed sale of their shareholding in the Company. The news item is speculative, and the Company has no information to share on it."* [Source]

However, it is interesting to observe that within 3-4 days, the same news has become reality with almost exact amount of consideration deal along with Open Offer. This raises questions about whether it is mere a coincidence that exact deal from the news had become reality or the Company / the Board / the Management had turned a blind eye.

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SES' Opinion: Tata Steel in its disclosure (weblink) has stated as under

> *The Company has executed agreements for a **comprehensive strategic future** covering the sale of its Steel Tubes and Colour Coated business to APL Apollo, the acquisition of the entire promoter stake of 26.6% in APL Apollo, an MOU with SG Tech Engineering Private Ltd. (SG Spectra), a company associated with the Promoter Group of APL Apollo to set up exclusive contract manufacturing facilities of 5 MTPA of Colour Coated products on a modular and pan India basis to leverage the growth in the Indian Colour Coated products market.*

The words **"*comprehensive strategic future*"** leaves no room for any doubt that all transactions must be seen in holistic manner, although each transaction is independent, yet each one is interwoven. While, the companies in their wisdom have sequenced the transactions in a manner to avoid any of the transaction be labelled as a RPT.

The question that follows are:

- Why such aversion to RPT and transparency?
- Transaction 1 & 2 are certainly devoid of transparency, as at least on paper with the given disclosures, existence of transaction 3 was not manifested.
- It is hard to believe that the listed companies involved did not see the questions that were coming with the way the sequencing of the transactions was undertaken.
- What is the intent? What is achieved except getting closer scrutiny and questions on conduct? The Companies have unfortunately exposed themselves to close scrutiny.
- While the Companies may have been successful in avoiding RPT approval but is it worth it when it comes at the expense of questions on governance and intent?

SES' Opinion From Governance Point-Of-View

To SES it appears that both the companies have structured the above transactions in such a manner that they obey or accomplish the legal requirements, however, they have left many concerns from governance perspective.

Each of them is analysed below with unanswered questions:

The Related Party Approval Requirements:

The only transaction which is clear and does not require any approval of shareholders is the Transaction 3. As, Tata Steel has acquired / proposed to acquire stake from the Promoters of APL Apollo, where neither of the parties involved falls under the related parties' definition nor have any conflict-of-interest situations. Unless the value of transactions is outside investment limit approved by shareholders.

Transaction 1 & Transaction 2:

However, Transactions 1 & 2, surely calls for approval of shareholders under the related party provisions. While it appears that Tata Steel has deliberately avoided such requirements by **firstly** keeping the timeline in such a manner that Transaction 3 falls a day after Transactions 1 & 2, hence, technically there is no question of RPTs as on 22nd November, 2026 when there was no relationship between APL Apollo and Tata Steel except as buyer and seller, and **secondly**, by acquiring only 9.91% stake in APL Apollo on 23rd November, 2026.

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The 'Purpose & Effect' - Extracts from SEBI Board note:

> *"Current RPT framework may be insufficient to cover transactions which can be done through subsidiaries or by the listed entity with the related parties of subsidiaries to move the assets out of the consolidated entity without having to follow norms applicable to RPTs. Accordingly, it is proposed to expand the scope of definition of RPTs by including transactions of the listed entity or any of its subsidiaries on one hand and related parties of the listed entity or any of its subsidiaries on the other hand.*
>
> *It is also desirable to include transactions with unrelated parties,* ***the purpose and effect of which is****, to benefit the related parties of the listed entity or any of its subsidiaries. It is important to consider substance of the relationship and not merely legal form as a part of good governance practice."*

What is the intent of law to propose approvals under RPTs and whether the intent of the law is served or not? The answer is clear, by their own admission both Tata Steel and APL have described all 4 transactions in one single press release with title *"Tata Steel and Promoters of APL Apollo Enter into a Comprehensive Agreement to Build an Indian Steel Tubes and Colour Coated Products Powerhouse Targeting 15.5 Million Tonnes of Capacity"*.

It is difficult to understand as to how the companies are expecting investors to analyse transactions independent of each other after this press release?

In the opinion of SES, by entering into SPA to acquire 52.38% stake in APL Apollo, Tata Steel has intended to become the controlling entity of APL Apollo and by all means Tata Steel should be classified as Related Party from 23rd November, 2026 onwards being a Promoter entity. Hence, the approvals for Transactions 1 & 2 should have / should be sought under Related Party Transactions' approval as per SEBI LODR requirements.

From a legal and literal standpoint, an argument could be that the Transactions 1 & 2 were announced on 22nd November, 2026 i.e. one day before the Tata Steel becoming related party of APL Apollo. Legally, this may not be straight forward, as a lot would depend on the interpretation of law, which does not specifically cover the need of shareholders' approval in case the transactions are announced prior to becoming RPTs and consummated post becoming RPTs.

However, there is no need for a discussion from the governance point of view, especially when the timelines are arranged in such a manner, where difference is only of few hours, and the transactions are already envisaged to be consummated at a later date.

Hence, when one applies doctrine of purpose and effect, there is hardly any doubt that both the companies should obtain shareholders' approval for Transactions 1 & 2 under the requirement of RPTs, as and when the transactions are about to be entered / consummated.

Transaction 4:

Transaction 4 is about an MOU executed by APL Apollo with SG Spectra, a company associated with the Promoter Group of APL Apollo to set up exclusive contract manufacturing facilities of 5 MTPA of Colour Coated products on a modular and pan India basis to leverage the growth in the Indian Colour Coated products market. (Although, the MoU is executed technically by the Tata Steel, however, as per the disclosures on page #19/26 of the Press Release, the transaction is between APL Apollo and SG Spectra, hence, APL Apollo is a party to transaction.)

This transaction in either case, whether Tata Steel has become promoter or not is a RPT one way or other.

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If one goes strictly by letter of law and leave interpretation of law from governance lens and treat Tata steel as a pure investor in APL Apollo (with 9.91% equity and forgetting eventual 52+% ownership), then Tata is not a related party of APL nor of SG Spectra. However, having taken this stand, one comes to a conclusion that SG family is still continuing as promoter of APL, which makes, transaction #4 between APL and SG Spectra an RPT and hence, needs approval.

And if Tata Steel is considered as Promoter of APL Apollo at present, then the transaction will qualify as RPT between Tata Steel and SG Spectra as well as among APL Apollo and SG Spectra.

In the opinion of SES, from Governance point-of-view, both the companies should have obtained their respective shareholders' approval for Transactions 1, 2 & 4 under RPT requirements.

Why Contract Manufacturing with SG Spectra & Not an entity under Tata Steel's Umbrella:

Transaction 4 raises several questions on the need of contract manufacturing from an entity entirely owned by the outgoing promoters of APL Apollo. SES is unable to understand why MoU has been executed for contract manufacturing, where the beneficiaries are one of the outgoing promoters.

The arrangement is such that the outgoing promoters of APL Apollo would be doing almost similar work of what they were doing under the APL Apollo, but with entire ownership and fixed / definite contract agreement.

Hence, a question that would arise it that if such manufacturing of colour-coated steel is so important from the Tata Steel's downstream business perspective, then why Tata Steel has not housed the entity under its own umbrella including under the APL Apollo post transactions 1, 2 and 3? Surely the funding would not be a problem for an entity like Tata Steel having control over the APL Apollo. And, if the business is not so accretive, then why would Gupta family invest in such a business after exiting the ongoing profit-making APL Apollo business? Shareholders would definitely want more light on the above matter from a Governance point of view.

Valuation of Steel Tubes Business, Tata Steel Colors and APL Apollo:

One of the major aspects of the proposed transactions are fairness of valuations or considerations. As per the public disclosures, considerations / valuation of assets under Transactions 1 & 2 have been arrived based on the Valuation report by independent valuer, which used Valuation methods i.e. reproduction cost method, discounted cash flow method and market price method. However, the detailed valuation on above matters is not disclosed in the public domain. Hence, fairness of valuation / consideration cannot be analysed for the minority shareholders.

Is valuation of Transaction #1 & #2 sensitive to transaction #3?

Most valuation are done basis DCF method and equity value is quite sensitive to Debt Equity ratio and Interest Rate. Credit profile of APL Apollo after transactions #1 & #2, as also ability to borrow funds and interest thereon would be different if Transaction #3 happens. Therefore, the question gets repeated, whether Board of APL Apollo valued the assets under transaction 1 & 2 with Tata as Promoter or not?

Valuation of APL Apollo shares:

Further, there are no specific disclosures on valuation of APL Apollo arrived by Tata Steel for acquisition of shares from the Promoters at ₹ 2,100 per share. Whether, it was based on the market price or any valuation report was obtained for the said acquisition? If there is no valuation report, then it raises a question as why a listed entity's shares would be bought entirely based on the market price, that too when the volume is such huge. And, if there was any valuation report,

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then why the same is not disclosed in the public domain? These questions are unanswered with the Board of Directors of both the companies.

Another important aspect is, whether valuation of APL Apollo accounted for APL having acquired assets under transactions 1 & 2. Valuation could be carried by various methodologies, DCF or Assets Value or any method that captures the fair value of the business. In the present case, the Board of Tata Steel agreed to buy out APL promoter, the question is how value was arrived? Did the Valuation Report consider the impact of Transactions 1 & 2 or not? If not, in that case SES is of the view that valuation exercise is not proper. And, if it has, in that case a question arises as to when the valuation was done? As transactions 1 & 2 happened late evening 22nd November and transaction #3 happened early morning 23rd November with less than 12 hours gap. Was the time sufficient to have a fresh report or there was only one report and it was prepared prior to transaction 1 & 2 being announced?

Asset profile of APL Apollo changed drastically post transactions 1 & 2, as post these transactions, asset profile would go up to 3.5 times and there would be multi-fold change in revenue for DCF, etc. Hence, the questions about timing of valuation and considered business of APL Apollo in valuation become much more important.

Transaction #4 - Impact of Offer Price:

Is the transaction #4 valuable? Does it intend to provide any benefit to outgoing promoter? Admittedly, Transaction #4 is integral part of the entire deal and is neither divisible or separable as same has been announced as comprehensive deal by both companies. In that case, is it that an indirect compensation is being paid to outgoing promoters in addition to ₹ 2,100 per share? If that be the case, then open offer price needs to be adjusted.

If the argument is that the Transaction #4 is separate and will not result in benefitting APL promoters, in that case let the Company drop this from the deal and once Tata Steel is in saddle and full control, re-visit and decide future course. And, if the APL promoters are not benefitting then why they are wanting this as part of deal?

Comprehensive Strategic Future:

The Press release of 23rd November 2026, gives emphasis to '***Comprehensive Strategic Future'***. Obviously, this term and plan for future would not have been coined between two board meetings of 22nd and 23rd November which were held barely within 12 hours gap. Such long-term planning is result of studies over a long period, multi-level discussions, business plan, evaluation of options etc. Suffice is to say that the plan to make inroads into Coated steel business would have been there. If that is so, in that case could the Board of Tata Steel approve Transactions 1 & 2 of divesting core assets of Coating divisions, unless they were told of transaction #3 as well? Thus, bringing us to same question, why the Board did not ask reasons for sequencing transactions?

Conclusion

Finding a way out and ensuring a law is not applicable is an art, unfortunately while art of Picasso may be appreciated by all, however, art of dodging law is not appreciated by investors. And there is no better example than this case, where investor reaction to the deal is an eye opener and a lesson for others to not take investors granted and tolerant. Share prices of both APL and Tata Steel have conveyed investors' dissatisfaction.

Why the deal was to be done in such a convoluted manner. Having a Board meeting at 5 AM calls for lot of explanations. SES is of the opinion that rather than SES asking these questions Board members must have asked the same.

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It is a matter of grave concern, when leaders who claim to be flag bearers of good governance try to look for comma and full stops in law to achieve, which in normal course they believed, is not achievable.

Makers of law (Government/ Regulators) while making law can never envisage millions of issues. That is why law must be applied keeping its intent at the centre. There is a lot of hue & cry on prescriptive laws and demand for ease of doing business. If with prescriptive laws (as is claimed by corporates) such deals can happen, one can imagine what will happen with only principle-based law.

The above cases are classic examples of what may not be strictly covered under the legal provisions, or where the companies would find easy-way-out to avoid shareholders' approval. India's corporate culture or functioning is such that, no matter how detailed the law is made, there would always be cases where the minority shareholders would be failed due to poor governance or transparency.

In the opinion of SES, Tata Steel and APL Apollo Tubes might have complied with the legal requirements in theory or in letter. However, from the Governance and transparency point-of-view, both the companies have failed to provide better clarity to their respective minority public shareholders.

While SES does not sit in judgement over decisions taken by the Company, regulators or investors. Its role is to raise relevant questions and articulate its independent assessment. While the ultimate decision rests with each stakeholder, questions raised by independent parties such as proxy advisors deserve due consideration, objective evaluation and thoughtful deliberation. Such scrutiny can serve as an early warning mechanism, enabling stakeholders to recognise potential concerns and take timely corrective action before the consequences become irreversible. SES has analysed the above matters independently from a minority shareholders' perspective.

Important Note: It is important to note that, SES has not examined the entire deal on business merits. The analysis in this report is limited to governance issues and only based on the information in the public domain.

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