



RAMA STEEL TUBES LTD.

Manufacturers & Exporters : ERW Steel Tubes (Black & Galvanised)

CIN : L27201DL1974PLC007114 | AN ISO 9001 : 2015 CO.

Regd. Office : B-5, 3rd Floor, Main Road, Ghazipur, New Delhi (India) - 110096

+ (91)-(11)-43446600 | info@ramasteel.com | www.ramasteel.com

Date: July 6, 2022

To

The Manager – Listing National Stock Exchange of India Ltd Exchange Plaza, Bandra Kurla Complex Bandra (East) Mumbai – 400 051 Symbol: RAMASTEEL	The Secretary Corporate Relationship Dept. BSE Limited P.J. Towers, Dalal Street, Mumbai – 400 001 Scrip Code: 539309
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SUB: PRESS RELEASE

Dear Sir / Madam,

We are enclosing herewith Press Release, pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly take the same on record.

Thanking you,

For Rama Steel Tubes Limited

(Kapil Datta)

Company Secretary & Compliance Officer

Email Id: investor@ramasteel.com



Encl.: As above.



Business Update

- **Forward integration Initiative:-** RSTL embarks on a forward integration drive by acquiring majority stake in M/s Ashoka Infrasteel, one of the largest wholesale distributor in the speciality Steel Tubes & Pipes segment with a strong penetration in the state of Maharashtra, India.
- **Product Diversification Initiative:-** RSTL forays into the segment of Sanitary Ware & Bathroom fittings by acquiring 50% stake in business of M/s Hagar Mega Mart Pvt. Ltd. This takes RSTL a step closer towards achieving its vision of becoming a one stop building material company in India.

New Delhi, 6th July, 2022: *Rama Steel Tubes Limited (RSTL)*, one of the leading manufactures of Steel Pipes & Tubes and G.I. Pipes in India, has acquired 51% stake in M/s Ashoka Infrasteel, a partnership firm and 50% stake in M/s Hagar Mega Mart Pvt. Ltd by issuance of fresh shares of the company.

TRANSACTION HIGHLIGHTS

M/s Ashoka Infrasteel

- RSTL will acquire 51% stake from partners in Partnership Firm, M/s Ashoka Infrasteel ("Ashoka"), in lieu of fresh equity shares of RSTL to be allotted to the partners. **The Fair Value of the firm has been estimated at INR 550 MN.**
- The acquisition of Ashoka Infrasteel is expected to give RSTL an access to its vast distribution network spread across the nation and will **provide market intelligence** in a timely manner which will aid product innovation and development. The acquisition will help RSTL leverage the Distribution network **enabling deeper market penetration in the existing markets while opening opportunities in the newer markets.**

M/s Hagar Mega Mart Pvt. Ltd.

- RSTL will subscribe to fresh issue of Equity shares of M/s Hagar Mega Mart Pvt. Ltd. ("HMMPL") to the extent of 50% of HMMPL's total shareholding post such issue, thereby making it an associate company. RSTL will issue such number of equity shares to M/s Hagar Mega Mart Private Limited up to maximum amount of **INR 55 MN** at the price as may be determined in accordance in accordance with SEBI (ICDR) Regulations, 2018. **The fair value of share of HMMPL has been estimated as INR 40/- per share.**





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- The acquisition of HMMPL enables the company to **enter into a new segment of Sanitary ware, bathroom accessories, faucets, vanities, sinks & drains in different finishes and varieties.**
- **Total consideration for expansion initiatives is up to ~330 MN.** The discharge of consideration is through issuance of fully paid of equity shares of RSTL aggregating to maximum amount of **INR 320 MN** at a price as may be determined in accordance with SEBI (ICDR) Regulations, 2018 and remaining through cash consideration. Neither of the two entities fall under “related parties” under Statutory regulations of the companies Act, 2013.

KEY RATIONALE BEHIND THE TRANSACTION

1. RSTL expects to create significant value by leveraging combined capabilities and unlocking synergies

M/s Ashoka Infrasteel

- The acquisition of M/s Ashoka Infrasteel enables RSTL to go a step further into the distribution chain and **consolidate its market in the galvanized steel pipes segment.** M/s Ashoka Infrasteel is an established distributor of **Specialized value added products, ERW pipes, black Steel tubes , Galvanized tubes & Seamless carbon tubes, having presence in this segment for over 30 years.** It caters to reputed clientele like OEMs Infrastructure companies, HVAC - Fire Fighting and MEP contracting companies, Agriculture solution providers, Fabricators and many industries and Industrial contractors. With an access to the combined distributor channels of both the organizations, **RSTL plans to leverage the network to capture a larger share of the market and serve more customers in newer geographies.**
- With this acquisition, RSTL plans to capitalize on the very critical **market intelligence** received from its widespread distributor network which will aid in better understanding the demand trends of the consumers and lay foundations for new product development.
- RSTL plans to capitalize on pre-existing distribution networks to **ensure faster delivery and better product availability** of all its SKU's to markets across India.

M/s Hagar Mega Mart Pvt. Ltd.

- Further, this foray into a **newer segment of Bathroom Accessories** will make RSTL a unique business partner for various commercial and residential construction projects and act as a one stop preferred supplier for all Building materials supplies. **This acquisition opens doors to a synergistic product combination for RSTL as well as HMMPL.**
- HMMPL has an impressive product line of Bathroom fittings and Accessories and holds an extensive portfolio of SKUs under their brand umbrella. **HMMPL will be able to drive growth with this event by leveraging upon RSTL's wide outreach and already established pan India network.**



2. Acquisitions are expected to lead to margin expansion on overall basis

- The acquired entities have a combined a top line of over **INR 1,294 MN** in FY 22. It is representative of the immense opportunity in the respective segments. The company expects a healthy growth in the current fiscal year.
- Ashoka has shown an impressive growth of ~85% in revenues from ~ **INR 668 MN in FY 21 to ~ INR 1,244 MN in FY 22** , while reporting a PAT margin in the range of **6%-7%** in both the years. Accordingly, the company expects the blended margins to show an upward trend for the next fiscal year following the acquisition.
- The business segment of Sanitary ware & bathroom fittings under HMMPL shows great potential for growth in coming -years. The entity reported a turnover (combined with its predecessor partnership firm 'Hager INC') of ~ **INR 51 MN in FY 22 an impressive ~ 40% growth from FY 21 revenues of INR 36.6 MN.**

**Please Note that M/s Hager Mega Mart Pvt. Ltd. was preceded by a partnership firm by the name of "Hager Inc." which was converted to a Pvt. Ltd. company w.e.f 16/12/2021. Turnover and profit figures of FY 22 are derived from provisional financial statements.*

Commenting on this business expansion milestone, **Mr. Richi Bansal, Executive Director**, Rama Steel Tubes Limited, said, **"Today marks an extremely joyous and memorable occasion for Rama Steel Tubes Ltd. where we have progressed further in transforming our company from pure play steel pipes and tubes to Building Materials. It has been one of our long- term goals to be a unique business solution provider in civil construction and infrastructure sector wherein we can provide end-to-end solutions for all steel fittings and pipes in various construction, irrigation and infra projects. The acquisition of our very first distributorship proves that we at Rama Steel are fully committed to our forward integration objectives and in turn build and sustain value for all our stakeholders through such progressive initiatives.**

Our foray into distributorship with acquisition of Ashoka Infrasteel will empower us to have a better control over demand forecasting, selling and distribution functions and will also bring us closer to the consumers thus enabling us to understand and cater to their demand in a better way.

The advent into Sanitary Ware and Bathroom fittings with a 50% partnership with HMMPL opens doors to a plethora of business opportunities that lie ahead of us by enabling us to enter newer markets and leverage our existing relationships in distributor network to enter markets in this segment for HMMPL. We foresee a huge potential in this segment and plan to scale up operations in the coming years.

We expect a significant increase in our top line & margin expansion with the synergies of the acquired businesses.

Our aim is to build multiple growth engines for the company and promote self sufficiency in the long run. I welcome our business partners, wholeheartedly to the family of Rama Steel Tubes and commit myself and my team towards building a long running sustainable relationship in the years to come...."





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About Rama Steel Tubes Limited

Rama Steel Tubes Limited (RSTL) is one of the pioneer and leading manufacturer in the steel tube industry, having a total installed capacity of 2,64,000 MTPA, under 4 state of the art manufacturing units strategically placed across the nation located at Sahibabad, U.P, Khopoli, Maharashtra & Anantpur, Andhra Pradesh. RSTL products range includes MS ERW black pipes from 15mm to 200mm diameter pipes confirming to IS: 1239, IS:1161, IS:3589, IS:3601, & IS:4270 and G.I. Pipes from 15mm to 150mm NB in light, medium and heavy sizes. RSTL has been continuously striving to improve its performance by increasing sales, share of value-added products, innovating new products and aggressive cost optimization on a continual basis. With a global presence in more than **17 Countries**, RSTL has now embarked on a journey to scale up its business by various business diversification, forward & backward integration initiatives. **RSTL's recent foray into the segment of Sanitary ware & Bathroom fittings, marks its advent towards the goal of being a unique one stop building materials provider.** RSTL has a subsidiary in UAE and a step-down subsidiary in Nigeria which has strengthened the company's presence in global markets. **RSTL is now one step closer to its customers, by acquiring Ashoka Infrasteel, leading distributors of Steel Pipes and tubes, which will enable it to increase its market share and be step ahead in understanding of current market needs.** RSTL has the world's latest technology, plant and machinery, which also includes sophisticated testing equipment. RSTL has is widely renowned for its strong brands and variety of SKU's which have wide applications across multiple sectors including Infra, PWD, Construction, Automobile and Solar energy.

For further information on the Company, please visit www.ramasteel.com

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