

ELECTROSTEEL CASTINGS LIMITED

H.O. : G.K. Tower, 19, Camac Street, Kolkata 700 017, India
Regd. Office : Rathod Colony, Rajgangpur, Sundergarh, Odisha 770 017
Tel : +91 33-2283 9900, 7103 4400
CIN : L27310OR1955PLC000310
Web : www.electrosteelcastings.com



5 October, 2020

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 051

Scrip Code: **500128**

Symbol: **ELECTCAST**

Sub: Intimation of Scheme of Amalgamation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')

Pursuant to Regulation 30 of the Listing Regulations, we wish to inform you that the Board of Directors of Electrosteel Castings Limited ("**ECL**" or "**the Company**"), at its meeting held on 5 October, 2020, upon recommendation of the Audit Committee, has considered and approved the proposed draft Scheme of Amalgamation amongst Srikalahasthi Pipes Limited ("**SPL**") and the Company and their respective shareholders and creditors ("**Scheme of Amalgamation**"), under the provisions of Sections 230 to 232 of the Companies Act, 2013.

The draft Scheme of Amalgamation provides for transfer and vesting of the entire undertaking of SPL into the Company and the dissolution of SPL without winding up, upon the Scheme of Amalgamation becoming effective, in accordance with Section 2(1B) of the Income Tax Act, 1961 and Sections 230 to 232 of the Companies Act, 2013 ("**Amalgamation**"). The Appointed Date for Amalgamation under the Scheme is 1 October, 2020.

The Scheme of Amalgamation shall be subject to necessary statutory and regulatory approvals including the approval of the shareholders, creditors, Securities and Exchange Board of India, the Stock Exchanges where equity shares of the Company are listed, Competition Commission of India under the Competition Act, 2002, the National Company Law Tribunal under the Companies Act, 2013, the Registrar, the Official Liquidator (as may be applicable) and/or such other competent statutory/regulatory authorities as may be required under applicable law.

The disclosures required under Regulation 30 and Para A(1) of Part A of Schedule III of the Listing Regulations, read with Paragraph A(1.2) of Annexure I to the SEBI Circular No. CIR/CFD/CMD/4/2015 dated 9 September, 2015 is enclosed as **Annexure A** to this intimation.

Further, please find attached herewith, a copy of the Press Release by the Company, in this regard.

Kindly acknowledge receipt.

Yours faithfully,
For Electrosteel Castings Limited


Indranil Mitra
Company Secretary
ICSI: A20387



Encl.: As above

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PIONEERING



Annexure A

Disclosure of information pursuant to Regulation 30 and Para A(1) of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), read with Paragraph A(1.2) of Annexure I to the SEBI Circular No. CIR/CFD/CMD/4/2015 dated 9 September, 2015

I. Amalgamation/ Merger:

1. Name of the entity(ies) forming part of the amalgamation/merger, details in brief such as, size, turnover, etc.

A. Details of Transferor Company:

Srikalahasthi Pipes Limited ("Transferor Company") (CIN: L74999AP1991PLC013391) is a listed public company, limited by shares, incorporated under the Companies Act, 1956 and has its registered office at Rachagunneri Village, Srikalahasthi Mandal, Chittoor District, Andhra Pradesh: 517 641. The equity shares of the Transferor Company are listed on the BSE Limited and the National Stock Exchange of India Limited.

B. Details of Transferee Company:

Electrosteel Castings Limited ("Transferee Company") (CIN: L27310OR1955PLC000310) is a listed public company, limited by shares, incorporated under the Indian Companies Act, VII of 1913 and having its registered office at Rathod Colony, Rajgangpur, Sundergarh, Odisha 770017. The equity shares of the Transferee Company are listed on the BSE Limited and the National Stock Exchange of India Limited.

C. Details of Paid-up Capital, Net Worth and Turnover of the Transferee Company and the Transferor Company on standalone basis:

	(Rs. in Crore)		
	Paid-up Capital [#]	Net Worth [#]	Turnover ^S
Transferor Company	46.70	1,168.37	1,662.90
Transferee Company	43.29	1,717.72	2,479.89

[#] as on 31 March, 2020 | ^S for FY 2019-20

^{*}Net Worth is as per Section 2(57) of the Companies Act, 2013

2. Whether the transaction would fall within related party transactions? If yes, whether the same is done at "arm's length":

A. The proposed Scheme of Amalgamation, as a related party transaction, does not fall within the purview of Section 188 of the Companies Act, 2013, in view of paragraph 2 of the General Circular No. 30/2014 dated 17 July, 2014 issued by the Ministry of Corporate Affairs. The said Circular states that any transaction arising out of Compromise, Arrangement and Amalgamations dealt with under specific provisions of the Companies Act, 2013 will not attract the requirements of Section 188 of the Companies Act, 2013.

B. The proposed Scheme of Amalgamation, however, could be regarded to fall under purview of Section 177 of the Companies Act, 2013, read with allied Rules and Regulations 18 (read with Part C of Schedule II) and 23 of the Listing Regulations,

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as amended and be regarded as a related party transaction. The Transferor Company and the Transferee Company have obtained approval of their respective Audit Committees.

- C. The proposed Scheme of Amalgamation shall be at arm's length basis, as the shares to be allotted to the shareholders of the Transferor Company, as consideration of Amalgamation, is based on the Joint Valuation Report obtained from Independent Chartered Accountants and Registered Valuer, recommending a Fair Equity Share Exchange Ratio for the Scheme of Amalgamation and Fairness Opinions from Independent SEBI Registered Merchant Bankers providing fairness on the fair equity share exchange ratio determined by the Valuer.

3. Area of business of the entity(ies):

- A. The Transferor Company is engaged in the business of manufacture and sale of ductile iron pipes with backward integrated facilities including sinter plant, coke oven plant and sewage treatment plant.

As per the Annual Report of the Transferor Company for the Financial Year 2019-20, manufacturing of Ductile Iron Pipes accounted for 84.2% of its annual turnover.

- B. The Transferee Company is engaged in the business of manufacture and sale of ductile iron pipes and cast-iron pipes and ductile iron fittings. The Transferee Company has its facilities in Khardah, Haldia and Bansberia in West Bengal and Elavur in Tamil Nadu. As per the Transferee Company's Annual Report for the Financial Year 2019-20, ductile iron pipes and cast-iron pipes accounted for 77.83% of its annual turnover, while ductile iron fittings accounted for 8.26% of its annual turnover.

4. Rationale for amalgamation/ merger:

The rationale for the proposed Scheme of Amalgamation is set out below:

- A. The Transferor Company and Transferee Company are under the control of common promoter group. The Transferee Company along with its promoter group of companies are in a position to and do exercise control over the Transferor Company. The Transferor Company and Transferee Company are engaged in the same line of business, i.e., manufacture and sale of ductile iron pipes and both have common economic objective and strategic goals. It would be advantageous to combine the activities and operations in a single company leading to strong capability in effectively meeting future challenges of competitive business environment.
- B. The Amalgamation will enable both the companies to streamline their business activities into a single combined entity, thereby resulting in economies of scale and avoidance of undue duplication in work, reduction in common expenditure otherwise incurred by the two entities within common group, better and more productive utilization of financial, human and other resource and enhancement of overall business efficiency.
- C. The Amalgamation will result in significant reduction in multiplicity of legal and regulatory compliances which at present is required to be made separately by the Companies.



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- D. The Amalgamation will result in simplification of the group structure and management structure with only one listed company in group leading to better administration and reduction in administrative and other costs from more focused operational efforts, rationalization, standardization and simplification of business processes.
- E. The Amalgamation will enable the combined entity to leverage their consolidated resources to: (i) increase production capacities; (ii) undertake research and development initiatives to improve manufacturing processes and final product; (iii) serve the needs of a larger customer base leading to overall business domestically as well as overseas, (iv) improved alignment of debt repayments with cash flow, and (v) improved credit rating.
- F. The synergies that exist between the two companies in terms of services and resources can be put to the best advantage of all stakeholders.
- G. The Scheme is envisaged to be in the best interests of the shareholders, employees and the creditors of the Transferor Company and the Transferee Company.

Thus, the Scheme of Amalgamation, as envisaged, would enable seamless access to strong business relationships, closer and better focused attention being given to the businesses which would get integrated, aligned and streamlined, leading to achievement of their full business and growth potential.

The term "Amalgamation" means amalgamation of the Transferor Company with the Transferee Company, on a going concern basis in accordance with Sections 230 to 232 of the Act and Section 2(1B) of the Income-Tax Act, 1961.

5. In case of cash consideration – amount or otherwise share exchange ratio:

No cash consideration is proposed under the draft Scheme of Amalgamation.

For the amalgamation of SPL into ECL, equity shares shall be issued by ECL to all the shareholders of SPL (except ECL) as per the Fair Equity Share Exchange Ratio of 59:10, i.e., 59 (Fifty Nine) equity shares of ECL of face value of Re. 1/- (Rupee One Only) each shall be issued for every 10 (ten) equity shares of SPL of face value of Rs. 10/- (Rupees Ten Only) each.

6. Brief details of change in shareholding pattern (if any) of listed entity:

Brief details of change in shareholding pattern of the Transferor Company and the Transferee Company pre and post Scheme of Amalgamation is as follows:

Transferee Company

Category	Before Amalgamation (as on 30 September, 2020)		Post Amalgamation*	
	No of Shares	% of Total Shares	No of Shares	% of Total Shares
Promoters	23,89,57,776	55.19%	26,16,72,310	44.01%
Public	19,39,96,933	44.81%	33,29,25,814	55.99%
Total	43,29,54,709	100%	59,45,98,124	100%

*Computed on the basis of Shareholding as on 30 September, 2020



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Transferor Company

Category	Before Amalgamation (as on 30 September, 2020)		Post Amalgamation
	No of Shares	% of Total Shares	
Promoters	2,24,83,513	48.15%	Not Applicable, as Transferor Company will stand dissolved pursuant to amalgamation
Public	2,42,14,894	51.85%	
Total	4,66,98,407	100%	



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Electrosteel Castings Consolidates its position in DI Pipe Industry

Merged entity to become largest DI Pipe manufacturer in India with one listed entity

The Board of Directors of Electrosteel Castings Limited ("Electrosteel" / "ECL") and Srikalahasthi Pipes Limited ("Srikalahasthi" / "SPL") at their respective Board meetings held on **5th October, 2020** approved a draft Scheme of Amalgamation ("the Scheme") for the merger of Srikalahasthi with Electrosteel.

Transaction Overview:

- **Srikalahasthi shareholder to receive 59 equity shares of ECL for every 10 equity shares held in SPL**
- On completion of merger, Srikalahasthi shareholder to get direct participation in the largest domestic DI Pipe manufacturing company (ECL) in India.

The respective boards considered and approved plans to reorganize the businesses with a view to

- Simplify the group structure
- One listed entity in the group having similar business operations
- Consolidate operating manufacturing business in one larger entity
- Merged entity to have DI Pipe manufacturing capacity of 8 Lakh tonne in India with a market share of 30%
- Pursue focused growth towards Pan India presence & expand global presence
- leverage effect in terms of increased production capacity, research and development initiatives to improve manufacturing process and final product
- Improved credit rating and financing at reduced interest rates

Commenting on the merger, **Mr Ashutosh Agarwal, Executive Director (Group Finance) and CFO** of ECL, said, *"The merger will achieve the group objective of consolidating its DI Pipe Manufacturing Business into a single entity, thereby creating a platform that will help in pursuing aggressive growth going forward domestically as well as internationally."*

Mr Ashutosh Agarwal further said, *"The combined profitability & cash flow of the resultant merged entity will provide an impetus to our growth and will act as a force multiplier to our efforts of increasing market share. The financial indicators post-merger will support*



Electrosteel to maintain its credit rating. We expect Electrosteel to be re-rated on completion of the merger process.”

Advisors:

- Financial Advisor : Bakertilly India
- Legal Advisor : Khaitan & Co
- Valuation Advisor : Sharp & Tannan, Chartered Accountants
Ms. Rashmi Shah FCA, Registered Valuer
- Fairness Opinion : Ashika Capital Limited
Finshore Management Services Limited

The Scheme is subject to stakeholder approvals, regulatory approvals including Stock Exchanges, Competition Commission of India, National Company Law Tribunals and other relevant authorities, as may be required.

This press release is being jointly released by Electrosteel and Srikalahasthi.

About Electrosteel Castings Limited:

Electrosteel is India's premier manufacturer and exporter of Ductile Iron Pipes and Fittings having its facilities in Khardah, Haldia and Bansberia in West Bengal and Elavur in Tamil Nadu. The Company has a strong brand presence around the globe and has one prevailing aim - to remain the first choice in the market segment. Visit us at www.electrosteel.com

About Srikalahasthi Pipes Limited:

Srikalahasthi is one of the leading manufacturers of Ductile Iron Pipes (DI Pipes) in India. Srikalahasthi also offers superior quality foundry grade pig iron, cement and low ash metallurgical coke. By virtue of core business of manufacture and supply of DI Pipes for the Water Infrastructure Projects across the country, SPL is declared as a Public Utility Services Industry engaged in Water Infrastructure Development by the Government of Andhra Pradesh. The Company takes pride in providing potable drinking water across the country. Visit us at www.srikalahasthipipes.com

