



Commitment to Excellence

Aeroflex Industries Limited ("Company" or "Issuer") was originally incorporated as 'Suyog Intermediates Private Limited' as a private limited company under the Companies Act, 1956 with the Registrar of Companies, Maharashtra, Mumbai vide certificate of incorporation dated October 19, 1993. Pursuant to special resolution passed by shareholders of our Company in extra-ordinary general meeting dated October 03, 1998, the name of our Company was changed to 'Aeroflex Industries Private Limited' and a fresh certificate of incorporation dated October 23, 1998 was issued by Registrar of Companies Maharashtra, Mumbai. Subsequently, pursuant to a special resolution passed by shareholders of our Company in the extra-ordinary general meeting dated July 25, 2006 our Company was converted from a private limited company to a public limited company and consequently the name of our Company was changed to 'Aeroflex Industries Limited', and a fresh certificate of incorporation dated August 23, 2006 was issued to our Company by the Registrar of Companies, Maharashtra, Mumbai. For details of change in the name of our Company and Registered Office of our Company, please refer to chapter titled "History and Certain Corporate Matters" on page 183 of the Red Herring Prospectus dated August 11, 2023 ("RHP" or "Red Herring Prospectus").

Registered Office: Plot No. 41, 42/13, 42/14 & 42/18, near Taloja MIDC, Village Chal, Behind IGPL, Panvel, Navi Mumbai - 410 208, Maharashtra, India.
Telephone: +91 91 22 61467100/ 22 22850888; Contact Person: Kinjal Kamlesh Shah, Company Secretary and Compliance Officer; Email: corporate@aeroflexindia.com Website: www.aeroflexindia.com; Corporate Identity Number: U24110MH1993PLC074576

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(Please scan the QR to view the RHP)

AEROFLEX INDUSTRIES LIMITED

OUR PROMOTER - SAT INDUSTRIES LIMITED

INITIAL PUBLIC OFFER OF UP TO [●] EQUITY SHARES OF FACE VALUE ₹ 2/- EACH ("EQUITY SHARES") OF AEROFLEX INDUSTRIES LIMITED FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE) (THE "OFFER PRICE"), AGGREGATING UP TO ₹ [●] MILLION ("OFFER") COMPRISING A FRESH ISSUE OF UP TO [●] EQUITY SHARES AGGREGATING TO ₹ 1,620.00 MILLION BY OUR COMPANY ("FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO 17,500,000 EQUITY SHARES BY SAT INDUSTRIES LIMITED ("PROMOTER SELLING SHAREHOLDER") AGGREGATING UP TO ₹ [●] MILLION ("THE OFFER FOR SALE"). THE OFFER WILL CONSTITUTE [●] % OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY. THE FACE VALUE OF THE EQUITY SHARES IS ₹ 2/- EACH. THE OFFER PRICE IS [●] TIMES THE VALUE OF THE EQUITY SHARES. THE OFFER INCLUDES A RESERVATION OF UP TO 500,000 EQUITY SHARES, AGGREGATING UP TO ₹ [●] MILLION (CONSTITUTING UP TO [●] % OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL), FOR SUBSCRIPTION BY HOLDING COMPANY ELIGIBLE SHAREHOLDER. THE OFFER LESS THE RESERVATION PORTION OF HOLDING COMPANY ELIGIBLE SHAREHOLDER IS HEREINAFTER REFERRED TO AS THE NET OFFER. THE OFFER AND THE NET OFFER WILL CONSTITUTE [●] % AND [●] % OF OUR POST-OFFER PAID-UP EQUITY SHARE CAPITAL.

*Subject to finalization of the Basis of Allotment. Number of shares may need to be adjusted for lot size upon determination of offer price.

DETAILS OF PROMOTER SELLING SHAREHOLDER, OFFER FOR SALE AND WEIGHTED AVERAGE COST OF ACQUISITION

NAME OF THE PROMOTER SELLING SHAREHOLDER	TYPE	NUMBER OF EQUITY SHARES OF FACE VALUE ₹ 2/- EACH OFFERED AND AMOUNT	WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE (IN ₹)*
Sat Industries Limited	Promoter Selling Shareholder	Up to 17,500,000 Equity Shares of face value ₹ 2/- each aggregating up to ₹ [●] million.	1.95*

*As certified by M/s Shweta Jain & Co., Chartered Accountants the statutory auditors of our Company pursuant to their certificate dated August 11, 2023.

Aeroflex Industries Limited is engaged in the business of manufacturing and supplying of environment friendly metallic flexible flow solution products including braided hoses, unbraided hoses, solar hoses, gas hoses, vacuum hoses, braiding, interlock hoses, hose assemblies, lancing hose assemblies, jacketed hose assemblies, exhaust connectors, exhaust gas recirculation (EGR) tubes, expansion bellows, compensators and related end fittings collectively known as flexible flow solutions catering to global as well as domestic markets. We export our products to more than 80 countries including Europe, USA and others. For Fiscals 2023, 2022 and 2021 our exports were ₹ 2,171.80 million, ₹ 2,035.59 million and ₹ 1,171.15 million which constituted 80.60%, 84.53%, and 80.90% of our revenue from operations respectively.

The Offer is being made through the Book Building Process in the manner specified in Schedule XII of SEBI ICDR Regulations and for the purpose of the Offer the Company is eligible under Regulation 6(1) of the SEBI ICDR Regulations

QIB Portion: Not more than 50% of the Net Offer • Non-Institutional Portion: Not less than 15% of the Net Offer • Retail Portion: Not less than 35% of the Net Offer
• Holding Company Eligible Shareholders Reservation Portion up to 5,00,000 Equity Shares aggregating up to ₹ [●] million

PRICE BAND: ₹ 102 TO ₹ 108 PER EQUITY SHARE OF FACE VALUE OF ₹ 2/- EACH

THE FLOOR PRICE IS 51.00 TIMES THE FACE VALUE OF THE EQUITY SHARES AND THE CAP PRICE IS 54.00 TIMES THE FACE VALUE OF THE EQUITY SHARES

THE PRICE TO EARNING RATIO AT THE FLOOR PRICE IS 38.64 TIMES AND AT THE CAP PRICE IS 40.91 TIMES BASED ON DILUTED EPS

BIDS CAN BE MADE FOR A MINIMUM OF 130 EQUITY SHARES AND IN MULTIPLES OF 130 EQUITY SHARES THEREAFTER

As approved by the Audit committee of Board of Directors of our Company vide their resolution dated August 11, 2023, the above provided price band is justified based on quantitative factors/ KPIs disclosed in the 'Basis for Offer Price' section of the RHP vis-a-vis the weighted average cost of acquisition ("WACA") and secondary transactions, as applicable, disclosed in the 'Basis for Offer Price' chapter on page 113 of the RHP.

RISKS TO INVESTORS:

1. Our Promoter has entered into certain secondary transactions with respect to 86,95,207 Equity Shares of the Company on May 15, 2023 and June 13, 2023 for a purchase consideration of ₹ 87.56 per Equity Share in all such secondary transaction which is lower than the Floor Price of the Offer i.e., ₹ 102/- and Cap Price of the offer i.e., ₹ 108/- per Equity Share.

Business Risk:

2. Our Company requires significant amounts of working capital and significant portion of our working capital is consumed in trade receivables and inventories. Our inability to meet our working capital requirements including failure to realise receivables and inventories may have an adverse effect on our results of operations and overall business.

3. We derive revenue from sale of number of products viz. sale of stainless steel corrugated flexible hoses (with and without braiding), stainless steel braiding, stainless steel interlock hoses, assemblies, and others and significant revenue from stainless steel corrugated flexible hoses (with and without braiding). Any decrease in the sales of our key products will adversely affect our business. Our inability to successfully further diversify our products may adversely affect our growth and negatively impact our profitability.

Concentration Risk:

4. We export our products to various countries and the export operations of our Company contribute more than 80% of Revenue from Operations, out of which export to USA constitutes 28% and 32% of the revenue from operations for the Fiscals March 31, 2023 and March 31, 2022. On account of the aforesaid, we may be subject to significant import duties or restrictions of the relevant jurisdictions. Our inability to comply with related requirements may have an adverse effect on our business and results of operations.

5. We derive portion of our revenues certain key customers located in India and globally to whom we sell our product offering.

(amount in ₹ million)

Revenue by customers	March 31, 2023		March 31, 2022		March 31, 2021	
	Amount	% of revenue from operations	Amount	% of revenue from operations	Amount	% of revenue from operations
Top 5	649.50	24.10	795.11	33.02	466.08	32.19

*The top 5 customers are in terms of revenue for each of the respective years and may not necessarily be the same customers.

Other risk

6. Our company is not a wilful defaulter. However our Company was categorized as wilful defaulter in the past till December 2018 before the takeover of our company by the present management.

7. The industry segments in which we operate being fragmented and diversified, we face competition from other large and small global and domestic players, which may affect our business operations and financial conditions.

8. Our funding requirements and proposed deployment of the Net Proceeds are based on management estimates and we have not entered into any definitive arrangements to utilize certain portions of the Net Proceeds of the Issue and have not been independently appraised by a bank or a financial institution. Any variation in the utilisation of the Net Proceeds would be subject to certain compliance requirements, including prior shareholders' approval.

9. Average Cost of Acquisition of Equity Shares for our Promoter Selling Shareholder.

The average cost of acquisition of Shares for the Promoter Selling Shareholder is as follows:

Name	No. of shares held	Average Cost of Acquisition (in ₹ per Equity Share)*	Offer price at higher end (in ₹)
Sat Industries Limited	96,681,833	1.95	108

*As certified by M/s Shweta Jain & Co., Chartered Accountants the statutory auditors of our Company pursuant to their certificate dated August 11, 2023.

10. Weighted average cost of acquisition at which all Equity shares were transacted in last 1 year, 18 months and 3 years preceding the date of the RHP:

Period	Weighted average cost of acquisition (in ₹)*	Cap Price (₹ 108) is 'x' times the weighted average cost of acquisition	Range of acquisition price: lowest price – highest price (in ₹)
Last one year preceding the date of the RHP	87.65	1.23	87.56-105.00
Last 18 months preceding the date of the RHP	87.65	1.23	87.56-105.00
Last three years preceding the date of the RHP	87.65	1.23	87.56-105.00

*As certified by M/s Shweta Jain & Co., Chartered Accountants the statutory auditors of our Company pursuant to their certificate dated August 11, 2023.

Note- We have considered the transaction pertaining to sales by promoter and other shareholders.

11. Weighted average cost of acquisition, floor price and cap price

Types of transactions	Weighted average cost of acquisition (₹ per Equity Shares)	Floor Price (in ₹ 102)	Cap Price (in ₹ 108)
WACA for secondary transactions during 3 years of RHP	87.56	1.16	1.23

*As certified by M/s Shweta Jain & Co., Chartered Accountants the statutory auditors of our Company pursuant to their certificate dated August 11, 2023. Note-we have considered secondary sales by our promoter. Details for secondary transaction is disclosed on page 119 of the RHP.

12. Our Company will not receive any proceeds from the Offer for Sale portion of the Offer and the same will be received by the Promoter Selling Shareholder.

13. The BRLM associated with the Offer have handled 5 public issues in the past three Fiscal Years, none of issues closed below the Offer price on the listing date.

14. The Offer Price, price to earnings ratio market capitalization to total income ratio, market capitalization to earnings multiple, and Weighted Average return on net worth, may not be indicative of the market price of the Equity Shares on listing, for the years indicated.

a. Price to Earnings (P/E) ratio on Based on basic and diluted EPS for fiscal 2023 for our company at upper end of the price band is 40.91 times.

b. Weighted Average return on net worth for fiscals 2023, 2022 and 2021 is 25.56%.

c. Our market capitalization at lower end and higher end of price band to total income for fiscal 2023 is 4.89 times and 5.18 times respectively.