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AEROFLEX INDUSTRIES LIMITED

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 28, 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 Prospectus dated August 25, 2023 ("Prospectus").

Registered Office: Plot No. 41, 42/13, 42/14 & 42/18, near Taloja MIDC, Village Chal, Behind IGPL, Parvel, 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

OUR PROMOTER - SAT INDUSTRIES LIMITED

Our Company has filed the Prospectus dated August 25, 2023 with the RoC, and the Equity Shares are proposed to be listed on the National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE") and trading is expected to commence on or about August 31, 2023.

BASIS OF ALLOTMENT

INITIAL PUBLIC OFFER OF 32,500,000 EQUITY SHARES OF FACE VALUE ₹ 2/- EACH ("EQUITY SHARES") OF AEROFLEX INDUSTRIES LIMITED FOR CASH AT A PRICE OF ₹ 108/- PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ 106/- PER EQUITY SHARE) (THE "OFFER PRICE"), AGGREGATING ₹ 3,510.00 MILLION ("OFFER") COMPRISING OF A FRESH ISSUE OF 15,000,000 EQUITY SHARES AGGREGATING ₹ 1,620.00 MILLION BY OUR COMPANY ("FRESH ISSUE") AND AN OFFER FOR SALE OF 17,500,000 EQUITY SHARES AGGREGATING TO ₹ 1,890.00 MILLION COMPRISING OF 17,500,000 EQUITY SHARES BY SAT INDUSTRIES LIMITED ("PROMOTER SELLING SHAREHOLDER") ("THE OFFER FOR SALE"). THE OFFER CONSTITUTE 25.13% OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY. THE OFFER INCLUDES A RESERVATION OF 500,000 EQUITY SHARES, AGGREGATING ₹ 54.00 MILLION (CONSTITUTING 0.39% 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 HERINAFTER REFERRED TO AS THE NET OFFER. THE OFFER AND THE NET OFFER CONSTITUTE 25.13% AND 24.74% OF OUR POST-OFFER PAID-UP EQUITY SHARE CAPITAL.

ANCHOR INVESTOR OFFER PRICE: ₹ 108/- PER EQUITY SHARE OF FACE VALUE OF ₹ 2/- EACH
OFFER PRICE: ₹ 108/- PER EQUITY SHARE OF FACE VALUE OF ₹ 2/- EACH
THE OFFER PRICE IS 54.00 TIMES OF THE FACE VALUE OF THE EQUITY SHARES

Risks to Investors:

- 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 Risks:

- 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.
- 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, cash flows, financial condition and results of operations. Our inability to successfully further diversify our products may adversely affect our growth and negatively impact our profitability.

Concentration Risk:

- 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.

- We derive significant portion of our revenues from our top five (05) customers located in India and globally to whom we sell our product offerings.

(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

Other risk:

- Our Company is not a wilful defaulter however, we went into settlement process and our Company was categorized as wilful defaulter in the past, before the takeover of our Company by the present management.
- 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.
- 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.

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

The average cost of acquisition of Equity 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 issued in last 1 year, 18 months and 3 years preceding the date of the Prospectus:

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 Prospectus.

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.

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

BID/OFFER PROGRAMME

ANCHOR INVESTOR BIDDING DATE OPENED AND CLOSED ON MONDAY, AUGUST 21, 2023

BID/OFFER OPENED ON TUESDAY, AUGUST 22, 2023 | BID/OFFER CLOSED ON THURSDAY, AUGUST 24, 2023

The Offer was made through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations wherein not more than 50% of the Offer was available for Allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs") (the "QIB Portion"), provided that our Company and Promoter Selling Shareholder in consultation with the BRLM allocated up to 60% of the QIB Portion to Anchor Investors and the basis of such allocation on a discretionary basis by our Company and Promoter Selling Shareholder, in consultation with the BRLM, in accordance with the SEBI ICDR Regulations (the "Anchor Investor Portion"), of which one-third was reserved for domestic Mutual Funds, subject to valid Bids being received from the domestic Mutual Funds at or above the price at which allocation is made to Anchor Investors ("Anchor Investor Allocation Price"). In the event of undersubscription or non-allocation in the Anchor Investor Portion, the balance Equity Shares of face value ₹ 2/- each was added to the QIB Portion (other than the Anchor Investor Portion) (the "Net QIB Portion"). Further, 5% of the Net QIB Portion was available for allocation on a proportionate basis to Mutual Funds only, subject to valid Bids being received at or above the Offer Price, and the remainder of the Net QIB Portion was available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Offer Price. Further, not less than 15% of the Offer shall be available for allocation to Non-Institutional Investors ("Non-Institutional Category") of which one-third of the Non-Institutional Category was available for allocation to Bidders with an application size of more than ₹ 1,000,000 and up to ₹ 1,000,000 and two-thirds of the Non-Institutional Category was available for allocation to Bidders with an application size of more than ₹ 200,000 and up to ₹ 1,000,000 and two-thirds of the Non-Institutional Category was available for allocation to Bidders with an application size of more than ₹ 1,000,000 and under-subscription in either of these two sub-categories of the Non-Institutional Category may be allocated to Bidders in the other sub-category of the Non-Institutional Category in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. Further, not less than 35% of the Offer was available for allocation to Retail Individual Investors ("Retail Category"), in accordance with the SEBI ICDR Regulations, subject to valid Bids being received from them at or above the Offer Price. All Bidders (except Anchor Investors) were mandatorily required to participate in the Offer only through the Application Supported by Blocked Amount ("ASBA") process and were mandatorily required to provide details of their respective bank account (including UPI ID in case of UPI Bidders in which the Bid Amount will be blocked by the Self Certified Syndicate Banks ("SCSBs") or pursuant to the UPI Mechanism, as the case may be. Anchor Investors were not permitted to participate in the Anchor Investor Portion through the ASBA process.

The bidding for Anchor Investors opened and closed on Monday, August 21, 2023. The Company received 15 applications from 9 Anchor Investors for 11,297,260 Equity Shares. The Anchor Investor Offer Price was finalized at ₹ 108/- per Equity Share. A total of 9,599,980 Equity Shares were allocated under the Anchor Investor Portion aggregating to ₹ 108. The Offer received 2,394,867 applications for 2,270,296,470 Equity Shares resulting in 69.86 times subscription as disclosed in the Prospectus.

The details of the applications received in the Offer from Retail Individual Bidders, Non-Institutional Bidders and QIBs are as under (before rejections):

Sl. No.	CATEGORY	NO. OF APPLICATIONS RECEIVED	NO. OF EQUITY SHARES APPLIED	NO. OF EQUITY SHARES RESERVED AS PER PROSPECTUS	NO. OF TIMES SUBSCRIBED	AMOUNT (₹)
A	Retail Individual Bidders	2,245,864	402,024,480	11,200,000	35.89	43,419,354,550.00
B	Non-Institutional Bidders -More than ₹ 2 Lakhs Upto ₹ 10 Lakhs	103,635	214,642,870	1,600,000	134.15	23,180,416,740.00
C	Non-Institutional Bidders -Above ₹ 10 Lakhs	40,594	416,063,570	3,200,000	130.01	44,934,521,970.00
D	Shareholders	4,640	7,228,520	500,000	14.45	780,579,020.00
E	Qualified Institutional Bidders (excluding Anchor Investors)	119	1,219,039,770	6,400,020	190.47	131,656,295,160.00
F	Anchor Investors	15	11,297,260	9,599,980	1.17	1,220,104,080.00
	Total	2,394,867	2,270,296,470	32,500,000	69.85	245,191,271,520.00

Final Demand

A summary of the final demand as per BSE and NSE as on the Bid/Offer Closing Date at different Bid prices is as under:

Sr. No	Bid Price (₹)	No. of Equity Shares	% to Total	Cumulative Total	Cumulative % of Total
1	102	1,610,180	0.07	1,610,180	0.07
2	103	248,040	0.01	1,858,220	0.08
3	104	262,470	0.01	2,120,690	0.09
4	105	877,240	0.04	2,997,930	0.13
5	106	1,018,290	0.04	4,016,220	0.17
6	107	1,285,180	0.06	5,301,400	0.23
7	108	1,931,933,120	82.83	1,937,234,520	83.06
8	9999	395,076,760	16.94	2,332,311,280	100.00
	TOTAL	2,332,311,280	100.00		

The Basis of Allotment was finalized in consultation with the Designated Stock Exchange, being BSE on August 29, 2023.

A. Allotment to Retail Individual Bidders (After Rejections) (including ASBA Applications)

The Basis of Allotment to the Retail Individual Bidders, who have bid at cut-off or at the Offer Price of ₹ 108/- per Equity, was finalized in consultation with BSE. This category has been subscribed to the extent of 34.54 times. The total number of Equity Shares Allotted in Retail Individual Bidders category is 11,200,000 Equity Shares to 86,153 successful applicants. The category-wise details of the Basis of Allotment are as under:

Sr. No	Category	No. of Applications Received	% of Total	Total No. of Equity Shares applied	% to Total	No. of Equity Shares Allotted per Bidder	Ratio	Total No. of Equity Shares Allotted
1	130	1,937,254	89.62	251,843,020	65.09	130	11:276	10,037,170
2	260	105,250	4.87	27,365,000	7.07	130	11:276	545,350
3	390	34,309	1.59	13,380,510	3.46	130	11:276	177,710
4	520	17,010	0.79	8,845,200	2.29	130	11:276	88,140
5	650	14,494	0.67	9,421,100	2.43	130	11:276	75,140
6	780	5,054	0.23	3,942,120	1.02	130	11:276	26,130
7	910	7,335	0.34	6,674,850	1.73	130	11:276	37,960
8	1040	4,011	0.19	4,171,440	1.08	130	11:276	20,800
9	1170	1,930	0.09	2,258,100	0.58	130	11:276	10,010
10	1300	7,076	0.33	9,198,800	2.38	130	11:276	36,660
11	1430	1,406	0.07	2,010,580	0.52	130	11:276	7,280
12	1560	1,129	0.05	1,761,240	0.46	130	11:276	5,850
13	1690	1,592	0.07	2,690,480	0.70	130	11:276	8,190
14	1820	23,835	1.10	43,379,700	11.21	130	11:276	123,500
		8944 Allottees from Serial no 2 to 14 Additional 1(One) share				1	110:8944	110
	TOTAL	2,161,685	100.00	386,942,140	100.00			11,200,000

B. Allotment to Non-Institutional Bidders (more than ₹ 2.00 lakhs and upto ₹ 10.00 lakhs) (After Rejections) (including ASBA Applications)

The Basis of Allotment to the Non-Institutional Bidders (more than ₹ 2.00 lakhs and upto ₹ 10.00 lakhs), who have bid at the Offer Price of ₹ 108/- per Equity Share or above, was finalized in consultation with BSE. This category has been subscribed to the extent of 131.17 times. The total number of Equity Shares allotted in this category is 1,600,000 Equity Shares to 820 successful applicants. The category-wise details of the Basis of Allotment are as under: (Sample)

Sr. No	Category	No. of Applications Received	% of Total	Total No. of Equity Shares applied	% to Total	No. of Equity Shares Allotted per Bidder	Ratio	Total No. of Equity Shares Allotted
1	1,950	94,834	93.49	184,926,300	88.11	1,950	3:371	1,495,650
2	2,080	1,797	1.77	3,737,760	1.78	1,968	15:1797	29,520
3	2,210	369	0.36	815,490	0.39	1,968	3:369	5,904
4	2,340	344	0.34	804,960	0.38	1,968	3:344	5,904
5	2,470	92	0.09	227,240	0.11	1,968	1:92	1,968
6	2,600	567	0.56	1,474,200	0.70	1,968	5:567	9,840
7	2,730	149	0.15	406,770	0.19	1,968	1:149	1,968
8	2,860	135	0.13	386,100	0.18	1,968	1:135	1,968
9	3,250	166	0.16	539,500	0.26	1,968	1:166	1,968
10	3,640	101	0.10	367,640	0.18	1,968	1:101	1,968
11	3,900	444	0.44	1,731,600	0.83	1,968	4:444	7,872
12	4,550	693	0.68	3,153,150	1.50	1,968	6:693	11,808
13	4,680	158	0.16	739,440	0.35	1,968	1:158	1,968
14	5,200	86	0.08	447,200	0.21	1,968	1:86	1,968
15	5,850	70	0.07	409,500	0.20	1,968	1:70	1,968
16	6,500	106	0.10	689,000	0.33	1,968	1:106	1,968
501	2,990	51	0.05	152,490	0.07	1,968	0:51	0
502	3,120	56	0.06	174,720	0.08	1,968	0:56	0
504	3,510	34	0.03	119,340	0.06	1,968	0:34	0
505	3,770	53	0.05	199,810	0.10	1,968	0:53	0
508	4,290	45	0.04	193,050	0.09	1,968	0:45	0
509	4,420	43	0.04	190,060	0.09	1,968	0:43	0
511	4,940	22	0.02	108,680	0.05	1,968	0:22	0
516	5,720	10	0.01	57,200	0.03	1,968	0:10	0
520	6,370	13</						