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THE EQUITY SHARES OF OUR COMPANY WILL GET LISTED on the main board platform of BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), and together with BSE, the "Stock Exchanges") in compliance with Chapter II of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations").



AZAD ENGINEERING LIMITED

Our Company was originally incorporated as 'Azad Engineering Private Limited' at Hyderabad, Telangana, as a private limited company under the Companies Act, 1956, pursuant to the certificate of incorporation dated September 14, 1983, issued by Registrar of Company, Telangana at Hyderabad ("RoC"). Subsequently, the name of our Company was changed to 'Azad Engineering Limited' pursuant to the conversion of our Company from a private limited company to a public limited company and a fresh certificate of incorporation dated September 5, 2023, was issued by the RoC. For details in relation to the changes in the name and registered office of our Company, see "History and Certain Corporate Matters" beginning on page 235 of the Red Herring Prospectus dated December 14, 2023 ("RHP" or "Red Herring Prospectus") filed with the RoC.
Registered and Corporate Office: 90/C, 90/D, Phase-1, I.D.A. Jeedimetla, Hyderabad 500 055, Telangana, India. Contact Person: Ful Kumar Gautam, Company Secretary and Compliance Officer, E-mail: cs@azad.in; Website: www.azad.in; Telephone: +91 40 2309 7007; Corporate Identity Number: U74210TG1983PLC004132



(Please scan this QR code to view the Red Herring Prospectus)

THE PROMOTER OF OUR COMPANY IS RAKESH CHOPDAR

INITIAL PUBLIC OFFER OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹2 EACH ("EQUITY SHARES") OF AZAD ENGINEERING LIMITED ("COMPANY") FOR CASH AT A PRICE OF ₹[●] PER EQUITY SHARE (INCLUDING A SECURITIES PREMIUM OF ₹[●] PER EQUITY SHARE) ("OFFER PRICE") AGGREGATING UP TO ₹7,400.00 MILLION (THE "OFFER") COMPRISING A FRESH ISSUE OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹2,400.00 MILLION BY OUR COMPANY ("FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹5,000.00 MILLION (THE "OFFER FOR SALE"), COMPRISING AS PER THE DETAILS PROVIDED BELOW:

DETAILS OF THE SELLING SHAREHOLDERS, OFFER FOR SALE AND WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE

NAME OF THE SELLING SHAREHOLDERS	TYPE	NUMBER OF EQUITY SHARES OF FACE VALUE OF ₹2 EACH ("EQUITY SHARES") OFFERED/ AMOUNT IN ₹	WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE (IN ₹) [†]
Rakesh Chopdar	Promoter Selling Shareholder	Up to [●] Equity Shares aggregating up to ₹2,049.65 million	0.34
Piramal Structured Credit Opportunities Fund	Investor Selling Shareholder	Up to [●] Equity Shares aggregating up to ₹2,608.51 million	321.41
DMI Finance Private Limited	Other Selling Shareholder	Up to [●] Equity Shares aggregating up to ₹341.84 million	267.03

[†]As certified by the Independent Chartered Accountant, by way of their certificate dated December 14, 2023.

Our Company is a manufacturer of the qualified product lines supplying to global original equipment manufacturers ("OEMs") in the energy, aerospace and defence, and oil and gas industries, manufacturing highly engineered, complex and mission and life-critical components.

The Offer is being made through the Book Building Process in accordance with 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 | Employee Reservation Portion: Up to [●] Equity Shares aggregating up to ₹ 40.00 Million

PRICE BAND: ₹499 TO ₹524 PER EQUITY SHARE OF FACE VALUE OF ₹2 EACH.

THE FLOOR PRICE IS 249.50 TIMES THE FACE VALUE AND THE CAP PRICE IS 262.00 TIMES THE FACE VALUE.

THE PRICE TO EARNINGS RATIO BASED ON DILUTED EPS FOR FINANCIAL YEAR 2023 FOR THE COMPANY AT THE HIGHER END OF THE PRICE BAND IS AS HIGH AS 292.74 TIMES AND AT THE LOWER END OF THE PRICE BAND IS 278.77 TIMES AS COMPARED TO THE AVERAGE INDUSTRY PEER GROUP P/E RATIO OF 77.43.

BIDS CAN BE MADE FOR A MINIMUM OF 28 EQUITY SHARES AND IN MULTIPLES OF 28 EQUITY SHARES THEREAFTER.

In accordance with the recommendation of Independent Directors of our Company, pursuant to their resolution dated December 14, 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") of primary and secondary transaction(s), as applicable, disclosed in 'Basis for Offer Price' section on pages 101 to 109 of the RHP.

In making an investment decision, potential investors must only rely on the information included in the RHP and the terms of the Offer, including the risks involved and not rely on any other external sources of information about the Offer available in any manner.

RISKS TO INVESTORS

- Negative Cash Flows:** We have had negative cash flows in the past and our net cash used in operating activities for the six months ended September 30, 2023 and Fiscal 2023 i.e. ₹(85.85) million and ₹(102.09) million, respectively.
- Customer Concentration Risk:** We are dependent on certain of our key customers. The total revenue from top five customers as percent of revenue from operations for the six months period ended September 30, 2023, and Fiscals 2023, 2022 and 2021 is 60.84%, 63.11%, 54.82% and 59.90%, respectively.
- Sector Concentration Risk:** Our orders are concentrated from purchase orders from the Energy sector. Our revenue from operations from purchase orders from the Energy sector as a % of the revenue from operations of the Company is 88.75%, 87.03%, 84.88% and 90.08%, respectively.
- Supplier Concentration Risk:** We are dependent on third party suppliers, including overseas suppliers. The total expenses of raw material procured from the top 5 suppliers as percent of total expenses for the six months period ended September 30, 2023, and Fiscals 2023, 2022 and 2021 is 83.21%, 66.81%, 61.39% and 63.23%, respectively.
- Import of Raw Material Risk:** We currently import some of our raw materials, plant, machinery and components from various countries including Taiwan, Italy, Germany, United States of America and Austria. Taiwan accounted for 64.98%, 32.29%, 30.61% and 53.19% of the total cost of raw materials sourced by our Company in the six months period ended September 30, 2023 and in Fiscal 2023, 2022 and 2021, respectively. Supply chain disruptions, changes in government policies and trade agreements, and increasing rates of inflation and foreign exchange fluctuations, would affect our results of operations, financial condition, cash flows and future prospects.
- Foreign Exchange Risk:** Our revenue from operations from outside India, constituted 89.69%, 80.38%, 78.07% and 82.08% of our revenue from operations in six months ended September 30, 2023 and Fiscals 2023, 2022 and 2021, respectively. Depreciation of the Indian Rupee against foreign currencies may adversely affect our results of operations.
- Concentration of Manufacturing Facilities Risk:** We derive the entire portion of our revenue from operations from our four manufacturing facilities located at Hyderabad, Telangana. Any disruptions, breakdown or shutdown of our Hyderabad facilities, could adversely affect our business, results of operations, financial condition, cash flows and future prospects.
- Trade Receivables Risk:** We are exposed to the risk of the uncertainty regarding the receipt of the outstanding amounts. For six months period ended September 30, 2023 and the Financial Years ended March 31, 2023, 2022 and 2021, our trade receivables, were ₹1,333.57 million, ₹1,186.63 million, ₹746.31 million and ₹525.75 million, respectively.
- Contract Risk:** The contracts/ purchase orders may not be indicative of our future growth rate or new business orders we will receive in the future. Cancellation of existing purchase orders and right shifting (the postponement of current purchase orders to subsequent quarters) of future orders could adversely affect our business, results of operations, financial condition, cash flows and future prospects.
- Non-ownership of Property Risk:** Some of our manufacturing facilities and offices including our Registered and Corporate Office are located on land parcels that are not owned by us and are held by us on a leasehold basis. In the event that we lose such rights or are required to renegotiate arrangements for such rights, our business and financial results could be materially and adversely affected.
- Capacity Expansion Risk:** Our inability to successfully implement any future capacity expansion plans and an inability to effectively utilize our expanded manufacturing capacities or any under-utilization of our manufacturing capacities could have an adverse effect on our business.
- The Offer Price, Offer Price to Total Income multiple and price to earnings ratio based on the Offer Price of our Company may not be indicative of the market price of the Company on listing or thereafter.

Particulars	Ratio vis-à-vis Floor Price (i.e. ₹499)	Ratio vis-à-vis Cap Price (i.e. ₹524)
	(In multiples, unless otherwise specified)	
Offer Price to Total Income [#]	10.41	10.93
Price to Earnings Ratio ^{**}	278.77	292.74
Price to Earnings Ratio of Nifty 50 index as on December 12, 2023	22.34	

[#]Total income is provided for Fiscal 2023.

^{**} P/E Ratio has been computed based on the floor price or cap price, as applicable, divided by the diluted EPS for the Fiscal 2023.

Continued on next page...

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- The average cost of acquisition of Equity Shares held by the Selling Shareholders ranges from ₹0.34 to ₹321.41 per Equity Share, and the Offer Price at upper end of the Price Band is ₹524.
- Weighted Average Return on Net Worth for Fiscals 2023, 2022 & 2021 is 12.68%.
- Our Company will not receive any proceeds from the Offer for Sale.
- The Weighted Average Cost of acquisition of all Equity Shares transacted in last three years and one year preceding the date of the RHP:

Type of Transactions	Weighted average cost of acquisition (in ₹)	Cap Price is 'X' times the Weighted Average Cost of Acquisition	Range of acquisition price: Lowest Price - Highest Price (in ₹)
Last 1 year	254.47	2.06 times	NIL to ₹321.41
Last 3 years	254.47	2.06 times	NIL to ₹321.41

Note: As certified by the Independent Chartered Accountant, by way of their certificate dated December 14, 2023.

- Weighted average cost of acquisition, floor price and cap price

Type of Transactions	Weighted average cost of acquisition (₹ per share)	Floor Price (i.e. ₹ 499)	Cap Price (i.e. ₹ 524)
Weighted average cost of acquisition of Primary Issuances during 18 months prior to RHP	257.53	1.94 times	2.03 times
Weighted average cost of acquisition of Secondary Transactions during the last three years	188.84	2.64 times	2.77 times

Note: As certified by the Independent Chartered Accountant, by way of their certificate dated December 14, 2023.

* Since there were no secondary transactions involving our Promoters, members of the Promoter Group, Selling Shareholders or shareholders with right to nominate directors on our Board, excluding gifts, equal to or more than 5% of the fully diluted paid-up share capital of our Company (calculated based on the pre-Offer capital before such transaction(s) and excluding employee stock options granted but not vested), in the last 18 months preceding the date of the Red Herring Prospectus, in a single transaction or multiple transactions combined together over a span of rolling 30 days, the information has been disclosed for price per share of our Company based on the last five transactions secondary transactions (where promoter/promoter group entities or Selling Shareholders or shareholder(s) having the right to nominate director(s) on the Board), are a party to the transaction, not older than three years prior to the date of the RHP irrespective of the size of the transaction

- Average cost of acquisition of Equity Shares held by the Promoters and Selling Shareholders ranges from ₹0.34 to ₹321.41 per Equity Share and Offer Price at upper end of the Price Band is ₹524 per Equity Share.

- The four BRLMs associated with the Offer have handled 80 public issues in the past three years, out of which 24 issues closed below the offer price on listing date.

Name of the BRLMs	Total public issues	Issues closed below IPO price on listing date
Axis Capital Limited*	22	5
ICICI Securities Limited*	24	5
SBI Capital Markets Limited*	6	3
Anand Rathi Advisors Limited*	3	-
Common Issues of above BRLMs	25	11
Total	80	24

*Issues handled where there were no common BRLMs.

BID/OFFER PERIOD

ANCHOR INVESTOR BIDDING DATE : TUESDAY, DECEMBER 19, 2023*

BID/OFFER OPENS ON : WEDNESDAY, DECEMBER 20, 2023

BID/OFFER CLOSURES ON : FRIDAY, DECEMBER 22, 2023#

* Our Company may, in consultation with the Book Running Lead Managers, consider participation by Anchor Investors in accordance with the SEBI/ICDR Regulations. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date.

The UPI Mandate end time and date shall be at 5:00 p.m. on Bid/Offer Closing Date.

BASIS FOR OFFER PRICE

The Price Band and Offer Price and discount (if any) will be determined by our Company, in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹2 each and the Offer Price is 249.50 times the face value at the lower end of the Price Band and 262.00 times the face value at the higher end of the Price Band. Investors should read "Risk Factors", "Our Business", "Restated Financial Information", "Other Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 28, 198, 266, 330 and 337, of the RHP, respectively, to have an informed view before making an investment decision.

Qualitative Factors: We believe that some of the qualitative factors which form the basis for computing the Offer Price are as follows: • Engineered for success and a preferred name in the manufacturing of highly engineered, complex, and mission and life-critical high precision components for global OEMs growing competition from China and Eastern Europe; • Supplying to OEMs with high global market penetration; • Long-standing and deep customer relationships; • Advanced manufacturing facilities with a diverse range of products and solutions with focus on innovation and cost competitiveness; and • Consistent track record of financial performance. For further details, see "Our Business – Strengths" on page 207 of the RHP.

Quantitative Factors: Certain information presented below, relating to our Company, is derived from the Restated Financial Information. For further details, see "Restated Financial Information" beginning on page 266 of the RHP.

Pursuant to a resolution passed by our Board on September 11, 2023 and a resolution passed by the Shareholders on September 12, 2023, each equity share of face value of ₹10 each has been split into 5 Equity Shares of face value of ₹2 each. Accordingly, the issued, subscribed and paid up capital of our Company was sub-divided from 1,651,826 equity shares of face value of ₹10 each to 8,259,130 Equity Shares of face value of ₹2 each.

Sub-division of equity shares are retrospectively considered for the computation of EPS (as defined hereinafter) in accordance with Ind AS 33 for all periods presented and for the computation of Net Asset Value per Equity Share for all periods presented. Our Board of Directors pursuant to a resolution dated September 11, 2023 and Shareholders pursuant to a special resolution dated September 12, 2023, have approved the issuance of 41,295,650 bonus Equity Shares in the ratio of five Equity Shares for every one existing fully paid up Equity Share.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

1. Basic and Diluted Earnings Per Equity Share ("EPS"), as adjusted for changes in capital:

As derived from the Restated Financial Information:

Financial/Period ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
Financial Year 2023	1.79	1.79	3
Financial Year 2022	6.49	6.49	2
Financial Year 2021	2.53	2.53	1
Weighted Average	3.48	3.48	
Six months period ended September 30, 2023*	5.43	5.43	

*Not annualized.

3. Industry P/E ratio

Particulars	P/E Ratio
Highest	88.73
Lowest	67.85
Industry Composite	77.43

5. Net Asset Value per Equity Share of face value of ₹ 2 each

Net Asset Value per Equity Share	(₹)
As on March 31, 2023	42.30
As on September 30, 2023	45.74
After the Offer	At Floor Price: 105.60
	At Cap Price: 106.01
Offer Price	106.01

6. Comparison of accounting ratios with listed industry peers

Name of Company	Face value Per equity share (₹)	Total income, for Fiscal 2023 (in ₹ million)	EPS (₹) for Fiscal 2023		P/E as on December 12, 2023	Return on Net Worth (%) for Fiscal 2023	Net Asset Value per Equity Share (₹) for Fiscal 2023
			Basic	Diluted			
Azad Engineering Limited	2	2,615.21	1.79	1.79	N.A.	4.23	42.30
Peer Group							
MTAR Technologies Limited	10	5,932.28	33.62	33.62	67.85	16.72	201.13
Paras Defence and Space Technologies Limited	10	2,306.50	9.25	9.25	77.50	8.69	10.60
Dynamatic Technologies Limited	10	13,255.30	67.32	67.32	88.73	7.93	79.47
Triveni Turbine Limited	1	12,901.73	5.97	5.97	75.64	25.47	23.83

7. Key Performance Indicators ("KPIs")

The tables below set forth the details of our certain financial data based on our KPIs that our Company considers have a bearing for arriving at the basis for Offer Price. All the financial data based on our Restated Financial Information, certain non-GAAP measures and KPIs disclosed below have been approved and confirmed by a resolution of our Audit Committee dated September 29, 2023 and December 14, 2023. Further, the Audit Committee has noted that no KPIs have been disclosed to any new investors in the last three years preceding the date of the Red Herring Prospectus. The KPIs that have been consistently used by the management to analyse, track and monitor the operational and financial performance of the Company and were presented in the past meetings of the Board and Audit Committee or shared with the shareholders and potential investors during the three years preceding the date of the Red Herring Prospectus, which have been consequently identified as relevant and material KPIs and are disclosed in the "Basis for Offer Price" section, of the RHP, have been identified and verified by the management of our Company in consultation with the Independent Chartered Accountant in accordance with SEBI/ICDR Regulations.

The list of KPIs and as certified by the Independent Chartered Accountant by way of their certificate dated December 14, 2023, is set out below for the indicated period: (in ₹ million, unless otherwise stated)

	Six months ended September 30, 2023	As at / for the Fiscal ended March 31,		
		2023	2022	2021
Revenue from operations	1,587.47	2,516.75	1,944.67	1,227.21
Revenue from operations growth ⁽ⁱ⁾ (%)	- **	29.42	58.46	-*
Revenue from customers outside India	1,423.79	2,023.08	1,518.17	1,007.33
Gross Profit ⁽ⁱⁱ⁾	1,388.48	2,215.24	1,737.05	1,089.12
Gross Margin ⁽ⁱⁱ⁾ (%)	87.47	88.02	89.32	88.75
EBITDA ⁽ⁱⁱⁱ⁾	525.29	722.78	622.68	281.54
EBITDA Growth ⁽ⁱⁱⁱ⁾ (%)	-**	16.08	121.17	-*
EBITDA Margin ⁽ⁱⁱⁱ⁾ (%)	33.09	28.72	32.02	22.94
Profit after tax for the period/year	268.89	84.73	294.57	115.00
Profit Margin ⁽ⁱⁱⁱ⁾ (%)	16.94	3.37	15.15	9.37
Return on Capital Employed ⁽ⁱⁱⁱ⁾ (%)	9.63***	12.99	16.95	12.09

* Not included as the comparative period figures under Ind AS for FY 2020 / as on March 31, 2020 are not available

** This figure has not been disclosed as it has not been annualised.

*** Not annualised

For reconciliation of certain non-GAAP measures, see "Other Financial Information – Reconciliation of Non-GAAP Measures" on page 330 of the RHP.

For details of other performance indicators disclosed elsewhere in the Red Herring Prospectus, see "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 198 and 337, of the RHP, respectively.

Subject to applicable law, the Company confirms that it shall continue to disclose all the above KPIs included in the "Basis for Offer Price" section, of the RHP on a periodic basis, at least once in a year (or for any lesser period as determined by the Board of our Company), for a duration that is at least the later of (i) one year after the date of listing of the Equity Shares on the Stock Exchanges; or (ii) till the utilization of the Net Proceeds as disclosed under "Objects of the Offer" section on page 92 of the RHP.

8. Description on the historic use of the KPIs by our Company to analyse, track or monitor the operational and/or financial performance of our Company

In evaluating our business, we consider and use certain financial data based on the KPIs, as presented above, as a supplemental measure to review and assess our financial and operating performance. The presentation of these KPIs is not intended to be considered in isolation or as a substitute for the restated summary statement. Some of these KPIs are not defined under Ind AS and are not presented in accordance with Ind AS. These certain financial data based on KPIs have limitations as analytical tools. Further, these certain financial data based on KPIs may differ from the similar information used by other companies and hence their comparability may be limited. Therefore, these metrics should not be considered in isolation or construed as an alternative to Ind AS measures of performance or as an indicator of our operating performance, liquidity, profitability or results of operation. Although these KPIs are not a measure of performance calculated in accordance with applicable accounting standards, our Company's management believes that it provides an additional tool for investors to use in evaluating our ongoing operating results, when taken collectively with financial measures prepared in accordance with Ind AS. For further details, see "Risk Factors - Certain Non-GAAP financial measures and other statistical information relating to our operations and financial performance have been included in the Red Herring Prospectus. These Non-GAAP financial measures are not measures of operating performance or liquidity defined by Ind AS and may not be comparable with those presented by other companies." on page 54 of the RHP.

Explanations for the KPIs

KPIs	Explanation
Revenue from operations	Revenue from Operations is used by our management to track the revenue profile of the business and in turn helps assess the overall financial performance of our Company and size of our business.
Revenue from operations growth	Revenue from Operations growth provides information regarding the growth of our business for the respective period.
Revenue from customers outside India	Revenue from Customers outside India is used by our management to track the revenue profile from the exports undertaken by the Company and in turn helps assess the overall financial performance undertaken through exports by our Company.
Gross Profit	Gross Profit assesses the Company's operational efficiency at using its labour and costs in producing goods or services.
Gross Margin	Gross Margin is an indicator of the operational efficiency and financial performance of the business.
EBITDA	EBITDA provides information regarding the operational efficiency of the business.
EBITDA Growth	EBITDA growth provides information regarding the growth of our operational performance for the respective period.
EBITDA Margin	EBITDA Margin is an indicator of the operational profitability and financial performance of our business.
Profit after tax for the period/year	Profit after tax for the period/year provides information regarding the growth of our operational performance for the respective period.
Profit Margin	Profit Margin is an indicator of the overall profitability and financial performance of our business.
Return on Capital Employed	Return on capital employed provides how efficiently our Company generates earnings from the capital employed in the business.

9. Comparison with Listed Industry Peers

While our peers listed in India (mentioned below), like us, operate in the same industry and may have similar offerings or end use applications, our business may be different in terms of differing business models, different product verticals serviced or focus areas or different geographical presence or serving certain segments or sub-segments of our customer base. We believe that we have no peers that operate in the full spectrum of our customer base, geographical market, product range and price points. Our Company is a manufacturer of high precision components in energy, aerospace and defence, and oil and gas industries and does not have any listed industry peers in India which operates in the similar business segments. In the energy industry, we have considered Triveni Turbines Limited as listed peer, which is in manufacturing of steam turbines and components for steam turbines. In the aerospace and defence industry, we have considered Dynamatic Technologies Limited, MTAR Technologies Limited and Paras Defence and Space Technologies Limited as listed peers, which are into the manufacturing of certain components used in the aerospace and defence industry. For a detailed explanation of these factors, please see "Industry Overview" on page 115 of the RHP. Provided below is the comparison with the peers listed in India which have similar exposure to certain segments or use the similar nature of manufacturing process for their products.

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