



THIS IS ONLY AN ADVERTISEMENT FOR INFORMATION PURPOSES AND NOT A PROSPECTUS ANNOUNCEMENT. THIS DOES NOT CONSTITUTE INVITATION OR OFFER TO ACQUIRE, PURCHASE OR SUBSCRIBE FOR SECURITIES. NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, DIRECTLY OR INDIRECTLY OUTSIDE INDIA.

APOLLO MICRO SYSTEMS LIMITED

Corporate Identification Number: U72200TG1997PLC026556

Our Company was incorporated as "Apollo Micro Systems Private Limited" on March 3, 1997 in Hyderabad as a private limited company, under the Companies Act, 1956 and was granted a certificate of incorporation issued by the Registrar of Companies, Andhra Pradesh at Hyderabad. Our Company became a public limited company with effect from April 1, 2017 and a fresh certificate of incorporation consequent upon conversion was issued by Registrar of Companies, Andhra Pradesh and Telangana at Hyderabad. For details in connection with the change in the registered office of our Company, refer to the chapter "History and Certain Corporate Matters" on page 140 of the Red Herring Prospectus.

Registered Office: Plot No 128/A, Road No. 12, BEL Road, IDA Mallapur, Uppal Mandal, Hyderabad – 500 076, Telangana, India.
Tel No.: +91 40 2716 7000 – 99 | Fax No.: +91 40 2715 0820 | Email: cs@apollo-micro.com | Website: www.apollo-micro.com | Contact Person: Vitta Chaitanya Siva Shankar, Company Secretary and Compliance Officer

OUR PROMOTER: KARUNAKAR REDDY BADDAM

PUBLIC ISSUE OF [•] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF APOLLO MICRO SYSTEMS LIMITED (OUR "COMPANY" OR "ISSUER") FOR CASH AT A PRICE OF ₹ [•]* PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF ₹ [•] PER EQUITY SHARE, AGGREGATING UP TO ₹ 15,600.00 LACS (THE "ISSUE"). THE ISSUE AND THE NET ISSUE SHALL CONSTITUTE [•]% AND [•]%, RESPECTIVELY OF THE FULLY DILUTED POST-ISSUE PAID UP EQUITY SHARE CAPITAL OF OUR COMPANY. THE FACE VALUE OF THE EQUITY SHARES IS ₹ 10 EACH. THE ISSUE WILL COMPRISE THE NET ISSUE OF UP TO [•] EQUITY SHARES AND THE EMPLOYEE RESERVATION PORTION OF UP TO 20,000 EQUITY SHARES.

* A discount of ₹ 12 on the Issue Price may be offered to Retail Individual Investors ("Retail Discount") and to Eligible Employees Bidding in the Employee Reservation Portion (if any) ("Employee Discount")

Price Band: ₹ 270 to ₹ 275 per Equity Share of Face Value ₹ 10 each.

The Floor Price is 27.00 times of the Face Value and the Cap Price is 27.50 times of the Face Value.

Bids can be made for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter.

Risks to Investors:

- The Book Running Lead Manager associated with the Issue has handled 19 public issues in the past three years, out of which 1 issue closed below the issue price on listing date.
- Average cost of acquisition per Equity Share by our Promoter is ₹ 8.64 and the Issue Price at the upper end of the Price Band is ₹ 275.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM, on the basis of the assessment of market demand for the offered Equity Shares by the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹ 10 each and the Issue Price is 27.00 times of the face value at the lower end of the Price Band and 27.50 times the face value at the higher end of the Price Band.

Investors should also refer to the chapters titled "Our Business", "Risk Factors" and "Financial Statements" on pages 118, 18 and 168, respectively, of the Red Herring Prospectus to have an informed view before making an investment decision.

QUALITATIVE FACTORS

We believe that the following strengths help differentiate us from our competitors and enable us to compete successfully in our industry:

- Strong track record in developing new technological systems and order execution
- Experienced team of R&D professionals and strong relationship with customers
- ISO 9001-2015 Certified Company
- CEMILAC Certified for Design of Avionic Systems

For more details on qualitative factors, refer to chapter "Our Business" on page 118 of the Red Herring Prospectus.

QUANTITATIVE FACTORS

The information presented in this section for the six month period ended September 30, 2017, Fiscal ended March 31, 2017, March 31, 2016, and March 31, 2015 is derived from our Restated Financial Statements prepared in accordance with Indian GAAP. Investors should evaluate our Company taking into consideration its earnings and based on its growth strategy. Some of the quantitative factors which may form the basis for computing the price are as follows:

1) Earnings Per Share (EPS)

| Year ended March 31, | Basic & Diluted | |
|-------------------------|-----------------|---------|
| | EPS (in ₹) | Weights |
| 2017 | 13.54 | 3 |
| 2016 | 7.29 | 2 |
| 2015 | 5.43 | 1 |
| Weighted Average | 10.10 | |

The Basic and Diluted EPS for the six month period ended September 30, 2017 (not annualised) is ₹ 5.12 and ₹ 4.89 respectively.

Notes:

- Basic EPS has been calculated as per the following formula: Basic EPS (₹) = (Net profit/ (loss) as restated, attributable to Equity Shareholders/ (Weighted average number of Equity Shares outstanding during the year/period).
- Diluted EPS (₹) = (Net profit/ (loss) as restated, attributable to Equity Shareholders)/(Diluted Weighted average number of Equity Shares outstanding during the year/period)
- Earnings per share calculations are in accordance with Accounting Standard 20 "Earnings per Share" prescribed by the Companies (Accounting Standard) Rules, 2006.

2) Price Earnings Ratio (P/E) in relation to the price band of ₹ 270 to ₹ 275 per share of ₹ 10 each

| Particulars | P/E ratio at the Lower end of the price band | P/E ratio at the Upper end of the price band |
|---|--|--|
| P/E ratio based on basic and diluted EPS for the year ended March 31, 2017 | 19.94 | 20.31 |
| P/E ratio based on weighted average basic and diluted EPS for the year ended March 31, 2017 | 26.73 | 27.23 |

3) Return on Networth (RoNW)

| Year ended March 31, | RoNW (%) | Weight |
|-------------------------|---------------|--------|
| 2017 | 29.30% | 3 |
| 2016 | 22.32% | 2 |
| 2015 | 21.40% | 1 |
| Weighted Average | 25.65% | |

The Return on Networth for the six month period ended September 30, 2017 (not annualised) is 9.33%.

Note: Return on Net worth has been calculated as per the following formula: RoNW = (Net profit / loss after tax, as restated)/(Net worth excluding preference share capital and revaluation reserve)

4) Minimum Return on Net Worth after Issue needed to maintain Pre-Issue EPS for the year ended March 31, 2017

| Particulars | Minimum RoNW (%) at the Lower end of the price band | Minimum RoNW (%) at the Upper end of the price band |
|---|---|---|
| To maintain Pre-Issue basis & diluted EPS for the year ended March 31, 2017 | 11.20 | 11.15 |

5) Net Asset Value (NAV)

| Particulars | NAV (in ₹) |
|--------------------------------|------------|
| NAV as at September 30, 2017 | 54.46* |
| NAV after Issue | |
| At Lower end of the price band | 120.85 |
| At Upper end of the price band | 121.48 |

On November 24, 2017, our Company had allotted 10,00,000 Equity Shares of ₹ 10 each upon conversion of 10,00,000 CCDs at the rate of ₹ 200 each. Hence the Pre-Issue NAV as on September 30, 2017 should be read as ₹ 64.17 per share after adjusting for this post Balance Sheet date. Note: Net Asset Value has been calculated as per the following formula: NAV = (Net worth excluding preference share capital and revaluation reserve)/(Outstanding number of Equity shares at the end of the year)

6) Comparison with Industry Peers

We believe following is our peer group which has been determined on the basis of listed public companies comparable in the similar line of segments in which our Company operates i.e. Defence, whose business segment in part or full may be comparable with that of our business, however, the same may not be exactly comparable in size or business portfolio on a whole with that of our business.

| Name of the Company | Revenue from operations (₹ in crores) | Face Value (₹) | Basic EPS (₹) | P/E Ratio ⁽³⁾ | RoNW ⁽⁴⁾ (%) | NAV Per Share ⁽⁵⁾ (₹) |
|----------------------------------|---------------------------------------|----------------|---------------|--------------------------|-------------------------|----------------------------------|
| Peer Group⁽¹⁾ | | | | | | |
| Bharat Electronics Ltd | 9,140.44 | 1.00 | 6.64 | 28.04 | 20.61% | 33.62 |
| Astra Microwave Products Ltd | 425.08 | 2.00 | 6.53 | 17.99 | 12.45% | 52.44 |
| Centum Electronics Ltd | 387.25 | 10.00 | 24.24 | 27.55 | 16.30% | 148.32 |
| | | | | | | |
| | | | | | | |
| The Company⁽²⁾ | | | | | | |
| Apollo Micro Systems Limited | 211.26 | 10.00 | 13.54 | [•] | 29.30% | 46.22 |

- Source: Based on audited financials as on and for the year ended March 31, 2017 filed with stock exchanges
- Based on Restated Financial Statements as on and for the year ended March 31, 2017
- P/E figures for the peer is computed based on closing market price as on November 30, 2017, of relevant peer companies as available at BSE (available at www.bseindia.com) divided by Basic EPS for FY 17 reported in the filings made with stock exchanges.
- Return on net worth (%) = Net profit after tax * 100 / Net worth at the end of the year
- Net Asset value per share = Net worth at the end of the year / No. of shares outstanding at the end of year

7) The Issue Price of ₹ [•] times of the face value of the Equity Shares

The Issue Price of ₹ [•] has been determined by our Company in consultation with the Book Running Lead Manager on the basis of the assessment of market demand from investors for the Equity Shares determined through the Book Building Process and is justified based on the above qualitative and quantitative parameters. Investor should read the above mentioned information along with the section titled "Risk Factors" on page 18 of the Red Herring Prospectus and the financials of our Company including important profitability and return ratios, as set out in the section titled "Financial Statements" on page 168 of the Red Herring Prospectus. The trading price of the Equity Shares could decline due to the factors mentioned in section titled "Risk Factors" on page 18 of this Red Herring Prospectus and an investor may lose all or part of his investment.

For further details, please see the section entitled "Basis for Issue Price" beginning on page 93 of the Red Herring Prospectus

BID / ISSUE

OPENS ON: WEDNESDAY, JANUARY 10, 2018*

CLOSES ON: FRIDAY, JANUARY 12, 2018

| | | | |
|---------------|--|---|---|
| ASBA * | Simple, Safe, Smart way of Application- Make use of it !!! | * Application Supported by Blocked Amount (ASBA) is a better way of applying to issues by simply blocking the fund in the bank account, investors can avail the same. For details, check section on ASBA below. | Mandatory in Public Issues from January 01, 2016 No cheques will be accepted. |
|---------------|--|---|---|

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

In case of revision in the Price Band, the Bid / Issue Period will be extended by at least three additional Working Days after such revision of the Price Band, subject to the Bid / Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid / Issue Period, if applicable, will be widely disseminated by notification to BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager ("BRLM"), and at the terminals of the members of the Syndicate.

Pursuant to Rule 19(2) (b)(i) of the Securities Contracts (Regulation) Rules, 1957, as amended (the "SCRR"), this Issue is being made for at least 25% of the post-Issue paid-up Equity Share capital of our Company. The Issue is being made in accordance with Regulation 26(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "SEBI ICDR Regulations"), through the Book Building Process wherein 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), provided that our Company in consultation with the BRLM may allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis, out of which one-third shall be reserved for domestic Mutual Funds only, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price, in accordance with the SEBI ICDR Regulations. 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Issue Price. Further, up to 20,000 Equity Shares may be offered for allocation and allotment on a proportionate basis to the Eligible Employees Bidding in the Employee Reservation Portion, conditional upon valid Bids being received from them at or above the Issue Price. All potential investors, other than Anchor Investors, are required to mandatorily utilise the Application Supported by Blocked Amount ("ASBA") process by providing details of their respective bank account which will be blocked by the Self Certified Syndicate Banks ("SCSBs") to participate in the Issue. Anchor Investors are not permitted to participate in the Anchor Investor Portion through the ASBA process. Specific attention of investors is invited to the chapter titled "Issue Procedure" on page 272 of the Red Herring Prospectus.

Bidders / Applicants should note that on the basis of PAN, DP ID and Client ID as provided in the Bid cum Application Form, the Bidder may be deemed to have authorized the Depositories to provide to the Registrar to the Issue, any requested Demographic Details of the Bidder as available on the records of the depositories. These Demographic Details may be used, among other things, for or unblocking of ASBA Account or for other correspondence(s) related to an Issue. Bidders / Applicants are advised to update any changes to their Demographic Details as available in the records of the Depository Participant to ensure accuracy of records. Any delay resulting from failure to update the Demographic Details would be the Bidders' sole risk. Bidders should ensure that PAN, DP ID and the Client ID are correctly filled in the Bid cum Application Form. The PAN, DP ID and Client ID provided in the Bid cum Application Form should match with the PAN, DP ID and Client ID available in the Depository database, otherwise, the Bid cum Application Form is liable to be rejected.

CONTENTS OF THE MEMORANDUM OF ASSOCIATION OF THE COMPANY AS REGARDS ITS OBJECTS: For information on the main objects and other objects of our Company, see "History and Certain Corporate Matters" on page 140 of the Red Herring Prospectus and Clause III of the Memorandum of Association of our Company. The Memorandum of Association of our Company is a material document for inspection in relation to the Issue. For further details, see the section "Material Contracts and Documents for Inspection" on page 340 of the Red Herring Prospectus.

LIABILITY OF MEMBERS OF THE COMPANY: Limited by shares.

AMOUNT OF SHARE CAPITAL OF THE COMPANY AND CAPITAL STRUCTURE: The authorised share capital of the Company is ₹ 27,00,00,000 divided into 2,70,00,000 Equity Shares of ₹ 10 each. The issued, subscribed and paid-up share capital of the Company before the Issue is ₹ 15,00,00,000 divided into 1,50,00,000 Equity Shares of ₹ 10 each. For details of the Capital Structure, see "Capital Structure" on the page 75 of the Red Herring Prospectus.

NAMES OF THE SIGNATORIES TO THE MEMORANDUM OF ASSOCIATION OF THE COMPANY AND THE NUMBER OF EQUITY SHARES SUBSCRIBED BY THEM: Given below are the names of the signatories of the Memorandum of Association of the Company and the number of Equity Shares subscribed for by them at the time of signing of the Memorandum of Association of our Company: Baddam Karunakar Reddy – 10 and L.L.M. Swamy – 10, aggregating to 20 Equity Shares of ₹ 10 each. For details of the main objects of the Company as contained in the Memorandum of Association, see "History and Certain Corporate Matters" on page 140 of the Red Herring Prospectus. For details of the share capital and capital structure of the Company see "Capital Structure" on page 75 of the Red Herring Prospectus.

LISTING: The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the BSE and the NSE. Our Company has received 'in-principle' approval from BSE and NSE for the listing of the Equity Shares pursuant to letters both dated October 13, 2017. For the purposes of the Issue, the Designated Stock Exchange shall be BSE Limited.

DISCLAIMER CLAUSE OF SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI): SEBI only gives its observations on the offer documents and this does not constitute approval of either the Issue or the specified securities or the offer document. The investors are advised to refer to page 251 of the Red Herring Prospectus for the full text of the Disclaimer clause of SEBI.

DISCLAIMER CLAUSE OF BSE (THE DESIGNATED STOCK EXCHANGE): It is to be distinctly understood that the permission given by BSE Limited ("BSE") should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by BSE nor does it certify the correctness or completeness of any of the contents of the Red Herring Prospectus. The investors are advised to refer to page 256 of the Red Herring Prospectus for the full text of the Disclaimer clause of the BSE.

DISCLAIMER CLAUSE OF NSE: It is to be distinctly understood that the permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE nor does it certify the correctness or completeness of any of the contents of the offer document. The investors are advised to refer to page 256 of the Red Herring Prospectus for the full text of the Disclaimer clause of NSE.

GENERAL RISKS: Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and this Issue, including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page 18 of the Red Herring Prospectus.

| BOOK RUNNING LEAD MANAGER | REGISTRAR TO THE ISSUE | COMPANY SECRETARY AND COMPLIANCE OFFICER |
|---|---|--|
| <p>ARYAMAN FINANCIAL SERVICES LIMITED 60, Khatau Building, Ground Floor, Akshay Dinesh Modi Marg, Fort, Mumbai – 400 001, Maharashtra, India. Tel No.: +91 – 22 – 6216 6999 Fax No.: +91 – 22 – 2263 0434 Email: info@afsl.co.in Investor Grievance Email: feedback@afsl.co.in Website: www.afsl.co.in SEBI Registration No.: INM000011344 Contact Person: Deepak Biyani</p> | <p>BIGSHARE SERVICES PRIVATE LIMITED 1st Floor, Bharat Tin Works Building, Opposite Vasant Oasis Makwana Road, Marol, Andheri (East), Mumbai – 400 059, Maharashtra, India. Tel No.: +91 – 22 – 62638200 Fax No.: +91 – 22 – 62638299 Email: ashok@bigshareonline.com Investor Grievance Email: investor@bigshareonline.com Website: www.bigshareonline.com SEBI Registration No.: INR000001385 Contact Person: Ashok Shetty</p> | <p>VITTA CHAITANYA SIVA SHANKAR Plot No 128/A, Road No. 12, BEL Road, IDA Mallapur, Uppal Mandal, Hyderabad – 500076, Telangana, India. Tel No.: +91 40 27167000 – 99 Fax No.: +91 40 2715 0820 E-mail: cs@apollo-micro.com Website: www.apollo-micro.com</p> <p>Bidders can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems, such as non-receipt of Allotment Advice or credit of allotted Equity Shares in the respective beneficiary account or unblocking of funds, etc.</p> |

AVAILABILITY OF RED HERRING PROSPECTUS: Investors are advised to refer to the Red Herring Prospectus and in the Risk Factors contained therein before applying in the Issue. Full copy of the Red Herring Prospectus is available on the website of the SEBI at www.sebi.gov.in, website of the Company at www.apollo-micro.com, the website of the BRLM to the Issue at www.afsl.co.in and websites of BSE and NSE i.e. www.bseindia.com and www.nseindia.com, respectively.

AVAILABILITY OF BID CUM APPLICATION FORM: Bid-Cum-Application forms can be obtained from the Registered Office of the Company: Apollo Micro Systems Limited, BRLM: Aryaman Financial Services Limited and the Syndicate Members: Aryaman Financial Services Limited and SMIFS Capital Markets Limited and at the select locations of the Sub-Syndicate Members, Registered Brokers, RTAs and CDPs participating in the Issue. Bid-cum-application Forms will also be available on the websites of BSE, NSE and the designated branches of SCSBs, the list of which is available at websites of the stock exchanges and SEBI.

APPLICATION SUPPORTED BY BLOCKED AMOUNT (ASBA): Investors have to compulsorily apply through the ASBA process. ASBA has to be availed of by all investors. The investor is required to fill the Bid cum Application form and submit the same to the relevant SCSB or the Syndicate Member at the Specified Location or the Registered Brokers at Broker Center or the RTA or the CDP. The SCSB will block the amount in the account as per the authority contained in Bid cum Application form and undertake other tasks as per the specified procedure. On Allotment, amount will be unblocked and account will be debited only to the extent required to be paid for Allotment of Equity Shares. Hence, there will be no need for refunds. For more details on the ASBA process, please refer to the section, "Issue Procedure" beginning on page 272 of the Red Herring Prospectus.

BANKERS TO THE ISSUE / ESCROW COLLECTION BANK : HDFC Bank Limited

REFUND BANK: HDFC Bank Limited

All capitalised terms used herein and not specifically defined shall have the same meaning as ascribed to them in the Red Herring Prospectus.

Place: Hyderabad
Date: December 27, 2017

For APOLLO MICRO SYSTEMS LIMITED
On Behalf of the Board of Directors
Sd/-
Managing Director

APOLLO MICRO SYSTEMS LIMITED is proposing, subject to applicable statutory and regulatory requirements, receipt of requisite approvals, market conditions and other considerations, to make a Public Issue of its Equity Shares and has filed the Red Herring Prospectus with Registrar of Companies Andhra Pradesh and Telangana at Hyderabad. The Red Herring Prospectus shall be available on the website of the SEBI at www.sebi.gov.in, website of the Company at www.apollo-micro.com, the website of the BRLM to the Issue at www.afsl.co.in and websites of BSE and NSE i.e. www.bseindia.com and www.nseindia.com, respectively. Bidders should note that investment in equity shares involves a high degree of risk and for details relating to the same, see the Red Herring Prospectus, including, the section titled "Risk Factors" beginning on page 18 of the Red Herring Prospectus. This document is not an Issue of securities for sale in the United States or elsewhere. This document has been prepared for publication in India and is not for publication or distribution, directly, or indirectly, in or into the United States. The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended ("U.S. Securities Act"), or any state securities laws in the United States, and unless so registered may not be offered or sold within the United States. Accordingly, such Equity Shares are being offered and sold outside of the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. There will be no public offering of the Equity Shares in the United States.