Date: 25 November 2026

To,
The Manager,
Corporate Relations Department,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001

Scrip Code: 534733

Subject: Business Update – Strategic Purpose and Long-Term Rationale for the Proposed Merger of Aerpace Robotics Private Limited with Aerpace Industries Limited

Dear Shareholders,

In continuation of our earlier disclosures concerning the proposed Scheme of Amalgamation of Aerpace Robotics Private Limited (ARPL) with Aerpace Industries Limited (AIL), we wish to share with our shareholders the broader business reasoning behind this important step in Aerpace's long-term development.

Over the past several years, we have been working towards building Aerpace as an integrated technology, manufacturing and infrastructure ecosystem. This journey has involved creating engineering capabilities, developing unmanned aerial platforms, establishing operating infrastructure, strengthening specialised teams and preparing the organisation for manufacturing and commercial deployment. The proposed merger represents a strategic step to bring complementary activities into a more unified corporate framework.

1. Why We Are Proposing This Merger

ARPL has been focused on research, design, engineering, software integration, mechanical development, prototyping and related support capabilities for aerospace, robotics and unmanned systems. AIL, as the listed company, has been building manufacturing infrastructure, market-facing operations, commercial relationships and the broader Aerpace business platform, including its renewable-energy manufacturing activities.

These functions are closely connected. A product begins with engineering and validation, but becomes commercially meaningful only when it can be manufactured consistently, tested to required standards, supported in the field and delivered to customers. The rationale for the merger is to create closer alignment between these stages rather than manage them through separate corporate entities.

2. From Research and Development to Industrial Execution

Aerpace's approach is to develop an end-to-end capability extending from concept design and simulation to prototyping, electronics and systems integration, product testing, production planning, quality processes, supply-chain coordination and customer support. The proposed amalgamation is intended to help these activities operate with common priorities and coordinated execution.

The Company has established multidisciplinary technical and operating functions, including aerospace and mechanical engineering, product design, software development, electronics integration and production-related capabilities. A unified structure is expected to improve the coordination of people, facilities and technical resources as projects move through successive stages of maturity. It should also support a clearer framework for project accountability, product development and long-term manufacturing readiness.

3. Strengthening the aerShield Defence and Unmanned Systems Vertical

The aerShield programme forms part of Aerpace's focus on defence and security-related unmanned systems. Its development areas include surveillance, reconnaissance, tactical and other mission-specific UAV platforms,

together with their associated software, subsystems, integration and support requirements. Earlier business updates have described the Company's work on prototypes, product evaluations and engagement with industry and institutional stakeholders.

Bringing complementary technology-development and manufacturing functions together is intended to provide a stronger foundation for progressing suitable platforms through validation, industrialisation and eventual commercial supply, subject to product readiness, customer acceptance and all required permissions. The objective is not merely to develop individual drones, but to establish dependable engineering and production capabilities that can support successive product families and their lifecycle requirements.

4. Supporting Civilian Aerial Mobility and the Wider aerVerse

Our long-term vision extends beyond defence drones. The Aerpace ecosystem, referred to as the aerVerse, envisages applications spanning aerial logistics, emergency response, mobility, supporting ground infrastructure and digital operating systems. The Company has previously communicated its aspirations across aerWing, aerCare, aerDrive, aerTaxi and aerDock, alongside its broader unmanned systems portfolio.

These initiatives require a common technological foundation: aircraft and systems engineering, autonomous control, electronics, energy integration, manufacturing capability, testing infrastructure and operations management. The proposed merger is intended to strengthen that foundation and reduce fragmentation between development efforts. These civilian applications remain subject to phased development, technical validation, infrastructure readiness and applicable aviation and other regulatory approvals.

5. Software, Electronics and Systems Integration

Modern aerospace products depend as much on embedded electronics, intelligent software and communications as on mechanical structures. Aerpace's development roadmap includes mission and fleet-management capabilities, systems integration, electronic control, data handling and software-driven operations, including the AirOS platform and related technologies.

The proposed consolidation is expected to support closer working relationships among hardware, software and manufacturing teams. At the same time, ownership or licensing of any specific intellectual property will continue to be governed by the applicable contractual arrangements and legal rights; the proposed merger should not be understood as an automatic transfer of technologies owned by other group companies or third parties.

6. Manufacturing Infrastructure and a Scalable Operating Model

The Company has previously informed shareholders about the establishment and development of its Pune facility and its manufacturing and research activities. Pune remains an important base for engineering, research, prototyping and related technical functions, while Aerpace continues to evaluate and develop additional infrastructure to support industrial-scale manufacturing requirements.

The intended operating model brings together research and product development, advanced manufacturing, vendor development, final assembly, testing and technical support. By aligning these capabilities within a consolidated structure, the Company aims to improve planning, reduce avoidable operational overlap and create a clearer pathway from technology development to market deployment. Any future facilities or expansion plans will proceed in accordance with their respective approvals and execution milestones.

7. Benefits Expected from the Proposed Consolidation

The principal expected benefits are greater coordination between engineering and production; more effective utilisation of technical teams and infrastructure; clearer decision-making and project ownership; streamlined inter-company processes; improved integration of product development with customer requirements; and a more coherent presentation of the aerospace and robotics business to shareholders and other stakeholders.

Importantly, the proposed merger is also designed to place the relevant ARPL activities within the listed-company framework of AIL, enabling shareholders to assess the combined operating direction through the Company's disclosures and governance processes. These are strategic objectives of the proposal and should not be interpreted as guarantees of commercial results.

8. Previously Disclosed Share Exchange Ratio

As communicated in the Company's earlier stock-exchange disclosure, the proposed share exchange ratio under the Scheme is 102 fully paid-up equity shares of Aerpace Industries Limited for every 100 fully paid-up equity shares of Aerpace Robotics Private Limited, subject to the terms of the Scheme and its becoming effective.

The proposed amalgamation remains subject to the statutory, regulatory, shareholder, creditor and other approvals, wherever applicable. Until the Scheme becomes effective, the respective companies continue to operate in accordance with their existing legal arrangements. Shareholders should refer to the formal Scheme documents and stock-exchange filings for the complete terms and conditions.

Our Commitment to Shareholders

The purpose of this update is to explain the long-term industrial and strategic logic of the proposed merger. We believe that sustainable progress in aerospace, unmanned systems and future mobility requires much more than a portfolio of concepts: it requires capable people, validated engineering, reliable manufacturing, disciplined execution and a consistent framework for taking technologies to market.

The proposed combination of ARPL and AIL is intended to support precisely this progression. We remain committed to building a strong, technology-led and responsibly governed organisation, pursuing our roadmap in a phased manner and communicating material developments to our shareholders with transparency. We thank our shareholders for their continued confidence, support and patience as Aerpace works to convert its long-term vision into durable operating capabilities.

Thanking you,

Yours faithfully,

For Aerpace Industries Limited

ANAND MANOJ SHAH
Digitally signed by ANAND MANOJ SHAH
Date: 2026.11.25 21:23:26 +05'30'

Anand Manoj Shah
Managing Director & Chief Financial Officer
DIN: 11709310