

.Date: 18th May 2026

BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Scrip Code: 540879	National Stock Exchange of India Ltd., Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Symbol: APOLLO
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Subject: Updates – Communication to Shareholders by the Managing Director of the Company

Dear Sir/Madam,

Please find enclosed herewith a letter addressed to the shareholders of the Company from Mr. Baddam Karunakar Reddy, Managing Director of the Company. The said letter is being issued to communicate key updates and developments concerning the Company.

This update is provided for the information to our stakeholders.

We request you to kindly take the above on record.

Yours faithfully,

For Apollo Micro Systems Limited

Karunakar Reddy Baddam
Managing Director
DIN:00790139

Chief Editor: Addepalli Krishna Sai Kumar
(S W A V A L A M B A N)

Swavalamban

A Letter to Shareholders by Apollo Micro Systems Ltd

FY26 / May / 05

Date: 18th May 2026**To: All Shareholders of Apollo Micro Systems Limited****Subject: *FY 2025-26 A Breakthrough Year Powering the Road to FY 2036***

Dear Shareholders,

*When I sit down to write to you each quarter, I do not think of you merely as shareholders, I think of **You as co-travelers, as fellow believers** in a journey that began more than four decades ago with a conviction that many considered too ambitious at that time - that India must build and strengthen her own defence capabilities, and that Indian minds, in Indian factories and Indian capital are completely capable of delivering systems worthy of the world's most advanced to our Indian armed forces.*

Many of you have walked this path with us through years of uncertainty, patience and perseverance, You entrusted us not only with your savings, but also with your faith in an idea larger than any single company- the belief that true national strength is built through self- reliance.

*FY 2025-26 has been deeply significant year. For the first time, we are witnessing this long held vision unfold at meaningful scale. What was once an aspiration discussed in meeting rooms and factory floor is now taking visible shape across programs, partnerships, and capabilities that are helping define India's defence future. This letter, which we have chosen to call **Swavalamban**- because this word captures not only our business direction but also the motivation that has guided us throughout our journey. I want to share with you, openly and sincerely, what this year has truly meant for Apollo Micro Systems Limited, and what the road that lies ahead looks like.*



"WE COMMIT, WE DELIVER"

PART I REFLECTIONS

A BREAKTHROUGH YEAR

In my forty-plus years of building Apollo, I can not recall another year that carried this much transformation within just twelve months. Permit me a moment of personal reflection.

When we first listed Apollo, our ambition was modest, to be a dependable Tier-1 supplier of mission-critical electronics to India's strategic programmes. Together we did that work well, and your, continued support gave us the confidence to grow stronger with every milestone.

But the strategic landscape of India has changed. The cost of dependence is now understood clearly than ever before and with that realization has come a national commitment to build indigenous capabilities at scale. The Ministry of Defence's indigenization lists are no longer aspirations on paper they are mandates with timelines, with budgets, and with consequences for those who fail to deliver.

*In FY 2025-26, your company faced an important question, Should we continue to be a dependable supplier? Or should we become an **Original Equipment Manufacturer** a company that owns the platform, owns the intellectual property, owns the customer relationship, and accepts the destiny that comes with all three?*

We chose the harder path. The decisions of this year together represent that choice. And the results of those decisions that give me conviction as I write to you today.

“

***We chose the harder path
to own the platform,
the IP, and the destiny
that comes with both.***

B. Karunakar Reddy

”

FY26 HIGHLIGHTS

- Successful Fund Raise.
- Greenfield Expansion in Telangana.
- 100% Acquisition of IDL Explosives.
- First Export Order Received.
- Tri-Party Alliance Indian Navy, IIT-Chennai, AMS.
- MoU with GRSE.
- Industrial License for TNT & RDX (Sister Subsidiary).
- DPIIT License UAVs, INS Systems, Radar, Torpedoes, Underwater Mines, ATGMs, Decoys, Chaffs & Flares, Aerial Bombs, Rockets, Missiles, Loitering Munitions.
- ToT in DEW Laser DEW & EO Tracking.

PART II A HOMECOMING

THE ACQUISITION OF IDL EXPLOSIVES

On 16 November 2025, through our subsidiary **Apollo Defence Industries Private Limited (ADIPL)**, we completed the one-hundred-per-cent acquisition of **IDL Explosives Limited**. To outside observers, this was a transaction. To us, it was a homecoming.

IDL is one of India's heritage industrial explosives manufacturers, a company that has supplied the mining industry in every business cycles, faced ban and recovers. But what drew us to IDL was not only its commercial industrial-explosives business. We saw a rare and powerful strategic foundation for the future license under the **IDR Act, 1951** to manufacture **HMX (50 MTPA) and TNT (500 MTPA)** and further high-energy military-grade explosives reserved for the narrowest possible set of Indian companies. We saw a platform that, married to our electronics and integration competencies, could let the Apollo group serve the full spectrum of weapons and warheads that the Indian armed forces will need over the next decade.

The acquisition is **completed**. The Coal India ban that had constrained IDL's largest end-market has been formally removed, restoring access to mining customers across the country. ADIPL has supported the swift restructuring of IDL's balance sheet long-term debt has been fully repaid, and the cash position has grown roughly five-fold year-on-year and the defence manufacturing license has been formalized. Across both organizations, teams are working with remarkable alignment and purpose to ensure that the integration translates into long-term capability creation.

As I reflect on this acquisition twenty years from now and I expect we will look back on this often, I believe we will see it as the proud moment when Apollo was no longer seen only as an electronics company but began its evolution into a true defence platforms group.

And to those shareholders who may still wonder when the real benefits of this acquisition will begin to emerge, I would say this: **the foundation is already being laid today. What lies ahead is not a single moment of change, but years of compounding capability, scale, and opportunity.**

100%**₹0****~5x****550 MTPA**

OWNED BY ADIPL

LONG-TERM DEBT

CASH GROWTH YoY

HMX + TNT LICENSED

PART III A NEW FRONTIER

FROM SUBSYSTEMS TO PLATFORMS

For nearly four decades, Apollo Micro Systems has been the quiet force behind the critical defence systems. We enable missiles to fly, we made the torpedoes find their target, we made the radars see what the eyes can not. We did this for DRDO, for the public-sector undertakings, for the prime integrators and rarely did our name appears on the platform that ultimately reached the soldier.

This is now changing... Based on the strong technological base and encouragement from MoD

*Apollo Micro Systems has been awarded the **DPIIT industrial license** for the manufacture of Unmanned Aerial Vehicles and allied defence equipment. We are no longer only a Tier-2 supplier of electronics. We are becoming a full-fledged **Original Equipment Manufacturer of Unmanned Aerial Systems** and, in times to come, of Unmanned Ground Vehicles, of Counter-Drone Systems, and of the Autonomous Underwater Platforms that will define naval warfare in the decade ahead. We have also been awarded DPIIT License under Arms Act for manufacturing Missiles, Torpedoes, Mines, Ammunitions.*

This is not a marketing claim, the licenses are in already in place, the infrastructure is being built, the capital has been deployed, the teams have been on boarded, and the discussion with the customers including Indian armed forces and select friendly foreign militaries are progressing in a structures and advanced manner.

We enter this market with humility. We know that platform OEMs operate by different rules than electronics suppliers, and we have committed the time, capital and patience required to understand and master those rules. But we are now firmly entering this space, we aim not just to participate but to lead.

AIR DOMAIN	LAND DOMAIN	UNDERWATER
Unmanned Aerial Systems · Loitering Munitions · HALE platforms · Counter-Drone Systems	Vehicle-Mounted Counter-Drone Systems (VMCDS) · Unmanned Ground Vehicles for hazardous tasks	Autonomous Underwater Vehicles · Mine-counter-measure platforms · Indigenous Underwater Mines (MIGM, Moored, Limpet)

PART IV DEEPENING OUR DOMAINS

LAND SYSTEMS PENETRATION

Apollo's heritage strength has been in the air domain – missiles, electronic warfare, avionics – and the underwater domain – torpedoes, sonars, mines. Our presence in land systems has historically been limited. That is now changing in a deliberate, well-resourced way.

*FY 2026-27 will mark our serious entry into key defence domains- including **armament electronics and fire control systems** for main battle tanks, infantry combat vehicles, and artillery platforms; **Vehicle-Mounted Counter-Drone Systems**, trials for which are scheduled in the upcoming quarters; **indigenous BM-21 Grad Rocket, Sub-Systems for Pinaka, and next-generation artillery systems**; along with our continuing role as the approved production agency for the Multi-Influence Ground Mine (MIGM), India's first indigenous naval mine of this class, designated as **Vighana**, developed under DcPP with DRDO. Each of these is a foothold.*

Together, they form the foundation that we intend to steadily compound over the coming decade.

PART V THE BEDROCK

THREE TECHNOLOGY PILLARS

Defence electronics is not a single market. It is the integration of three deep technologies, each undergoing a generational shift. Apollo is investing in all three – with intent, with capital, and with patience.

RF

RADIO FREQUENCY SYSTEMS

From RF tracking and EW sensors to advanced communication suites and Multi-Channel 55 kW Laser DEW, the nerve system of every modern combat platform.

AI

ARTIFICIAL INTELLIGENCE

Embedded AI for sensor fusion, autonomous targeting, threat classification, and battlefield analytics, a multiplier on every algorithm we design.

INS

INERTIAL NAVIGATION

MEMS-based INS, Fiber Optic Gyro, and Ring Laser Gyro – the foundational technology of every guided weapon, every UAV, every submersible.

PART VI OUR TEN-YEAR VISION

VISION FY 2036

I want to be specific with you about where we are headed. Aspirational statements are easy; specifics are accountability. This is the vision your senior team is being measured against by the board, and by ourselves.

OUR VISION

To grow as a **Global Original Equipment Manufacturer** over the next ten years with recognisable revenue streams across the **Land, Air and Sea** domains; increasing our presence in Indian markets and continuing to grow in global markets; delivering **valued products built with conviction**; and strengthening our Research & Development with the **latest and most futuristic technologies**.

THE FOUR PILLARS OF OUR VISION

01 A GLOBAL OEM, MADE IN INDIA

Move from being a Tier-1 supplier of critical electronics to a recognized Global Original Equipment Manufacturer of defence platforms. Apollo's name will be on the platform, not only inside it.

02 REVENUE ACROSS LAND, AIR & SEA

Recognizable, diversified revenue streams across all three operational domains so that no single platform, no single programme, and no single customer defines the Apollo story.

03 INDIAN DEEPENING + GLOBAL GROWTH

Continue to deepen our presence in Indian defence procurement while growing meaningfully in global markets converting this year's first export order into a sustained international revenue stream.

04 CONVICTION + FUTURISTIC R&D

Valued products built with conviction backed by a research base continually strengthened with the latest and most futuristic technologies in RF, AI, Autonomy and Inertial Navigation.

PART VII TWO TAILWINDS, ONE OPPORTUNITY

ATMANIRBHARATA AND A WORLD ON ALERT

We are blessed to be operating in this decade. Two structural tailwinds make it the most consequential decade for Indian defence in a generation.

*The first is **Atmanirbharata**. The Government of India has set a target of ₹3 lakh crore in domestic defence production and ₹50,000 crore in defence exports by the year 2029. Around 75% of the Capital Acquisition budget is now reserved for domestic defence industries. Indigenization lists, Make-in-India procurement preferences, and PLI-style incentives have realigned the entire ecosystem in favour of capable Indian companies. Apollo is one of those companies.*

*The second is **global defence spending**. World military expenditure crossed USD 2.7 trillion in 2025 the highest in real terms since the end of the Cold War. NATO members, in the wake of Russia's invasion of Ukraine, have committed to defence spending of 2% or more of GDP. The Middle East and the Indo-Pacific are in sustained build-up cycles. The world is no longer a place where defence procurement is optional or cyclical it is a place where capable, trusted, cost-competitive defence suppliers will be actively sought after. India is increasingly seen as one such partner.*

Apollo Micro Systems stands at the intersection of both. We intend to ride this wave with discipline, with courage, and with conviction.

ATMANIRBHARA BHARAT

₹3 Lakh Cr

DEFENCE PRODUCTION TARGET BY 2029

₹50,000 Cr

DEFENCE EXPORT TARGET BY 2029

~75% of Capital Acquisition budget reserved for domestic defence

GLOBAL DEFENCE SPENDING

USD 2.7 Tn

WORLD MILITARY EXPENDITURE 2025

+8.8% CAGR

DEFENCE MARKET GROWTH PROJECTED TO 2029

Highest real military expenditure since the end of the Cold War

PART VIII RISK & RESPONSIBILITY

AN HONEST WORD ON THE ROAD AHEAD

It would be unworthy of the trust you have placed in us if I did not also speak openly about risk.

Defence is a long-cycle business. Programmes run for years before they yield serial production. It is Capital intensive in nature. Geopolitics shift, Customer concentration is structurally high. A growth narrative of this scope necessarily comes with execution risk and execution risk is what I and the senior team are paid to manage, every single day.

*We will make mistakes. Some bets will land. Others will need course correction. What I commit to you, on behalf of the entire team, is- we will communicate openly through both. We will not paper over setbacks. We will not over-promise the wins. The Apollo of FY 2036 will be built on the same values that brought us to FY 2026 **honest engineering, optimal capital allocation, and an absolute, non-negotiable commitment to the armed forces who will ultimately use what we make.***

WITH GRATITUDE

TO THOSE WHO HAVE STAYED THE COURSE

To the engineers, technicians, technologists, and support staff at Apollo, the company you have built over decades is now ready for its largest chapter. Thank you for staying with us. The best is ahead.

To our customers DRDO, the Indian Armed Forces, the PSUs, and the prime integrators, thank you for trusting Apollo with mission-critical responsibilities. Your confidence has been central to our growth, and we remain committed to earning that trust every single day.

To our partners in academia, IIT-Chennai and the others, thank you for the rigour and the long-horizon collaboration. Indian defence will be built on Indian science. We are proud to be part of that ecosystem.

And to you, our shareholders the foundation upon which all of this is built. The years of compounding lie ahead, and you have my personal commitment that we will steward your trust with everything we have.

WE COMMIT. WE DELIVER.

With warm regards,

Baddam Karunakar Reddy

Chairman & Managing Director

Apollo Micro Systems Limited

Hyderabad

18th May 2026

FY 26 / May / 05