

**Garuda Aerospace Limited**

**No. 24/46, Agni Business Centre, Third Floor, KB Dasan Road, Alwarpet, Chennai-600018**

**CIN No: U74900TN2015PLC102474**

**Material accounting policies to Special Purpose Ind AS Financial Statements**

**(All amounts are in INR Million, except share data and unless otherwise stated)**

**1. Corporate Information**

Garuda Aerospace Limited ('the Company') was incorporated on October 06, 2015 under the provisions of the Companies Act, 2013. The Company has its registered office at Third Floor, Agni Business Center, No. 24/46, K B Dasan Road, Alwarpet, Chennai, Tamil Nadu – 600018. The Company is engaged in the business of manufacturing, operating, and providing services of Unmanned Aerial Vehicle (UAV or drones) for aerial topography, crop monitoring, and mapping purposes.

Pursuant to the Board resolution dated November 05, 2025 and shareholders resolution dated November 21, 2025, the Company has approved its conversion from Private Limited to Public Limited Company in accordance with the applicable provisions of Companies Act, 2013, as amended and rules and regulations made thereunder. Upon conversion, the name of the Company was changed from "Garuda Aerospace Private Limited" to "Garuda Aerospace Limited" and a fresh Certificate of Incorporation dated December 05, 2025 was issued by Registrar of Companies, Chennai (ROC).

**2. Basis of preparation, measurement, and Material accounting policies:**

**2.1 Basis of Preparation & Measurement:**

**A. Basis of preparation**

The Special Purpose Ind AS Financial Statements of the Company comprises of the Special Purpose Ind AS Balance sheet as at September 30, 2025, March 31, 2025, March 31, 2024 and March 31, 2023, the Special Purpose Ind AS Statement of Profit and Loss (including Other Comprehensive Income), the Special Purpose Ind AS Statements of Cash Flows and the Special Purpose Ind AS Statements of Changes in Equity for the period ended September 30, 2025 and the years ended March 31, 2025, March 31, 2024 and March 31, 2023 and the Summary of Material Accounting Policies and other explanatory information (collectively, the "Special Purpose Ind AS Financial Statements").

The Special Purpose Ind AS Financial Statements have been prepared in accordance with the recognition and measurement principles of Indian Accounting Standards prescribed under section 133 of the Companies Act 2013 (the "Act"), read with relevant rules issued thereunder and other accounting principles generally accepted in India. The Special Purpose Ind AS Financial Statements do not include the comparative financial information and disclosures for the period ended September 30, 2025.

The Special Purpose Ind AS Financial Statements have been prepared by the Company solely for the purpose of preparation of the Restated financial information as required under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended from time to time (the "ICDR Regulations"), for the purpose of inclusion in the Pre-filed Draft Red Herring Prospectus ("PDRHP"), the Red Herring Prospectus ("RHP") and the Prospectus (collectively, The "Offer Documents") in connection with the proposed Initial Public Offer ("IPO") of the Company. As a result, The Special Purpose Ind AS Financial Statements may not be suitable for any other purpose.

In accordance with the notification dated February 16, 2015, issued by Ministry of Corporate Affairs, the Company has mandatorily adopted Indian Accounting Standards notified under section 133 of the Act read



In accordance with the notification dated February 16, 2015, issued by Ministry of Corporate Affairs, the Company has mandatorily adopted Indian Accounting Standards notified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") with effect from April 01, 2025. Accordingly, the transition date for adoption of Ind AS is April 01, 2024 for reporting under the requirements of the Act.

In pursuance to the SEBI Communication dated October 28, 2021, for the purposes of the Special Purpose Interim Ind AS Financial Statements for the six months period ended September 30, 2025 and the Special Purpose Ind AS Financial Statements for the years ended March 31, 2025, March 31, 2024 and March 31, 2023 of the Company, the transition date is considered as April 01, 2022 which is different from the transition date adopted by the Company at the time of first time transition to Ind AS (i.e. April 01, 2024) for the purpose of preparation of Statutory Ind AS Financial Statements as required under the Act. Accordingly, the Company has applied the same accounting policy and accounting policy choices (both mandatory exceptions and optional exemptions availed as per Ind AS 101, as applicable) as on April 01, 2022 for the Special Purpose Ind AS Financial Statements, as initially adopted on transition date i.e. April 01, 2024. As such, the Special Purpose Ind AS Financial Statements are prepared considering the accounting principles stated in Ind AS, as adopted by the Company and described in subsequent paragraphs.

#### **B. Basis of measurement**

The Special Purpose Ind AS Financial Statements have been prepared on a historical cost basis, except for financial instruments that are measured at fair values respectively at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The Company has established policies and procedures with respect to the measurement of fair values.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### **C. Functional currency and presentation currency**

The Special Purpose Ind AS Financial Statements are presented in 'Indian Rupees' (INR), which is the currency of the primary economic environment in which the Company operates (the functional currency).

All financial information has been rounded off to the nearest Million, except for share data and unless otherwise stated.

#### **D. Going concern**

The directors have at the time of approving the Special Purpose Ind AS Financial Statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Company has applied the going concern basis of accounting in preparing the Special Purpose Ind AS Financial Statements.



### **E. Use of estimates and judgements**

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed at each Balance Sheet date. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and future periods affected.

Key sources of estimation uncertainty, critical judgments, and assumptions, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are in respect of the following:

- (i) Classification of securities with exit rights – Certain identified investor securities were granted exit rights including the right to require the Company to buy-back such investor securities. Subsequently, the investors have waived the exit rights pertaining to the buy-back by the Company and such securities are accounted for as equity instruments - Refer Note 12 for a detailed description.
- (ii) Capitalisation of internally developed intangible assets – Refer Note B - Intangible assets in section 2.2.
- (iii) Recognition of provisions and contingences - Refer Note I – Provisions, contingent liabilities and contingent assets and Note J - Revenue recognition: Warranty in section 2.2.
- (iv) Sponsorship expenses paid to a related party – The sponsorship agreement entered with the related party reflect a lease arrangement in substance as per Ind AS 116 and hence the sponsorship expenses were concluded as lease payments. Refer Note 14.2 for a detailed explanation of the same.
- (v) Useful lives of property, plant and equipment and other intangible assets - Refer Note A – Property, Plant and equipment and Note B – Intangible assets in section 2.2.
- (vi) Impairment of financial and non-financial assets – Refer Note C – Impairment in section 2.2.
- (vii) Initial recognition and subsequent measurement of investments in unquoted equity shares - Refer to Note H – Financial instruments: Financial Assets in section 2.2.
- (viii) Recognition of deferred tax assets and liabilities - Refer note M – Income taxes in section 2.2.

### **F. Current and non-current classification:**

The Company presents assets and liabilities in the Balance Sheet based on the requirement under Schedule III of the Companies Act, 2013 to be classified as current or non-current.

An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period.



- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

## **2.2 Material accounting policies:**

### **A. Property, plant and equipment**

Property, Plant and Equipment (PPE) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Capital Work in Progress (CWIP) are stated at cost less accumulated impairment losses, if any. Cost includes related taxes, duties, freight, insurance, etc. attributable to the acquisition and installation of the Property, Plant and Equipment and borrowing cost if capitalization criteria are met but excludes duties and taxes that are recoverable from tax authorities.

Subsequent expenditure relating to Property, Plant and Equipment is capitalized only if it is probable that future economic benefits associated with the item will flow and the cost of the item can be measured reliably.

When significant parts of plant and equipment are required to be replaced at intervals, it is depreciated separately based on their specific useful life. The Company identifies and determines cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset and has useful life that is materially different from that of the remaining asset.

An item of property, plant and equipment and any significant part initially recognized is de-recognized upon disposal or when no future economic benefits are expected from its or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is de-recognized. The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### **Depreciation**

Depreciation is computed with reference to cost of items of property, plant and equipment less their estimated residual values and is charged to Statement of profit or loss. Depreciation on property, plant and equipment is provided on written down value method considering the useful life of the assets and the estimated residual value as provided in Part C of Schedule II to the Companies Act, 2013. Useful life and residual values are reviewed by management at every balance sheet date and adjusted, if appropriate.



<b>Tangible Asset</b>	<b>Useful life (in years)</b>
Computers and Data Processing units	3
Plant & machinery	15
Furniture & Fixtures	10
Office Equipment	5
Vehicles	8

### **Capital Advances**

Advances paid to acquire Property, Plant and Equipment before the Balance Sheet date are disclosed under other non-current assets.

### **B. Intangible assets**

Intangible assets comprise primarily of computer software. Intangible assets are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible assets are amortized on a written down value method basis over the estimated economic useful life of the asset.

Amortization method, useful lives, and residual values are reviewed at the end of each financial year and adjusted if appropriate.

<b>Intangible Asset</b>	<b>Useful life (in years)</b>
Software	1-10

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

### **Intangible assets under development**

Intangible assets under development include the cost of patents, drones and software that are under development phase and not put to use as at the end of the financial year. The Company is currently undertaking the development of design structures of drones and AI based drone spraying products and such development activities are at various stages of completion. Upon completion and accreditation by the Directorate General of Civil Aviation (DGCA), the designs are patented and registered in the name of the Company and are reclassified under "Intangible Assets" and amortized over its estimated useful life.

The Company is also involved in development of mobile applications and web portals with third party developers for which payments are milestone based. Such payments are recognized as intangible assets under development till the time of its completion, post which these are recognized as intangible assets.

Intangible Assets under Development are not depreciated as these assets are not yet available for use.



### **Research and development costs:**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the company can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the asset.
- Its ability to use or sell the asset.
- How the asset will generate future economic benefits and the availability of adequate resources to complete the development and to use or sell the assets
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. The cost comprises directly attributable cost to development which includes salary cost of employees working on the development of intangible assets along with such other costs identified to be directly attributable to the development phase of the asset.

### **C. Impairment**

#### **i. Non-financial assets:**

Assessment for impairment is done at each Balance Sheet date as to whether there is any indication that a non-financial asset may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets is considered as a cash generating unit (CGU). If any indication of impairment exists, an estimate of the recoverable amount of the individual asset/cash generating unit is made.

Asset/cash generating unit whose carrying value exceeds their recoverable amount are written down to the recoverable amount by recognising the impairment loss as an expense in the Statement of Profit and Loss.

Recoverable amount is higher of an asset's or cash generating unit's value in use and its fair value less cost of disposal. Value in use is estimated future cash flows expected to arise from the continuing use of an asset or cash generating unit and from its disposal at the end of its useful life discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

An impairment loss is reversed in the Statement of Profit and Loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.



## ii. Financial assets:

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company recognises loss allowances using the expected credit loss (ECL) model as per Ind AS 109 for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in profit or loss.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months from the reporting date.

The Company considers a financial asset to be in default when:

- the counter party is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is 180 days or more past due.

ECL is measured in a manner that they reflect unbiased, and probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions, and forecasts of future economic conditions. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off during the year.

## D. Leases

### The Company as a lessee

The Company's lease asset classes primarily consist of leases for land and buildings. At the inception of the contract, the Company assesses whether a contract is or contains a lease. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.



The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the non-cancellable period of a lease.

As a practical expedient, Ind AS 116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### **E. Inventories**

Inventories comprise of raw material, work in progress and finished goods. Inventories are valued at lower of cost and net realisable value. Cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition and is determined on weighted average method. Cost, including production overheads, are allocated to work-in-progress and finished goods determined on a full absorption cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The replacement cost of materials as at the end of the year has been considered as the best available measure of their net realizable value.

#### **F. Cash and cash equivalents:**

Cash and cash equivalents include cash on hand, balances in current accounts and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

'Other bank balances' comprise of items such as bank deposits with more than three months maturity and balances with banks to the extent of held as margin money or security against borrowings, etc. Further, bank deposits with more than twelve months maturity and balances with banks to the extent of held as margin money or security against borrowings, etc. are presented separately under 'Other Non-current financial assets'.



## **G. Government Grants:**

Grants from the government are recognised at fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs they are intended to compensate and presented within other income. Government grants relating to the purchase of Property, Plant and Equipment are included in non-current liabilities as deferred income and are credited to statement of profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

## **H. Financial Instruments:**

### **i) Financial Assets**

#### **Initial recognition and measurement**

All financial assets are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition. Financial assets are classified, at initial recognition, as financial assets measured at fair value or as financial assets measured at amortised cost.

#### **Subsequent Measurement**

##### **Financial Assets measured at Amortised Cost (AC):**

A Financial Asset is measured at Amortised Cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the Financial Asset give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding.

##### **Financial Assets measured at Fair Value Through Other Comprehensive Income (FVTOCI)**

A Financial Asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling Financial Assets and the contractual terms of the Financial Asset give rise on specified dates to cash flows that represents solely payments of principal and interest on the principal amount outstanding.

##### **Financial Assets measured at Fair Value Through Profit or Loss (FVTPL)**

A Financial Asset which is not classified in any of the above categories are measured at FVTPL. Financial assets are reclassified subsequent to their recognition if the Company changes its business model for managing those financial assets. Changes in business model are made and applied prospectively from the reclassification date which is the first day of immediately next reporting period following the changes in business model in accordance with principles laid down under Ind AS 109 – Financial Instruments.

#### **Derecognition of financial assets**

The Company derecognises a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.



## ii) Financial Liabilities

### Classification

The Company classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at Fair Value Through Profit and Loss-[FVTPL]; and
- those measured at Amortised Cost [AC]

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at Fair Value Through Profit and Loss or at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, lease liabilities, loans and borrowings including bank overdrafts and liability component of convertible instruments.

### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at Fair Value Through Profit and Loss

Financial liabilities at Fair Value Through Profit and Loss [FVTPL] include financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in Statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, only if the criteria in Ind-AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/losses are not subsequently transferred to statement of profit or loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of profit and loss.

#### Financial liabilities at amortised cost (Loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortization process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of profit and loss. This category generally applies to borrowings.



### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified such exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

### **Modification**

Where the estimates of payments of financial liabilities are revised, the amortised cost of the financial liability are adjusted to reflect the actual and revised estimated contractual cash flows. The revised estimated contractual cash flows are calculated as the present value of the estimated future contractual cash flows that are discounted at the original effective interest rate. The adjustment so made is recognised in the Statement of Profit and Loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset, and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### **Compound Financial Instruments**

Compound Financial Instruments are separated into liability and equity components based on the terms of the contract. On issuance of the compound financial instruments, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at FVTPL (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity since conversion option meets Ind AS 32 criteria for fixed-to-fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is remeasured at each reporting date. Transaction Costs are apportioned between the liability and equity components of the compound financial instruments based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

### **Compulsorily Convertible Preference Shares (CCPS):**

Compulsorily Convertible Preference Shares (CCPS) are those shares which are issued with the terms that it can be converted into certain number of equity shares after a period of time. CCPS offer fixed income to the investors and compulsorily convert into Equity Shares of the issuing company after a predetermined period. The terms of conversion are also pre-decided at the time of issue.

### **Compulsorily Convertible Debentures (CCD):**

Compulsorily Convertible Debentures (CCD) are those debentures which are issued with the terms that it can be converted into certain number of equity shares after a period of time. CCD offer fixed income to the investors and compulsorily convert into Equity Shares of the issuing company after a predetermined period. The terms of conversion are also pre-decided at the time of issue.



## **I. Provisions, contingent liabilities, and contingent assets:**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Disclosure of contingent liability is made when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources embodying economic benefits will be required to settle or a reliable estimate of amount cannot be made.

Contingent assets are not recognised. However, when the realisation of income is virtually certain, then the related asset is no longer a contingent asset, but it is recognised as an asset.

## **J. Revenue recognition**

Revenue is recognised to depict the transfer of control of promised goods or services to customers upon the satisfaction of performance obligation under the contract in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Consideration includes goods or services contributed by the customer, as non-cash consideration, over which the company has control. Revenue is recognised net of any taxes collected from customers, which are remitted to governmental authorities.

### **i) Sale of goods**

Revenue from sale of goods is recognized a point in time when control of the goods is transferred to the Customers. Generally, control is transferred upon shipment of goods to the customer or when the goods are made available to the customer, provided transfer of title to the customer occurs and the Company has not retained any significant risks of ownership or future obligations with respect to the goods shipped. Revenue towards satisfaction of a performance obligation is measured at the amount of transaction price (net of variable consideration) allocated to that performance obligation.

### **ii) Sale of services**

Sale of services comprise of maintenance services, training services, and revenue from other services like drone demonstration services, project management & structural inspection services, highway monitoring services, topographical survey services, etc. Revenue from rendering of services is recognised over time by measuring the progress towards complete satisfaction of performance obligations at the reporting period.

The Company assesses the services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligations to determine the deliverables and the ability of the customer to benefit independently from such deliverables, and allocation of transaction price to these distinct performance obligations involves significant judgment.

## **Warranty**

The Company provides warranties for general repairs of defects as per terms of the contract with ultimate customers. These warranties are considered as assurance type warranties and are accounted for under Ind AS 37 - Provisions, Contingent Liabilities and Contingent Assets.



**Contract balances - Trade receivables:**

A receivable represents the Company's right to an amount of consideration that is unconditional.

**Contract balances - Contract liabilities:**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration or is due from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

**Interest income**

Interest income from a financial asset is recognised using effective interest rate method.

**K. Employee benefits****Short term employee benefits**

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Post-employment benefits****Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to separate entity and has no obligation to pay any further amounts. The Company makes specified obligations towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contributions are recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**Defined benefit plans**

The Company pays gratuity to the employees who have completed five years of service with the Company at the time when employee leaves the Company. The gratuity liability amount is unfunded and formed exclusively for gratuity payment to the employees. The liability in respect of gratuity and other post-employment benefits is calculated using the Projected Unit Credit Method and spread over the periods during which the benefit is expected to be derived from employees' services.

Remeasurement gains and losses arising from adjustments and changes in actuarial assumptions are recognised in the period in which they occur in Other Comprehensive Income.

**L. Foreign exchange transactions and translation**

Transactions in foreign currencies i.e., other than the Company's functional currency of Indian Rupees are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the functional currency using exchange rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.



Exchange differences on monetary items are recognized in the Statement of profit and loss in the period in which they arise.

#### **M. Income Taxes**

Income tax expense comprises current and deferred tax. Tax is recognized in the Statement of Profit and Loss, except to the extent that it relates to items recognized in the other comprehensive income or in equity. In which case, the tax is also recognized in the other comprehensive income or in equity.

##### **i) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or subsequently enacted at the Balance sheet date. Current tax assets and liabilities are offset only if, the Company:

- a) has a legally enforceable right to set off the recognized amounts; and
- b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current tax provision is computed for income calculated after considering allowances and exemptions under the provisions of the applicable Income Tax Laws. Current tax assets and current tax liabilities are off set and presented as net.

##### **ii) Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Ind AS Financial Statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have enacted or substantively enacted by the end of the reporting year. The carrying amount of deferred tax liabilities and assets are reviewed at the end of each reporting year. Deferred taxes are recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be used.

Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if:

- a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- b) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable Group.



## **N. Earnings per share**

Basic earnings per share are computed by dividing the net profit or loss for the year after tax by the weighted average number of equity shares outstanding during the year, adjusted for bonus and split elements in equity shares issued during the period/year. Diluted earnings per share is computed by dividing the net profit for the year after tax for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive.

The Weighted average number of equity share outstanding during the period/years is adjusted for events such as sub division and bonus, that have changed the number of equity share outstanding.

## **O. Operating Segments**

The Company is exclusively engaged in the business of manufacturing, operating, and providing services of UAV systems which are used for security and surveillance. The ancillary business of providing training and maintenance services revolve around the main business of manufacturing, operating, and providing services of UAV systems. Based on Management Approach, the Chief Operating Decision Maker evaluates the Company's performance and allocates the resources based on an analysis of overall country level performance indicators. The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the Special Purpose Ind AS Financial Statements of the Company as a whole.

### **3. Amendments issued but not effective:**

#### **Amendments to Ind AS 1 - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants**

The amendment requires that if a covenant breach is rectified after the reporting date, the same will be treated as a non-adjusting event and this amendment will be applicable from annual reporting periods beginning on or after April 01, 2026. The application of the amendments to Ind AS 1 is not expected to have material impact on the Company's Special Purpose Ind AS financial information.

### **4. Recent Accounting Pronouncements**

The Ministry of Corporate Affairs (MCA) has notified the following amendments to Ind AS which have been applied by the Company for the first time:

#### **i. Amendments to Ind AS 21 - Lack of exchangeability**

The MCA notified the Companies (Indian Accounting Standards) Amendment Rules, 2025 on May 07, 2025, which amend Ind AS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position, and cash flows.

The amendments are effective for annual reporting periods beginning on or after April 01, 2025. The application of the amendments to Ind AS 21 had no material impact on the Company's Special Purpose Ind AS financial information.



**ii. Amendments to Ind AS 1 - Classification of liabilities as current or non-current and non-current liabilities with Covenants**

The MCA notified the Companies (Indian Accounting Standards) Second Amendment Rules, 2025 on August 13, 2025, which amend paragraphs 69 to 76 of Ind AS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after April 01, 2025. The application of the amendments to Ind AS 1 had no material impact on the Company's Special Purpose Ind AS financial information.

**iii. Amendments to Ind AS 7 and Ind AS 107 - Supplier Finance Arrangements**

The MCA notified the Companies (Indian Accounting Standards) Second Amendment Rules, 2025 on August 13, 2025, which amend Ind AS 7 Statement of Cash Flows and Ind AS 107 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows, and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after April 01, 2025. The application the amendments to Ind AS 7 and Ind AS 107 had no material impact on the Company's Special Purpose Ind AS financial information.

**iv. Amendments to Ind AS 12 - International Tax Reform—Pillar Two Model Rules**

The MCA notified the Companies (Indian Accounting Standards) Second Amendment Rules, 2025 on August 13, 2025, which amend Ind AS 12 Income Taxes in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after April 01, 2025, but not for any interim periods ending on or before March 31, 2026.

The amendments are effective for annual reporting periods beginning on or after April 01, 2025. The application of the amendments to Ind AS 12 had no material impact on the Company's Special Purpose Ind AS financial information.



**v. Ind AS 117 Insurance Contracts**

The MCA notified the Ind AS 117, Insurance Contracts, vide notification dated August 12, 2024, under the Companies (Indian Accounting Standards) Amendment Rules, 2024, which is effective from annual reporting periods beginning on or after April 01, 2024.

Ind AS 117 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Ind AS 117 replaces Ind AS 104 Insurance Contracts. Ind AS 117 applies to all types of insurance contracts, regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. Ind AS 117 is based on a general model, supplemented by:

- a) A specific adaptation for contracts with direct participation features (the variable fee approach)
- b) A simplified approach (the premium allocation approach) mainly for short-duration contracts

The application of Ind AS 117 had no impact on the Company's Special Purpose Ind AS financial information.

**vi. Amendment to Ind AS 116 Leases – Lease Liability in a Sale and Leaseback**

The MCA notified the Companies (Indian Accounting Standards) Second Amendment Rules, 2024, which amend Ind AS 116, Leases, with respect to Lease Liability in a Sale and Leaseback.

The amendment specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendment is effective for annual reporting periods beginning on or after April 01, 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of Ind AS 116.

The amendment had no impact on the Company's Special Purpose Ind AS financial information.

**vii. Amendments to Ind AS 8 - Definition of Accounting Estimates**

The amendments clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors, which is effective from annual reporting periods beginning on or after April 01, 2023. It has also been clarified how entities use measurement techniques and inputs to develop accounting estimates.

The amendment had no material impact on the Company's Special Purpose Ind AS financial information.

**viii. Amendments to Ind AS 1 - Disclosure of Accounting Policies**

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures, which is effective from annual reporting periods beginning on or after April 01, 2023.

The amendments had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the Company's Special Purpose Ind AS financial information.



**ix. Amendments to Ind AS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments narrow the scope of the initial recognition exception under Ind AS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases, which is effective from annual reporting periods beginning on or after April 01, 2023.

The Company previously recognised for deferred tax on leases on a net basis. As a result of these amendments, the Company has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. Since these balances qualify for offset as per the requirements of Ind AS 12, there is no impact in the balance sheet. There was also no impact on the opening retained earnings.

Apart from these, consequential amendments and editorials have been made to other Ind AS to the extent possible like Ind AS 101, Ind AS 102, Ind AS 103, Ind AS 107, Ind AS 109, Ind AS 115 and Ind AS 34.

