



being there...

## ZEN TECHNOLOGIES LIMITED

Certified ISO 9001:2015, ISO 27001:2013, CMMI ML5  
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Email: info@zentechnologies.com Website: www.zen.in  
Corporate Identity Number : L72200TG1993PLC015939

Date: 29<sup>th</sup> January 2022

To  
**BSE Limited**  
**Phiroze Jeejeebhoy Towers**  
**Dalal Street**  
**Mumbai- 400001**  
Through: BSE Listing Centre  
**Security Code: 533339**

To  
**National Stock Exchange of India Limited**  
**Exchange Plaza, C-1, Block G,**  
**Bandra Kurla Complex,**  
**Bandra (E), Mumbai – 400 051**  
Through: NEAPS  
**Symbol/Security ID: ZENTEC**

Dear Sir/Madam,

**Sub: Earnings Presentation Q3 FY 2022**

Please find attached earnings presentation for the quarter ended 31<sup>st</sup> December 2021.

The above information is also available on the website of the Company:  
<https://www.zentechnologies.com/calls-and-conferences>.

This is for your kind information and records.

Thanking You.

Yours sincerely,  
**For Zen Technologies Limited**

  
**Hansraj Singh Rajput**  
**Company Secretary & Compliance Officer**  
**M. No. F11438**



**Works** : Plot 36, Hardware Park, Near Shamshabad International Airport, Hyderabad - 501 510, Telangana, India



**CMMI DEV / 5<sup>SM</sup>**  
Exp. 2022-01-30 / Appraisal #2306

# Zen Technologies Limited Earnings Presentation Q3FY22

India's leading defence training solution provider

NSE: ZENTEC

BSE: ZENTEC - 533339

BLOOMBERG: ZEN IN

REUTERS: ZETE.BO



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# Management Commentary



ZEN TECHNOLOGIES LIMITED

Q3FY22 Earnings Presentation

## Commenting on the results, Mr. Ashok Atluri – Chairman and Managing Director, said:

*“I am pleased to provide you with an update on our performance in Q3FY22. Our revenue streams were primarily driven by AMC’s during the third quarter. AMC’s contributed a total of INR 9.35 crores during the quarter, and in line with our strategic objectives, they have now started to cover the Company’s fixed operating costs.*

*While we suffered a minor setback as a result of the fire incident at our demonstration centre in Hyderabad, we are pleased to report that the previous quarter brought a fresh wave of growth opportunities. Not only did we receive our first export order for ‘Live Simulators’, but our subsidiary Unistring Tech Solutions Private Limited also secured its largest order to date, worth ~ INR 61 crores, from an Indian defence PSU.*

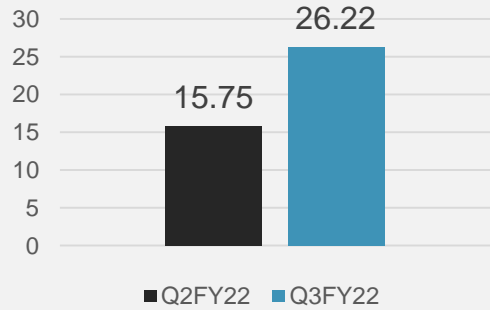
*I am also pleased to report that we successfully raised ~INR 86.57 crores through the issuance of 10% Compulsorily Convertible Debentures (CCD’s), which the Company intends to prudently invest in research and development and expanding its export footprint.*

*With the recent framework issued by the Ministry of Defence (MoD) promoting the use of simulators in training the Indian Armed Forces and the changing dynamics of warfare presenting Drone threats, we believe Zen is well positioned to capitalise on the opportunity and chart out a strong growth path for itself.”*

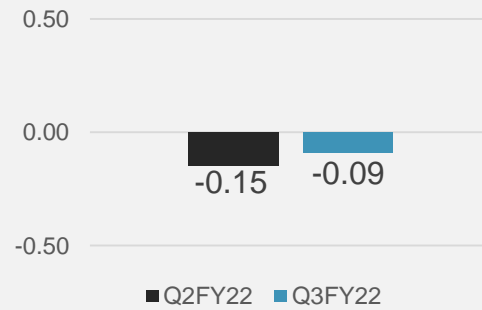
# Consolidated Quarterly Highlights

All data ₹ in crores

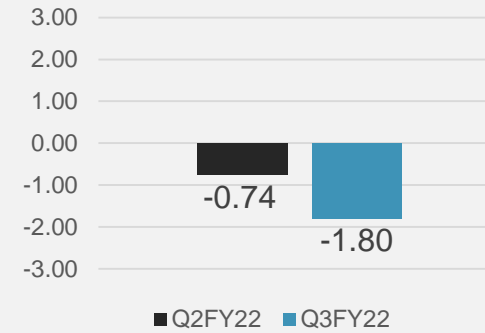
## REVENUE FROM OPERATIONS (QoQ)



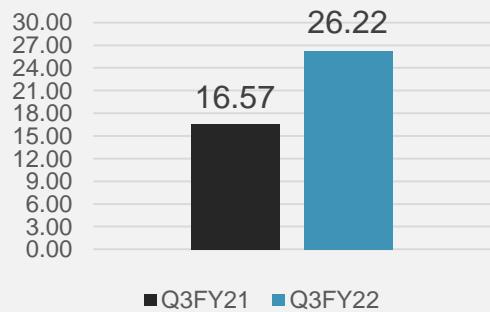
## EBITDA (EXCLUDING OI) (QoQ)



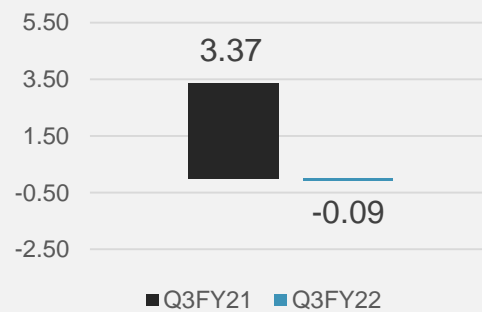
## PROFIT AFTER TAX (QoQ)



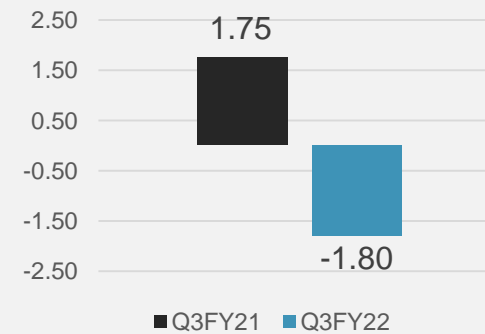
## REVENUE FROM OPERATIONS (YoY)



## EBITDA (EXCLUDING OI) (YoY)



## PROFIT AFTER TAX (YoY)



## STANDALONE QUARTERLY HIGHLIGHTS: Q3FY22

Revenue Contribution from Sale of Equipment: **₹ 3.01 crores.**

Revenue Contribution from Annual Maintenance Contracts: **₹ 9.35 crores.**

Revenue contribution from Exports: **N/A**

Revenue contribution from Domestic: **₹ 3.01 crores.**

R&D spends during the quarter **₹ 2.88 crores.**

# Order Book Status



# Way forward



## INCREASING PREDICTABILITY IN TURNOVER:

We are working towards strategically positioning the business model to reduce lumpiness. The sale of equipment done in the last couple of years will start contributing to the top line in terms of Annual Maintenance Contracts.

## EQUIPMENT SALE ORDER WINS:

In the next couple of years the contributions from AMC stream will cover the fixed operating expenses of the business. This will provide stability and predictability to the business operation. The huge order wins of equipment sale can then offer huge operating leverage and boost to our bottom line.

## STRONG GOVERNMENT SUPPORT TO ACT AS TAILWIND:

The GOI has formulated several measures along with strict implementation timelines. The governments keen focus on Make in India and *Atmanirbhar Bharat* campaign has created a conducive environment to make in India for the defence industry. This should act as a strong tailwind going forward

## FOCUS ON NEW PRODUCTS:

The continuous investments in R&D ensure that the products are technologically advanced and suited for the customer requirements. This coupled with more than 2 decades of track record of delivering value to our customers has not only made us the preferred partner of choice but has also ensured enhanced share of their wallet.

# Financial Statement Summary

## SUMMARY OF CONSOLIDATED PROFIT & LOSS STATEMENT

All data ₹ in crores (excluding EPS)

Particulars	Q3FY22	Q2FY22	Q3FY21
<b>Revenue from Operations</b>	<b>26.22</b>	<b>15.75</b>	<b>16.57</b>
Other Income	1.77	0.97	0.73
<b>Total Income</b>	<b>27.99</b>	<b>16.72</b>	<b>17.30</b>
Total Operating Expenses	26.31	15.90	13.20
<b>EBITDA (excluding other income)</b>	<b>-0.09</b>	<b>-0.15</b>	<b>3.37</b>
<b>EBITDA Margins</b>	<b>-0.34%</b>	<b>-0.95%</b>	<b>20.32%</b>
Interest Cost	0.60	0.27	0.17
Depreciation	2.45	1.18	1.23
Profit Before Tax	-1.37	-0.63	2.69
<b>Profit After Tax</b>	<b>-1.80</b>	<b>-0.74</b>	<b>1.75</b>
EPS	-0.16	0.00	0.29





# Disclaimer

This document which have been prepared by Zen Technologies Limited (the “Company”), have been prepared solely for information purposes and do not constitute any offer, recommendation or invitation to purchase or subscribe for any securities, and shall not form the basis or be relied on in connection with any contract or binding commitment what so ever. No offering of securities of the Company will be made except by means of a statutory offering document containing detailed information about the Company.

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# Let's connect

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# Annexures



# Zen Technologies at a glance

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A pioneer in providing state of art Defence Training Solutions for imparting defense training and measuring combat readiness of security forces. The company is engaged in indigenous design, development and manufacturing of sensors and simulators technology based defence training systems.



27+

YEARS OF  
EXPERIENCE



100+

CUSTOMERS  
SERVED



109

PATENTS FILED



ORDER BOOK OF

~421

CRORES\*



200+

EMPLOYEES

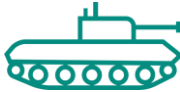


1,000+

CUMULATIVE  
INSTALLATIONS

\*Order book as on 31<sup>st</sup> December 2021

# Business Canvas



## SALE OF EQUIPMENT

- A leader in manufacturing defence training solution with **> 95% market share** in tank simulators.
- **Infrequent but large order size** with long closing cycles is an **inherent characteristic** of this segment.
- **Huge opportunity size** in existing products with strong focus on R&D for continuous new additions to product basket.
- Focus on **Anti-Drone Simulators**



## COMBAT TRAINING CENTRE

- A training platform to provide realistic battle experiences by **integrating together the entire range of product offerings**.
- **Big ticket size offerings** with potential order wins worth USD 25M for single installation.
- Expected growth in export market on the back of attractive **EXIM financing options**.



## ANNUAL MAINTENANCE CONTRACT

- A **recurring revenue stream** with superior profitability margins.
- Addition in simulator installations base leads to growth in revenues from AMC
- Growing service revenue from AMC **ensures profitability even in absence and lumpiness of new equipment orders**
- AMC revenues start kicking in after 3 years of equipment installation.

# R&D – Our Strong Suit

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At Zen, continuous research efforts have resulted in creation of diverse technological solutions and corresponding patent portfolio. Till date the company has filed for more than 109 patents for the pioneering initiatives undertaken, of which **27 have been granted.**



**~67**  
CRORES OF  
INVESTMENTS IN  
R&D IN LAST 5 YEARS



**~17%**  
OF CUMULATIVE SALES  
INVESTED IN R&D IN  
THE LAST 5 YEARS



**109**  
PATENTS FILED

- **IP driven business** with bill of materials not contributing to more than 10%-25% of the final product cost.
- Investments in R&D over the last years has resulted in continuous new product additions. The company has recently come out with Anti-Drone system technology and is making **further investments in development of Air Defence Gun Simulators.**
- Willing to take **short term pain with possibility of long-term gains.**
- Investments made in **R&D written off in P&L**
- High investments made in R&D throughout the lifetime of the company make creates **high entry barriers for a new entrant.**

# New Product Additions



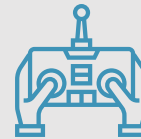
Anti-Drone  
Systems



Anti-Drone  
Simulators & Drone  
Simulators



Integrated Air Defence  
Combat Simulators



Logistic  
Drones

- With **changing warfare dynamics**, drones have become a major threat to any country's security.
- Authorities across the globe investing in technologies to neutralize this threat.
- **Wide applications.** Not only restricted to military training.
- **A huge opportunity size.**
- New products to **contribute significantly to the revenues and profitability** in the coming years.

# Strategic Priorities

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The business model of the company has been strategically positioned to reduce lumpiness and enhance the profitability in the coming years.



Continue to grow the sales of Equipment and **expand the product portfolio** with strong focus on emerging space Anti-Drone systems.



Scale the AMC business, where the contributions from **AMC can take care of the fixed operating expenses.**



**Develop and expand the international presence** and exports with friendly countries.



Continuously improve competitiveness, efficiency and drive operational excellence.



# Strong Regulatory Tailwinds

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The defence business is a regulated one, which is largely impacted by government policy and budget allocation to the sector. The government's keen focus on Make in India and Atmanirbhar Bharat campaign has created conducive environment

The Government of India (GOI) has formulated several measures along with strict implementation timelines.

- **Import embargo** on 101 items (9 items manufactured by Zen Technologies Limited) to enhance domestic manufacturing.
- Aligning Defence Acquisition Procedure (DAP), 2020, with the long-term goals of **increase in indigenized content** under various categories
- Aggressive push towards **MAKE -2**
- **INR 52,000 crores** allocated for equipment procurement from domestic defence industry.
- **Exports target of INR 35,000 crores by 2025.** Strong support to the industry for exports of equipment to friendly countries by offering attractive financing option through EXIM bank.
- Enhancement of **FDI limit to 74%** under automatic route.
- Significant **reduction in receivables from government.**

→ The confluence of all these factors provides for a strong regulatory tailwind for the Indian defence space.

# Investment Merits

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**ASSET-LIGHT**  
business model



**INCREASING  
SHARE OF AMC**  
which is annuity  
in nature



**STRONG  
REGULATORY**  
tailwinds



Focus on  
**HIGH VALUE  
COMPLEX SYSTEMS**



**INCREASING  
R & D SPENDS**  
with special emphasis  
on Anti-Drone systems  
for armed forces



**STRONG  
BALANCE SHEET**