



November 12, 2024

To
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

To
Dept. of Corp. Services
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001

Symbol/Security ID: ZENTEC

Security Code: 533339

Dear Sir/Madam,

Sub: Transcript of the Conference Call held on November 08, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Conference Call held on November 08, 2024, to discuss the Q2 FY2025 performance of the Company.

This is for your kind information and records.

Thanking you

Yours faithfully,
For Zen Technologies Limited

Sourav Dhar
Company Secretary & Compliance Officer

Encl: as above



“Zen Technologies Limited
Q2 FY2025 Earnings Conference Call”

November 08, 2024

Management: Mr. Ashok Atluri – Chairman and Managing Director –
Zen Technologies Limited
Mr. Afzal Malkani – Chief Financial Officer – Zen
Technologies Limited
Mrs. Shilpa Choudari – Whole Time Director– Zen
Technologies Limited

Analyst: Mr. Abhishek Mehra – TIL Advisors Private Limited
Ms. Teena Virmani – Motilal Oswal

Moderator: Ladies and gentlemen, good day and a warm welcome to Zen Technologies Limited Q2 FY2025 Earnings Conference Call. Please note all participant's lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the management's opening remarks. Please note that this conference is being recorded. I now hand over the conference to Abhishek Mehra, TIL Advisors Private Limited and over to you.

Abhishek Mehra: Welcome everyone and thank you for joining this Q2 and H1 FY2025 Earnings Call of Zen Technologies Limited. The results and investor updates have been e-mailed to you and are also available on the stock exchanges. In case anyone does not have a copy of the same, please do write to us and we would be happy to send it over to you. Today, we will start the call with a brief overview of the performance which would be then followed by the Q&A session. As a disclaimer, I would like to remind you that everything said in this call reflecting any outlook for the future, which can be construed as forward-looking statement must be viewed in conjunction with the risks and uncertainty that the company faces. These risks and uncertainties are included, but not limited to what we have mentioned in our annual reports, with that said I will now hand over the call to Teena Virmani from Motilal Oswal. Over to you Teena.

Teena Virmani: We welcome the management team of Zen Technologies for Q2 FY2025 results con call. We have with us Mr. Ashok Atluri, Chairman and Managing Director, Mr. Afzal Malkani, CFO, and Ms. Shilpa. Over to you, for your opening remarks and after that we will open the floor for questions and answers.

Ashok Atluri: Good afternoon evening fellow shareholders, great to connect with you on this earnings call. I will not talk much about the earnings. I have to tried to describe because all the presentation is shared with you and any Q&A with regard to that or any questions you have please ask me and we will try to answer them to your satisfaction. Beside the earnings, we continue our efforts to maintain our leadership position in training and stimulation and we continue to invest to develop more products and improve existing products. The demand for these products continues to grow and there is a very large market for this segment and especially as we have told that because of the Ukraine-Russia war which hopefully will end now, people have discovered that it is training which is more important. It is the man not the machine that matters in a war so we are trying to protect that leadership position as Peter Lynch famously said "do not pull the flowers and water the weeds," so we are trying to preserve what we have and continue to maintain that leadership and ensure that this leadership continues. As we look into the future, we are also looking these capabilities to get into Navy and Air Force and in

these two segments we want to get in both organically and through acquisitions and so this are the two areas that we are expand into in terms of market. Now, again, we have seen some gross margin drop and we feel that it is mainly due to the evolving nature of the new products that are coming in. As we speak, threats are evolving so we are requiring the customers asking changes and we are accommodating those changes and very, very important for us to do and take the short-term hit because we need to ensure that the product is absolutely world class at this point in time and we cannot have any compromise in this.

We have been spending a lot of money on the R&D for the customer deliveries and we see that the product that we exhibited in 2021 was the product now actually two generations ahead. The recent market survey tells that we are absolutely in one of the top anti-drone systems currently. Again, both these margins are impacted both by the geography and the product mix and both have contributed to that but again because of the operating leverage, what our earlier promise has been that we will have 35% of EBITDA and 25% of PAT, we strive to maintain those margins. Again, when we look at the anti-drone systems, our acquisition with AI Turing is playing out very well. AI Turing, the remote control weapon station is really becoming a very sought-after equipment in various armies. What we have estimated is both the AI Turing, the remote control weapon station and surveillance system have a market of about a billion dollars in India and outside India, it is much much larger market and we are very, very extremely excited about the products in the coming future. Again, I want to go to export very quickly and what we see is that the current focus markets have been basically Middle East, Africa and CIS countries. We have had a presence in US, but not very active presence in the sense that we are not really done any sales from there, even though we were very hopeful of the sales. But now we see dramatic change is happening there and we are planning to double down on our US investment and especially for the North American and South American markets. We think large countries like Argentina even smaller countries like El Salvador are very, very actively looking at solutions which are very, very modern and we are looking to penetrate into those markets. Mr. Donald Trump's win is a good news for Zen because now we think that the Make in America will become a big thing there and as usual Mr. Trump actually pushes for sales of his own country's products. Again, coming back to the fact that we have raised through a QIP Rs.1000 Crores it was subscribed more than five times, part of the proceeds we intend to deploy for acquisitions and we have in view both Indian and overseas targets. A typical size we are looking at is between Rs.100 to 300 Crores. Again typical size will not restrict us going after larger acquisition if they make strategic sense, we will go after the larger acquisitions also. By the way, we are

very conscious about the failure rate of such acquisitions. As Harvard Business Review pointed out as high as 90% and every acquirer thinks that they are an exception and their acquisition will go, but in my defense, I can say only one thing that I am not an MBA and I am not an MBA from Harvard so that should be derisk to a large extent, so I will be unfettered by any case studies we are looking at. We will be looking at actual value of these businesses for Zen and we will always keep in mind that the hard-earned money for the shareholder is what we are betting. I should always keep in mind that, if we do a bad decision, it is the promoters who suffer the most almost all of our net worth is in these shares and if we make a bad decision, we are the biggest sufferers in this, so that should kind of assure you that we will not do any misadventure with the money that we have.

Again, coming to the order book position, with the order stand executed, but the order inflow has been slow but I have been telling from the beginning of the year that the order inflow will start towards the third end quarter and end of third quarter and the major orders will come in the fourth quarter. Even though the order pipeline is almost Rs.3500 Crores, we expect about Rs.1,200 Crores to come in by the end of this financial year, which we will be able to execute in the next year, so with this brief introduction, I will open the field for question-and-answer sessions, and I look forward to answering them to your satisfaction.

Moderator: Ladies and gentlemen, we will now begin with question-and-answer session. Anyone who wishes to ask a question may click on the raise hand icon at the bottom of your screen. We request participants to restrict their question to two and then return to the queue for more questions. To rejoin the queue, you may click the raise hand icon again. Now, we will take our first question from Mr. Akshay, CD Integrated Services Limited. Please unmute your mic and proceed with your question.

Akshay: Congratulations on the very good set of numbers. I mainly have two questions. The first question is we have been guiding for Rs.900 Crores revenue in FY2025 and we have already done around Rs.500 Crores in the first half so even if we do the same amount of revenue in half two then we will cross easily to Rs.1000 Crores, so any change in the FY2025 revenue guidance? The follow up question on that would be what is our FY2026? Can you give some colour on how our performance will be in FY2026 over FY2025? That is my first question,

Ashok Atluri: The first question was when we have already done Rs.500 Crores, should not we do at least as much in the second half and cross Rs.1000 Crores? Again, last year when we projected Rs.450 Crores, we fell short by Rs.20 Crores and we achieved only Rs.430

Crores. This time we have been cautious and we have set a target of Rs.900 Crores and we hope to cross Rs.900 Crores, but by how much, let us wait and see. Again, it is not that more execution will happen in the second half; it is not like that. These are all orders that we have. And typically what we do is, in Zen, we try to execute orders as fast as possible. We do not try to smoothen the curve or anything like that because money today is much more worth than money tomorrow, so the execution will happen as soon as we can. With respect to the FY2026 projection, we have said that we will have an average CAGR of 50% over the next three years and we are confident, given the huge order pipeline that we have, that we will be able to achieve the 50% average CAGR over the next three years, based on the 2025 figure.

Akshay: My second question is about the order book. We did not get any order in Q2, so how should we look our order book in the second half of FY2025 and then in FY2026? Can you give us a split between our expected anti-drone system and our simulation system order book split in future? Also, can you please give some colour on the EBITDA margin front as to split between anti-drone system and the simulation system?

Ashok Atluri: As I indicated just now that we are expecting the order towards the end of the third quarter and in the fourth quarter the orders will start coming in and we are expecting about Rs.100 Crores worth of orders to come in and with the existing, almost Rs.300 Crores of pending orders, we should be able to achieve the target that we are aiming at. With regard to EBITDA margin, I would say that, on a consolidated basis, we have about 35% and you also asked for the order book split between simulators and the future order book position. We will not be able to exactly predict that at this point in time, but again, we expect a 40-60 split to be there. Last year it was there and maybe probably that will continue in this year also.

Akshay: Okay thank you for the answers. And last one short question is what is your long-term view like how we should see Zen Technology in the coming 5 to 10 years? Can you give some colour on the long-term views and what type of products and solutions we are providing to the military systems?

Ashok Atluri: Long-term view is we basically want to get into various other simulation segment, training and simulation like Navy and Air Force and become a leading player as we are in the Army and second is globally we want to become a one-stop solution for all anti-drone solutions. Everybody should prefer coming to Zen. So these two are the target that we have for the next five years and opportunistically, we will probably diversify and go into something else, but this is the main target that we have.

Akshay: Thank you so much and all the best for the future.

Moderator: Our next speaker is Mr. Dipen Vakil from Philips Capital. Please, unmute your mic and ask your question.

Dipen Vakil: Thank you for the opportunity and congratulations on a great execution. My first question is in your opening remarks, you mentioned that right now you are present in the US market but not very active and you are looking for growth coming in or rather you are planning on expanding in that geography, so can you expand a little bit more as to what areas you are seeing opportunities in America? Are you planning to set up a manufacturing facility over there or just a plain exports from here to US?

Ashok Atluri: What we think is that there is going to be a lot of changes in the US market and a lot of bureaucracy will be removed. Whenever, we do a huge layoff, we call it Twittered, so Elon Musk is expected to Twitter the bureaucracy in US and this we think that will help not only the established players the big brands, but also new companies to make a big entry into the thing. With this of course the manufacturing for the product that we are supplying to US has to be in the US, so this will involve setting up of manufacturing facility also, at least therefore to qualify as a Make in America it has to be 51% and we want to be true to the spirit and do the 51% manufacturing there. We think that the products that we have are absolutely world class. They are the best in the world. We believe in that as a training simulator and antidote systems, so this is a great opportunity to go and offer our solutions to America and through America to the rest of the countries in North and South America.

Dipen Vakil: Got it and another question, you mentioned that your order pipeline right now is Rs.3,500 Crores and of which you expect Rs.100 Crores of orders in this year. Is it possible to give some more details as to which areas are these orders expected from and what kind of long-term orders are there in the pipeline also?

Ashok Atluri: I really do not want to, because there are certain orders which are single vendor, certain orders which we are competing in, and I really do not want to disclose it because it will not be in the interest of the company to do that, but yes, the order size, we expect the order pipeline to explode as we speak from 3500 to multiple times of that. Again, this is a combination of simulators and anti-drone systems, but it will be heavily biased towards simulators at this point in time, but this is the overall picture, but I really do not want to give the finer split in terms of products where which products we are going to get.

Dipen Vakil: Got it, so right now we are just catering largely to the requirements of Army and now we are planning to expand towards Navy and Air Force, so, is that the right understanding?

Ashok Atluri: Yes, absolutely, in terms of training and simulators, yes, we would want to do that yes.

Dipen Vakil: Got it and any major R&D which has happened in this quarter apart from what you mentioned in last quarter?

Ashok Atluri: We keep doing the R&D and what we typically do is only when the product is realized and the customer kind of sees and says, listen this has a lot of market and we want to buy it. In fact, if you look at our track record, we have a lot of failed products that we have done R&D, but then we have not taken it to the market, so, it is premature to talk about R&D products as such. But one thing I can tell you is these are all asymmetric bets in the sense that we invest a very little money if it fails we do not feel the pain but if it succeeds it gives you enormous revenues, so yes we are doing a lot of it and basically we are IP company R&D based company so we are doing a lot of products at this point in time and we think some of them are really really path-breaking but again till we actually develop it fully and unveil it to the customers confidentially, and then they say yes, this is the product, we will not be able to share the detail with you.

Dipen Vakil: Got it. Just last small question, which is the area where you are seeing the growth potential exploding between, say, training simulation, ADS, and some of your new AI-enabled products that you are catering to or right now you are developing, so which is the area where you think is the most growth potential right now?

Ashok Atluri: In terms of short-term pain everybody is feeling the pain of the drone attacks. The drones are becoming very, very severe problem. Drones with the AI-enabled remote control weapon stations and surveillance system is the complete solution that they are looking forward. These are going to have a very, very big market in the immediate term. Those will be the larger orders, but again, people who are really long-term oriented building capabilities so that they can sustain any war over a long period of time would require training and simulation as the go-to solution. Both the things are required for right thinking armed forces and depending on what is the urgency, if they think there is a war coming, they would probably invest in anti-drone systems. Otherwise, training and simulation again, it is a very, very large market.

Dipen Vakil: We got it. Thank you so much for your time and all the best for second half.

- Moderator:** Our next speaker is Mr. Raja Mohan. Please unmute your mic and ask your question.
- Raja Mohan:** Good afternoon. Thank you for the opportunity and congratulations on another great quarter. On the US front, you have been indicating in the course of this call that maintaining the principle of this 51% manufacturing is something you are going to be very particular about in respect to their rules. You also indicated previously our products are cutting-edge worldwide, so does that make it easy for our manufacturing entry in a big way under the new administration of Mr. Trump?
- Ashok Atluri:** What we are betting is that the new administration would be buying the best products and they will not be worried about whether it is the way the big prime or they do not care. See this merit-based acquisition starts happening we stand a very good chance. In an exhibition last year when we were in ITSEC in Orlando that is world's largest...
- Moderator:** We request you to reconnect and please rejoin the queue. Till that time, we will take the next speaker. Our next speaker is Mr. Amit Dixit from ICICI Securities. Please unmute your mic and ask your question.
- Amit Dixit:** Good evening and thanks for the opportunity; just a couple of questions. The first one is that there are two or rather four very interesting products we introduced. Two among them are Prahasta and Barbarik and we have been hearing a lot about them, so just wanted to understand whether they are being sent for testing and and if anything further on that front has been done to commercialize these two products.
- Ashok Atluri:** Prahasta is undergoing more R&D at this point in time to meet the requirements and there is a lot of excitement around it. With respect to Barbarik the army has seen it, they have tested it and they have found it to be very useful. We expect requirements to come up in the next few months and we will be waiting for that. Again, Barbarik requirement will be very huge and we have estimated the complete, I mean, it is not only Barbarik but other remote control weapon stations all put together and, surveillance system put together almost billion dollars, more than Rs.80,000 Crores, so I think the exciting time for these products are surveillance and remote control products or weapon stations.
- Amit Dixit:** What will be the time to market for Barbarik?
- Ashok Atluri:** We expect orders to come in the next year.

Amit Dixit: Next year, okay. The second question is around your opening remarks again on Navy and Air Force, which you have expected since you are strong in army now and Navy and Air Force, we are seeing many new platforms coming, so is it possible to explain a bit further what kind of platforms you are looking at? Are you looking at specifically new submarines that are coming up? Are you looking at, let us say, in case of Tejas, the new avionics system that has come up. Can you explain a little bit more in detail, what kind of training and simulation systems we are looking at?

Ashok Atluri: Largely it will be ship-based and aircraft-based simulator that we are looking at because we are very good at weapon platforms. The ship along with the weapon stations what will be required because we already have the weapon station capability to just acquire the ship and we have the motion platform for them for both the Air Force and the Navy. It is a generic statement I am trying to make. I do not really want to get into Tejas or anything like that, but it will be largely, these simulators that we will be getting in.

Amit Dixit: Any market size you can give on this?

Ashok Atluri: These are going to be large. Again and we would be expecting at least a couple of billion dollars worth of business in the next two years in this.

Amit Dixit: There will be export opportunities also.

Ashok Atluri: Large export opportunities in these segments, yes. They are going to be very big, yes.

Amit Dixit: Okay great. Thank you so much and all the best.

Moderator: Our next speaker is Mr. CA Amit Kumar, investor. Please, unmute your mic.

Amit Kumar: Thank you for the opportunity and congrats for good set of numbers. So Rs.3500 Crores is a bid pipeline or we are expecting in few months or could you please give some bifurcation of the Rs.3500 Crores?

Ashok Atluri: It is an order pipeline, so it includes a mix of simulators, training systems and anti-drone systems.

Amit Kumar: Is it submitted or we are expecting to submit?

Ashok Atluri: Out of this, I would say about Rs.2000 Crores are submitted another Rs.15 Crores have to be submitted.

- Amit Kumar:** Okay. Could you provide some bifurcation how much is anti-drone how much is for simulators?
- Ashok Atluri:** I will avoid this at point of time.
- Amit Kumar:** Okay that is the only question.
- Moderator:** Our next speaker is Mr. Ashish Soni from Family Office. Please, unmute your mic and ask your question.
- Ashish Soni:** Regarding US manufacturing how long it will take because you said Make in America. If at all you have to set up the approval policy from Trump administration so how long it will take us for us to set up? Because we do assembling in India technically and you have supplier chain for 85% of our work, right, so what is the timeline or thought process at this stage?
- Ashok Atluri:** We are identifying the supply chain there as we speak at this point in time and we would take about eight months or so to identify and set for any production or orders that we get. Again we expect the orders to come not in the next financial, they may just start in the next financial year, but probably FY2027 is what we expect large orders to come from there.
- Ashish Soni:** Will it cater only to US market or Argentina, El Salvador also it will be catering from US.
- Ashok Atluri:** The whole of America's, the North and South Americas.
- Ashish Soni:** From Make in America theme you are saying.
- Ashok Atluri:** Even from there it is also easy to tackle the other NATO countries like Europe, most European countries, so, it will become a hub for these NATO countries and North and South America.
- Ashish Soni:** Okay. Regarding this Navy and Air Force order, any time line you are looking which financial year they can start?
- Ashok Atluri:** We are looking at acquisitions in this regard and we are looking at organic opportunities also and we think orders may be coming in the next year. Definitely by next year we will start getting orders in this regard.

Ashish Soni: Okay, thank you and all the best.

Moderator: Next speaker is Mr. Rudresh Kalyani. Please, proceed with your question.

Rudresh Kalyani: Good evening. In India, we are outsourcing everything and we do just IP and when it comes to America, we are diverting from the strategy. Is it just a policy direction, which is forcing you to divert that strategy or what is that?

Ashok Atluri: Rudresh thanks for the question. What Rudresh is asking is in India as a scaling up strategy what we have done is we have outsourced almost 85% of our manufacturing to the supply chain that we have and we do the final integration and testing and final assembly, software integration and dispatch and post-services we do. Are we going to have a different strategy in US? No, Rudresh, we are going to have the same strategy. What we are doing is we are identifying the supply chain with the same capabilities in US and they are available by the way there are a lot of SMEs, very, very competent SMEs in US too and with the focus by the new president on complete domestic manufacturing, it is only going to be ramped up those capabilities, so we will do the same principle. We will try to get it manufactured with the existing supply chain there and then we will integrate; it is going to be the same. There is no different strategy there and here. We will not be able to set up the system and start manufacturing next year itself so we have to identify, test them out and be ready for the orders that we get and execute them.

Rudresh Kalyani: Okay and when it comes to the acquisition of the startup which you talked about so most of the startups which works in this domain will be burning cash, so are you open to those kinds of startups and have an EPS dilution at our concentrated balance sheet or how do you look at the equation?

Ashok Atluri: What we have seen Rudresh, whenever we look at the company, what we look at is two things. One is extremely competent technical team and the second is they already have developed some considerable IP based on their strengths, so when we acquire the company, we already have some products in mind. These are the products that they are going to do and this is where the market is. What we have seen is typically the startups try to do too many things, so our job as an investor is to guide them and saying, listen, you are doing this 20 projects, but 19 of these projects do not make sense or 18 of these projects do not make sense for these reasons. They do not have a market; they have competition or something, some of the reasons, but this one product has a huge market, huge potential, and very little competition, so why do not we focus on that? This is what we have done in the two acquisitions that we have done and then what happens is

they really put all their strength. Basically it is the dispersed light versus the laser that you have completely focused and trying to cut into one market. Again, we put in a lot of money. There is no doubt about that. We do not hesitate to put in a lot of money, but for the specific purpose. We just do not go along and say okay you keep burning the cash as you are going on 20 projects. What happens is invariably there is a good product that comes out of that and we are able to go and offer it to the customer, but to your question, in a way what you are asking is, if there is a big opportunity and there is a EPS dilution in the short term, would you be willing to do that the answer is yes, but we have not seen anything like that but this is what is happening in reality that they are too dispersed. We try to make then concentrate efforts and make best on one or two things so that they can realize and become profitable very soon.

Rudresh Kalyani: Okay thank you and do you foresee any headwinds?

Ashok Atluri: The world is going to be a little peaceful with the new change in the US Government. I think the wars will come down. But that will give a very good opportunity for people to get trained because now everybody has discovered that training is the most important part and the only way to become unbeatable is by training and becoming very strong. Second is the drone threats are becoming very, very real. They are becoming real by the day and they can do asymmetric damage. The threat of war will come down which may seem like a headwind but we think it is a tailwind because we will be able to sell more training equipment and anti-drone systems.

Rudresh Kalyani: My final question is are we qualified for all the projects, will the qualification criteria lies on the projects order which we have executed as well?

Ashok Atluri: In the sense that whatever RFPs are coming or the tenders are coming are typically they assess the capability of the Indian companies and based on that only they issue the RFP. Based on that we typically get qualified in most of the projects and very rarely they ask for something which we do not have in those rare cases we may not be bidding for that but typically in the anti-drone space and in the army simulator space, we are there in almost in every bid.

Rudresh Kalyani: I asked that because in most of the EPC projects unless you have executed Rs.500 Crores order they would not allow us to bid for Rs.1000 Crores order so I was asking in that aspect.

Ashok Atluri: In this case what they do is one thing is the company should have 5% of the net worth of the project that is being executed so that means to say today we have Rs.1500 Crores

of net worth so we can execute almost Rs.30,000 Crores worth of tenders we can bid for. Second thing is, unlike the EPC projects where the capability has to be demonstrated in the Army thing what they do is they actually ask you to show the product and demonstrate the product and show it is working fully before they place the order on you, so that means to say a company that is participating in the bid has already invested and proven the product. Once you prove the product, it is just replication after that, which is very easy, that is not very difficult. Here it is not 50% of the EPC, but the actual product being tested in a trial, so if you have the product in the trial and you have the 5% net worth capability, then you can go ahead and you win the contract. I hope I have answered your question, Rudresh.

Rudresh Kalyani: Yes you did.

Moderator: Our next speaker is Mr. Raja Mohan. Can you please unmute your mic?

Raja Mohan: Mr. Atluri, the question was answered to a different question about the US front, but here I just generally wanted to understand whether the products that we have always mentioned in the past that global leaders have also looked at our products with awe. Our products in the US environment under the new administration would be welcomed to set up manufacturing capacities is what you feel, right?

Ashok Atluri: Again it is a good question in the sense Raja Mohan what we have done till now, our simulators are typically more oriented towards what the equipment that we have. Their equipment may be different but we have the edge in the sense the underlying software that is there is the same. In the sense, how the tank behaves, the physical appearance may be different, but the algorithms that run the tank are the same, so we can adapt our software to their technology. We are developing that, we have such capability and we are manufacturing in the US, the US will definitely welcome us with open arms.

Raja Mohan: Fine. On product granularity, I wanted specifically on these three products, one is you have talked about the hard kill in anti-drone and you already supplied one unit to the Indian Army, have you seen more orders on that trend or are you on the verge of having more orders there? Similarly on space anti-drone systems, I wanted to understand where you stand, yes these two products.

Ashok Atluri: What was the second question? Space anti-drone systems.

Raja Mohan: You said in anti-drone, you said till now we have a large land presence, so on space also you are looking at exploring the opportunities, if I understand it.

Ashok Atluri: Actually, the second was for simulators, we are focused on the Army, the land forces till now. We are also looking at Navy and Air Force to expand into those two segments. With respect to the first question, near the hard kill, we have been able to prove now based on our capability we are expecting more requirements to come up and since we are a proven company, we expect the orders to be placed on us. No orders have been received till now, but we expect more orders to come in the future.

Raja Mohan: Sorry I mistook. I wrongly phrased it as anti-drone for space. I understand now. On this sites and surveillance as the third potential revenue stream for you, when you see it materially happening for you?

Ashok Atluri: Next financial year. There are two things, one is the remote control weapon station and the other is surveillance systems. Both the things we expect next year to be the year when we will start getting orders in this.

Raja Mohan: Okay, one final question, in this whole backdrop of explosive order opportunities, would you have an internal estimate to share on the FY2026 order inflow that you see over this Rs.1200 Crores for this year?

Ashok Atluri: Again, Raja Mohan what I would restrict myself to is that, we are expecting on an average a CAGR of about 50%. The order book should be upwards of Rs.2000 Crores if you want to achieve that. Again, we think that the order book in FY2026 is going to be really big for orders that we are expecting. It may be a little more than that, but I think FY2026 is going to be very exciting for us in terms of order inflow.

Raja Mohan: Okay. Thank you very much for entertaining me again and wish you the best.

Moderator: Our next speaker, Mr. Sanjaya. Please unmute your mic and proceed with your question.

Sanjaya: Thanks a lot for the opportunity and we are glad to hear that you are about to get a lot of new order some Rs.1200 Crores. I was just trying to understand one thing that what really the order cycle is for you; is it like one year, six month because you have been fairly confident about winning all these orders for almost a year now. You must be having this pipeline by back then. So, is it that it is very long to convert the pipeline to order?

Ashok Atluri: I mean to say that typically if it is not emergency procurement, it could be as much as 18 months or so.

Sanjaya: 18 month, okay and that is the reason why you were also talking about billion dollar kind of order inflow in a year or time, right?

Ashok Atluri: I never said about billion dollar order inflow. I do not remember saying that sorry.

Sanjaya: You said that in a couple of years because you were getting into several new areas and several new markets and the opportunity size that you were opening up for yourself you may at some part of time starting seeing billion dollar worth of order inflow?

Ashok Atluri: At some point in time definitely see but at which point of time is something which need to say but again we have said that we will be growing at a CAGR of 50% on an average basis and we think that is something. Again Sanjay very frankly these kind of things may happen. I would not say that they will not happen but it may happen and then it will be all positive black swan events for all of us so we look forward. I hope your predication comes true.

Sanjaya: The last thing I am sure you might have already explained this quarterly volatility in margin particularly in this quarter your revenue was so fairly high and also exports which I thought that has better margin but your overall EBITDA margin was lower than Q1? Can you please repeat it for me if you do not mind?

Ashok Atluri: I will let Afzal our CFO respond to that. Afzal please go ahead.

Afzal Malkani: Sanjaya, we request you to not to look at the gross margin on quarterly basis, but consider for the whole year. You are correct that in H12025 our gross margin is 50% which is quite lower however it is partly offset from the benefit of scale of operations and despite the lower margin we were able to maintain our operational margin of 37% in H1, though the Q2, it is on a lower side but in H1 this operational EBITDA is around 36.80% which is above our guidance given for 35% and PAT is also 28%. Because there was a substantial reduction in labor and overhead cost in execution of these orders due to which we were able to maintain our EBITDA and profit margin and apart from this as mentioned by our GM, this is that evolving stage of a raw material cost is on a higher side due to higher allocation of R&D expenditure and after that, our raw material cost will be coming down and within our expected range. Also, there is a change as mentioned by you that there is a change in the geography mix and our export in H2 will be significantly higher and will get a better margin in the export business. Additionally, there was a slight change in the product mix also in stimulator itself in H1 due to which our gross margin was slightly affected in H1. I hope I answered your questions.

- Sanjaya:** You are saying that your margin profile in second half will be better?
- Afzal Malkani:** I am saying export will be higher in that. We generally give guidance whatever may be the margin, but it will be partly offset with the operating leverage and we will be able to maintain our EBITDA and PAT that is for sure.
- Sanjaya:** Got it. Thank you.
- Moderator:** Our next speaker is Ms. Smita. Please unmute your mike and ask your question.
- Smita:** I have been following your company since a very long time and congratulations on a great set of numbers. I just wanted to ask two questions. First of all, you have been talking about a war for quite some time and you feel that because of that there can be a good opportunity for our company. However, post Trump there, and as US was the one time king in the defense equipment market, do you feel with the competition that we have from the US in this segment, do you feel you have competition in your product in US and you will be able to do good with the competitor?
- Ashok Atluri:** Yes, we expect, the competition that we have from US, we again, we are the best in the world at this point in time. We do not think American products are better than us and we know for sure, because we have seen them in various exhibitions. Post Trump, our thing is that, we want to have a setup in US, a manufacturing setup and we want to sell from America to both for America and outside to American allies and South America. We think that, again, the competition will be there, but we think our products are the best in this category.
- Smita:** So, again, I wanted to ask one thing that how much percentage wise if you put decipher for us, that how much would US be of your entire revenue going to FY2026 or FY2027?
- Ashok Atluri:** Again this is a difficult question to answer. Very frankly, with the figure that I have is America spends almost \$4 billion every year in terms of training for the Army itself, so that is a very large market and even if you are looking at a couple of hundred million dollars, it is going to be big for Zen. In FY2027, it could be as little as, about 10% to 15%, but it could go as high as 50%. By the way, we have not factored this into our growth plans and this would be completely additional revenue that we will be getting.
- Smita:** Okay, now my last question, Looking at India's order book, we have seen in many areas, government has gone down with its order, whether it is related to defense or is it

related to, railways or anything where government infrastructure is required. So, do you also see that same slowdown in government order book in India?

Ashok Atluri: No, we do not see any slowdown in the defense orders. We expect the orders to come through, but definitely there may be some delay in action, but definitely not any complete elimination of the orders or anything like that. The government is moving and they are very, very conscious about making India very, very strong and unbeatable in case of a war. We think there is no slowdown in that sense that the order procurement will be lesser than what is projected.

Smita: Okay, on a lighter note, just one simple question as a citizen of India, do you see actually Third World War taking place as you were talking about war for so many years and for so many quarters?

Ashok Atluri: Actually had Trump not come, I would have probably worried that there was a Third World War might happen, but with Trump coming, he is a very strong guy and he will really push everybody to shut up and then as a half-time ask them to buy something, which is good news for us because they are having American setup. It is a very, very good news in the sense that wars will come to an end and because he is a very smart guy. He looks little commercial oriented but the very, very smart guy and the team that he has is a dream team, whether Vivek Ramaswamy, Elon Musk, or my God, such a powerful brain to have with him and J D Vance is, Vice President. I would not have said much about J D Vance, but he is married to a Telugu girl, so that actually puts him on the top and then, you have Tulsi Gabbard. It is a fantastic team and a great president and it is good news all over for all of us. I look forward to, and there is going to be no third world war. I hope I am not wrong, but I feel very confident that world will be a much peaceful place now onwards, but again, people will prepare for war. I am very sure that after this lull, the sudden wars that erupted have actually kind of shaken people's confidence that wars have ended altogether so they will prepare for because Trump is not going to last forever what happens after Trump goes will be something that will be bothering everybody and so the preparation for war and for new threats will continue.

Smita: Do we see any competition from Israel?

Ashok Atluri: No, Israel has never competed with us in any of the segments that we are there in India. Very frankly, we have not collaborated with Israel also much, but the anti-drone system, they are active, but because of the India's extreme policy of, Make in India, IPO, India known thing, they have not been able to compete with us. But again, we are

going abroad and we are trying to supply. We think we are even in anti-drone space, we are absolutely now reaching the top of the table.

Smita: About your new products that you are launching, for that also?

Ashok Atluri: Yes again we feel very confident because the ultralight remote control weapon station that we have launched, we are claiming it to be the world's lightest at this point in time and that means a person can carry it up. Typically, a crane would be required to lift it. Now it is a man portable kind of thing, so those kinds of things we have not seen anywhere, but again, the world is full of surprises. We are just looking forward if anybody will come up with anything, but again we think that we are absolutely, those products also will be the best in the world.

Smita: Then do we expect our cash conversion cycle to go down?

Ashok Atluri: Sorry, I did not understand the question now. What was that?

Smita: Cash conversion cycle. Can we expect it to go down further?

Ashok Atluri: To realize the payments earlier is what you are asking?

Smita: Yes.

Ashok Atluri: That may not happen because either for exports or for domestic market typically it has been four months or so I think that will continue but Afzal would you like to add something there?

Afzal Malkani: Yes, so if you see in the current it may again go back to the last financial year March 31, 2024 in which our working capital cycle was around 148 days. Currently, it is about 200 days in H1. This is due to this increase in receivable is. In H12025 it was on a higher side because the higher size in H12025 and in absolute terms also receivables are Rs.411 Crores and our turnover for H12025 was around Rs.496 Crores. However, just we would like to inform you that out of the total data of Rs.411 Crores, Rs.350 Crores is for the below six month, below 180 days. Going forward, we can say that by end of this financial year, it will be again down to 160 to 170 days. This significant realization will happen in the current quarter.

Smita: That is all from my side. All the best for your future.

Moderator: The next speaker is Mr. Anurag Aggarwal. Please go ahead with your question.

Anurag Aggarwal: Thank you for the opportunity. I have three questions. You mentioned you were very positive about AI tuning our subsidiary. Could you highlight a bit more about the capabilities of that company?

Ashok Atluri: Primarily, they are doing two product ranges. One is remote control weapon station and the second is surveillance systems. These are their capabilities and these are the products that they have launched. We will be doing a range of, for other weapon systems also, we will be doing the remote control weapon station and we want to really establish. Again the whole point is while we started it as adjunct to anti-drone systems, we see these remote control weapon stations and surveillance system as independent products by themselves and it is going to be interesting.

Anurag Aggarwal: Got it. Another question is, you mentioned that out of the Rs.3500 Crores order pipeline, we are expecting about Rs.1200 Crores to come in to our company. Considering that we are one of the best producers of anti-drone systems and simulators in India or maybe in the world, do not you think the conversion ratio is very less like out of 3500 only Rs.1200 Crores?

Ashok Atluri: No, what I am saying is that is the order book. It is not the conversion. What we are saying is out of that Rs.1200 Crores we would have actually been decided so remaining Rs.2000 plus Crores would not have been decided so again we think our conversion ratio will be much, much higher. It will almost like 80% plus kind of thing.

Anurag Aggarwal: Okay that is good to hear. Thirdly, when we say 50% CAGR, do we include the acquisitions that we are planning to do or do we include these new products that we are planning to launch or are in the midst of launching?

Ashok Atluri: A bit of that is factored in a bit of the especially anti-drone system when we integrate the remote control weapon station or a thing that is factored in but not the independent sales that may come through that and the acquisition that is not factored.

Anurag Aggarwal: Acquisition is not factored in?

Ashok Atluri: Acquisition income is not factored in.

Anurag Aggarwal: So, acquisitions involving Navy or air simulators, aviation simulators are not factored in?

Ashok Atluri: They are not factored in.

Anurag Aggarwal: Okay, thank you so much.

Moderator: Our next speaker is from Mr. Sanjay Kai. Please go ahead with your question.

Sanjay Kai: Congratulations on a good set of numbers. My question is about you mentioned that most of the orders will start flowing in Q3, end of Q3 and Q4, so those orders are mainly from India domestic orders or even you are talking about export orders?

Ashok Atluri: A combination of both.

Sanjay Kai: Okay. Right now, this export orders which are like to be executed to be paid is about Rs.400 Crores right pending for almost now we got order may be before start of the financial year and it is still pending, is it, they are scheduled to execute by Q3 or Q4?

Ashok Atluri: Afzal, you may take over this question. I think last quarter also we did.

Afzal Malkani: Last quarter also we executed around Rs.64 Crores and remaining export order will be out of the remaining order 80% of the export order will be executed within this financial years only.

Sanjay Kai: Okay. My last question is about, you mentioned the target for this financial year is about Rs.900 Crores and considering Rs.500 Crores is already done by H1, in the remaining quarters you are saying that the revenue will be lesser than H1 or there is a possibility that we will hit Rs.1000 Crores?

Ashok Atluri: We will definitely exceed Rs.900 Crores. I will not say that whether it will be a hit Rs.1000 Crores or not, but to your question, again, we are projecting, if you go quarter-on-quarter, that is actually dangerous, defense companies are very dangerous so go on the yearly basis and try to say year-on-year growth that will be a best kind of test, so do not go on quarter and quarter because quarters can be very uneven in defense business.

Sanjay Kai: All right yes thank you for that and wishing you all the best.

Moderator: Our next speaker is Mr. Kush Nahar. Please unmute your mike and proceed with your question.

Kush Nahar: Thank you for the opportunity. My question was, after we have established a US facility, do you think our cost structure will change significantly in terms of our employee cost affecting the EBITDA margins going ahead?

Ashok Atluri: Again what we try to do is, the model that we had in India for the past 30 years, keep your fixed cost to the minimum so that, even in the worst cases where there are no even dry period, you are able to sustain and that is the reason we never invested in huge manufacturing setups or, and huge plant and machinery or even employees required for that and that is the same model that we will continue there, where we will have a supply chain that is built and that is ready to execute orders, rather than taking on the complete setting of the plant and machinery and having a number of workers to do that, man that thing. Yes, we are very conscious about that, because otherwise, as we would not have survived in the Indian environment 10 years prior to that, 20 years before that it was a very, very hostile environment. The cost will not go up dramatically and will not impact us significantly.

Kush Nahar: Okay.

Moderator: Our next speaker is Mr. Vansh Singh. Please unmute your mike and proceed with your question.

Vansh Singh: Thanks a lot for the numbers. I just had a question on the hard-kill thing that we had deployed already to the Army. How many more of those are they required and do we have any exports potential for that as well?

Ashok Atluri: Very quickly basically when we look at soft kill and hard kill, soft kill basically means that you use signals to bring down the drone and you do not try to shoot at it and kill it but in the case of hard kill you actually shoot at it. They call it kinetic energy and use kinetic energy and destroy it but the danger is that if there is explosion in that it may explode and it may put collateral damage, so lot of people at the border areas or areas where they do not care, where they feel there will be no collateral damage, they typically shoot it down. This hard kill demand is really dramatically increasing as we speak. We expect that there will be lot of orders not only in India, but also overseas for this hard kill and again when we talk about hard kill so there is the anti-drone system and there is a hard kill which is interfaced with anti-drone system will so lot of people are saying listen we have when you are integrating the hard kill system, the hard kill weapons will be given by us which is perfect problem because we do not do deal any lethal system we are completely non-lethal company so what so we have the company that is saying give us your weapons and we will integrate it with our anti-drone system and we will give the platform on which you can keep your weapon system, so this is the dream solution for most of the armies where they do not want to invest again in the weapon system, maybe laser or anything like that. They want to use the existing system. Here we have an adapter for the weapon system, a remote control weapon

station, we have a camera that is hooked down to that and we have an anti-drone system, so their costs come down dramatically and I think there is a huge, huge demand for these kind of hardware system where we are not pushing the weapon system and we are saying give me your weapon system and we will integrate with our anti-drone system.

Vansh Singh: Okay, so just the last question on my side since 85% of our manufacturing is outsourced in India, so what percentage of our components are used as a precision manufacturing like on CNC machine and how do we ensure quality control in the supply chain for choosing these vendors?

Ashok Atluri: Of course, we have a new vendor development division that goes and actually checks these guys and sees their capabilities. Again, we have a very simple technique, typically worldwide what people do they send people to go and check whether the system is there or not, do the test there or the site product comes to their site to the buyers location and they test it there. What we have done is we have given the testing methodology to the vendor and our guys view from the video on like the WhatsApp kind of a thing, they do online checking and they say okay guys it is approved, so rejection rates are very low and the efficiency and the training of the vendors are helping us in really reintegrating it very fast. Yes, we have these simple techniques which ensure that we get quality products and we are able that is how we are able to monitor and also when we as we speak we are trying to expand our supply chain for precision, fabrication everything, so we are looking to so this is how we can integrate very fast.

Vansh Singh: Thanks, that is all from my side.

Moderator: Next question is from Mr. Ashish Soni.

Ashish Soni: Regarding you have good plans for the US, so any capex requirement for the new plant in make in America?

Ashok Atluri: As we speak, we are estimating it, but it will depend on the location of the factory that we keep, possibly get. We have not yet identified the location, even though we have an office in Orlando now. We have not identified the location for setting up the manufacturing. Actually we are waiting for these elections to get over to identify the place where we will be keeping the location. It has to be a very, very careful decision because it can make or break your company if you have set up in a wrong location. Yes, again, the cost, we have estimated it should be less than \$10 million, maybe about

Rs.80 Crores or so. That will be the total expenditure that may happen for our setup and cost over the next it may be for the FY2026.

Ashish Soni: The last question what is making you so optimistic about US pitch, is it like policy in like India we have own IP based in the glass product and anything bureaucratic control which is getting a hopes and just throw some light on that please.

Ashok Atluri: One thing is that we have been going to the US, the largest US simulation exhibition for many years and last year when we went, they were talking about R&D. For example, one of the product they were talking about was the containerized tank simulators that they want to build in the next five years, and they want to finance R&D for that and we actually had an online connection to the Indian office, Indian demo center and we showed it to them that, this is the simulator tank simulator that the Indian Army is using for the last 12 years and they were flabbergasted because it was a containerized simulator. They said, you have containerized simulators and in India has been using for the last 10 years and they are planning to use in the next five years, so, these kind of, so we felt that, this has given us very good confidence and we have been seeing other simulators also in the US, and we think that, we have a fair chance, very, very good shot at becoming a dominant player in the army simulator there. Again, typically they do not have a full-fledged solution, so we think that we cannot only, in terms of product selling, but we are looking also at as a service, can we sell training as a service there, TAS, we call it. These are the factors. Again, why we are confident is because we see that we are very well placed versus the competition what we have in US now.

Ashish Soni: My more point was like in India, the policy change was like IP and make in India. Is something like that happening in the US I want to understand that piece in the US?

Ashok Atluri: They have the make in America policy, which is, I think we ought to understand is 51% should be made in US. We want to very, very seriously comply and maybe do more than that there, especially, if it makes financial sense to us and try to sell there. That we will comply with the existing policy that is there, which is, the manufacturing should happen in the US.

Ashish Soni: Okay. All the best.

Moderator: That was the last question for today. I now hand over to the management for closing.

Ashok Atluri: Is anybody there moderator? Is anybody on the line in the queue?

- Moderator:** There are two participants in the queue.
- Ashok Atluri:** Let us finish them. We have maybe two, three minutes. We will just finish very quickly.
- Moderator:** Next speaker is Mr. Amit Kumar. Please proceed with your question.
- Amit Kumar:** Thank you Ashok very much for the opportunity again. My question is we have Rs.1100 Crores cash sitting in the balance sheet, how much it is used for acquisitions and capex any.
- Ashok Atluri:** Our budget has been about Rs.400 Crores for acquisition and capex would be less than Rs.100 Crores that is what the plan is.
- Amit Kumar:** Rest Rs..600 Crores?
- Ashok Atluri:** Some of it will be useful because of the extreme growth that we are having. almost Rs.300 to Rs.400 Crores will be used for the working capital requirements.
- Amit Kumar:** Okay, after we spend Rs.400 Crores for acquisitions, how much top line we can expect? The same asset turnover ratio or just if you could give some idea?
- Ashok Atluri:** Afzal, you can take over.
- Afzal Malkani:** Definitely, it will be in line with what it is the current parameters of the Zen in terms of revenue fixed asset turnover as well as return on equity and capital employed. Yes, that you can consider.
- Amit Kumar:** Okay, and who are the competitors of Zen in anti-drone and simulators in India and global scenario?
- Ashok Atluri:** Again, Bharat Electronics Limited in India, it is a big anti-drone simulator system manufacturer. We have competition from them. Globally, there are three or four players in simulators. For example, Thales, Saab, Cubic Defense Systems, and Rheinmetall Germany is one of the companies that has this simulators which compete with us.
- Amit Kumar:** In anti-drones?
- Ashok Atluri:** Anti-drones, Aeronia is one company in Germany. We think that they do very well in terms of aesthetic presentation and we really need to catch up with them and there are a

couple of companies which maybe in the US and in Israel that are there, but we have not really seen them competing with us anywhere.

Amit Kumar: Thank you very much.

Moderator: Our next speaker is Mr Rudresh Kalyani. Please proceed with your question.

Rudresh Kalyani Thanks for the follow up. See, did we ever had a product recall?

Ashok Atluri: Product recall means? On one occasion we have had, yes.

Rudresh Kalyani: Okay, what was the reason and what are mitigation measures which we took?

Ashok Atluri: The reason was that that we felt that the customer was being unreasonable and we felt that this was a no-go situation. Sometimes you have to fire your customers. It was one of those times that we had to fire the customer but anyway, so the thing is still not resolved. We actually kind of said that, this is a difficult customer to handle, so that was the reason otherwise the product is a proven product and been used by many customer but this particular customer was very difficult. In terms of your question when you talk about product recall, you are saying was there any process in the deficiency in the product which has never been the case of deficiency, but unsatisfied customer we have had.

Rudresh Kalyani: You meant to say that because of the ROI which we were expecting and that customer was too aggressive and he was pulling each of the nickel from us so we could not deliver.

Ashok Atluri: Listen, the thing is if you decided not to be happy with the product you can always keep finding a lot of issues with that, it was that kind of a customer it was.

Rudresh Kalyani: Okay. My final question is, can our anti-drone system be compared to the Iron Dome of Israel or is it entirely different system?

Ashok Atluri: If we add the hard kill part, then we can create the Iron Dome here, yes.

Rudresh Kalyani: Okay that is it.

Moderator: Next question is from Mr Anurag Agarwal.

Anurag Agarwal: Thank you for the follow-up chance. I just wanted to ask two more questions. When do we think we can close the acquisitions? Second, the product recall the client we fired, what was the size of the order that he had given to us?

Ashok Atluri: Again acquisitions we are giving it one year time. We hope that we will be able to do it kind of thing. The product size, I am not able to recollect the order size, but I think it was a few Crores not very big.

Anurag Agarwal: Okay, thank you so much for the details.

Moderator: The next question is from Mr. Vipin Abraham. Please proceed with your question.

Vipin Abraham: Congratulations on a very good set of numbers and also appreciate your patience in answering all the different questions raised to you. My question is generic. I would ask for simulation. Typically on simulations, right just take the case of aircraft simulator, right? Every pilot needs to get trained in a simulator. Given everything actually is becoming autonomous and automatic and so on, right where you need much human intervention. What would you think about the relevance of simulator training in the years to come?

Ashok Atluri: You are saying versus the aircraft training, what kind of level of training is required in the army?

Vipin Abraham: No. Aircraft training was an example. I just wanted to ask you that generally people need to get trained in the aircraft simulators, and every pilot needs to get trained on that. It is just a general example, not typically specific to you, but my question to you specifically is that given everything is becoming more autonomous right with AI and so on, where people may need not be trained much compared to what it was earlier, what do you think any risk to our business given that scenario in 5-10 years down the line as far as simulation is concerned?

Ashok Atluri: In fact, we are extreme users of AI for our software, for our target identification, etc., so to your question, if it becomes autonomous, whether the training would be required, we have not yet seen autonomous tanks being driven anywhere in the world. We have not seen these things. Eventually, if they happen, there will be still some training required even to operate those autonomous systems is what we think. Again, by the way we are getting into autonomous system as we speak. The remote control weapon station is an autonomous remote control weapon station. We are getting into robotics, the Prahasta, it is a robotic dog. We are getting people out of harm's way. We are taking

advantage of the autonomous system that are coming and as these things evolve we will be looking at how to respond to those situations, but again we do not see anything happening in the next at least five to six years in this regard.

Vipin Abraham: Thank you.

Moderator: As there is no further question, I now handover to the management for closing remarks. Over to you.

Ashok Atluri: Thank you very much shareholders. It is always a pleasure interacting with existing and potential investors and I look forward to your continued support. Thanks to all our employees and thanks to the government for being so encouraging and so helpful. With this, I will hand it over for closing.

Moderator: On behalf of Zen Technologies Limited that concludes today's conference call. Thank you for joining us and you may click the leave icon to exit the meeting. Thank you for your participation.