



ZEN TECHNOLOGIES LIMITED

Certified ISO 9001:2015, ISO 27001:2013, ISO 14001:2015, CMMI ML5
Regd. Office : B-42, Industrial Estate, Sanathnagar
Hyderabad – 500 018, Telangana, India
Phone: +91 40 23813281, Fax No: +91 40 23813694
Email: info@zentechnologies.com Website: www.zen.in
Corporate Identity Number : L72200TG1993PLC015939

Date: August 7, 2023

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: Investor Presentation

Please find attached Investor Presentation for the quarter ended June 30, 2023.

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

Kindly take the same on record and acknowledge the receipt.

Thanking you.
Yours faithfully,
For Zen Technologies Limited



M. Raghavendra Prasad
Company Secretary and Compliance Officer
M.no.: A41798

Encl: as above

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



CMMI DEV / 5SM
Exp. 2022-01-30 / Appraisal #2306

Investor Presentation

Q 1 F Y 2 4

NSE: ZENEC
BSE: ZENEC - 533339

BLOOMBERG: ZEN IN
REUTERS: ZETE.BO





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Management Commentary

Mr Ashok Atluri

CHAIRMAN & MANAGING DIRECTOR

Zen Technologies' performance for Q1FY24 has set a new record for us in terms of revenue and profitability. This strong performance in the quarter was driven by the successful execution of a significant part of the simulation export and domestic anti-drone orders. The inherent operating leverage of our business model came to the fore this quarter, evident in EBITDA of 51%.

During this quarter, we secured new orders amounting to approximately ₹202 crores. Additionally, in July 2023, we bagged orders worth around ₹500 crores. This brings our cumulative order book position to ~ ₹1,000 crores, a figure that exceeds the cumulative turnover of the last whole decade. We believe this is merely the onset of an inflection point—a positive black swan event, resulting from the convergence of various factors such as #MakeInIndia, #Atmanirbharata, Buy Indian IDDM, Defence Positive Lists, Simulation Framework, and the GoI's Sustainability Commitment. Owing to escalating

geopolitical risks and India's improved international relations, we are optimistic about making significant inroads in the export markets, especially for simulators and anti-drone systems.

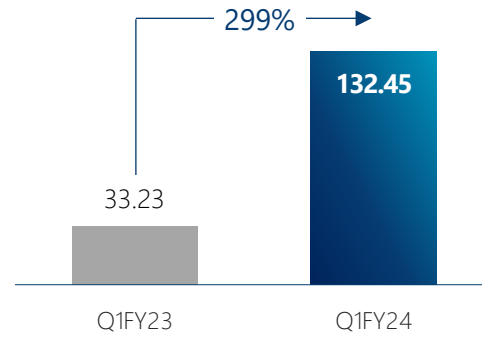
We have a strong liquidity position and a healthy balance sheet with a significant improvement in our working capital cycle. This will support execution of the orders and will fuel our plans for the growth opportunities that will unfold in the coming years.



Quarterly Standalone Highlights

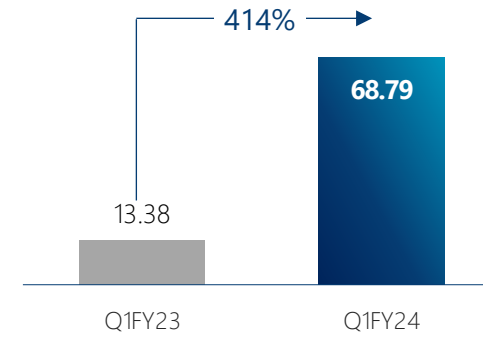
Revenue from Operations (YoY)

(All Values ₹ in Crore)



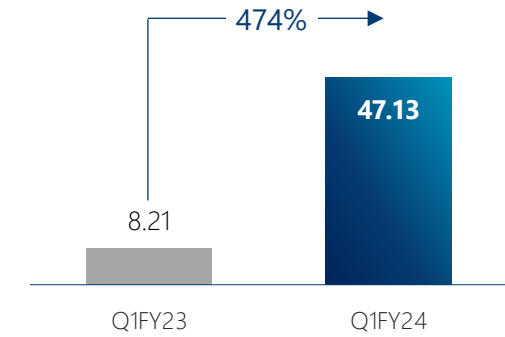
EBITDA (YoY)

(All Values ₹ in Crore)



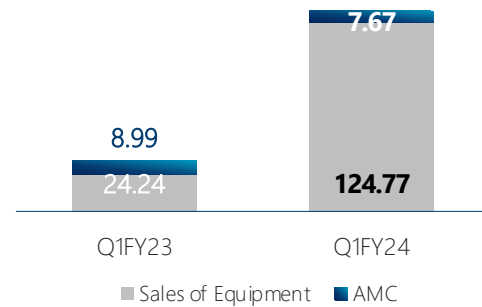
Profit After Tax (YoY)

(All Values ₹ in Crore)



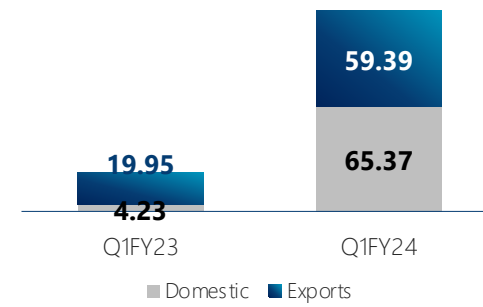
Revenue Segmentation (Sale of Equipment vs AMC)

(All Values ₹ in Crore)



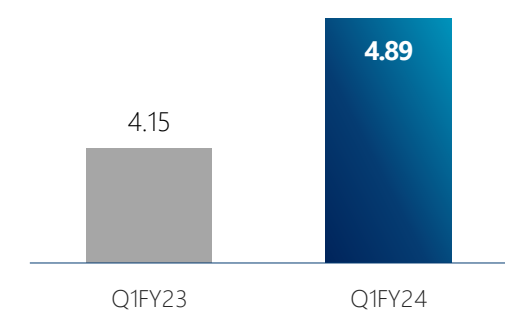
Revenue Segmentation (Domestic vs Exports)

(All Values ₹ in Crore)



R&D Expenses

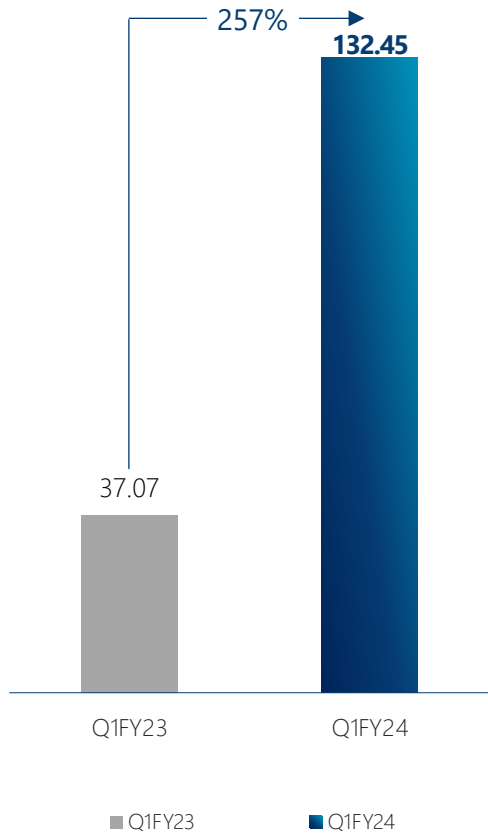
(All Values ₹ in Crore)



Quarterly Consolidated Highlights

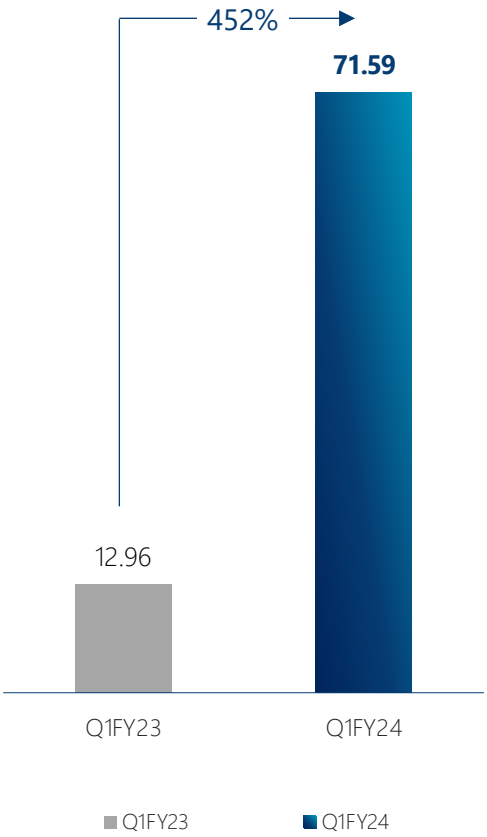
Revenue from Operations (YoY)

(All Values ₹ in Crore)



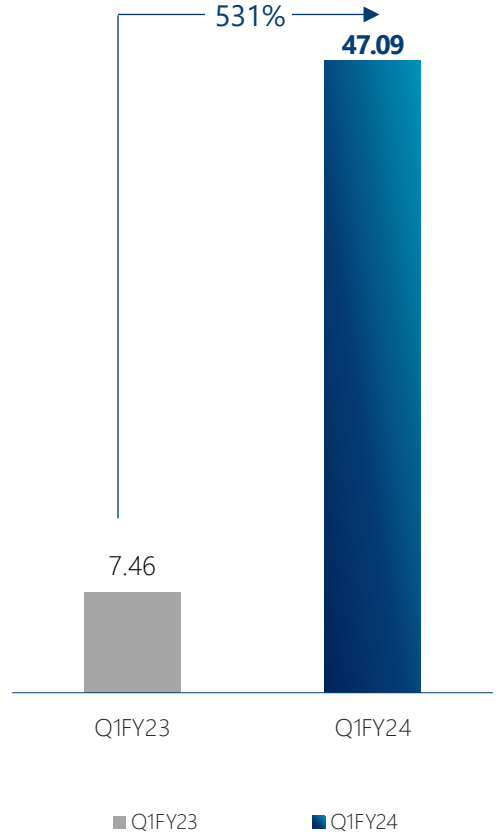
EBITDA (YoY)

(All Values ₹ in Crore)



Profit After Tax (YoY)

(All Values ₹ in Crore)



*PAT Adjusted for Non-Controlling Interests

Order Book Status as of 30th June 2023



In July 2023, we secured substantial orders worth ~₹ 500 Crs, comprising Rs. 340 Crores (exports) and Rs. 160 Crores (domestic), bringing our current order book position to ~₹ 1000 Crs.

Financial Statement Summary

Summary of Standalone Profit & Loss Statement

Particulars (₹ in Crore)	Q1FY24 (Unaudited)	Q4FY23 (Audited)	Q1FY23 (Unaudited)
KEY PERFORMANCE INDICATORS			
Sales	132.45	74.14	33.23
Other Operating Revenue	2.63	0.19	2.15
Total Revenue	135.08	74.33	35.38
Total Operating Expenses	66.29	47.83	22
EBITDA	68.79	26.50	13.38
EBITDA Margins	50.93%	35.65%	37.80%
Interest Cost	0.35	0.33	0.59
Depreciation	1.46	1.38	0.92
Profit Before Tax	66.98	24.78	11.87
Profit After Tax	47.13	17.27	8.21

Financial Statement Summary

Summary of Consolidated Profit & Loss Statement

Particulars (₹ in Crore)	Q1FY24 (Unaudited)	Q4FY23 (Audited)	Q1FY23 (Unaudited)
KEY PERFORMANCE INDICATORS			
Sales	132.45	95.88	37.07
Other Operating Revenue	2.68	(0.01)	2.17
Total Revenue	135.13	95.86	39.24
Total Operating Expenses	63.54	60.69	26.28
EBITDA	71.59	35.17	12.96
EBITDA Margins	52.98%	36.68%	33.03%
Interest Cost	0.42	0.63	0.65
Depreciation	1.91	1.52	1.63
Profit Before Tax	69.26	33.02	10.69
Profit After Tax (Adjusted for Non-Controlling Interests)	47.09	20.19	7.46

Overview



Since
1993



Vision

To be a leading global defence training & anti-drone solutions provider.



Mission

To provide defence training & anti-drone solutions through innovative and cost-effective solutions.

Overview



A pioneer

in developing defence training systems, and anti-drones solutions



An IP player

(intellectual property)



3 decades

About 3 decades of successful track record



25 years

Focus in the first 25 years exclusively on simulators and training equipment for armed and police forces



5 years

Additional focus in the last 5 years on anti-drone systems also



100+

Institutional customers served



280+

Human capital: 280+ manpower strength



₹542.84

crores

Robust order book of ₹ 542.84 crores as of 30 June, 2023



State-of-the-art

State-of-the-art R&D facility recognised by the Ministry of Science and Technology, Government of India.



1,000+

Shipped more than 1,000+ training systems across the globe



~₹73 crores

R&D investment of ~₹73 crores in the last 5 years

R&D – Our Strong Suit

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 110 patents for the pioneering initiatives undertaken, of which 27 have been granted.

- Investments in R&D over the last years has resulted in continuous new product additions. The company has recently come out with Anti-Drone 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 creates *high entry barriers for a new entrant*



~73

CRORES OF INVESTMENTS
IN R&D IN LAST 5 YEARS



~14%

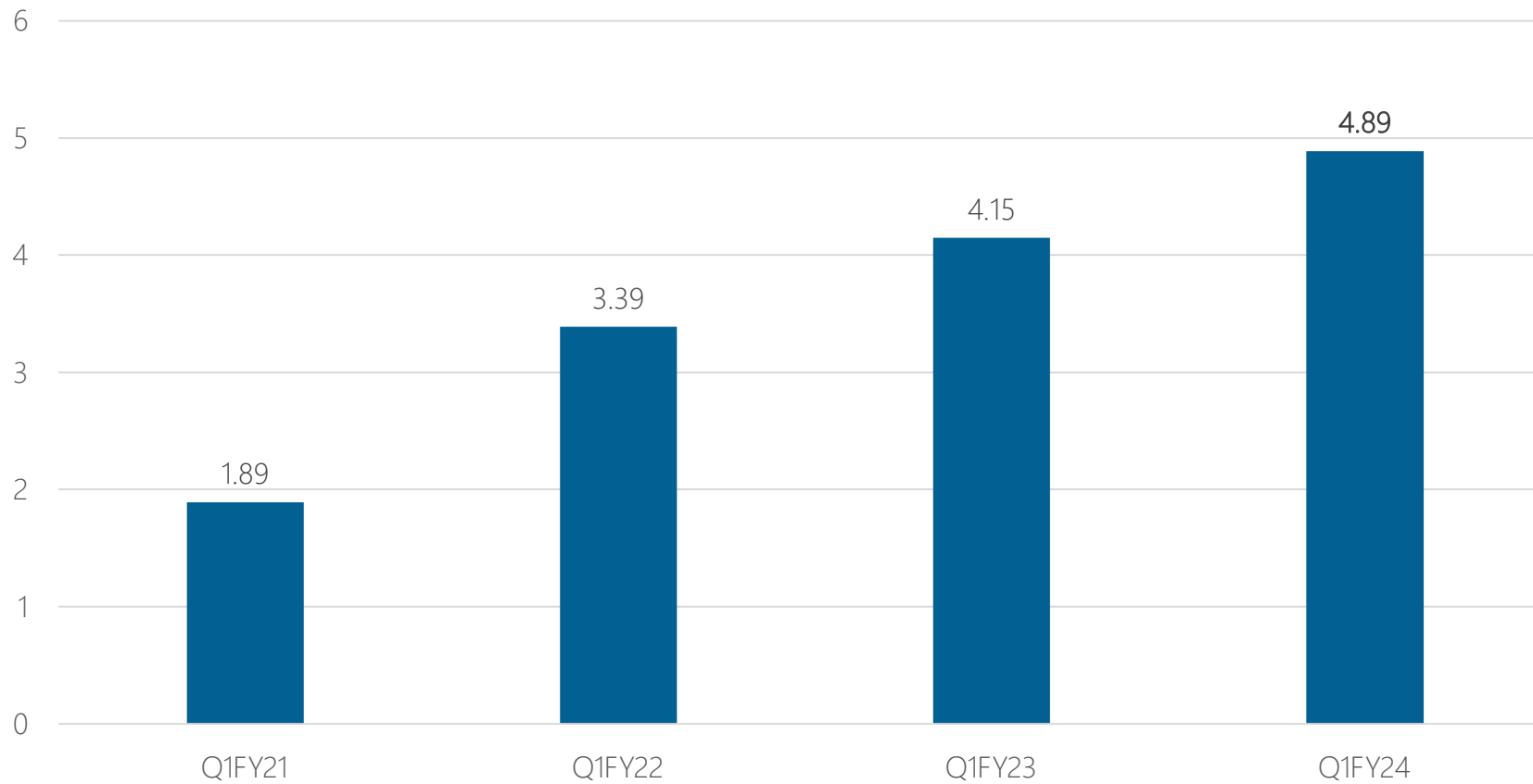
OF CUMULATIVE SALES
INVESTED IN R&D IN THE
LAST 5 YEARS



110+

PATENTS FILED

R&D Spends over the Years (In crs)



Business Model



01

Training Simulation Equipment

- A leader in defence training solutions.
- Infrequent but large orders with long closing cycles.
- 90% of domestic orders from repeat customers.



02

Counter-Drone Solutions

- Anti drone systems are used to detect and/or intercept unwanted drones and unmanned aerial vehicles (UAVs).
- System can detect and deactivate drones of any size within a 4 km radius.
- Remote demonstration – getting positive response.
- Expect big orders in the coming years.



03

Annual Maintenance Contract

- A recurring revenue stream with exceptional profitability margins
- New simulator sales leading to growth in revenues from AMC
- Growing service revenue from AMC ensuring sustainability
- Will soon achieve ₹ 50 crores of AMC annual revenues.

Strong Regulatory Tailwinds

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.

- Aligning Defence Acquisition Procedure (DAP), 2020, with the long-term goals of increase in indigenized content under various categories
- Aggressive push towards MAKE -2, Make in India and Atmanirbhar Bharat
- Positive Indigenization list 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.
- Significant reduction in receivables from government.
- iDEX (Innovations for Defence Excellence) and IDDM (Indigenously Designed, Developed and Manufactured) would help us achieve the goals faster than expected
- Framework for increased utilisation of simulators by the Indian Army, Navy and Airforce & Indian Coast Guard issued by MoD
- Agnipath Pravesh Yojna (APY) announced by the Government is another emerging opportunity for our Company



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

Investment Merits



Asset-light

business model



Strong regulatory

tailwinds



Increasing R&D spends

with special emphasis on Anti-Drone systems for armed forces



Increasing Revenues from Simulators and Anti-drone systems



Focus on

High Value Complex Systems



Strong Balance Sheet

with ~ ₹ 275 crores in cash balance as on July 31, 2023

Strategic Priorities



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.



Streamlining operational efficiencies and focusing on cost optimisation and enhancing financial performance.

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



Establishing the Demo centre overseas and focusing on export markets to expand the international presence.



Enhance technical capabilities by increasing our investments R&D and getting into high value-added complex systems.



Evaluating tie ups with OEMs.

Way Forward

Increasing Demand for Simulators

The recently announced Policy Document on Framework of Simulators in the Armed Forces has created significant opportunities for us, as it aims to promote simulation-based training across all military domains. Going forward, we will be focusing on leveraging this policy framework to offer innovative, cost-effective, and safe training solutions to the Indian Armed Forces.

Focus on New Products and R&D for Anti Drone

The continuous investments in R&D ensure that the products are technologically advanced and suited for the customer requirements. This coupled with ~ 3 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.

Increasing Focus on International Markets

The keen focus on export markets has resulted in brisk growth in export footprint. The Company has a strong product and projects pipeline in the export markets of Middle East, Africa and CIS countries and expects exports to contribute more than 20% to the top line in the current financial year. Furthermore fast clearances from the Government for exports further acts as a tailwind.



Strong Government Support to Act as Tailwind

The Government's strict implementation timelines and focus on Make in India and Atmanirbhar Bharat has created a favorable environment for the defense industry. This provides a strong tailwind for us, and the recently announced Agnipath Pravesh Yojna (APY) by the Government presents another emerging opportunity for our Company.

Sustainability

We collaborated with the TERI (The Energy and Resources Institute) and worked jointly on overall objectives to enhance environmental awareness and promote sustainability. We also worked on assessment of how Simulator can enhance sustainability in the armed forces and released the report on 'Supporting Defence Sectors Efforts Towards Sustainability: Application of Simulators in Army Training'. This study seeks to assess and quantify the environmental and economic benefits of using simulators for training in armed forces.

Increasing Revenues from AMC

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 can then offer huge operating leverage and boost to our bottom line.

Thank You

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Let's connect

Afzal Malkani

cfo@zentechnologies.com
Chief Financial Officer
Zen Technologies Limited

Diwakar Pingle

diwakar.pingle@in.ey.com
Investor Relations Advisor
Ernst & Young

Abhishek Mehra

abhishek@theinvestmentlab.in
Investor Relations Advisor
TIL Advisors Private Limited

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