

February 21, 2025

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: ZENTEC**

**Scrip Code: 533339**

Dear Sir/Madam,

**Sub: Transcript of the Conference Call held on February 17, 2025**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earning conference call held on February 17, 2025.

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  
Q3 FY2025 Earnings Conference Call”

February 17, 2025

**MANAGEMENT: MR. ASHOK ATLURI – CHAIRMAN AND MANAGING  
DIRECTOR – ZEN TECHNOLOGIES LIMITED  
MR. AFZAL MALKANI – CHIEF FINANCIAL OFFICER-  
ZEN TECHNOLOGIES LIMITED  
MS. SHILPA CHOUDARI – WHOLE TIME DIRECTOR-  
ZEN TECHNOLOGIES LIMITED**



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**Moderator:** Ladies and gentlemen, good day and a warm welcome to Zen Technologies Limited Q3 FY 2025 earnings conference call. Please note all participants 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. Over to you.

**Abhishek Mehra:** Thank you moderator. Welcome everyone and thank you for joining this Q3 FY2025 earnings conference 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 will be happy to send it over to you. Today we will start the call with a brief overview of the performance, which would be 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 a 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, Tina.

**Teena Virmani:** Yes thanks, Abhishek. We welcome the management team of Zen Technologies for Q3 FY2025 Results Con Call. We have with us Mr. Ashok Atluri, Chairman and Managing Director, Mr. Afzal Malkani CFO, Ms. Shilpa, Whole Time Director. So over to you Sir, for your opening remarks and then we will open the floor for questions and answers.

**Ashok Atluri:** Good afternoon everyone and thank you for joining both existing shareholders, past and potential shareholders. Very briefly, I would like to reiterate that the earnings for the year on track, we do not see any change in our target of 900 Crores for the year. I think we still feel very confident that we will achieve that. On the downside, we expected orders that would have started trickling down from December onwards. And we said the end of third quarter and the fourth quarter we will start getting the orders that have not materialized as expected. And we think that the orders will start coming during this quarter and they will most likely spill into the first quarter and probably a little later into the second quarter. So, domestic orders worth almost 800 Crores are in this pipeline and we think that before the second quarter we should be having it on our order book. And this excludes the export order, which will be separately accounted for. So I think we have some visibility on these orders. And we are ramping up our execution capabilities so that most of the orders that we receive are executed within the same financial year. So, that was on the news that was not that encouraging but the good news is that our estimate of the size of the market that then can address has grown tremendously over the past few months. That means the prediction that we had made for the average growth of 50% CAGR over the next three years seems



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achievable. And when I mean achievable in the sense that even if we were to fall short in the FY2026, the 2027-2028 figures look very, very encouraging.

And we expect more than to cover any deficiency which may arise in FY2026. And our expectation of course is that government will accelerate the procurement process and place orders on the industry sooner than later. And as we are very extremely transparent, we will update you on the orders as soon as we receive it. On the other news, President Trump's ascension is great news for India. Again, my stance has been very clear. We should use this opportunity to ask for technologies that will help us win the war. And they should be willing to sell it. Rather than outdated white elephants like F-35. A lot of people are talking about F-35. I am quite surprised that there are some people who are actually recommending buying it. The smartest person in Mr. Trump's team, Elon Musk has said a lot about F-35. One of the few remarks that he has made is F-35 fighter jets are obsolete in an era dominated by drones. They have design flaws. What he actually said was broken at the requirements level and are an expensive and complex jack of all trades and master of none and have the worst military value for money in history. So we should be very, very careful for what we use our taxpayer's money in buying, and they should be only technologies that will help us win the war. As you will look, what have we got into, what are the technologies we have in the new acquisitions, what are we doing, you will be very happy to know that we are going in that direction. So having said that again we think that government should insist on having private tie-ups, with private sector companies, which can absorb the future technologies and they can actually help us co-develop for the next generation of technologies. We should not aim to be just manufacturing coolies or a value chain partner kind of thing which is typically lot of people say but we should be actually co-creating great products with them for the world market. So that should be our agenda and I hope the message is taken by the Indian government. So now I am switching to the acquisitions that we have done. Our philosophy when looking to acquire any company is this - if we buy something, if we invest in this company, can they create absolutely world-class products or not? If the answer comes no even by investing and waiting for time, they cannot create world-class product, they cannot attain global leadership, we let go off that investment.

So in this thing, I think we have been able to really identify some great companies and I am very, very happy that the acquisitions went through. Again, I am very, very conscious of the fact that 10% to 25% only work. Almost 75% to 90% of the acquisitions mergers and acquisitions fail. I am very aware of that. So I am hoping that I am an exception but I will be very, very open to the questions that you will ask in this regard. About our largest acquisition to date is ARI. ARI is very frankly, the co-founder, Mr. Shravan Rewari, he is a very good friend of me. I had a long relationship with him. And in fact, we have been talking on and off about it for the past two years that we would like to acquire them. But



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finally, Shravan agreed to do it. And again, I very much respect the work and achievement Shravan and his extremely team of talented professionals have done. And what they have created is very, very complimentary. I would say that like Zen is in the army simulation market, ARI is the leader in the marine simulation market. The majority of their income comes from marine. Now, very quickly, the difference between marine and naval simulators are this. The fields are, marine is typically commercial, naval is typically armed forces but one thing which is very significant and the majority of the revenues for ARI have been coming from marine simulation and naval simulation has been little less. So I think that they took a conscious decision that they will focus on the commercial sector rather than the government sector because of various issues that they have had. So I think here is a great company and the DNA required to be number one company in the world in naval simulation and marine simulation is there in that. And fortunately Shravan was able to professionalize it to such an extent that the team led by Partha Sanyal and his extremely talented team almost run the operation independently and very competently. Fortunately, Shravan will continue to be on board and will give us strategic inputs, including opportunities for further acquisition, as Partha will continue to lead the team.

I will talk about Vector Technics. And the last company I will not talk about. I am a little concerned that the whole of the time should not be taken in the presentation, but we should give time to interact with the shareholders. So I will keep my presentations not so long, but try to keep it brief so that I can answer your questions. The third company, Bhairav Robotics I will probably take up in the next one. But Vector Technics again, this was a company that came to us on our radar a few years back, but then for some reasons it did not happen. I do not know whether you have heard about the story about the Jātaka tale about the brahmin who is taking the goat on his shoulders and some thieves decide, there are many versions of it, but I am telling one of the versions. Three thieves decide to steal the goat from him. So they go to the guy who is carrying the goat on his shoulder and say, Panditji, why are you carrying the dog on your shoulder? And he says are you mad? It is not a dog, this is a goat. He says, are you sure? Because it sure looks like a dog to me. He says, you are definitely mad. He is little confident shaken. But few steps later, the second guy again repeats. The second thief comes and says, Panditji, what are you doing? You are carrying a dog on your thing. So this guy actually starts suspecting, this is a dog and he says are you sure? No, this is not a dog. This is definitely a goat and he is confidence shaken. By the time the third guy says, why are you carrying a dog? This guy actually throws the goat and runs away and the thieves take it. So why am I explaining this story is for a long time Zen was being said as a drone company, drone company, drone company. But as we said we have been saying that, no, we are not a drone company, we are anti-drone company. But now the reality is that we are becoming a drone company and Vector Technics is a company that we are investing is our first step towards becoming a drone company. Thanks to all the



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investors saying that are equating us with drone company. Recently we started talking to few drone companies in which we wanted to invest. Again, our criteria has been very, very simple, that we do not want companies that get Chinese parts. We recently saw some news articles also, in which Chinese parts were found. And the danger of having Chinese parts is that when the war happens, your drones can be completely disabled by the Chinese. So we have to be very, very cautious about getting any parts. So government acting very harshly on people who have Chinese parts in the drones, I think is very, very justified. So we see that DJI drones do not fly in the border areas because they are denied the flight. Because again, we have also seen that when Israel war happened, Israel was able to actually use the pager technology to kill so many of the Hamas targets. And strangely India still continues to import these electric cars from China. And these electric cars can become absolute weapons when the time of war comes, because the software is given by them. The software can be updated to be very, very restrictive on Indian traffic and Indian roads. The whole point is that we should be very cautious of a neighbour who has time and again backstabbed us. So coming back to the thing, when we started approaching the drone companies, almost everybody said, listen we are indigenizing and the technology that we are using to indigenize is from a company called Vector Technics. And, in a strange coincidence around that time Vector Technics approached us for investment. And we immediately lapped up and almost it was a completely cordial tie up and happened very, very fast. That is one of the things that we will definitely do, if we like you, there will not be a one year due diligence and all that who are by which time typically the people who need the funds actually die. So we will act very fast. In fact, this is also an open invitation to any of the shareholders who directly or indirectly know some companies that are looking for investments in related segment that Zen is exploring. But having said that, I am inviting Pruthvi to come in and briefly explain about the products and what they have done about this. If they will be around here, if you want some additional question, they will say, so what is so really is cutting edge, it blew my mind away. It blew the mind of very, very technical people we know. But Pruthvi, please come and you can explain it.

**Pruthvi:**

Hi, Good afternoon, everyone, and thank you for the opportunity. So we are very thankful for Zen. We have been in the space since past five years, putting our brains together for research and development and we have been struggling to find the right investor. Let me put it that way. So when we approached Zen a couple of years back, we had just one product. And, and we were not market ready at that given point of time. Given the last two years, we had a very good success in capturing the right markets both domestically as well as internationally. At our core, we are a motion control company. So we did our research into motion control that is into two different segments. One is a brushless DC motor technology for UAVs and robotics. And the second one is IC-engine based propulsion for drones. So I will show you some of our products.



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This is our motor, which can be repurposed either as a commercial drone motor or a defence drone motor or even a man carrying drone motor. And it can be used as a robotic motor as well. Similarly, we have part of the core electronics of a drone. This is simple. If I need to do it in simple terms, this is almost similar to a motherboard of a PC. So it powers up with the batteries and it also gives distribution to the other sensors, payloads, as well as propulsion. So this is also a key part of our drones. I will show very briefly our second revision. It is a four cylinder UAV aircraft engine for UAVs. This is extending the range of the drones which are currently operating. It can be used as a regular commercial aircraft as well as high altitude. So we had designed very strategically that it can be modular. Our patented technology can make the same engine as a two stroke four cylinder engine, two cylinder engine and a six cylinder engine. I will just show you quickly how a two cylinder smaller engine looks like. So if you see our vertical integration of the technology, it is the same motors that we develop which we repurpose as generators. So on board, it can generate power, and you do not need big batteries to carry or you do not need very, very big batteries to go for extra long range. The engine on board an aircraft can deliver that power. It can be a redundant power supply for all the electronics as well. Having said that, there is one more final trick up our sleeve, which is our counter rotating motor. So these are our counter rotating motors. What it does is we have a patented licensed technology with 13 patents globally. It increases the efficiency by 30%. And it can change the game of UAVs within a long span. So our small technology can propel a drone 30% longer, faster, and can be a beautiful alternative for a regular standard motor and increase the flight times up to 30%. So this we are currently exporting and we are very soon launching in India as well. So having said that with the opportunities that we had from Zen, so far we have about five different product lines. We are going to scale up all of those product lines into about 23 different product lines. We will be targeting markets both domestically as well as internationally. We have our distribution channels across Japan, US and UK. We are expanding into Middle East and Europe this year, and we are looking for bright talent to expand. And thanks to Zen for investing and trusting in us for such a big expansion that we never dreamt of that will happen so quickly. Thank you, Sir.

**Ashok Atluri:**

The rule is that whenever somebody speaks so smoothly, you should be very, very careful. So the actual technical guy is not Pruthvi, the actual technical guy is Karna. So he is not very articulate. So that is the plus point that we have here. So overall, I think we are very, very excited with the acquisitions that we have done. And one thing, even in recent Aero India, we launched a product called Vyom Kavach, shield in the sky. Now this is one of the most advanced anti-drone systems in the world now. It has four layers of protection. The first layer starts with just the jamming soft kill. And then the second level is typically the kamikaze drones. The third is the missile attacks.



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And finally, the fourth is the gatling gun or regular gun that can be used to destroy swarm drones. So this has been developed specifically for swarm drones. And we are evolving our products at a furious pace to keep with the requirements of the country. So I think overall, most of the points have been covered by me. And I will hand it over to Mr. Afzal Malkani, CFO for presentation on the figure so that he gives a good perspective on the figures. After that we will open for Q&A so that we can have a proper interaction.

**Afzal Malkani:**

Thank you Sir. So good evening everyone and welcome to the earning conference call for Q3 and nine months ended December 31<sup>st</sup> 2024. As you just heard from our CMD Mr. Ashok Atluri, we would like to report that we have delivered reasonably a good performance for Q3 FY2025 and nine month FY2025. Additionally, we are well positioned to continue our growth momentum. Let us begin with a quick update on the standalone performance for the Q3 FY2025. Our revenue from operation was Rs.141.52 Crores compared to Rs. 98.08 Crores in Q3 FY2024. The growth in percentage terms is 44%. Our EBITDA for the Q3 FY2025 increased to Rs.58.68 Crores compared to Rs.48.40 Crores in Q3 FY2024. In percentage terms EBITDA is 35.90% of the revenue. The growth in percentage terms is 21%. Our profit after tax has increased to Rs.38.62 Crores compared to Rs.31.66 Crores in the same period last year. Profit after tax in percentage terms is 27% compared to 32% in Q3 FY2024. The growth in percentage terms is 22%. So now coming on to the out of our total revenue of Rs.141.52 Crores, Rs.130.82 Crores were contributed by the sale of equipment, while 10.70 Crores came from our AMC business. Coming on to the nine month performance for December 31<sup>st</sup> 2024, our revenue from operation was Rs. 637.17 Crores compared to Rs.295.56 Crores in nine months FY2024. The growth in percentage terms is 116%. Our EBITDA for the nine months FY2025 increased to Rs.252.77 Crores compared to Rs.143.76 Crores in nine month FY2024. In percentage terms EBITDA is 37.69% of the revenue compared to 46.95% in nine months FY2024. The growth in percentage terms is 75.82%. Our profit after tax has increased to Rs.178.03 Crores compared to Rs.96.20 Crores in the same period last year. Profit after tax in percentage terms is 27.94% compared to 32.61% in nine months FY2024. The growth in percentage terms is 85%. Now coming on to the balance sheet part, Zen remains focused on maintaining a strong liquidity and leveraging its asset-light business model to ensure sustained growth and value creation for our stakeholders. With that, we conclude our opening remarks and we would like to open the floor for the questions and answers. Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin with the 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.





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Now we will take our first question from Mr. Lokesh Sabharwal. Mr. Sabharwal, please unmute your microphone. Please go ahead.

**Lokesh Sabharwal:** Thank you so much for giving me the opportunity, Sir. Mr. Ashok Atluri I have been a big fan of yours, invested in your company for over two years now. I have basic two questions. So what is the current order pipeline? And by when do you expect it to start coming on papers because as of now we can see it is around 116 Crores so and you had projected around 1200 Crores for next financial year. So how would you be able to achieve that and second is the profit margin has been very good in your company in the recent years. And after the acquisition, what do you think that the profit margin would be, when the revenue of the existing companies start coming in?

**Ashok Atluri:** Okay thanks Lokesh. Thanks for asking and thanks being a co-owner with me for Zen Technology. Really appreciate that. The first question is the order pipeline again we had indicated that we will get about 1200 Crores during the year. But we have about 800 Crores in the pipeline at this point in time. And we expect that the most of the results should come out by Q1, if not Q1 then Q2 definitely. We are not factoring the exports that is a little iffy thing. If it happens there are large orders there. And with respect to the profit margin post acquisition, acquisition margins are not as big as we have, but we expect them to improve. Again very typically, I want to say that when ARI has marine simulators and Zen is saying that we will move to naval simulators, what does it mean? Basically marine simulators for example, the bridge simulator, the engine simulator, all those simulators are similar in both the cases. There are some simulators that are mutually exclusive, naval simulators are a superset of marine simulators in most of the cases, again there are exceptions. So here what happens is why is the naval simulators are different kind of, different beast to a handle is, one thing missing is the weapon simulator that are required to make them actually a naval simulator. So with the marine simulation leadership that ARI has under the leadership of what they have developed with Shravanji. And the simulator that we have, the weapon simulator, if we combine them, they make perfect naval simulators. So this is an absolute synergy creating opportunity. So we are very, very excited about this. And I think the margin profile, once we integrate both the companies will continue to remain the same and maybe better in some cases.

**Lokesh Sabharwal:** Thank you Sir. Thank you so much.

**Moderator:** Thank you. We will have our next question from Mr. Dipen Vakil.

**Dipen Vakil:** Hi Sir congratulations on a decent quarter and congratulations on acquisitions.



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Sir we have early on guided that we will be on track to do a revenue of close to around 900 Crores. So are we still on track with the same guidance or is there any material change because we have already passed on with even the first half of fourth quarter. So would you like to state the same guidance for this year?

**Ashok Atluri:** Dipan we are confident that we will be able to achieve 900 Crores. Again thanks for saying that it is a decent quarter but not everybody is saying that. Actually in Q1, I said please do not go on quarter on quarter, because somebody said, you are very heavy, you will do 1000 Crores. I said, no, do not go on quarter on quarter but just as we said 900 Crores, we are very confident, whatever is the gap, we will be able to fill that gap to hit the 900 Crores target in this quarter.

**Dipen Vakil:** Sir you mentioned that the pipeline is of close to around 800 Crores, which will get fulfilled likely by say first half of next year. But Sir, can you give us a little bit more about the ordering environment that is there currently because your equipment orders currently at 0.4 times the sales. So how do you think that the ordering will happen in say next 15 days? Are there any advanced talks that are happening when it comes to orders?

**Ashok Atluri:** Very frankly Dipen what has happened is after 30 years of experience I projected a very, very conservative figure and the team had said that, we will start getting orders much, much earlier. But we took a very conservative approach and said, we will start getting from December. But even that proved to be very optimistic and still the orders are yet to come. But to be very fair with you some orders are at a very advanced stage, and they may happen this quarter itself. But again, I do not want to give any figures on that Dipen. I hope you understand that. They are at an advanced stage. Thank you.

**Dipen Vakil:** Got it Sir. So we are very positive on it. So all the best for fourth quarter and FY2026.

**Ashok Atluri:** Thank you Dipen. Thank you. FY2027 and FY2028 too. Thank you.

**Dipen Vakil:** Thank you so much Sir.

**Moderator:** Thank you. Our next question will be from Sandeep Agarwal from Kohinoor Investment. Please unmute your microphone and go ahead with your question. Mr. Agarwal, please unmute your microphone.

**Sandeep Agarwal:** Hello Ashok Sir. We have taken over this company ARI where the revenues are around 92 Crores. Can we get to know what is the EBITDA margin in that company?



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**Afzal Malkani:** So, currently in the current year, ARI will achieve a revenue of more than Rs.100 Crores and EBITDA will be around in the range of 18-19% and PAT would be around 13-14% in the current financial year.

**Sandeep Agarwal:** Like we are attending to a lot of exhibitions and fairs so we do not get any clients giving us orders on the same quarter because we have been waiting for three quarters and no orders have come in. So we do not get orders when we are exhibiting in fairs.

**Ashok Atluri:** Not really Sandeep. I think it is a little complex process. Indian government has its own long process, but even foreign delegations that visit; these are all visits to actually explore what are the technologies available for acquisition in India. So when they come here, they look at it and then they tell us that these are the technologies that we are interested in. In some cases, where they are already in touch with us, they come and say, listen these are the things that we will be placing order in the coming couple of quarters. So yes but we typically do not get any orders because they are government orders. So they are extremely process driven. The orders come after they come, go back, float a tender etc.

**Sandeep Agarwal:** Donald Trump is coming out with a lot of news like we might have to do defence deals, the Indian government might have to do defence deals with the US government. So, we buying more of defence equipments from US will that affect our performance in any way?

**Ashok Atluri:** In the sense that we do anti-drone systems, and I think we do much better than most of the companies, including American companies. So Indian government will be very, very cautious. I think they will be using technologies that are not available in India. They will not buy something that's already available in India; it does not make sense at all. And even when they buy it, that would be only to build ourselves into winning a war, not just to oblige President Trump. I think we are at a very good spot. And definitely there are technologies that America has that can help us become a stronger nation. Zen does not see any threat at all from this. In fact, we think that opening of office in US was very opportune and with all the setup, we had recently taken permission to invest in US, we are going there. As we speak, we are identifying the place with the new Trump administration in place. We are identifying where we will be setting up our factory. And I think the US will contribute significantly from FY2027 onwards. I am very sure about that. So I think that is a good news for people who are setting up manufacturing facility in the US that they will be able to take advantage of President Trump's bargaining tactics.

**Sandeep Agarwal:** Thank you. Congratulations for the future.

**Moderator:** Thank you. Our next question is coming in from Ms. Smita Mohta from Kredent InfoEdge. Ms. Mohta please unmute your microphone.



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**Smita Mohta:** So two questions. You sound very optimistic about the business moving forward. Still, I wanted to ask two questions. One was as a DNA, you have changed from being anti-drone to drone and you sound very optimistic about this joint venture, whatever you are doing, but looking at the financials, which the order book is showing us and the last two quarters growth that we are seeing that has gone up for a toss and making us think that actually will 2025 and 2026 will be a bit muted and 2027, 2028 will be forthcoming. And how do you like that this drone system addition that you are doing to your wallet as a product mix, will it benefit you more or the company that is coming more which will be taking your market also for the product sale of them?

**Ashok Atluri:** So Smita, thanks for the question. So, your first question was the moment from anti-drone to drone. Very frankly, I think we are in a very, very good space in anti-drone systems. I think the ones we are supplying are extraordinary and absolutely world class. The second question, why are we getting into drone systems? This is a very, very cold-blooded decision that we took. In fact, we avoided getting into drone space for a very long time because we were thinking we will get world-class technologies at some point in time.

But what we have seen is even now the products being supplied to the Indian armed forces still have Chinese parts. They are really not cutting edge. Again, I do not know why this has happened, but the actual drones that are being developed are really, really lacking in world class position. Again anti-drone is one part of the total equation. If you do not have cutting edge drones, you just cannot win a war. Again, we are not trying to reinvent the ground up. What we are trying to get is the smartest and the best and the deepest player, deep tech players in this segment, and getting them together to develop the world's most advanced drone systems. Again, as we always do, we are not focusing only on Indian Armed Forces because we do not want to give something to Indian Armed Forces just to satisfy the RFQ requirement. But we want to give them absolutely world class product that is absolutely leading in the world. So, this is what I have in mind. And this is the reason we are getting into drone systems, because without drone, absolutely cutting edge drone, we cannot win a war. And what we have seen till now is pathetic. And we are very, very unhappy with what the drone ecosystem has delivered. So we are hoping that we will fulfill the gap that is there to ensure that we are not found wanting when any conflict happens in the future between India and any other country.

**Smita Mohta:** So basically Sir, I wanted to know that are we benefiting with an increase in this or is the company which is coming new, which will benefit because currently we do not know if we will be having that drone orders from the government?

**Ashok Atluri:** Smita actually, I am a little amused by the question. The thing is when two people get together, there is a synergy. It is not that one guy is benefiting, the other guy is losing. It is



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not a fixed pie, it is actually the pie is growing extraordinarily big. It is multiplying. And I think both of us will benefit significantly from this. And most importantly, the customer will get absolutely cutting edge technology from this collaboration. So I do not think there is anybody who is taking advantage or getting something while the other guy is losing. I do not think in that way at all. I hope Smita you are getting my point.

**Smita Mohta:** Yes Sir. Just wanted to end my query with one last question. That is I have seen your shareholding going down. So with so much of optimism in the company, why is the promoter shareholding going down?

**Ashok Atluri:** Smita very frankly, always we have had the same shareholding for a very, very long time. And only in recent times, we have sold 1% of the holding, not much. Me and my co-founder and my brother, we sold 1% each take some money for various. Again, we have been very, very conservative. And very little has been taken off the table and majority of the holding continues to be in the family's name and there is no sale other than one sale that has happened.

And we do not even intend to dilute any further. So, that was actually announced at that point in time. We do not intend to dilute in the near future or even the late future.

**Smita Mohta:** Thank you Sir. Thanks for the question. All the best.

**Moderator:** Thank you. We will have our next question from Ashish Soni, Family Office. Mr. Ashish, please unmute your microphone.

**Ashish Soni:** From this acquisition, how much revenue you are seeing in next two to three years scaling up and what margin because drone seems to be a commoditized business to me at least. You said I think what I heard he has an IP and all, but will we get the good margins in drone business also?

**Ashok Atluri:** Again if the competition was like, everybody was getting parts from China. And when everybody gets parts from China. I mean again, there are some players who are really, really, who do Indian production or do not include any Chinese part. But typically, when everybody is getting from the same source and just assembling and selling, then the war becomes very, very difficult to win. But in this case, what we are doing, we are bringing a whole new level of technology. It is a different technology, different level of indigenization that is happening. So I think with these kinds of indigenization and the different technologies, the counter-rotary technology and the engines being completely indigenized, specifically for the drone companies, we think we are not only going to supply to India, but this will become an absolute manufacturing hub for the world. So we will be exporting a lot



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from here to other foreign countries. And I am not talking about Africa or Middle East. I am talking about North America and Europe. So that is where a lot of exports will happen. And I think my personal belief is that the margin profile will improve after this collaboration starts happening in turnover. So with respect to the turnover, I will just defer it. We have some figures, which are very, very conservative, which are like 50 Crores, 100 Crores kind of thing. But I think in the long term, this will be significantly I would say wait till FY2028 or something. I think it is going to be really, really mind blowing. The figure that we will get will kind of compete with what we are doing in anti-drone and simulator space.

**Ashish Soni:** And you seem to be more optimistic on the US business. And you were there in air show also so I just want to understand qualitatively how much revenue are you having like from discussion in terms of orders with the customers like what is your optimism coming from at least for the US business when you set up a manufacturing plant because last quarter you were optimist right now also optimist. So give qualitative colour what is happening and how much revenue scale up at least from US business you can do manufacturing from US in FY2027.

**Ashok Atluri:** What is happening at this point in time there are many foreign countries that are actually asking us for these products and they would prefer that we do the manufacturing in the US and made in USA branch and especially with the new administration in place, they are saying that we are under pressure to buy from the current administration. So they would love to buy the product that we have mostly from US at this point in time. And these markets typically, they are easy to service from US that would include the South America and North America market. And typically, some customers are there who will not buy from India and they prefer to buy from their own allies for example the NATO forces. So NATO allies of some other market that we are looking at from US. So given these are the kind of things so again I will not put a figure on this because again, this will be too premature. At this point in time, it is actually not very, very clear. The numbers are very large. But I think as we go into FY next year, and mid next year, we should be able to give a good colour to the FY2027 figures.

**Ashish Soni:** And lastly, any guidance on FY2026 because you said your order book is getting shifted and but you are still hopeful. But guidance wise, do you think you will meet the 50% CAGR expectation for FY2026?

**Ashok Atluri:** So FY2026 if there is any shortage, given the current situation, we think there will be some shortage. We are very sure that that will be filled up in FY2027.

**Ashish Soni:** So you are saying it will just move into FY2027. But your overall guidance will remain the same.



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**Ashok Atluri:** I probably use this figure. It is going to be average CAGR of 50%. We still stand by that estimate.

**Ashish Soni:** Okay thanks and all the best.

**Moderator:** Thank you so much. Our next question is coming in from Neel Mehta from ICICI Securities. Please go ahead.

**Neel Mehta:** Very hearty congratulations on a good quarter. Just wanted to ask you a few questions. Our revenue guidance was 1400 Crores. With these acquisitions is it still staying at 1400 or are we revising it upwards? I understand that the order book has come at a delayed so it might be a spillover effect to 2026-2027 but for 2026 are we still on 1400?

**Ashok Atluri:** No we will be revising that Neil as we speak. As the orders come in during the Q4 and Q1, we will get a very clear picture. And I think by end of Q1, we will be able to do it. But again, if there is any shortfall, we are reasonably sure that FY2027 and 2028 will more than make up the shortfall and we still stand by the average CAGR of 50% over the next three years.

**Neel Mehta:** And Sir, the new acquisition that we had in the new simulation area, how many patents do they have already?

**Ashok Atluri:** They have applied for the patents. I think they applied for a few patents. The patents are yet to be granted so that is the profile. Again, they have generated extraordinary amount of IP, but they have not been very aggressive in asserting that IP but as we speak they have started the process and I think at least 10 patents will definitely be coming out if not more than that.

**Neel Mehta:** Okay and Sir the new acquisitions that we have had, what would their order book tendering number come up to?

**Ashok Atluri:** I think for the new two companies, they are just starting. They have just developed the deep tech, but they have not sold much. But in the case of ARI, I think at least 100 Crores will be the addition that we will have without the naval simulators coming into place. Once naval simulators start coming into place that will really, really, I think, double, triple, or something. Again, I personally feel that, again, one of the thing is that, in India, we are so obsessed with the two borders. On the east side, we have a friendly neighbour. On the west side, we have a large friendly neighbour. So we are just obsessed on those two borders. Just imagine, turn the map upside down. You see the whole Indian Ocean completely open and India standing there is a small triangle there. So this is what is opening up for India. Indian



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Ocean is going to be the future of all our issues and conflicts and dominance that are required. If we are able to establish ourselves in Indian Ocean, then we are absolutely the world power. And for that, we require tremendous amount of training on the latest technologies. And this is exactly what ARI's collaboration is bringing. And our collaboration is getting the weapons onto the ships and bringing the absolutely latest naval training systems. So I think the 100 Crores that they are adding is not the thing, but the few 100 of Crores which this collaboration will get will be the key in getting to the next level.

**Neel Mehta:** Okay and if I may just scoop in the last one. If we are going under acquisitions, I understand it will take time to ramp them up for at least the next one quarter or the next two quarters, a hypothetical guesstimate on EBITDA margins somewhere between 40 to 50 we were standing at, where would these acquisitions take us to?

**Ashok Atluri:** At the EBITDA margins, we should be able to maintain at 35% that is our target. So, 35% EBITDA and 25% PAT is something that we feel that we should be able to maintain if we are extreme IP value add company.

So if we fall below that, I mean then I think we are doing something wrong. So we are very conscious about that and again PAT 25, EBITDA 35 is our target.

**Neel Mehta:** Okay Sir thank you so much. All the best.

**Moderator:** Thank you. We will have our next question coming in from Abhishek Shah from Ambit. Please go ahead.

**Abhishek Shah:** Hi, good evening Sir. So just one thing for the last year or the last few quarters, tank simulators was also a pretty significant part, both tank and battlefield training simulation was a pretty significant part of our revenue. And we have not spoken much about that. Also, the first three quarters of the year, order flow has been also quite weak as we have discussed on the call. So anything from the Indian government in terms of this segment, like is it saturated? What are we thinking about that part of our business going forward?

**Ashok Atluri:** Again Abhishek in fact, we have been telling that the orders typically come towards the fourth quarter and we have been guiding that. It will start towards the end of the third quarter and come in the fourth quarter. And we were conscious that the order flow may not happen in the first few quarters. Even though our team was saying that the orders may come through but we are conscious about that. And with respect to tank simulators and battlefield simulators there is lot of demand at this point in time and some of the orders that we are talking in the order book position include the tank simulator. Now battlefield simulator, I do not know what that means, but we have combat training centres that is the complete training





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on the battles. So, those simulators have a very huge demand and they are a complex combination of all the simulators. So, that is actually very few companies in the world can do that. In fact, I do not think of any company that can do in the world, the kind of all the equipment simulators put together, working in sync to trying to simulate the war is something that Zen can do very well. And I do not know of any other company that can do it. So yes, these are the two very big opportunities. And we expect these to come. Again one of these will actually blow our minds away. And they would be an absolute black swan positive event. So we hope it may happen in FY2027 if not in FY2026. That would be a very very large order when and if it happens.

**Abhishek Shah:** Sir so any impact of the elections in terms of the order of flow, you think that has had any impact?

**Ashok Atluri:** I think that has had an impact Abhishek even though I would like to say that there was not any impact, but we saw that orders slowed down. The government was working at a little slower pace than they would have worked. But I think those issues are getting resolved as we speak. They are catching up. Even though we would love to them do it at a faster pace. Because remember that government placing few orders can really rejuvenate the whole capital market for defence. And this is the cheapest kind of funds the Indian government can get for the defence market. I wish they get the message and they really, really start giving the orders and rejuvenate the defence sector very soon.

**Abhishek Shah:** Thank you so much Sir, and good luck.

**Moderator:** Thank you. The next question is coming in from Ashutosh Garud from Ambit Wealth. Please unmute your microphone.

**Ashutosh Garud:** What I was asking is that at the start of FY2025, we had an order book of 1400 Crores and we are now about to deliver a 900 Crores top player. Now, entering the end of FY2025, start of FY2026, we are having a lesser order and unless we get some really big orders, it will last only for an hour. So would it be fair to say that the growth as far as FY2026 is concerned will be flattish and the 50% growth rate which you are mentioning would be fairly back-end-type as far as that is concerned.

**Ashok Atluri:** I think we feel that there should be growth. It may not be flattish, but again what I have been saying from the beginning that whatever is the deficit in FY2026, we will make it in FY2027-2028, more than make it.

And we still stand by the statement that we made that average CAGR of 50% will be achieved. And I understand your concern that our order book is less than the order book



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which was in the end of FY2024. So we are concerned about that but the fact is that the orders have been little slow in coming. But again, we see that government is moving very fast and order position will become little better by end of Q1. And we will keep you updated about it. But overall, we have been never more optimistic about placing orders on Indian defence industry. They are acting very fast. They are creating the budgets which are required for them. And they want to buy from Indian players notwithstanding the fear that President Trump is pushing Prime Minister Modi. Prime Minister Modi is not a guy to be pushed around. He may act with all the decency and diplomacy that is required, but he will completely act in the interest of the country. I do not know if any other leader would do that. So we think that the orders will come to Indian companies and in large numbers as we speak.

**Ashutosh Garud:** Thank you and all the best.

**Moderator:** Thank you so much. We will have our next question from Mr. Manan Vandur from Wallfort PMS.

**Manan Vandur:** Thank you for the opportunity. Sir, my first question is on can you please update us on the Goa facility? Last quarter you said that we were at the blueprint stage. Now, where are we?

**Ashok Atluri:** We are waiting for permission from the government of Goa. And we were supposed to start the construction as we speak by February 15<sup>th</sup> but I think there is some delay in giving the permissions. But the moment the permission comes, we have the blueprint, everything ready. We will start the construction. We hope to operationalize it probably before the end of this calendar year.

**Manan Vandur:** Okay got it. Sir the next question would be that last call you had said that we might have around 1100 to 1300 Crores kind of an order, but you are now saying that the pipeline is of 800 Crores.

**Ashok Atluri:** That is only for domestic orders.

**Manan Vandur:** Okay so earlier when you had mentioned 1200 to 1300 that was including international?

**Ashok Atluri:** I am assuming that I meant the total order inflow would be over 1200 Crores. So yes, I had assumed that it included exports also, yes.

**Manan Vandur:** Okay got it. Then Sir two more questions. Can you please also give us the margin profile for Vector? I know it is a very small as of now, but still some margin or are we like loss in that company?



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**Ashok Atluri:** The thing is listen this is at a R&D position now. I think we will start the sales starting next year. I think in six months or so we should start getting the sales. The margin profile in no case can be less than 25% PAT. I think the amount of value they will be bringing. The amount of uniqueness that they are bringing to the products and the amount of power per rupee that they will be giving to the customer will be extraordinary. If they were to buy, even at current market prices the same thing, the margin profile will be very, very good. Again, all companies that add IP, they are not just buying and assembling that create deep IP, they can demand and they do get margins the way Zen is getting. So, I think that will be a good margin profile. They will definitely not dilute our margin profile. If they fail to improve the margin profile, I would be very surprised.

**Manan Vandur:** Okay got it. Sir, I asked because in the press release I can read that it did around 1 Crores something of turnover in 2024, which is why I just asked.

**Ashok Atluri:** This is just experimental product that they sold to somebody. Actually it could have been given away something like that. The actual commercialization of the products will happen in the next year. It will be very large. I think the orders will increase by FY2027 and 2028. They are going to be very, very large business for us.

**Manan Vandur:** Got it so just a follow up question. Sir even as you said that we do not look for anything which is below 25%, but one of the participants asked about RE and Afzal Sir said that they are doing PAT of 13-14%. Then how do we look at that?

**Ashok Atluri:** We do not acquire companies based on PAT profile. We invest in companies based on their uniqueness and the value they bring to the customer. That means that they should be unique and a potential to become a global leader. So once these uniqueness and deep technologies available, the margin profile automatically has to be very good. Because it is not a commodity product. It is a deep IP research product. That means the profile will be good. So that is right, the 25% will come automatically if these things are fulfilled. So at present, the profile is at 13% or so. But when we mix our weapon simulator with marine simulator, what I said was that the profile will improve to at least 25%. So when we start going to the naval simulators, I think the profile will be much much better than what is there in the commercial marine segment.

**Manan Vandur:** Okay understood. And Sir, my last question would be that Sir, even as we are now going into drones that you said, who would be your competitors in the listed space?

Like Optiemus could be one or something because they are also doing so. What do you think? How would you compare yourself with someone who is listed?



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**Ashok Atluri:** I will not compare myself with anybody who is listed. We want to create a market in which we want to absolutely help Indian government become unbeatable, the Indian armed forces become unbeatable. So for example the counter rotary technology that is there, it is 30% more efficient, it is very responsive. So what it can deliver is something unfathomable, can we create underwater swarm drones. So there are multiple applications as we speak. And again, there are two things. One is the drones that we may create ourselves, which will not be done by this company. This company is a dedicated ecosystem supporter, ecosystem supplier, the engines, the counter rotary technology etc. So they will be doing that and they will be absolutely, I think they will be number one in the world without exception. So we will be trying to look at some companies that can use these technologies and other technologies to create the drone. So we are not yet a drone. What I am saying is we are probably on the way to become a drone company sometime in the future.

**Manan Vandur:** Okay got it. That is it. Thank you so much.

**Moderator:** Thank you. We will now take the last question for today from Mr. Abhay Jain from Hem Securities. Mr. Jain, please unmute your microphone and go ahead with your question.

**Abhay Jain:** Okay thank you for the opportunity. Ashok ji, like we have been really optimistic about Zen and that is partly because of your optimism about the market. So, considering that there have been really big statements by our Honorable Minister Rajnath Singh about calling 2025 as year of reforms and we have been hearing good things about Defence Acquisition Council as well, DAC as well. But that is not getting realized into orders and this is not about Zen, this is about all other companies as well. There has been a slowdown. So is the opportunity real or how big is it for Zen for the next three to five year horizon? Even if it is getting shifted maybe from one quarter to the other, it is okay, we understand that it might be due to elections and all but is the opportunity really that big? And how much are we trying to achieve out of the total addressable market present for anti-drone simulators both of these businesses combined as on today. And sorry, just one last line that when he talks about year of defence, I mean like year of reforms for defence, he is also indicating about technologically advanced combat ready force. So, they are focusing a lot of technology. I am pretty sure we are, we must be one of the front runners in getting a pie out of that. Is our understanding correct and what are your comments on that? Thank you.

**Ashok Atluri:** I think you are very much on track Abhay. The fact is, the market is really, really big. I really do not want to tell because that will sound obscene in this forum.

But what we have seen is in the last few months, the market size has been increasing both for simulators and for anti-drone systems only for India. When we say that we will grow at a CAGR of 50%, we are saying that in a very, very conservative manner. To your question,



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why is the order slow? I think the orders have slowed. I think there are some bad players in the industry in the sense that, if you supply products that do not work in the border, like Chinese things, there is some kind of reservation. There is some disappointment by the armed forces that we have let them down. I think that is the overall feeling. But companies like Zen, there are some very great like Avantel, Solar. These are the companies that are really, really doing something, which is very, very unique. And we think that we will overcome the negative impression being created by these assemblers and importers. And we think that when he says the year of reform, this exactly means that we need to weed out the bad players so that the good players can flourish. And the good players, especially those, not the manufacturing coolies who say we are part of the value chain of some big company, not those guys. We are really talking about the innovators and the IP creators and people who do deep R&D. That is what Mr. Rajnath Singh was referring to when he said that this is a year of reform for getting high tech technology into the armed forces. I think your intuition is absolutely right on that point.

**Abhay Jain:**

Okay nice to hear that from you.

**Ashok Atluri:**

Thanks Abhay and moderator if you do not mind, can we extend it by 10-15 minutes if there is somebody. It is 5.37. Let us do till 5.45 if you do not mind.

**Moderator:**

Sure Ashok Sir.

**Ashok Atluri:**

Thank you so much. If there are people in the queue, some people are in the queue.

**Moderator:**

Yes, we will announce the next participant's name. We will wait for a moment while the question queue assembles. We have the next question coming in from Jatin Jadhav from Sahasrar Capital.

**Jatin Jadhav:**

First of all thank you so much for extending the time. So I have two questions. First on the anti-drone system, the Vyom shield, which you are talking about, and which has four layers. Sir based on my research, I have heard a lot of companies making claims that they have the best; they have the best X, Y, Z. You for sure must have been hearing them as well so in detail and in a very crisp manner could you explain what are these four layers and how are we so different because as far as my research goes one of the most effective ways of countering any drone or a swarm of drone is basically EMP directional weapons so that is the first question.

Sir and second I want to understand since you have acquired ARI, I do believe it is a very good strategy of acquiring someone in the naval simulation sphere. When will we see some good traction going there? So can we easily manufacture a destroyer's simulator, an aircraft



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carrier simulator or the subsystems of an aircraft or a destroyer? Are we targeting those or a whole simulator system for those? Thank you.

**Ashok Atluri:**

So with respect to the Vyom Kavach. Again very frankly, we have been hearing these claims about companies that have been very active in the space of anti-drone systems. When I meet investors, they keep saying Ashok, this company is there, they have developed this, about more than a year back, there were two tenders floated by the Indian Armed Forces. Now, there were only two or three companies that came to the trials. There were 20 companies that came to the pre-bidding meeting and there were six companies that put in the bid. But who came to the trial? The question is we will not discuss what I have, what you have. The final proof of the pudding is, are you actually getting your equipment for trial or not? And then who got qualified. Only two tenders floated by the Indian Armed Forces. In both the tenders, Zen was the resultant single vendor situation. So that is what. If there are any other companies that were there in 2023 with better technology, they did a fantastic job of hiding the technology from the Indian Armed Forces. We will wait. I am not saying that there is no better technology. But the proof is, when the tenders are floated, please get your equipment there and show to the Indian Armed Forces. And again, the Indian Armed Forces are saying their IDDM that they are going to go through your software code. They are going to see the software. They are going to see your Gerber files for the electronic PCBs that you have done. They see how you have designed the thing. Then they are going to see your solid works, exploded views of the product, the CAD profile, everything. They are going to deep search. If you are just going to come and pimp for somebody, resell somebody's product, they are not going to accept it. And even then, our confidence is even if you are reselling, you do not have a better product than us. So this is based on our experience at the ground level. By having said that, again, in the case of this multiple layer thing, we are aware of the EMP technology. How do we do create anti-drone system that can effectively destroy only the enemy's drones. Now what we are doing is, when we are talking about the four layers, the first layer is our software, soft kill, where we send the soft kill signals to disable the ground communication and do everything, deny the GPS signal, etc. And only the drones that are able to pass that stage come to the next one in which we actually send kamikaze drones to go and destroy them. Now if I had an EMP active at that point in time, it will destroy both my drones and the competitor's drones. But I can be smart enough to use the anti-drone technology, the soft-scale technology in such a way that my drones are not impacted, but the other drones get completely impacted.

So the third stage is of course we use missiles. Again, these missiles are something that we will buy it from third party and integrate into it. The fourth are the actual weapons that we are in the process of manufacturing, licensing, etc., which can be integrated at the final stage. But in the final stage, we can also integrate existing weapons like L-70, therefore the



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air defence that we have done already. We can use any existing weapon that is there, but in case they want something very versatile weapon like 12.7mm cannon or a 20mm gun or a gatling gun, we can incorporate, we are planning to offer that and give it as a standard offering choice to the customer.

**Jatin Jadhav:** Sir regarding that does not it make more sense to add an EMP directional weapon in the second? I am saying because there is a company in United States who have deployed Leonidas, which essentially is a directed energy weapon, which is I think deployed in Afghanistan also. So according to them, their logic is key, let us cordon off six, seven kilometers of entire airspace where any drone of whatever size might come through. And then the airspace where we see our drones also flying or let us say enemy drones might also, there we can have a more hard kill, let us say, gatling guns or Zen kamikaze drones. So that is where the question rose up.

**Ashok Atluri:** The technical person, Karan. Karan, can you just very quickly reply to the technical question?

**Karan:** Very good question and you have done your homework well. The first thing is direct energy weapons are very fun to hear and they need very good tracking. They need good visibility that is weather conditions and they can be obscured with smoke and other systems they are deployed in that area, is direct energy is basically light, microwave and such stuff, which can be dissipated very easily. So they are a research in progress. Zen is also doing some direct energy experiments in-house, along with CHES. It is our DRDO's very own direct energy unit. So yes as these things become viable, there are very good news clippings that are coming out for their companies. But Railgun is one, Direct Energy is one, EMP is one. They are on the horizon but not yet completely proven. So a mix of all is what Zen is doing and let us hope that works out.

**Jatin Jadhav:** Got it. Yes, yes. It cleared my doubt. Thank you so much.

**Ashok Atluri:** I hope you have noticed both of them are bald. So unless they are bald, we are not acquiring those companies. So I think we will go with the question answer. Let us go till 6 o'clock. Are there still people waiting, moderator, in the queue?

**Moderator:** Yes, Ashok Sir we have.

**Ashok Atluri:** Moderator let us go till 6 o'clock if you do not mind.

**Moderator:** No problems.



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- Ashok Atluri:** Thank you so much. Appreciate that.
- Moderator:** Our next question is coming in from Mr. Arman Nahar from Blue Sky Capital. Mr. Arman, please go ahead.
- Arman Nahar:** First of all Sir thanks a lot for again extending and second thing with your words because most of the companies like the way we hear you that gives us a conviction that you are not just working for the company but you are working for our country. The way you passionately told that tell about that we want to give a quality product for our Indian Armed Forces that brings in not just goosebumps, but a feel good factor that we are associated with you. And third thing practically to be around like order book as we have said that it might get into Q1 or Q2. The company we acquired is that 800 Crores pipeline we are talking about those companies acquired order book is also included in that and what is their pipeline?
- Ashok Atluri:** So they are not included in this Arman. Arman thank you so much. Really appreciate, we love to have people who love the country as shareholders, but we want to make money also for you. But coming back to this, we think there is order book for them, but it is not very large. It is probably around 100 Crores or so. So it is not very large. But again, when we actually add more products, when we add more, mix our technology, I think we will be exposing ourselves. Again the more I dig into it, the whole world is moving towards, this blue ocean security. They want more security there. They are thinking various ways and we see that in Philippines and all this nasty behavior that is going on. I think this is really, really becoming a big opportunity and it was very opportune that we were able to get this great company that Shravan had built over the past two-and-a-half decades but again the order book is not so significant it is only 100 Crores but we expect to collaborate with them and improve it significantly.
- Armaan Nahar:** Okay thanks a lot. That is it from my side.
- Moderator:** Thank you. Our next question is coming in from Mr. Rudresh Kalyani from Kalyani Private Business. Please go ahead with your question.
- Rudresh Kalyani:** On the one hand, you said you told that we have increased the manpower, but when we see the panel statement, sequentially the manpower cost has come down by somewhere around 7.5% so what is the reason?
- Afzal Malkani:** Rudresh, so you are right that in the last quarter it was Rs.14 Crores and in this quarter it is around Rs.12.10 Crores, but if you see in the current quarter, there is a reduction in turnover by almost 70 to 80% compared to Q2. In Q2 our turnover was around 241 Crores and in this





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quarter it is the Rs.141 Crores. So against this 70 to 80% reduction in turnover. There are some reductions in the contractual employees to the extent of Rs.2 Crores. Otherwise our employee cost remains the same only.

**Rudresh Kalyani:** Okay and one more thing is our other income has increased exponentially. So what is the reason?

**Afzal Malkani:** If you see, we raised Rs.1000 Crores in the month of August 22<sup>nd</sup> 2024. So there is an interest income at the rate of 7.5% on a quarterly basis. So if you see in Q3, our EBITDA was around 58-68%. It is around 35%. If we reduce this other income and other income is at Rs.22 Crores out of which Rs.19 Crores is the interest income. If we deduct this Rs.19 Crores then also our EBITDA is coming around Rs.39 Crores. So there is a reduction of around 8% in EBITDA. But this 8% as I explained to you that there is an increase in expense actually compared to Q2. If you see our manufacturing cost, employee benefit cost and administrative and other cost was 15% in last quarter Q2. And in this quarter Q3, it is 23%. So there is a delta of 8%. So that is why this total EBITDA has come down to 8% so it is 27% but again if we add the other income it is coming at 35%, so this is in absolute numbers, overheads remain the same, but if you calculate the percentage of expense on turnover of Rs.240 Crores, then it is coming to 15%. And in Q3, if we consider the same overhead on the basis of percentage of 141 Crores, it is coming at around 23%. So there is an increase of 8% in the expense. But again, this 8% is compensated by the increase in the other income in the form of interest income. But again, what we say is that if we compare, we generally give the guidance for the full year. If we compare the margin for nine months, then also in nine months, our turnover was 637 Crores. Again, this we have achieved the EBITDA of around Rs.252 Crores. This is again 37.94%. And even if we deduct this, interest income for this nine months is Rs.29 Crores. If we deduct this Rs.29 Crores from Rs.252 Crores then it comes at Rs.223.72 Crores. And if we apply the percentage on 223.72 Crores divided by 637 then also EBITDA is coming exactly 35%. This is operational EBITDA. So on a nine months basis everything is on track only on that. And even Q3, it is only due to the reason that our turnover is below average. Again, in Q4, our turnover will increase, our EBITDA will again increase. So overall, we will be at the end of the year, we will be more than 35% EBITDA and 25% profit after tax.

**Rudresh Kalyani:** Okay, thank you. And my last question is see we talked about the CR Tech. So can that tech be sold as a model for the other drone guys to increase their efficiency?

**Ashok Atluri:** That is the only purpose of that. Vector will be focusing on selling these subunits to support the drone ecosystem in India. So they are completely focused on that. They will not be doing any drones by itself. They will be supporting. So drone is another acquisition that we are negotiating with somebody at this point in time, but that is a different discussion



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altogether but this will be the drone ecosystem supporter for India and there will be a lot of exports to most advanced countries in the world from India to those target countries.

**Rudresh Kalyani:** See you talked about Bhairav Robotics but you did not tell anything about that. So since we are not into manufacturing what is the use of this?

**Ashok Atluri:** What is your question? I did not understand.

**Rudresh Kalyani:** I meant that robots are meant for the automation.

**Ashok Atluri:** Rudresh I am giving more time for Q&A. I did not want to go talking about product otherwise we would have exhausted the whole hour discussing that. So Bhairav I will talk about them in the next earnings call definitely. We will go deep into it, show what they are doing. Okay.

**Rudresh Kalyani:** Okay. Thank you.

**Moderator:** Thank you. We will take our next question from Mr. Gopalakrishnan Subramanian from Uthranush Investments. Please go ahead with your question.

**Gopalakrishnan:** Excellent evening to the team. Hope you are able to hear me. Now Sir, one thing I see that there is a performance deterioration in the trading 12-month period when I compare it with the three-year period. In the three years, sales growth has been 100% whereas profit growth was 257%. Whereas in the trailing 12-month period, sales growth is 100% but profit growth is only 92%. That is profit growth is trailing the sales growth percentage. Any specific reason for that that is point number one. Point number two is this promoter holding, somebody raised that point. Actually, when I observe, when compared to March 2023 till date, the promoter holding has come down from 60% to 49%. There is 11% reduction in promoter holding. When I see there is a cash of Rs.1100 Crores in the book, I am not able to understand why promoter holding has to go down when there is so much cash in the books.

**Ashok Atluri:** I will answer the promoter question. The cash in the company is not with the promoter. So, that is one thing. The second thing is, again between March 2023 and now in addition to sale by the promoters, I think we sold about 40 lakh shares in all. Me and my brother sold 1% each, other promoters sold 2%. So there was a 4% drop. But the reason why it has dropped by 11% is there was a QIP done for raising this 1000 Crores.

So that caused the dilution, the overall share capital increased and that caused the dilution and that has resulted in the promoter's equity coming to 49%. The other question Mr. Afzal will answer.



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**Afzal Malkani:** So Gopal, you are asking about the growth, right? So growth at the beginning of the year in Q1, we gave a guidance of around Rs.900 Crores against the last FY2024 turnover of Rs.430 Crores. So we already gave a guidance for a growth of 110% considering that. I think that it is a good growth, 110% considering the current environment. And considering total nine months, we are on track. So we request you to look at it for the whole year turnover. And as we mentioned earlier also that currently we have achieved Rs.637 Crores in nine months. First in H1 it was 494 Crores in Q3 it was 141 Crores. There is some deferment of shipment in Q4 but that will be makeover in Q4 and we are on track and we will achieve our guidance of around Rs.900 Crores we gave at the beginning of the year.

**Gopalakrishnan:** No, my question was different. I am talking about sales growth and profit growth. See the sales growth in the three year period 100%, profit growth 257%. In the trailing 12-month period, the sales growth 100% but profit growth is 92% that is the profit growth is trailing the sales growth. You understand my point? I am not talking about your growth and guidance and all that. No, no. I am only talking about the variance, sales growth is 100%, profit growth has to be more than that right.

**Ashok Atluri:** Gopal very briefly this is a result of the product mix. Simulators, we have very good margins actually but in the case of anti-drone system, we bid very aggressively because we perceive some competition is there and that is the entry strategy that we have done. So whenever we have drones as a turnover factor, our profit do not grow as much as the sales growth. So that is what the difference is.

**Gopalakrishnan:** Now I have actually some more questions because there is no time, who I should address those questions. So maybe I will send a mail, maybe I can get a response.

**Ashok Atluri:** Send it to CFO of Zen technologies.com or investors at Zen technologies.com, we will respond immediately on that.

**Gopalakrishnan:** I know the time is limited. You already extended the time. I thank you very much for that. I was wondering. I was anxiously waiting for my opportunity. So thank you for that.

**Moderator:** Thank you. We will take that as the last question for today. I will now hand it over back to the management for closing remarks.

**Ashok Atluri:** We have two minutes. Last one question please moderator. Please take somebody.

**Moderator:** Okay Ashok sir. We will take the question from Mr. Deepak Sharma. Mr. Deepak Sharma, who is an individual investor. Please go ahead.



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**Deepak Sharma:** Thank you very much for the opportunity. Just my one question. Despite having a very good order book of 900 plus CR in the Q2 we have executed only the 150 something figure. So what is the gap?

**Ashok Atluri:** So the thing is that out of the 900 you know we have almost about 300 is annual maintenance contracts. So this is the September 30<sup>th</sup> figure you are giving. I am very sure about that. So out of that if you take the 300, we have about 600 Crores that we need to execute. So we think that out of that we have executed 150 and in the Q4 we will fill up the gap whatever is there to execute the 900 Crores thing and whatever is remaining will be executed in Q1 and Q2. The whole thing will be executed.

**Deepak Sharma:** So I am summing up that within next two quarters means Q4, Q1 and the Q2 of next year you will complete the remaining I think 850 Crores something order book right?

**Ashok Atluri:** If you remove 300 Crores, maybe little 250 to 300 Crores of AMC, 600 Crores is remaining. Out of that 150 we have executed, you are saying. 450 will be remaining. So that 450 we will execute in these three quarters in addition to the new orders that we are getting.

**Deepak Sharma:** Okay. Thank you.

**Moderator:** Ashok Sir, you can continue for the closing remarks.

**Ashok Atluri:** By the way, I love interacting with my co-owners of the company and I think this is a very, very sacred time. I am sorry if some of you have not been able to answer your question. Again, please address them to [investors@zentechnologies.com](mailto:investors@zentechnologies.com). All will get answered without exception or [CFO@zentechnologies.com](mailto:CFO@zentechnologies.com). Afzal will be promptly replying to them. And I look forward. I have never been more optimistic about the defence sector as such. I think the next three years will blow our minds away. And let us support the Indian government in achieving their objectives or become absolutely unbeatable in the world. And we thank you again for the fantastic support that you have given to us. I appreciate. Thank you so much.

**Moderator:** Thank you. 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.