



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: May 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: ZENEC

Dear Sir/Madam,

Sub: Investor Presentation

Please find attached Investor Presentation for the quarter & year ended March 31, 2023.

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

This is for your kind information and records.

Thanking you,
Yours faithfully,
For Zen Technologies Limited

ASHOK ATLURI
Chairman and Managing Director
DIN: 00056050

Encl: as above



Investor Presentation

Q 4 F Y 2 3

NSE: ZENTEC
BSE: ZENTEC - 533339

BLOOMBERG: ZEN IN
REUTERS: ZETE.BO





Inside this document

- [03](#) Management Commentary
- [04](#) Quarterly Standalone Highlights
- [05](#) FY23 Standalone Highlights
- [06](#) Quarterly Consolidated Highlights
- [07](#) FY23 Consolidated Highlights
- [08](#) Order Book Status
- [09](#) Financial Statement Summary
- [11](#) Overview
- [13](#) R&D - Our Strong Suit
- [14](#) R&D Spends over the Years
- [15](#) Business Model
- [16](#) Strong Regulatory Tailwinds
- [17](#) Investment Merits
- [18](#) Strategic Priorities
- [19](#) Way Forward

Management Commentary

Our investment in R&D reached an all-time high of nearly ₹19 crores, significantly higher than the average of 12-14 crores spent in the last 5 years.

Mr Ashok Atluri

CHAIRMAN & MANAGING DIRECTOR

I am pleased to provide you with an update on the impressive performance of Zen Technologies Limited for Q4FY23 and the fiscal year 2023. This year has been a strong one, as we achieved our highest-ever revenue.

During Q4FY23, we secured multiple new orders worth ₹141.67 crores, increasing our orders in hand to ~₹473 crores as of March 31st, 2023. We have placed bids for substantial orders and we expect the results to be out by H1FY24. To capitalise on these potential opportunities, we are taking steps to enhance the bandwidth of our key functions, including Supply Chain, Procurement, and Production Planning. We have also initiated the recruitment of technical and non-technical manpower to support our growth.

Our liquidity position is currently at an all-time high, positioning us well to deliver on our ambitious growth plans. We anticipate a few order wins under the Emergency Procurement plan, which will further accelerate our growth. We are also optimistic about the promising prospects of the export market.

Our long-term focus is on achieving leadership in several key areas. Our first priority is to establish ourselves as leaders in the development of both live and virtual land-based simulators. We are also committed to dominating the anti-drone market through continuous investment in research and development, and by maintaining strong connections with our customers. Additionally, we plan to grow our services business by leveraging AMC. Finally, we aim to expand our global presence, with a particular focus on the Middle East, Africa and CIS countries.

We will continue to strengthen our R&D capabilities and focus on high-value complex systems. Our investment in R&D reached an all-time high of nearly ₹19 crores, significantly higher than the average of ~₹14 crores spent in the last 5 years.

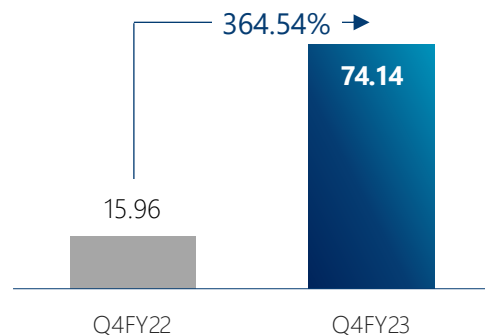
We have made significant progress on our export order, with a partial execution of the order and recording of the corresponding revenues during the fiscal year. However, we are excited to inform that we are confident about delivering the remaining part of the order in H1FY24.. Additionally, the delivery of the remaining part of our anti-drone order, is also scheduled for Q1FY24. These developments set the stage for a robust start to the next financial year, and we look forward to further building on this momentum in the year to come.



Quarterly Standalone Highlights

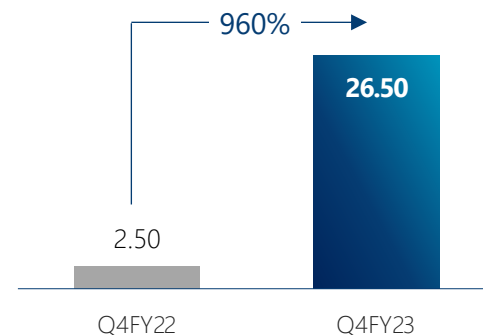
Revenue from Operations (YoY)

(All Values ₹ in Crore)



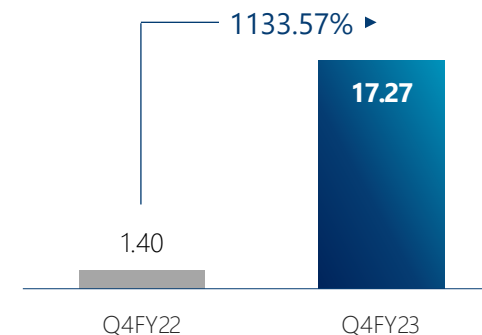
EBITDA (YoY)

(All Values ₹ in Crore)



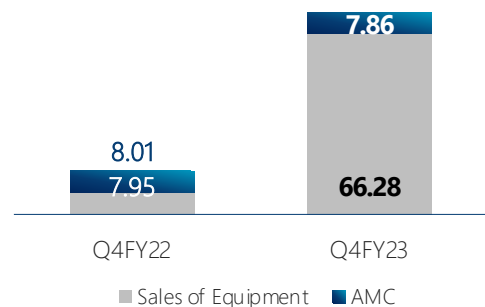
Profit After Tax (YoY)

(All Values ₹ in Crore)



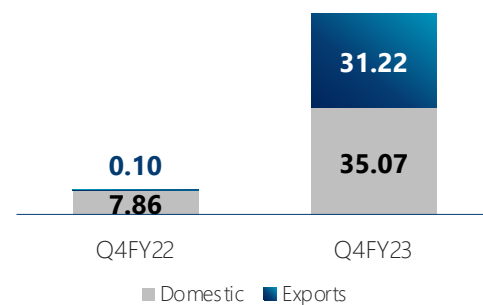
Revenue Segmentation (Sale of Equipment vs AMC)

(All Values ₹ in Crore)



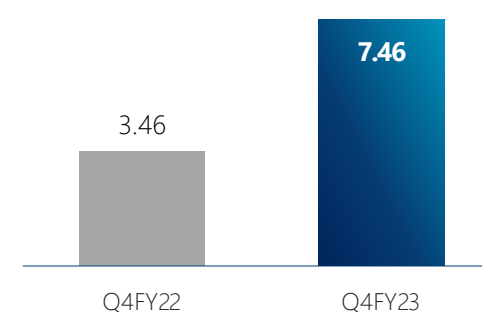
Revenue Segmentation (Domestic vs Exports)

(All Values ₹ in Crore)



R&D Expenses

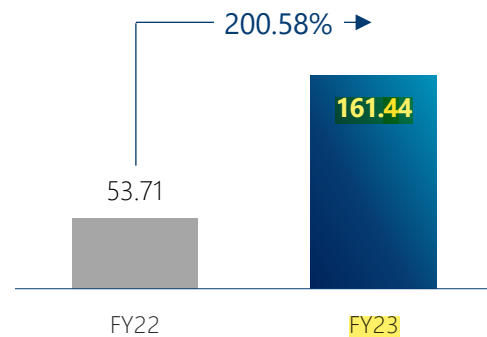
(All Values ₹ in Crore)



FY23 Standalone Highlights

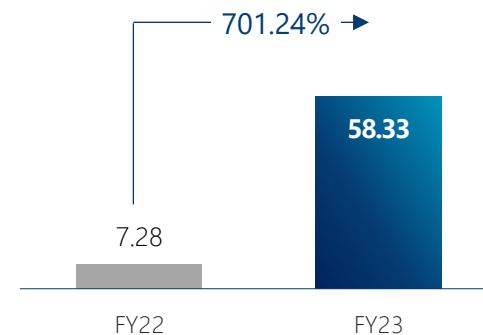
Revenue from Operations (YoY)

(All Values ₹ in Crore)



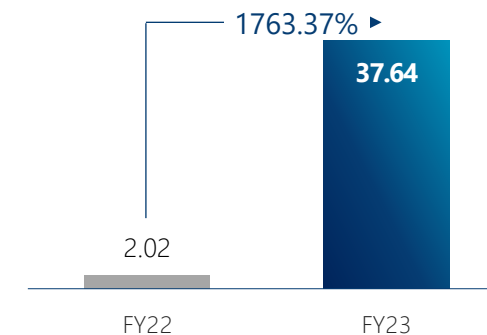
EBITDA (YoY)

(All Values ₹ in Crore)



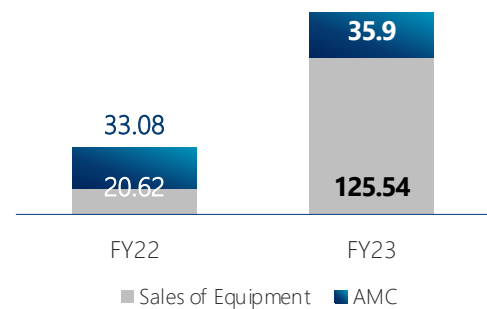
Profit After Tax (YoY)

(All Values ₹ in Crore)



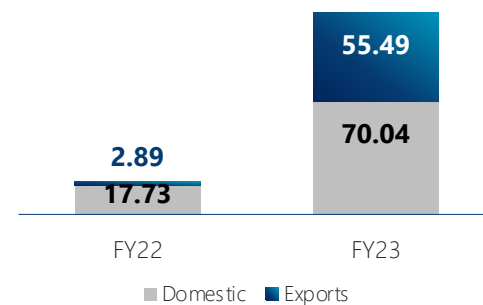
Revenue Segmentation (Sale of Equipment vs AMC)

(All Values ₹ in Crore)



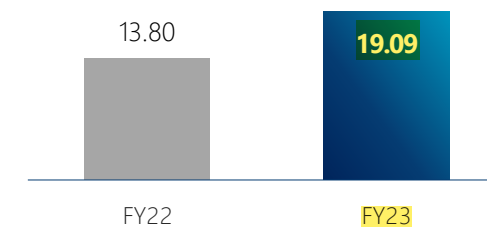
Revenue Segmentation (Domestic vs Exports)

(All Values ₹ in Crore)



R&D Expenses

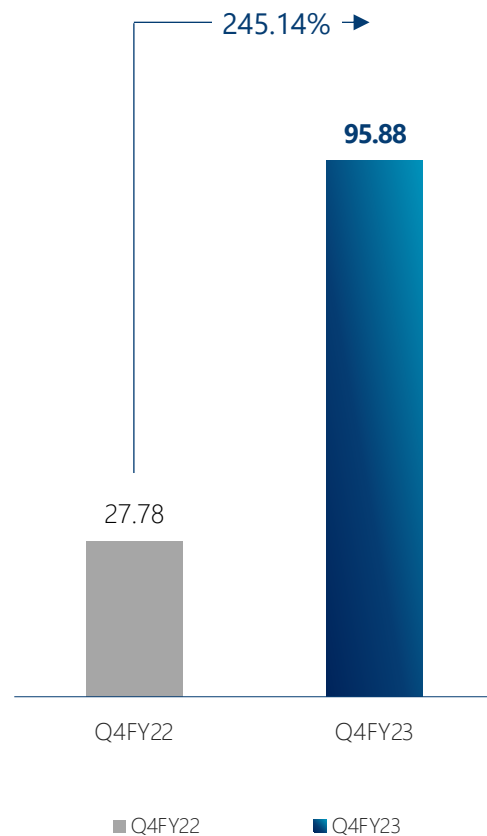
(All Values ₹ in Crore)



Quarterly Consolidated Highlights

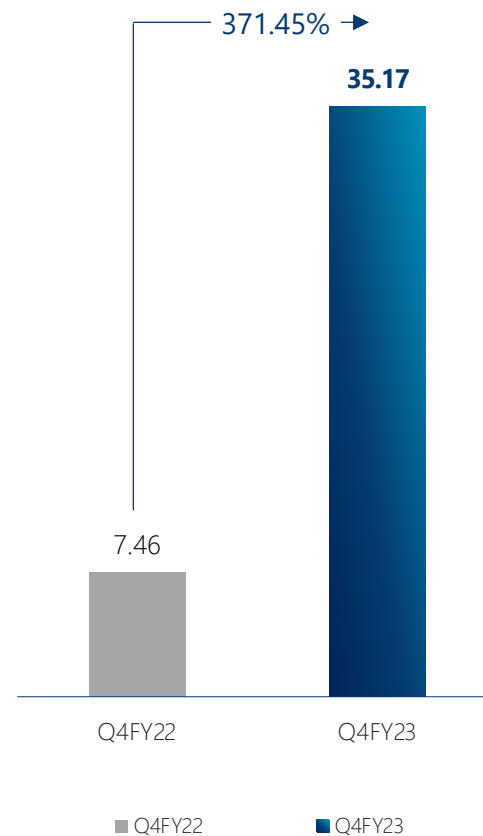
Revenue from Operations (YoY)

(All Values ₹ in Crore)



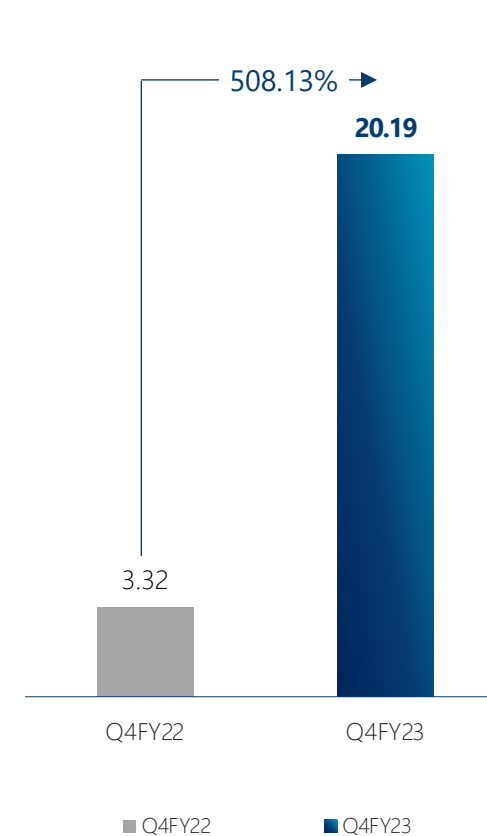
EBITDA (YoY)

(All Values ₹ in Crore)



Profit After Tax (YoY)

(All Values ₹ in Crore)

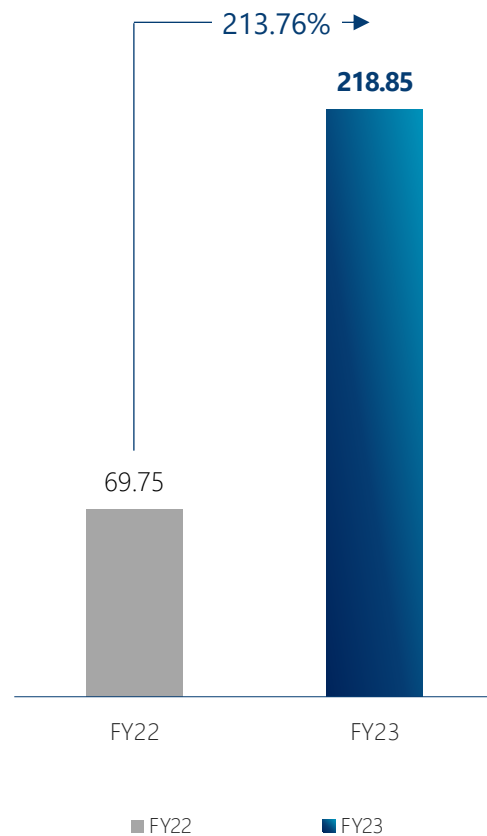


*PAT Adjusted for Non-Controlling Interests

FY23 Consolidated Highlights

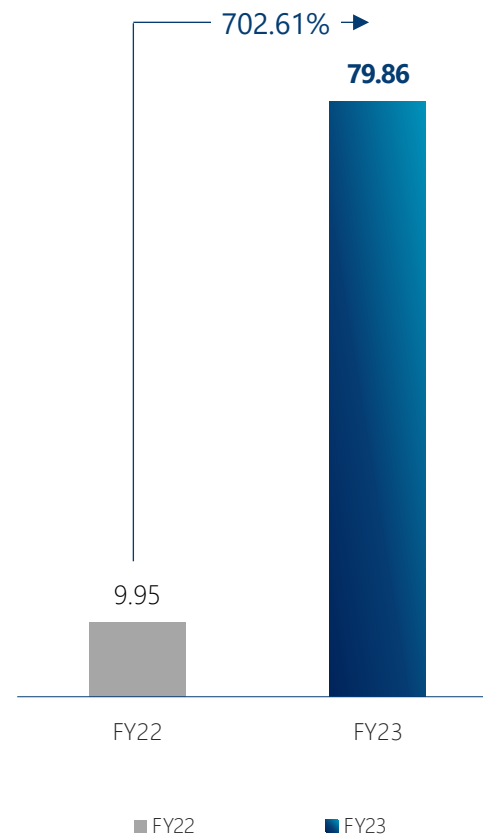
Revenue from Operations (YoY)

(All Values ₹ in Crore)



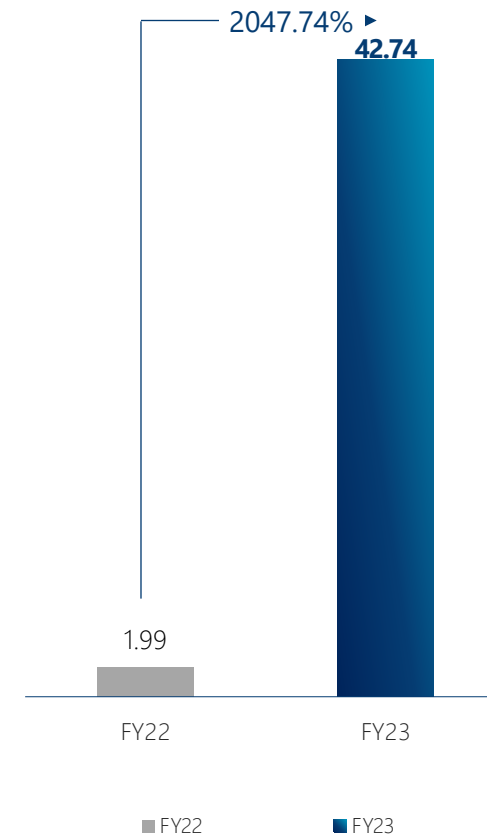
EBITDA (YoY)

(All Values ₹ in Crore)



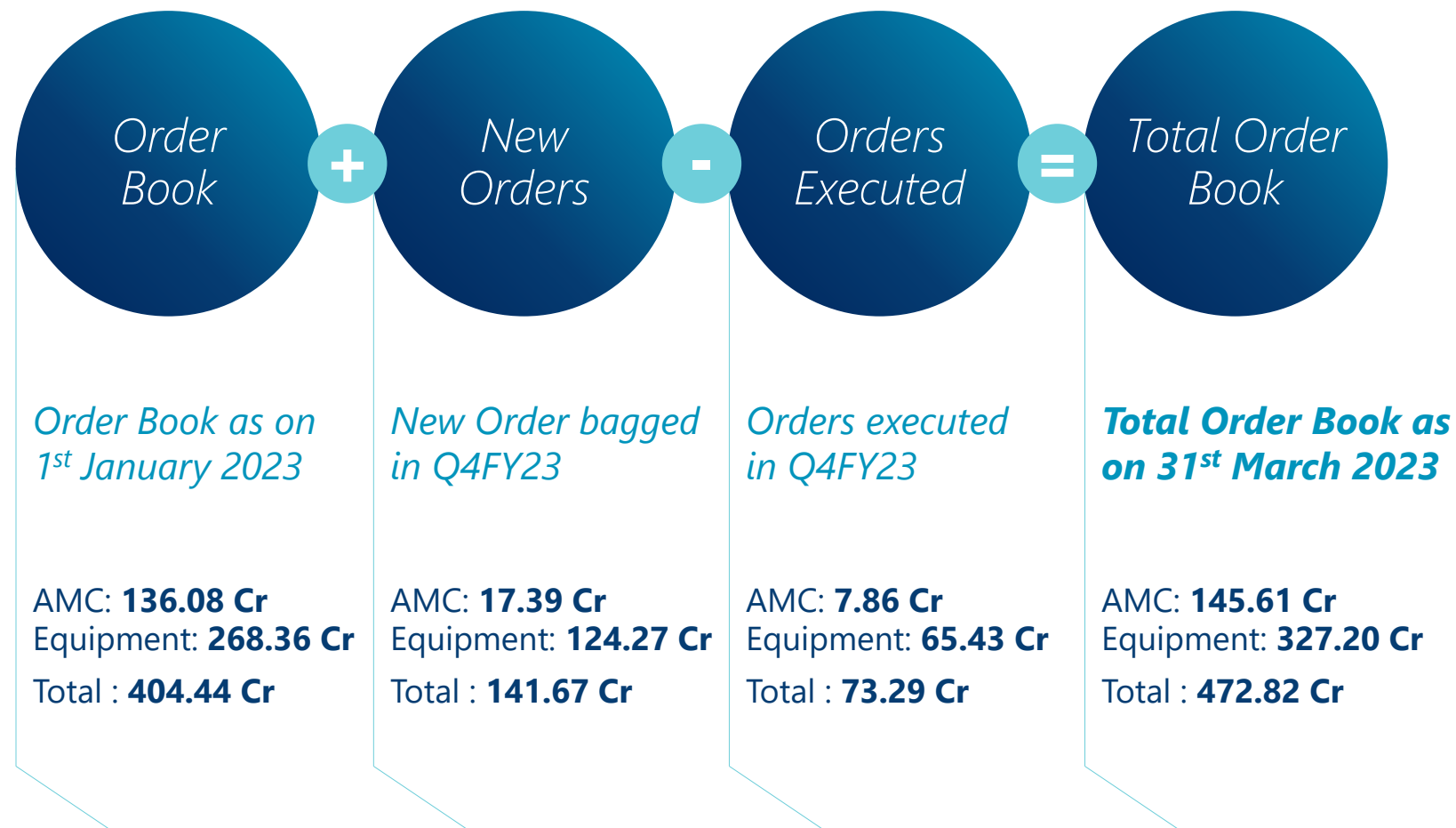
Profit After Tax (YoY)

(All Values ₹ in Crore)



*PAT Adjusted for Non-Controlling Interests

Order Book Status as of 31st Mar 2023



Financial Statement Summary

Summary of Standalone Profit & Loss Statement

Particulars (₹ in Crore)	Q4FY23 (Audited)	Q3FY23 (Unaudited)	Q4FY22 (Audited)	FY23 (Audited)	FY22 (Audited)
KEY PERFORMANCE INDICATORS					
Sales	74.14	32.93	15.96	161.44	53.70
Other Operating Revenue	0.19	1.91	2.60	7.05	5.28
Total Revenue	74.33	34.84	18.57	168.49	58.98
Total Operating Expenses	47.83	24.57	16.07	110.16	51.70
EBITDA	26.50	10.27	2.50	58.33	7.28
EBITDA Margins	35.65%	29.48%	13.46%	34.62%	12.34%
Interest Cost	0.33	0.45	0.61	2.03	1.40
Depreciation	1.38	1.11	0.89	4.38	3.73
Profit Before Tax	24.78	8.69	0.98	51.93	2.14
Profit After Tax	17.27	7.58	1.40	37.64	2.02

Financial Statement Summary

Summary of Consolidated Profit & Loss Statement

Particulars (₹ in Crore)	Q4FY23 (Audited)	Q3FY23 (Unaudited)	Q4FY22 (Audited)	FY23 (Audited)	FY22 (Audited)
KEY PERFORMANCE INDICATORS					
Sales	95.88	52.49	27.78	218.85	69.75
Other Operating Revenue	(0.01)	1.95	2.64	7.25	5.38
Total Revenue	95.86	54.43	30.41	226.09	75.13
Total Operating Expenses	60.69	35.77	22.96	146.23	65.18
EBITDA	35.17	18.66	7.46	79.86	9.95
EBITDA Margins	36.68%	34.28%	24.53%	35.32%	13.24%
Interest Cost	0.63	2.10	0.66	4.08	1.53
Depreciation	1.52	1.54	1.21	6.06	4.83
Profit Before Tax	33.02	15.01	5.59	69.73	3.58
Profit After Tax (Adjusted for Non-Controlling Interests)	20.19	9.43	3.32	42.73	1.99

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 4 years on anti-drone systems also



100+

Institutional customers served



280+

Human capital: 280+ manpower strength



₹472.82 crores

Robust order book of ₹ 472.82 crores as of 31 March, 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 system technology and is making *further investments in development of Air Defence Gun Simulators*
- Willing to take *short term pain with possibility of long-term gains*
- Investments made in *R&D written off in P&L*
- High investments made in R&D throughout the lifetime of the company make creates *high entry barriers for a new entrant*



~73

CRORES OF INVESTMENTS
IN R&D IN LAST 5 YEARS



~14%

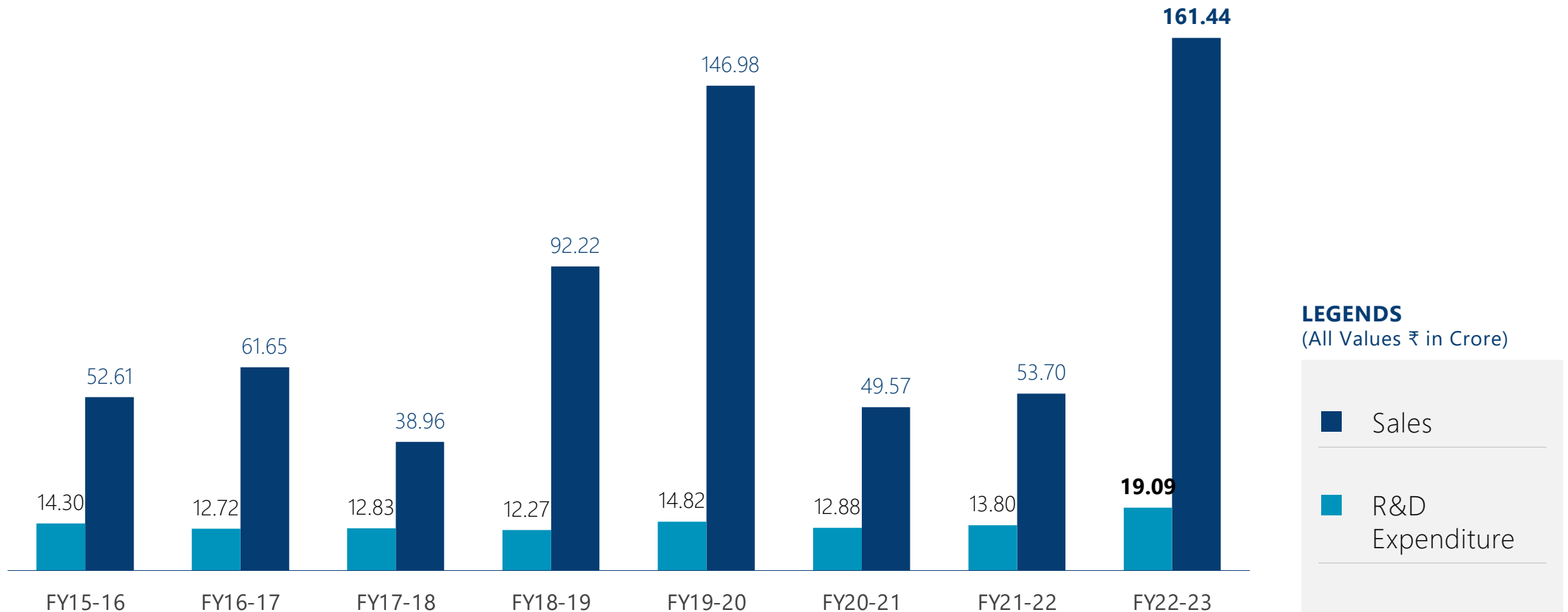
OF CUMULATIVE SALES
INVESTED IN R&D IN THE
LAST 5 YEARS



110+

PATENTS FILED

R&D Spend over the Years



Business Model



01

Training Simulation Equipment

- A leader in defence training solutions.
- Infrequent but large orders with long closing cycles.
- 90% of order 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
- Have already reached about ₹ 40 crores of annual AMC revenues.
- 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
- INR 52,000 crores allocated for equipment procurement from domestic defence industry.
- Exports target of INR 35,000 crores by 2025. Strong support to the industry for exports of equipment to friendly countries by offering attractive financing option through EXIM bank.
- 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 AMC

which is annuity in nature



Focus on

High Value Complex Systems



Strong Balance Sheet

with zero debt

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.



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.

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

Way Forward

Increasing Focus on 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.

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.

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.



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 30% to the top line in the current financial year. Furthermore fast clearances from the Government for exports further acts as a tailwind.

Thank You

©2018 ZEN TECHNOLOGIES LIMITED., ALL RIGHTS RESERVED.
ZEN TECHNOLOGIES LOGO IS A TRADEMARK OF ZEN TECHNOLOGIES LIMITED. IN ADDITION TO COMPANY DATA, DATA FROM MARKET RESEARCH AGENCIES, STOCK EXCHANGES AND INDUSTRY PUBLICATIONS HAS BEEN USED FOR THIS PRESENTATION. THIS MATERIAL WAS USED DURING AN ORAL PRESENTATION; IT IS NOT A COMPLETE RECORD OF THE DISCUSSION. THIS WORK MAY NOT BE USED, SOLD, TRANSFERRED, ADAPTED, ABRIDGED, COPIED OR REPRODUCED IN WHOLE OR IN PART IN ANY MANNER OR FORM OR IN ANY MEDIA WITHOUT THE PRIOR WRITTEN CONSENT. ALL PRODUCT NAMES AND COMPANY NAMES AND LOGOS MENTIONED HEREIN ARE THE TRADEMARKS OR REGISTERED TRADEMARKS OF THEIR RESPECTIVE OWNERS.

Let's connect

Afzal Malkani

afzal.malkani@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

Disclaimer:

Certain Statements in this presentation concerning our future growth prospects are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, intense competition, political instability and general economic conditions affecting our industry. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.