



being there...

ZEN TECHNOLOGIES LIMITED



Investor Presentation September 2019

BSE: 533339 | NSE: ZENTEC | ISIN: INE251B01027 | CIN: L72200TG1993PLC015939

WWW.ZENTECHNOLOGIES.COM

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Contents

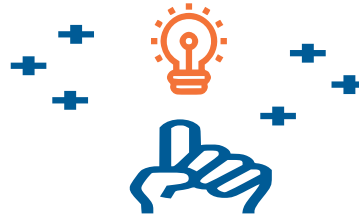


1	Company Snapshot	3
2	Key Milestones	4
3	Technocrat Management	5
4	Business Model	10
5	Competitive Edge	11
6	Combat Training Centre	16
7	Financial Overview	20
8	Growth Drivers	26

Zen: Snapshot



Defence Training
Solution Player

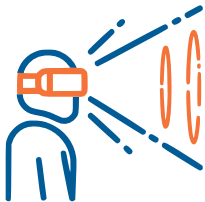


In-house R&D Created
Products

BSE NSE



Listed On
BSE and NSE



Installed Base of more
than
1,000 Simulators

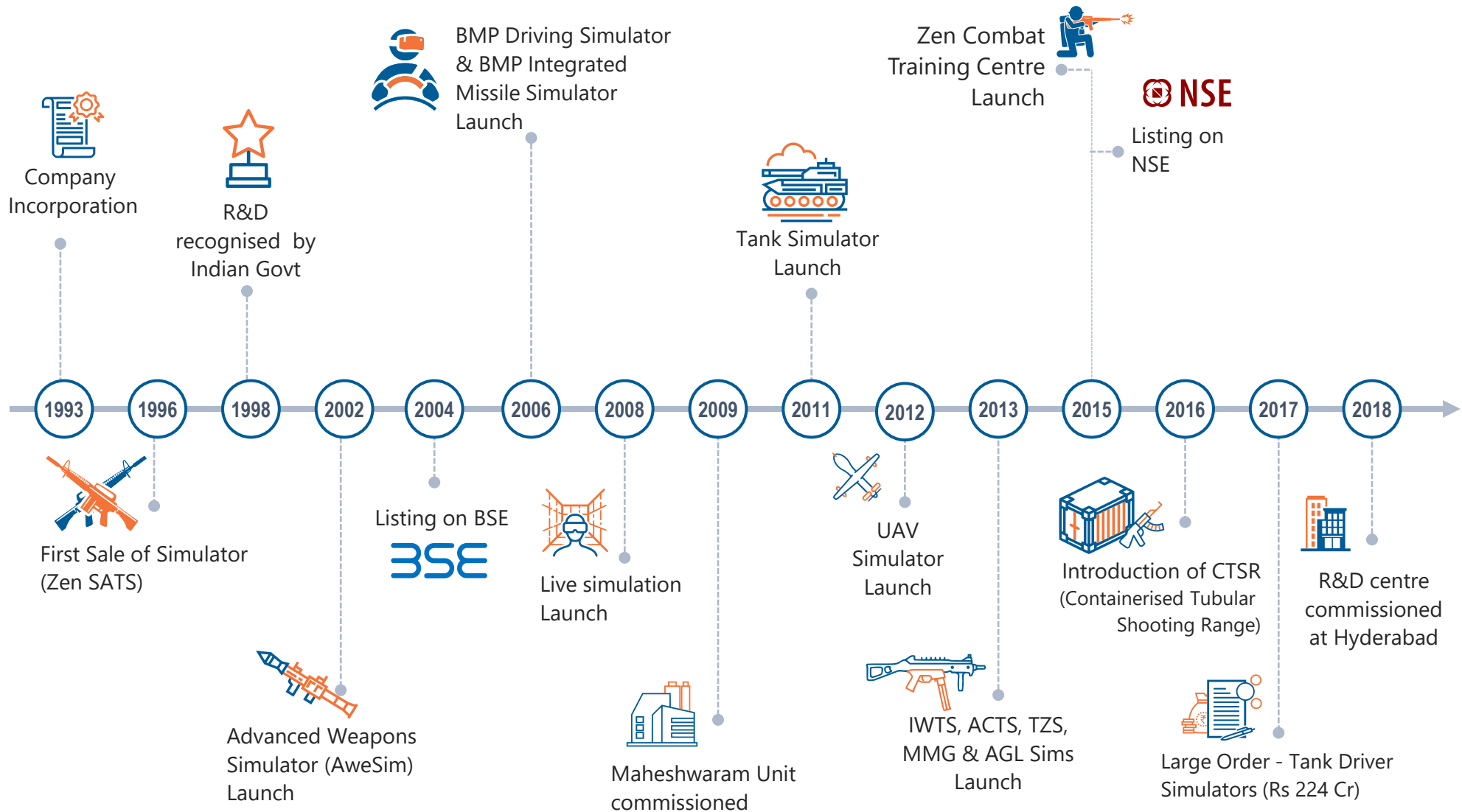


Customers - Armed Forces,
State Police Forces & Para
Military Forces of Various
Countries



Zen Product Results in
Google Searches

Milestones



Large Opportunity Size



Combat Training Centre

- Handful of companies globally
- Large value add to the forces with simulated war-games / large scale joint exercises
- Potential order size of USD 50-100 million for a single installation



Indian Army training requirement of 8000 Cr



Global addressable market size of more than USD 8 billion



Large installed base with AMCs – significant recurring income



Abundant Export Opportunities

- Operational Preparedness Increasingly Important in Europe, Middle East and Africa
- Cost of Advanced simulators very prohibitive in Africa and Middle East
- Smaller markets which are ignored by larger established players
- No ITAR restrictions on Exports
- Growing credibility of Indian Defence Vendors with active government encouragement

Zen's Business Model



- Pioneering Defence Training Solution Provider
- Balancing the product and services business mix
- Exports to further diversify revenue base
- AMCs revenues to hit a level where company is profitable even in absence of new equipment orders

Revenue Drivers

Simulator Products



- Orders are of large size and have long closing cycles resulting in revenue volatility
- First mover advantage with many soldiers having trained on company's products

Combat Training Centre (CTC)



- Combat Training Centre as a highly advanced & tailored training solution would enable deeper penetration and longevity of relationship

Annual Maintenance Contract



- Long term recurring income with high margins
- Lifecycle of a simulator is 15 years creates lifetime revenue potential of 120% of product sale
- Growing recurring income as simulator installation base increases

Exports



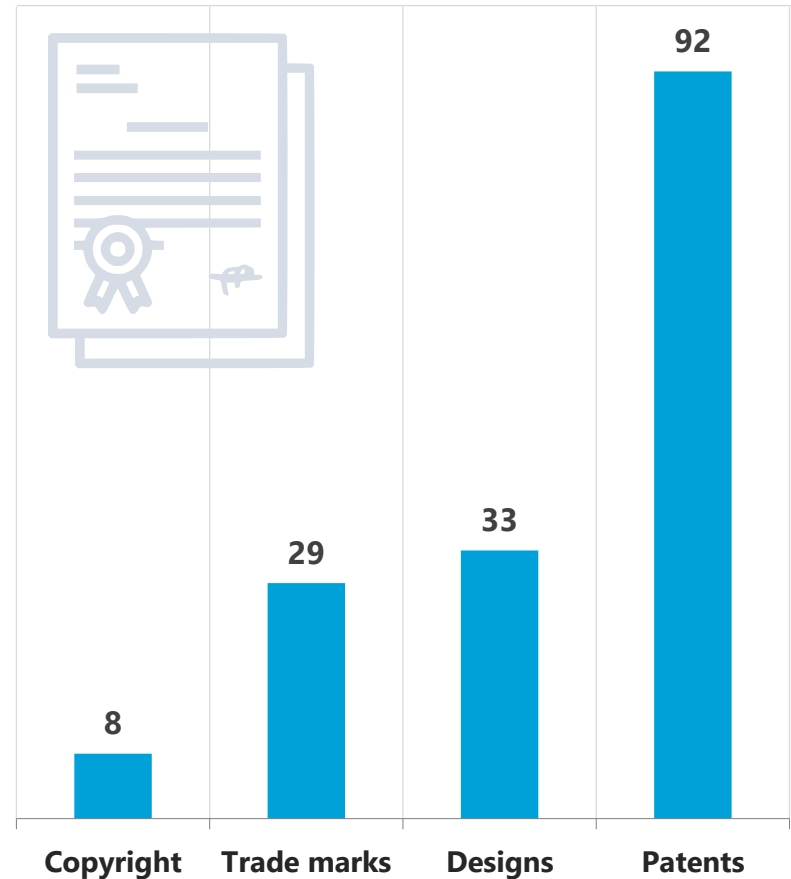
- Focus on sales to underserved markets of Middle-East and African countries
- Focus on developed market sales with a sales team in US



Focused R&D driven organisation

- R&D Driven prototyping to develop state of the art training simulators
- Over 90 in-house researchers working on specialised in-house created domain libraries
- Collaboration with universities to further augment research capabilities
- R&D spend of over 65 crs in the last 5 years, ~24% of revenues
- Significantly shortened lead time in developing new simulators with a databank of extensive simulation modules
- Filed 92 domestic and global patents applications of which 23 granted

Total IPR Applications



Zen Technologies Competitive Edge



Comprehensive product range

- More than 50 simulator and other training products for varied training needs
- Comprehensive Customised Training solutions with Combat Training Centre



Credibility with 25-year track record

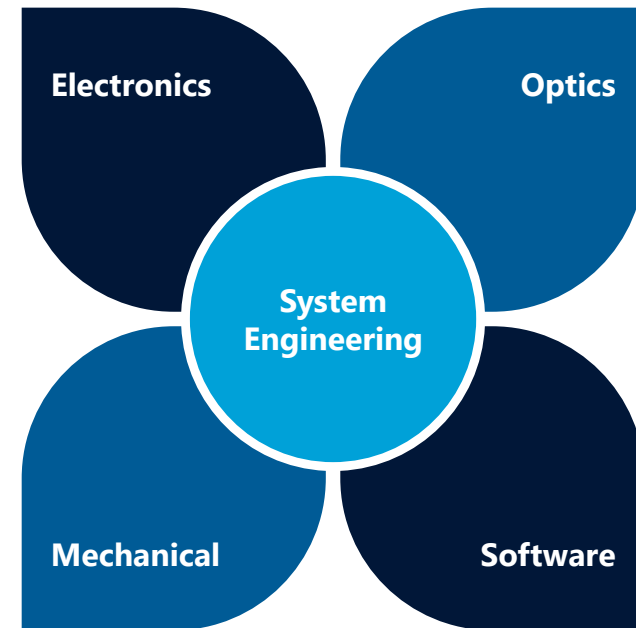
- Great understanding of Indian defence procurement process
- Good insight into the potential pipeline and armed forces pain-points
- Great credibility within the Indian Forces having supplied over 825 simulators over the last 2 decades
- Over 90% of Indian business is from repeat customers



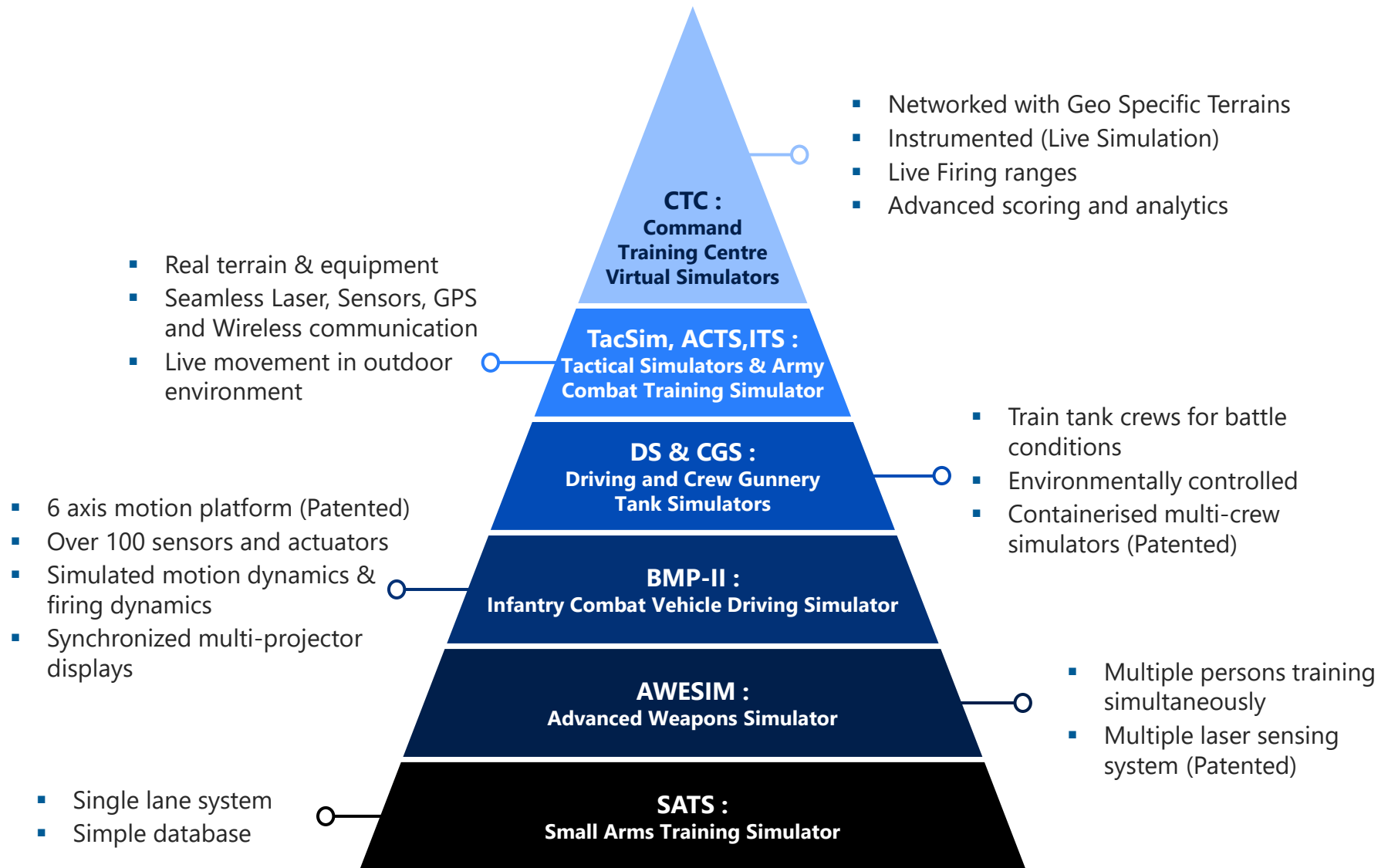
Best-in-Class Sales Support

- 23% of workforce in after sales support
- Excellent feedback ratings
- Over 99% Uptime of product installations in AMC

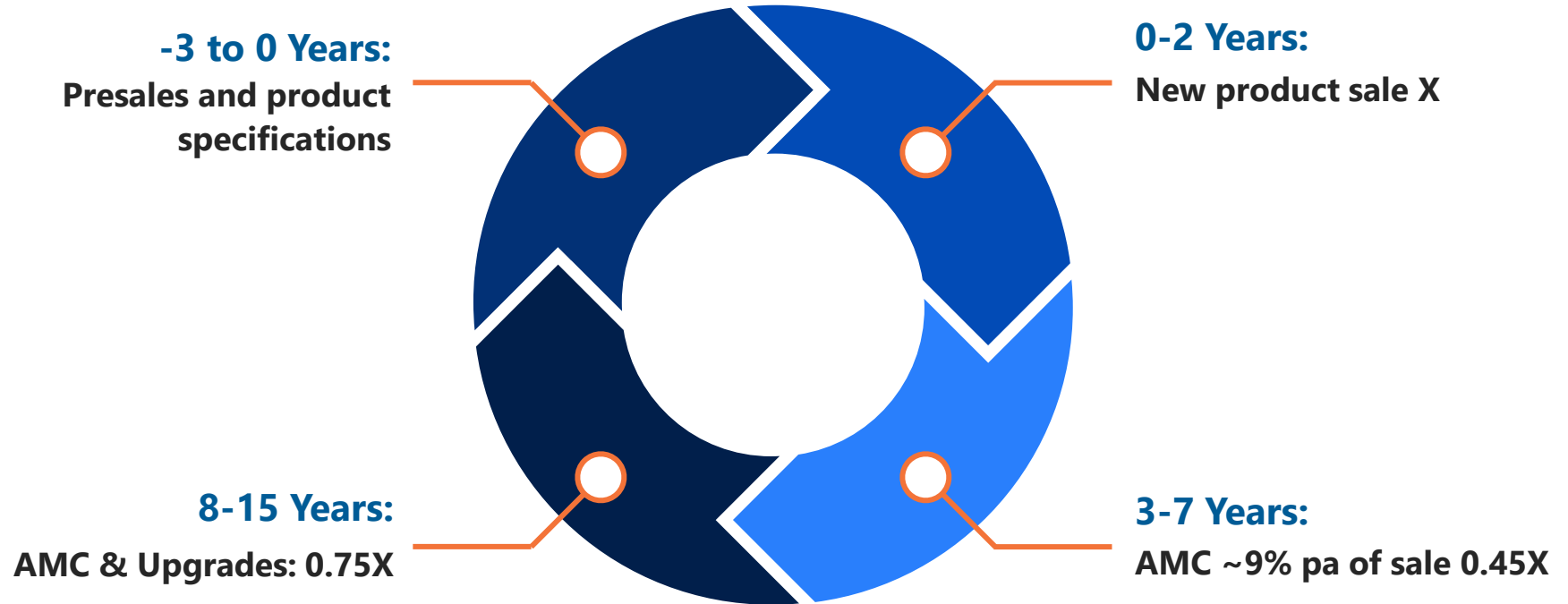
Complete in-house skills



Moving Up The Complexity Pyramid



Simulator Life Cycle



Simulator sale of X creates a future revenue potential of 1.2X over the product life

Simulator Product List



Defence

- 81mm Mortar Integrated Simulator
- Advanced Weapons Simulator
- Air-to-Ground Firing Range Scoring System
- Anti-Aircraft Air Defence Simulator
- Anti-Tank Guided Missile Simulator
- Armour Combat Training System
- Artillery Forward Observers Simulator
- Automatic Grenade Launcher Simulator
- BMP II Driving Simulator
- BMP II Integrated Missile Simulator
- Carrier Mortar Tracked Simulator
- Combat Training Centre
- Combat Training Simulation System
- Containerised Shooting Range
- Containerised Tubular Shooting Range
- Driver Aptitude Testing System
- Driving Training Simulator
- Hand Grenade Simulator
- Infantry Weapons Training Simulator
- Master Control Station for Live-Firing Ranges
- Medium Machine Gun Simulator
- Multi-Functional Target System
- Rotary Wing Simulator
- ShootEdge®
- Shoot House for Live and Simulated Indoor Tactical Training
- Small Arms Training Simulator - SL
- Smart Target System
- Tactical Engagement Simulator (TacSim®)
- TacSim® with Indoor Tracking System
- Tank Simulators
- Tank targets
- T72 Crew Gunnery Simulator
- T72 Tank Driving Simulator
- T72 Tank Gunnery Simulator
- T90 Crew Gunnery Simulator
- T90 Tank Driving Simulator
- T90 Tank Gunnery Simulator
- Tank Zeroing System
- UAV Mission Simulator
- War Gaming Solutions

Homeland Security

- 81mm Mortar Integrated Simulator
- Advanced Weapons Simulator
- Air-to-Ground Firing Range Scoring System
- Artillery Forward Observers Simulator
- Automatic Grenade Launcher Simulator
- Carrier Mortar Tracked Simulator
- Combat Training Centre
- Containerised Shooting Range
- Containerised Tubular Shooting Range
- Driver Aptitude Testing System
- Driving Training Simulator
- Hand Grenade Simulator
- Master Control Station for Live-Firing Ranges
- Medium Machine Gun Simulator
- Multi-Functional Target System
- Robotic Targets
- Rotary Wing Simulator
- ShootEdge®
- Shoot House for Live and Simulated Indoor Tactical Training
- Small Arms Training Simulator - SL
- Smart Target System
- Tactical Engagement Simulator (TacSim®)
- TacSim® with Indoor Tracking System
- UAV Mission Simulator

Driving

- Automated Driving Simulator
- Basic Driving Simulator
- Bus Driving Simulator
- Driving Training Simulator
- Driver Aptitude Testing System
- Tatra Driving Simulator

<http://www.zentechnologies.com/training-simulators-equipment-systems.php>

WHAT'S THE MOST IMPORTANT QUESTION FOR ARMED FORCES?

Are You Combat Ready?



MINISTRY OF DEFENCE Assessing and Reporting Military Readiness

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 72 Session 2005-2006 | 15 June 2005



Combat Training Centre



Integrated Training Solutions for
24/7 Combat Readiness

being there...

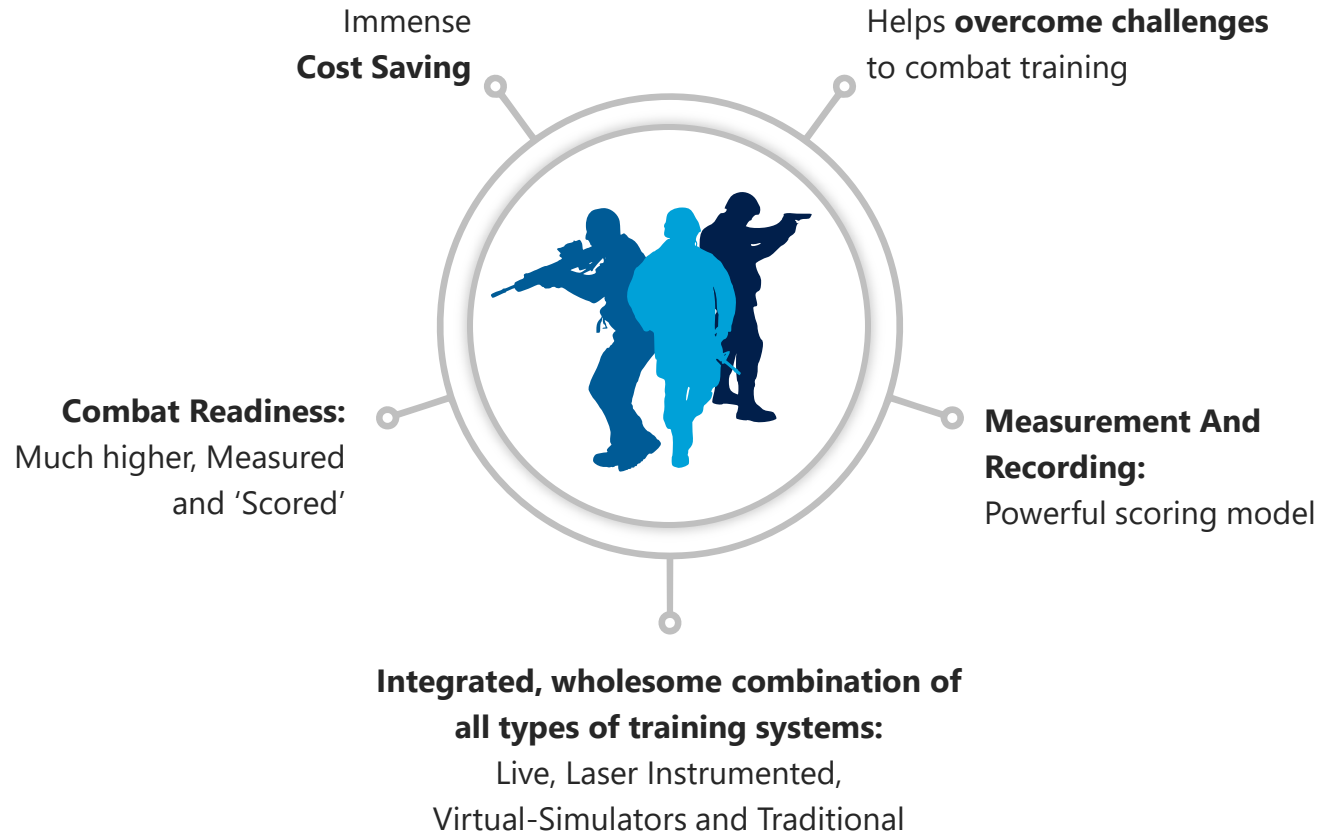


Zen Combat Training Centre (CTC)

Integrates
Live Ranges, Live, Virtual & Constructive Simulation
into a
Common Operating Picture

www.zentechnologies.com

Zen CTC: One Stop Solution for higher Combat Readiness



Facilities



Corporate Head Office

27,000 Sq. Ft.

B-42 Industrial Estate,
Sanath Nagar, Hyderabad

Production Division

75,000 Sq. Ft. built up on 8.55 acre land

Hardware Park,
Maheshwaram, Hyderabad



New R&D centre

25,000 Sq. Ft.

Floor No.11 and 12, Signature Towers,
Kondapur, Hyderabad

Figures in INR Millions

	2014	2015	2016	2017	2018	2019
Sales	463.5	785.5	526.1	616.5	389.6	922.2
Sale of Products	432.6	715.3	425.3	486.7	184.3	698.9
Sale of Services	30.9	70.2	100.8	129.8	205.3	223.3
Gross Profit	341.5	542.1	378.7	494.5	323.1	615.6
R&D Expenses	148.55	130.7	142.96	127.24	128.3	122.7
EBITDA Excl R&D	248.2	372.7	239.00	276.94	109.8	348.2
PAT	0.9	157.4	23.2	71.7	2.0	190.5
Total Order Book	40.0	1,190.0	760.0	740.0	3,500.0	2,663.6
AMC Order Book	10.0	790.0	760.0	700.0	1,243.0	1,108.9

Balance Sheet



Figures in INR Millions

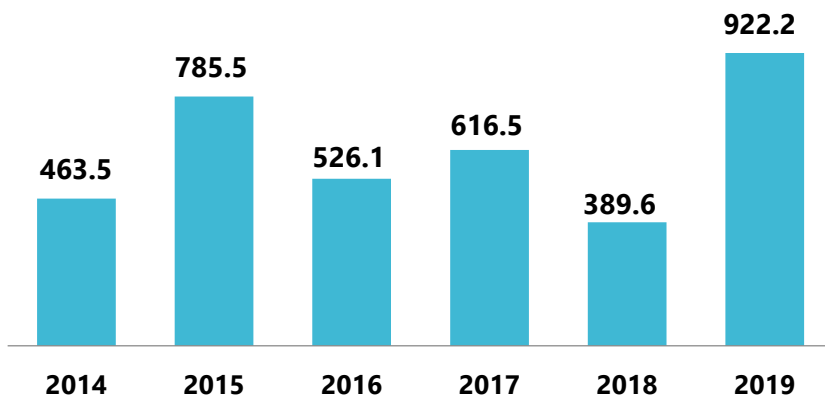
	2014	2015	2016	2017	2018	2019
Net Worth	985.6	1,110.5	1,124.4	1,196.1	1,184.2	1410.1
Long-Term Borrowings	44.4	36.8	77.6	58.0	32.7	88.0
Short-Term Borrowings	124.8	348.2	295.0	21.6	68.3	329.9
Trade Payables	20.9	31.2	20.9	30.7	34.7	75.2
Fixed Assets	438.7	440.6	431.2	446.4	646.4	627.7
Capital Work-in-Progress	10.4	3.1	147.2	166.9	0.0	4.0
Inventories	98.5	150.2	97.9	79.2	115.5	352.8
Trade Receivables	114.6	594.9	80.6	203.5	226.1	733.5
Cash and Cash equivalents	420.2	376.4	679.7	342.1	118.0	36.8

Financial Details



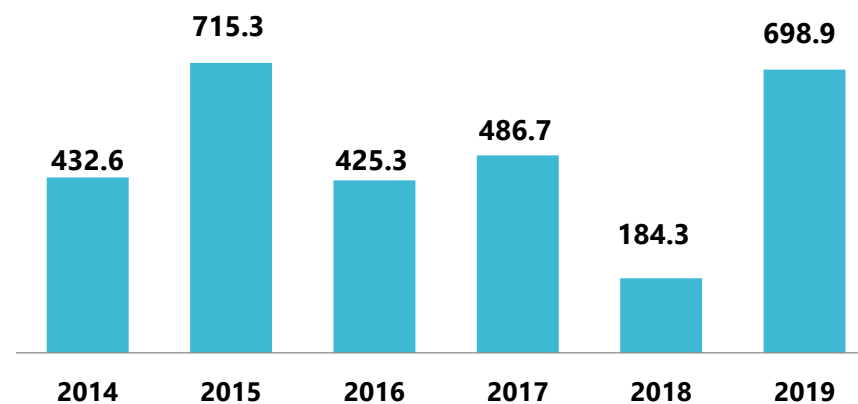
SALES

Figures in INR Millions



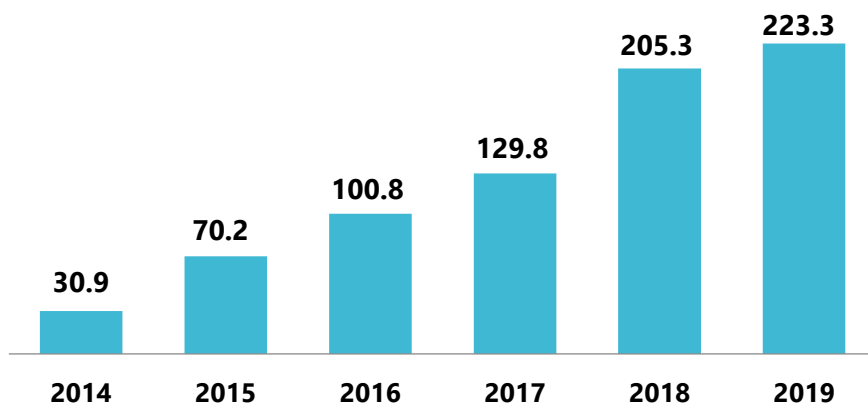
SALE OF PRODUCT

Figures in INR Millions



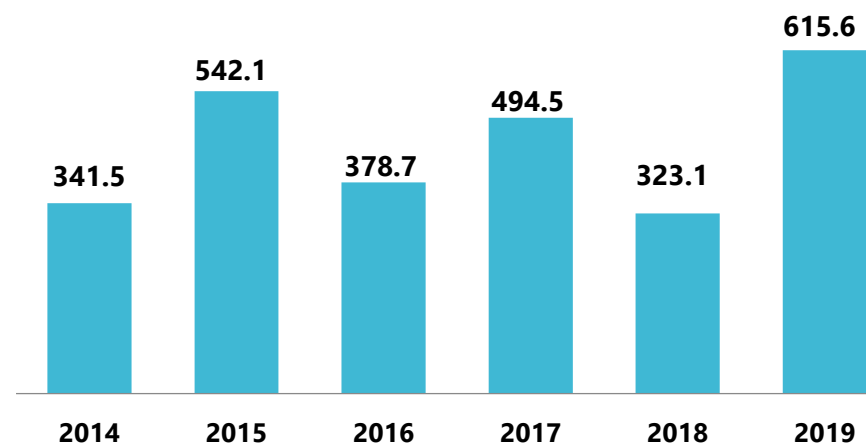
SALE OF SERVICES

Figures in INR Millions



GROSS MARGINS

Figures in INR Millions

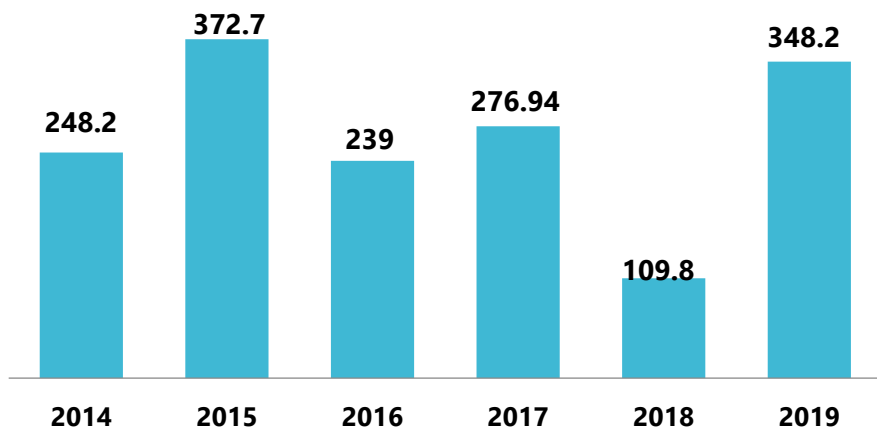


Financial Details



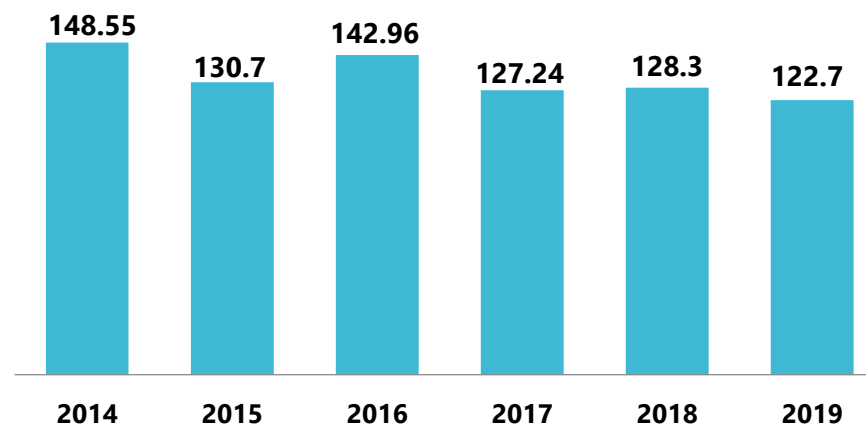
EBITDA EXCLUDING R&D

Figures in INR Millions



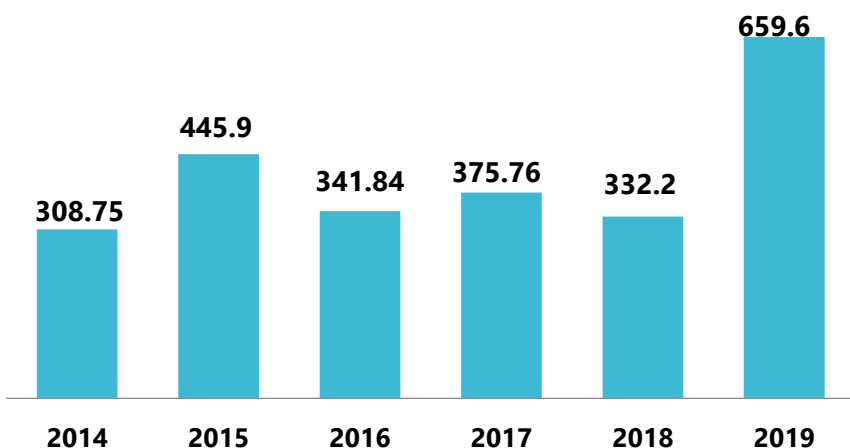
R&D EXPENSES

Figures in INR Millions



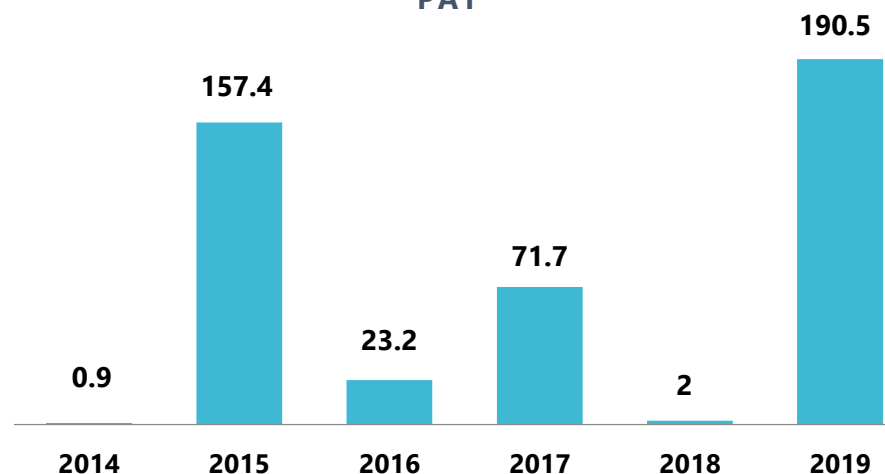
OPERATING EXPENSES EXCLUDING R&D

Figures in INR Millions



PAT

Figures in INR Millions

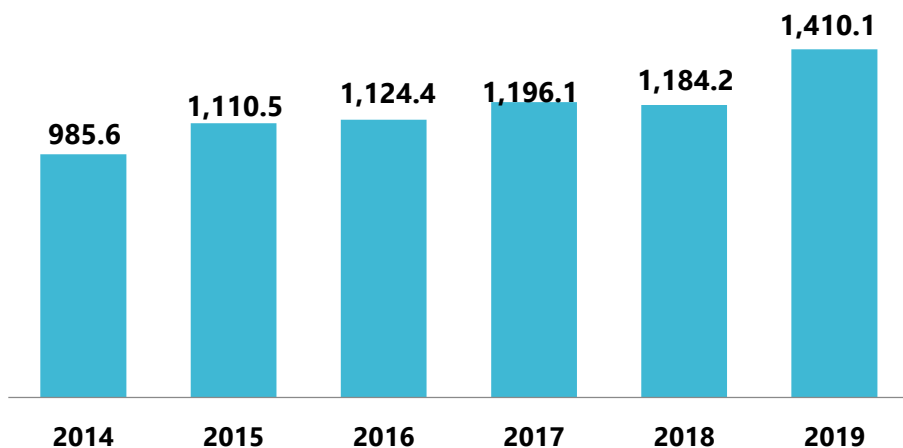


Financial Details



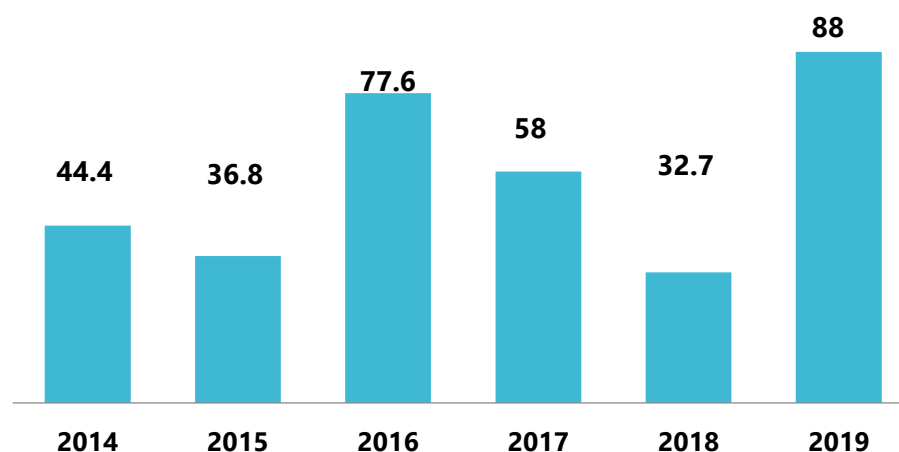
NETWORTH

Figures in INR Millions



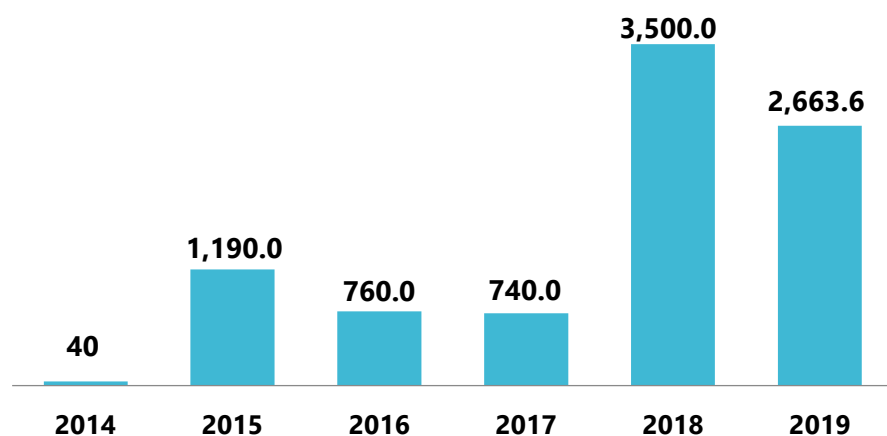
LONG TERM DEBT

Figures in INR Millions



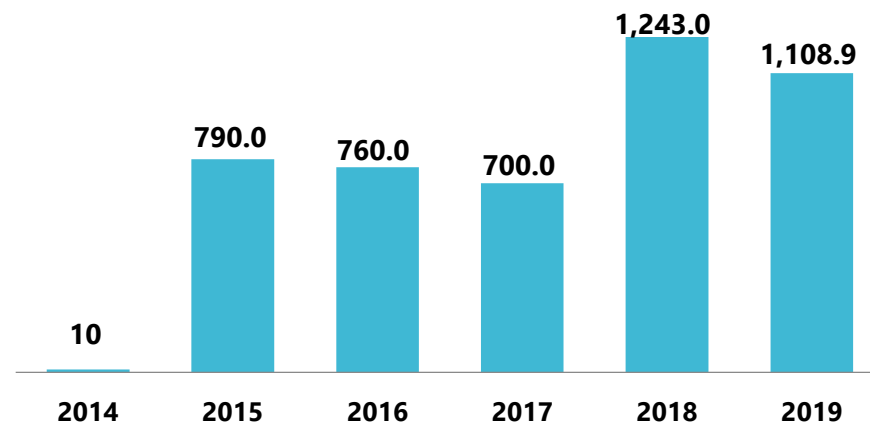
TOTAL ORDER BOOK

Figures in INR Millions



AMC ORDERBOOK

Figures in INR Millions



- 64 Crore Export Order Signed around end-2017
- Execution not yet started due to customer-end documentation delays including opening of L/C
- Process still pending at the customer-end

Change in Exports Approach



- Tremendous Indian Govt Support
- Focus on countries friendly to India
- Direct approach to various Govts via Indian Embassies
- Less Focus on Exports from USA
- Scale down operations in USA and, further, ramp up from India

Regulatory Tailwinds



MAKE II procedure in the DPP 2016

- Industry can suo moto come up with solutions which can solve or address the challenges faced by Indian Army
- For accepted solutions the Indian armed forces will give a go ahead to develop such a system
- Indian armed forces will assure the acquisition of such system as a single vendor
- Developer will have to incur the cost of development

Make in India

- Government of India's keen focus on promoting indigenous manufacturing has created conducive environment to make in India for exports
- Offset clauses require global defence players to partner with Indian manufacturers

Indigenously Designed, Developed and Manufactured

- New Category introduced by MoD in DPP 2016:
- Under IDDM even Single vendor situations are accepted this opens up several erstwhile closed opportunities.
- Govt. to focus on IP ownership of products; not just low-cost coolie manufacturing done under licence

Growth Drivers



1

Domestic

- Conducive regulatory regime has opened erstwhile closed single vendor business opportunities
- Offset clauses require global defence players to partner with Indian manufacturers

2

Exports

- Target smaller erstwhile ignored markets through tailored training solution
- Dedicated marketing team to push sales
- Strong support from government vs approval hurdles in past.
- Products developed under Make II procedure can further be exported significantly enhancing the opportunity size
- Push will be from India rather than USA due to active support from Indian Govt.

3

AMC

Annual Maintenance Contracts

- AMC CAGR of 38.5% over last 5 years
- Simulator sales leads to a potential 120% AMC revenue over product lifecycle
- Continued engagement with customers result in potential upsell opportunities.



ZEN TECHNOLOGIES LIMITED

THANK YOU

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.

Regd. Office: B-42, Industrial Estate, Sanath Nagar, Hyderabad, Telangana, India – 500018

Phone: +91-40-23812894, 23813294, 23814894, 23813281

Email: info@zentechnologies.com | www.zentechnologies.com

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