



ZEN TECHNOLOGIES LIMITED

Certified ISO 9001:2015, ISO 27001:2013, ISO 14001:2015, CMMI ML5
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Corporate Identity Number : L72200TG1993PLC015939

Date: 30th January 2023

To
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001
Through: BSE Listing Centre
Security Code: 533339

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
Through: NEAPS
Symbol/Security ID: ZENTEC

Dear Sir/Madam,

Sub: Earnings Presentation Q3FY 2023

Please find attached earnings presentation for the quarter ended 31st December 2022.

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 sincerely,
For Zen Technologies Limited

Afzal Harunbhai Malkani
Chief Financial Officer & Compliance Officer

Q3 FY23 Earnings Presentation

Q 3 F Y 2 3

NSE: ZENTEC
BSE: ZENTEC - 533339

BLOOMBERG: ZEN IN
REUTERS: ZETE.BO





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Management Commentary

We expect a few more big order wins from aggressive purchase being made by Government of India.

Mr Ashok Atluri

CHAIRMAN & MANAGING DIRECTOR

I am pleased to share an update on our performance in Q3FY23. Continuing on the strong start to the year, we have further gained momentum in Q3FY23, where both of our business verticals, AMC and Equipment Sales, have reported positive growth.

As previously committed, we have almost reached an annual run rate of ₹40 crores in our AMC business. The cash flow generated from this business has helped us take care of our fixed operating expenses and our R&D initiatives. Strong growth in this vertical has further enabled us to intensify our R&D initiatives, which should bode well for our equipment business in the years to come.

The sales of equipment is the business vertical where growth visibility continues to remain high and the opportunities opening up excite us. We remain extremely confident of recognizing these revenues in the current financial year with a possible spillover to Q1FY24.

On the order book front, we expect a few major order wins coming our way on the back of our aggressive participation in various exhibitions and trade shows. Furthermore, we expect a few more big order wins from aggressive purchase being made by Government of India.

In order to capitalize on this burgeoning opportunity, we are broadening our capabilities and adding professional bandwidth to the team across functions. Our demonstration center at Abu Dhabi is progressing as per plans and will be operational soon.

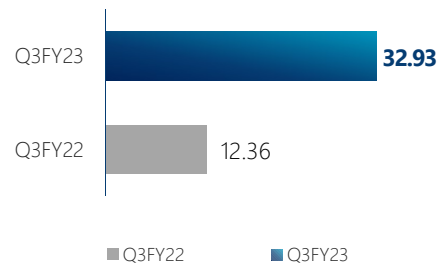
With adequate liquidity in hand and a favorable industry environment, we remain committed to delivering sustainable and profitable growth. We appreciate your continued support and look forward to updating you on our future progress.



Quarterly Standalone Highlights

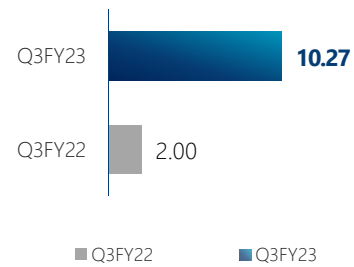
Revenue from Operations (QoQ)

(All Values ₹ in Crore)



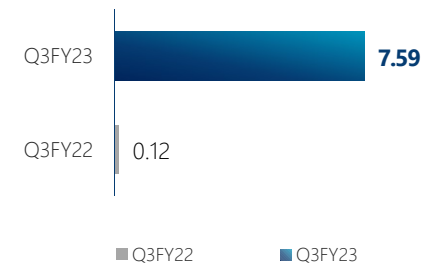
EBITDA (QoQ)

(All Values ₹ in Crore)



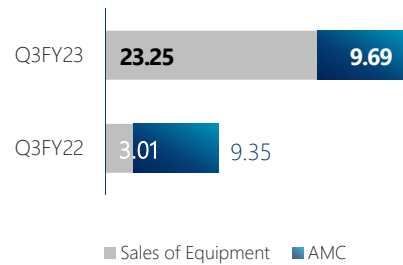
Profit After Tax (QoQ)

(All Values ₹ in Crore)



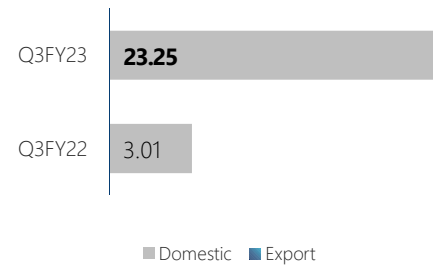
Revenue Segmentation

(All Values ₹ in Crore)



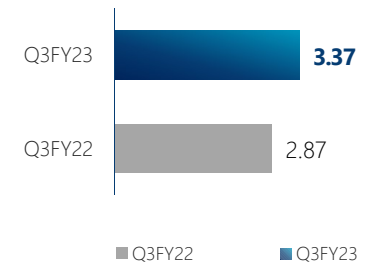
Revenue Segmentation (Sales of Equipment)

(All Values ₹ in Crore)



R&D Expenses

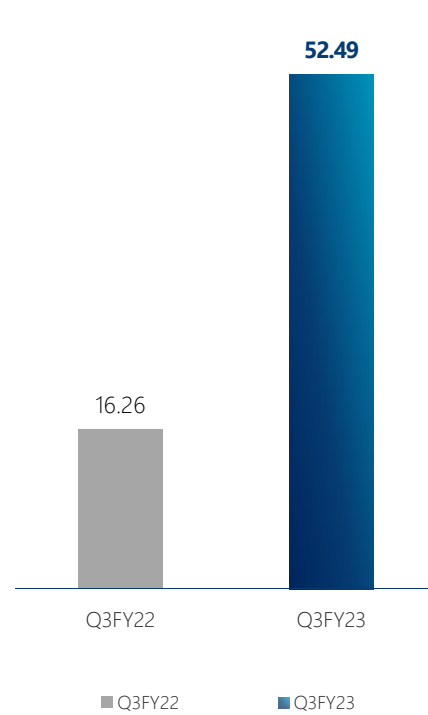
(All Values ₹ in Crore)



Quarterly Consolidated Highlights

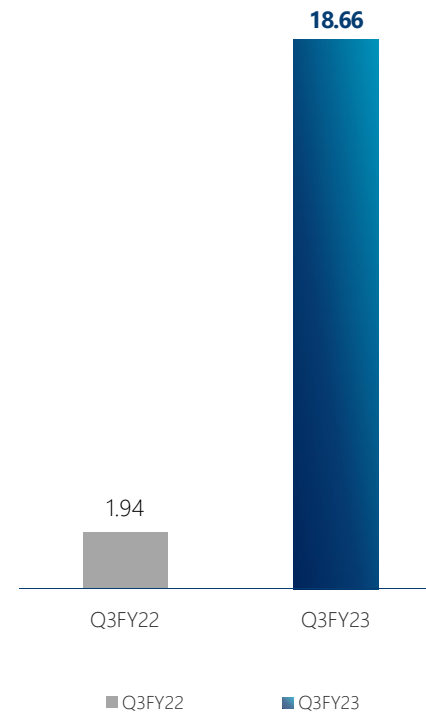
Revenue from Operations (QoQ)

(All Values ₹ in Crore)



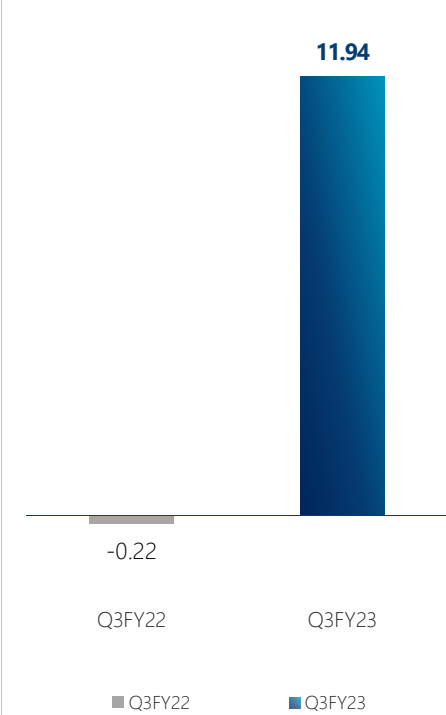
EBITDA (QoQ)

(All Values ₹ in Crore)



Profit After Tax (QoQ)

(All Values ₹ in Crore)



Order Book Status as of 31st Dec 2022



Financial Statement Summary

Summary of Standalone Profit & Loss Statement

Particulars (₹ in Crore)	31.12.22 (Unaudited)	30.09.22 (Unaudited)	31.12.21 (Unaudited)
KEY PERFORMANCE INDICATORS			
Sales	32.93	21.13	12.36
Other Operating Revenue	1.91	2.80	0.97
Total Revenue	34.84	23.93	13.33
Total Operating Expenses	24.57	15.74	11.33
EBITDA	10.27	8.18	2.00
EBITDA Margins	29.47%	34.20%	14.97%
Interest Cost	0.45	0.65	0.43
Depreciation	1.12	0.96	0.92
Profit Before Tax	10.70	6.57	0.64
Profit After Tax	7.59	4.57	0.12

Financial Statement Summary

Summary of Consolidated Profit & Loss Statement

Particulars (₹ in Crore)	31.12.22 (Unaudited)	30.09.22 (Unaudited)	31.12.21 (Unaudited)
KEY PERFORMANCE INDICATORS			
Sales	52.48	33.41	16.26
Other Operating Revenue	1.95	3.15	1.02
Total Revenue	54.44	36.56	17.28
Total Operating Expenses	35.78	23.49	15.34
EBITDA	18.66	13.07	1.94
EBITDA Margins	34.27%	35.75%	11.19%
Interest Cost	2.10	0.70	0.44
Depreciation	1.54	1.37	1.20
Profit Before Tax	15.01	11.00	0.30
Profit After Tax	11.94	7.63	(0.22)

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, drones 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



4 years

Additional focus in the last 4 years on anti-drone systems also



100+

Institutional customers served



280+

Human capital: 280+ manpower strength



₹404.44

crores

Robust order book of ₹ 404.44 crores as of 31 December, 2022



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



~₹65 crores

R&D investment of ~₹65 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 112 patents for the pioneering initiatives undertaken, of which 27 have been granted.

- *IP driven business* with bill of materials not contributing to more than 10% - 25% of the final product cost
- 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*



~65

CRORES OF INVESTMENTS
IN R&D IN LAST 5 YEARS



~17%

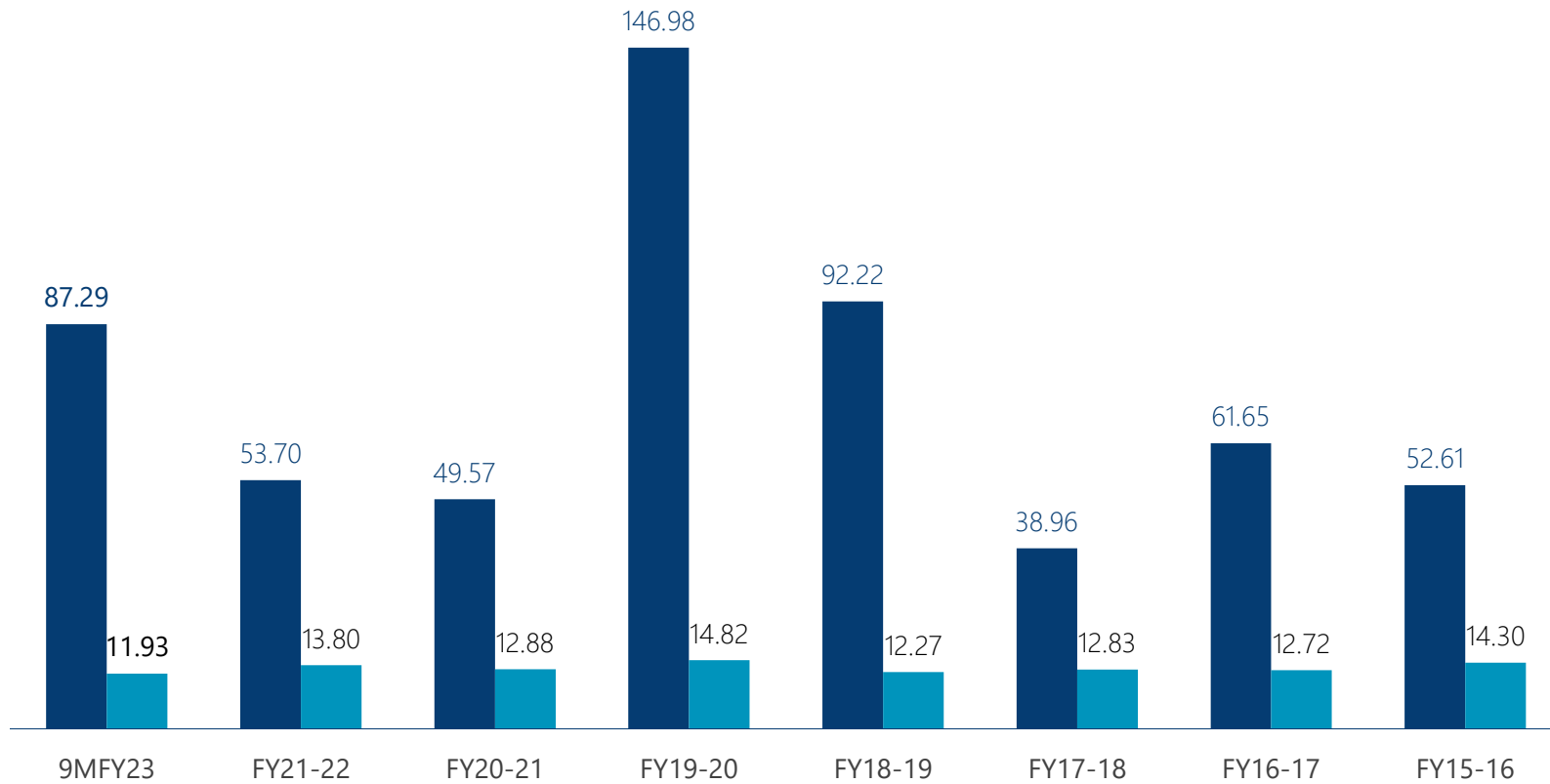
OF CUMULATIVE SALES
INVESTED IN R&D IN THE
LAST 5 YEARS



112

PATENTS FILED

R&D Spends over the Years



LEGENDS
(All Values ₹ in Crore)

- Sales
- R&D Expenditure

Business Model



01 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.



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 Combat Training Centre

- A leader in defence training solutions.
- Infrequent but large orders with long closing cycles.
- 90% of order from repeat customers.
- More than 50 Products (incl. Anti-drone Systems)
- Big ticket size with potential orders worth \$ 20 M for a single installation.
- A platform providing Realistic battle experiences by Integrating Zen's entire range of Product offerings.

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
- 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



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 Share of 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 optimization and enhancing financial performance.



Establishing the Demo center at Abu-Dhabi and focusing on export markets expand the international presence and exports with friendly countries.



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 Predictability in Turnover

We are working towards strategically positioning the business model to reduce lumpiness. The sale of equipment done in the last couple of years will start contributing to the top line in terms of Annual Maintenance Contracts.

Equipment Order Wins

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 GOI has formulated several measures along with strict implementation timelines. The governments keen focus on Make in India and Atmanirbhar Bharat campaign has created a conducive environment to make in India for the defence industry. This should act as a strong tailwind going forward



Focus on New Products

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 market and expects exports to contribute more than 40% to the top line in the current financial year. Furthermore fast clearances from the Government for exports further acts as a tailwind.

Thank You

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Let's connect

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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.