



ZEN TECHNOLOGIES LIMITED

Investor Presentation

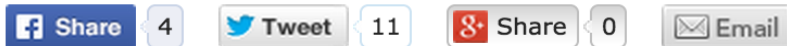
By Ashok Atluri

The New Govt...

- Invest in Defence Industry?
- #MakeInIndia vs #DesignDevelop&MakeInIndia?
- Export Promotion
- Encouragement to Indigenously Designed Products? (a la USA?)
- DPP under Buy Indian from 30% IC to 40% IC (At least)
- Ban Import of Certain Defence Items?

Import of certain items to be banned in defence sector: Parrikar

PTI, New Delhi | Updated: Mar 21, 2015 15:40 IST



In a bid to boost the domestic defence sector, defence minister Manohar Parrikar on Saturday said he will soon come out with a policy under which certain items will be banned from importing.

"I do not see any reason why we should not export because the items we are specialised in are the items which we don't import much. We are thinking of policies through which import of certain items will be banned in defence sector in India... which is going to be part of a policy," he said.

The minister said the policy is slowly shaping up after talking to all stakeholders. "We hope we will be able to soon come out with it," he said addressing a seminar in Delhi.

The government is pushing for 'Make in India' initiative in the defence sector as it wants to drastically bring down the nearly 60% dependence on foreign products.

The government is set to come out with a new Defence Procurement Policy that will include certain initiatives and new procedures to make the Make in India plan a reality.

While the draft has been prepared, it is currently been circulated among the stakeholders including the industry.

Spectrum of Products

- Hardware to Software
- High Technology Products - Manufacturing Cost of 0% to 30%
- Value Capture – up to 80% in Design and Development
- Built to Print – What is the Value Capture?
- CRO vs R&D
- Simulator –
 - What is it? Software? Hardware?
 - What is it used for?

Operational Preparedness



- **Why is real training so costly? Eg: Training on Tanks**
- **Ineffective or Impractical?**
- **Video Games?**
- **Improvement up to 90% - Experience with ATGM Sim**
- **Simulators...for what?**

Simulators for Weapons' Training

- **Simulators for Everything**
- **Requirements for Simulators – basis of arriving?**
- **What is the Market Size?**

Defence Opportunity Est - Select Sims

Selected Simulators

Armour Combat Training Simulators

UAV Sim

Tactical Engagement Sim

Infantry Weapons Training Sim

Driving Sim

AGL & MMG Sims

81mm Mortar Sim

Rs 6,000 Cr. Opportunity Size

Immediate Opportunity

- Advanced Stage – Expected Rs 500+ Crores
- Execution in FY17 & FY18
- Expected RFPs for Larger Contracts – FY17 onwards
- AMCs – Expected along with Equipment Orders

Annual Maintenance Contracts



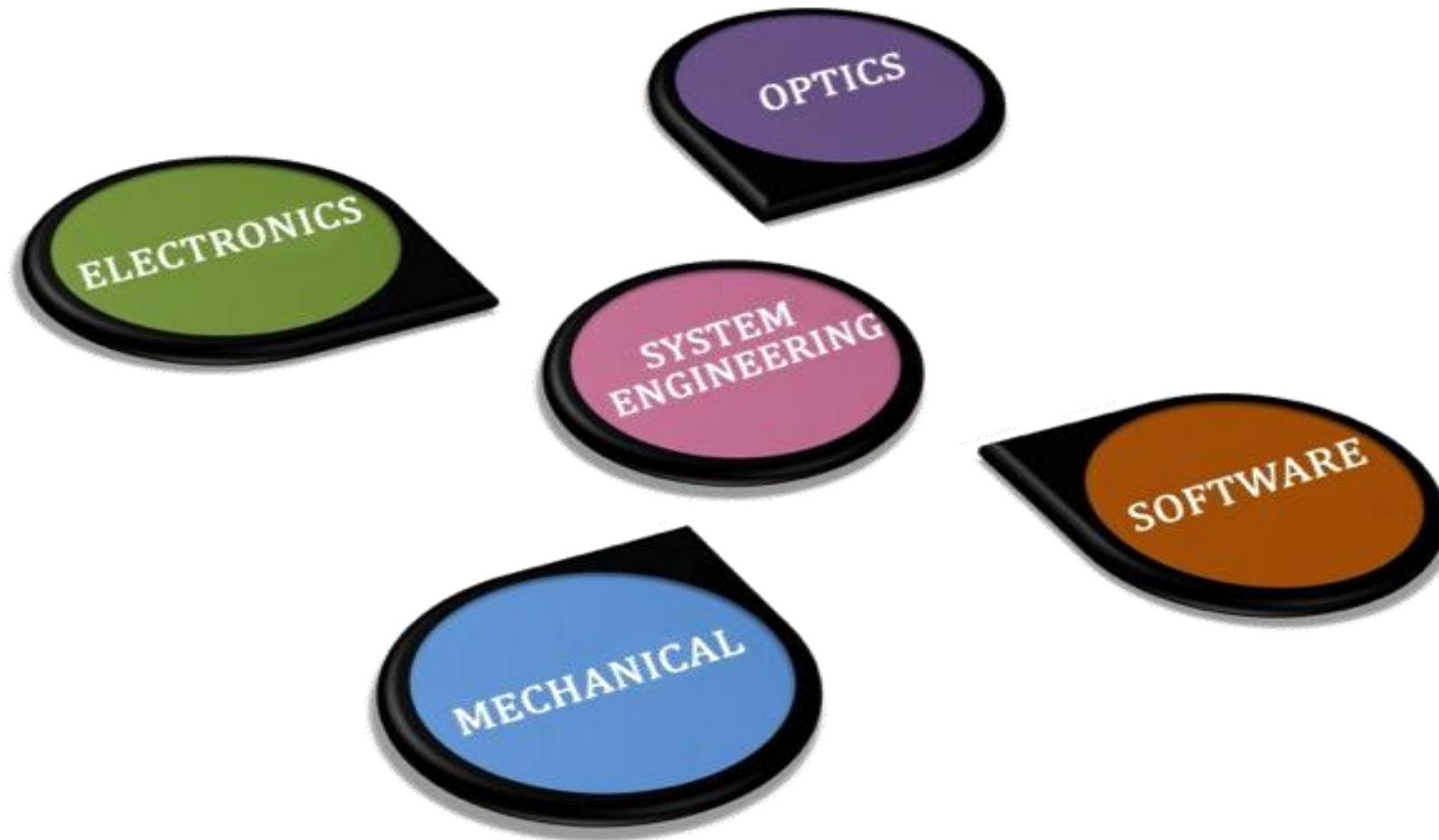
- **Typical Lifecycle - 15 years**
- **2 years warranty**
- **Expected 13 years AMC/Support**
- **Expected 5 years at the time of signing of contract**
- **Annuity Income**

Zen's Competitive Advantages – R&D

- **40% of staff in R&D - 97/243**
- **23% of staff in Customer Support – 57/243**
- **FY14 & FY15: Op Revenues @ Rs 46 Cr and 78 Cr**
- **FY14 & FY15: R&D Exp: Rs 20.66 Cr & Rs 13.07 Cr**
- **CRO vs Real R&D – IP Ownership?**
- **Source code, algorithms, mechanical designs, electronic circuit designs**
- **Patents?**
- **30+ Simulators**
- **In-House R&D Recognition by Govt of India Since 1998**

Zen's Competitive Advantages -

Core Competencies



Zen's Competitive Advantages

- Ability to Realize a Simulator Fast – Libraries/Deep Competence
- Indian Customers –100% Repeat Police/Defence Customers
- 22+ Years Track Record
- Prototypes Ready for Upcoming Requirements
- #MakeInIndia Stress by GoI

Zen's Growth – Product Development (Ansoff)

	Existing Product	New Product
Existing Market	Market Penetration	Product Development
New Market	Market Development	Diworseification

Additional Opportunities

- Aviation Simulation
- Exports
- Offsets

Aviation Simulation

- No Credible Domestic Players
- Preference for Indigenous Solutions
- Need Some Expertise to Fill the Gap – Rockwell Collins
- Hired A Team with Knowledge – Kamath HJ
- Location: Bangalore

Exports - Opportunity

- Opportunity as Preparedness is Becoming Important in Europe, Middle East, Africa, etc
- Cost/Availability of Sims Prohibitive/Difficult
- Small Markets Ignored
- Zen's Solution

Combat Training Centres

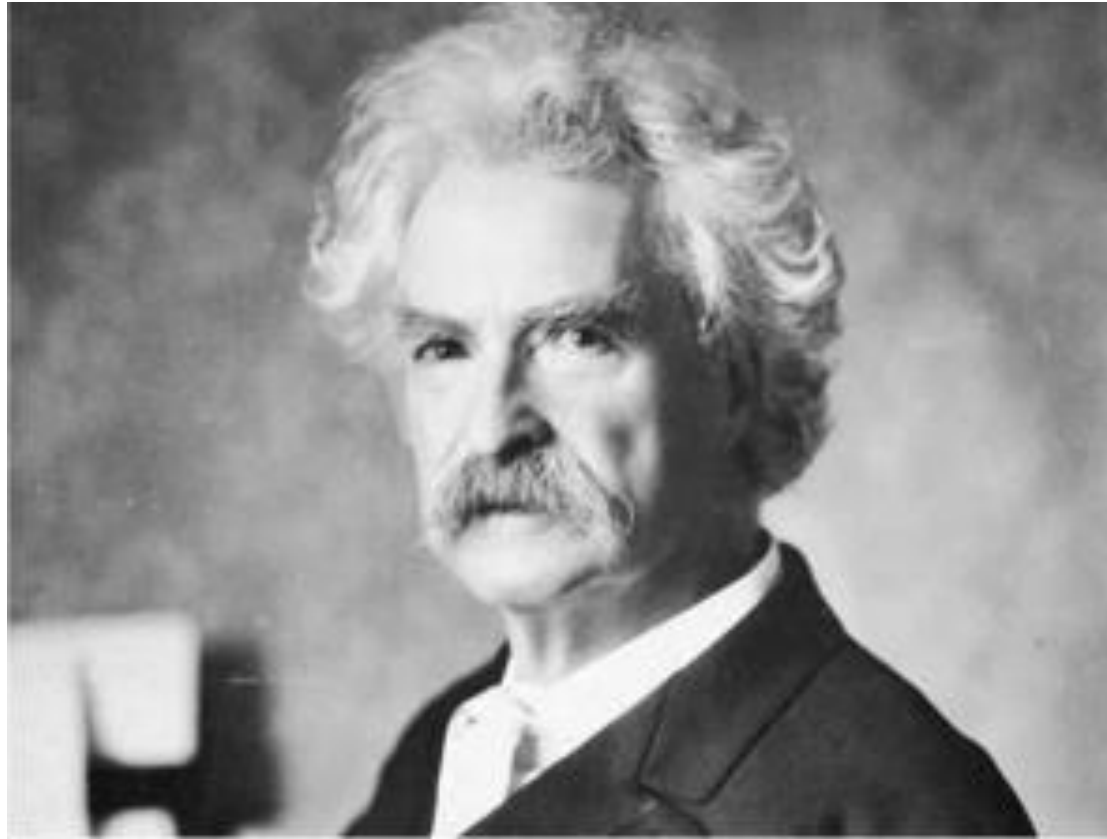
- Not Product, Solution
- From Hostage Scenarios to War Scenarios
- Zen's vast range of Simulators
- Customization for the End User

Offsets

- 30% Obligation of Overseas Vendors
- Difficult to Fulfill
- New Opportunity for Zen
- 1.5x Higher Offset Credit
- Zen Products – A Ready Made Solution
- Expect Great Demand for this Option
- New DPP clause: Ease of Change in DPP Partner

Competition

- Thales
- Cubic Defense
- Meggitt
- Rheinmetall
- Saab
- Israeli Companies/OEMs
- Russian Companies/OEMs
- Large Pvt Indian Cos and DPSUs




It's not the size of the dog in the fight, it's the size of the fight in the dog – Mark Twain

Key Milestones



being there...

- 
- 1993 Incorporation
 - 1996 ZEN SATS
 - 1998 In-house R&D recognition by Govt of India
 - 2002 AWeSIM
 - 2004 Driving Training Simulator
 - 2006 BMP DS & BMP IMS
 - 2008 Live Simulation – TacSim
 - 2011 Tank Simulator (BG, CG, & DS)
 - 2013 UAV Simulator
 - 2014 ACTS: New Govt

© Zen Technologies Ltd
Confidential

Disclaimer

Certain statements in this release 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.