



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: 13th November 2022

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 Q2FY 2023

Please find attached earnings presentation for the quarter ended 30th September 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

HANSRA Digitally signed by
HANSRAJ SINGH
J SINGH Date: 2022.11.13
20:48:01 +05'30'

Hansraj Singh Rajput
Company Secretary & Compliance Officer
M. No. F11438



Zen Technologies Limited Earnings Presentation Q2FY23

India's leading defence training solution provider

NSE: ZENTEC

BSE: ZENTEC - 533339

BLOOMBERG: ZEN IN

REUTERS: ZETE.BO

Inside the Document



01

Management
Commentary

02

Quarterly &
Half-Yearly
Highlights

03

Order Book
Status

04

Financial
Statement
Summary

05

About the
Company

06

Research and
Development

07

Business
Canvas

08

Regulatory
Tailwinds

09

Investment
Merits

10

Strategic
Priorities

11

Way Forward

12

New Product
Additions

Management Commentary



ZEN
TECHNOLOGIES LIMITED

Q2FY23 Earnings Presentation

Commenting on the performance of Q2FY23, Mr. Ashok Atluri, Chairman, Managing Director commented:

"I am pleased to share an update to accompany our Q2FY23 results and happy to report that our efforts during the last two years are now starting to bear fruit.

We continued our strong start to the year by accelerating our execution momentum in the second quarter. While we spent the first quarter of the fiscal year navigating the supply chain issues, I am pleased to report that we picked up our execution pace in the second quarter. Furthermore, the strong performance recorded by our subsidiary is also noteworthy. We remain confident in our ability to meet our earlier stated guidance of executing the entire equipment order book by Q4FY23 / Q1FY24.

Given the substantial operating leverage built into our business model, we expect FY23 to be a year of robust financial performance at Zen. We also have a strong liquidity position with ~ ₹ 153 crores parked in fixed deposits.

During the quarter, we aggressively pursued opportunities in export markets and participated in SIMTEX (Middle East), D&S (Thailand), DefExpo (Gandhinagar), SOFEX (Jordan) and

IDEF (Indonesia).

Positive customer interactions give us confidence that our order book will be replenished to its current level in H2FY23 / Q1FY24.

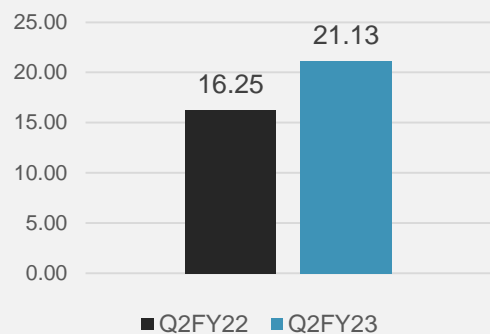
I am also pleased to report that we are progressing well on our plans and anticipate that phase-1 of the Abu-Dhabi demonstration centre will be operational by the end of FY23.

The extremely favourable environment for the Indian defence players created by the current Government acts as an antidote to the Covid-impacted environment. One example is the Indian Government's robust simulation framework, which gives us confidence that in the coming years we will see a very strong performance."

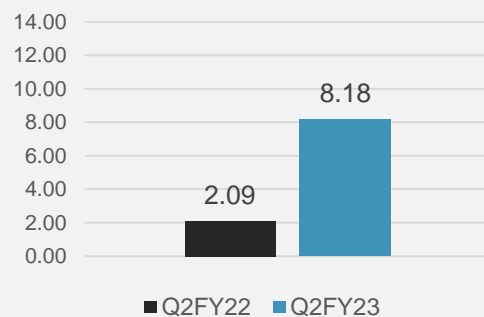
Quarterly Standalone Highlights

All data ₹ in crores

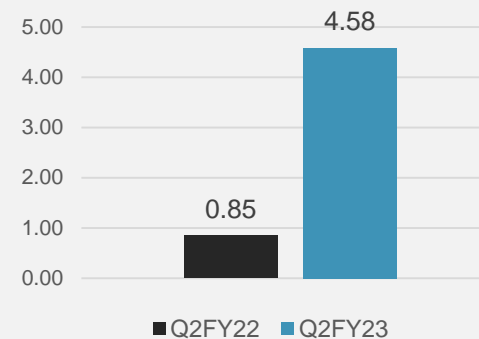
REVENUE FROM OPERATIONS (YOY)



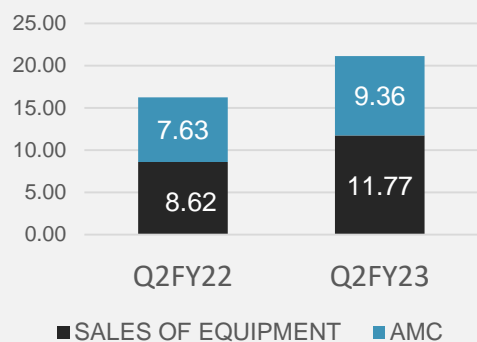
EBITDA (YOY)



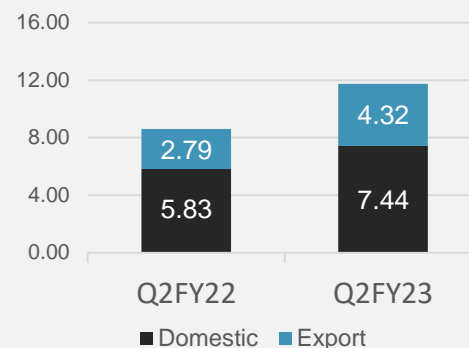
PROFIT AFTER TAX (YOY)



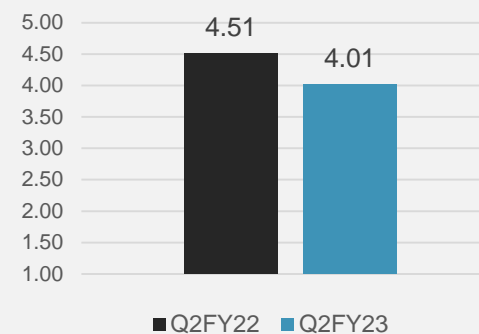
REVENUE SEGMENTATION



REVENUE SEGMENTATION



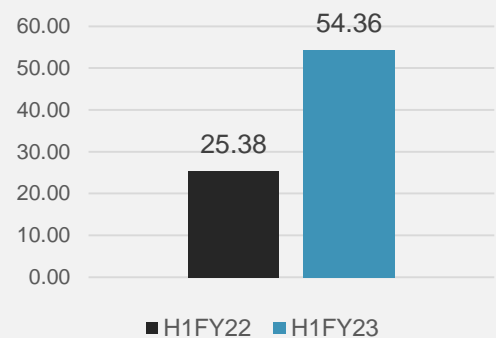
R & D EXPENSES



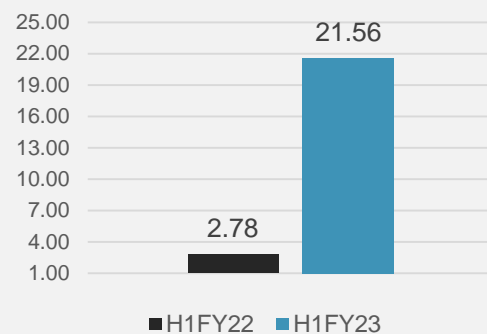
Half Yearly Standalone Highlights

All data ₹ in crores

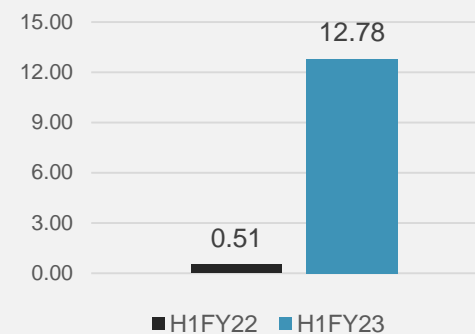
REVENUE FROM OPERATIONS (YOY)



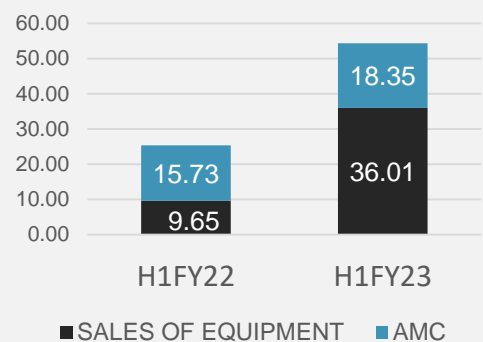
EBITDA (YOY)



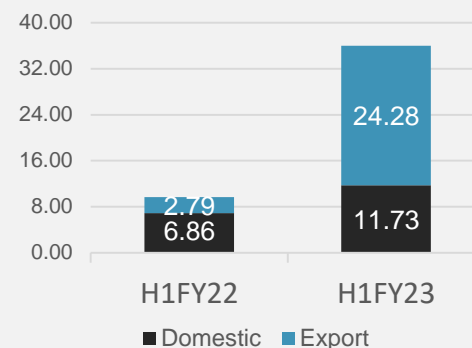
PROFIT AFTER TAX (YOY)



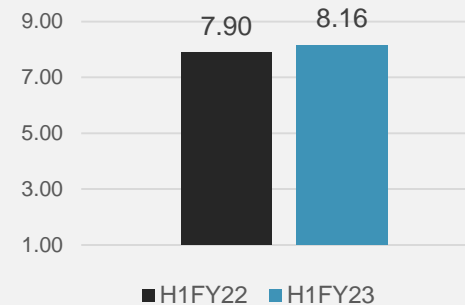
REVENUE SEGMENTATION



REVENUE SEGMENTATION



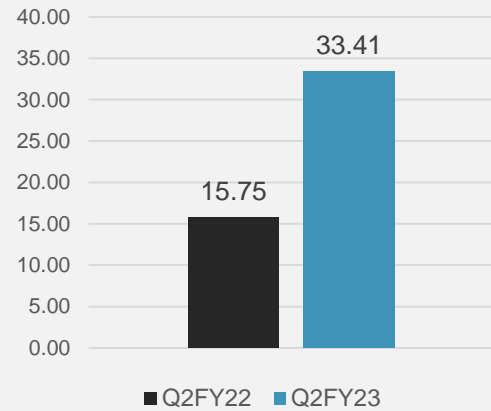
R & D EXPENSES



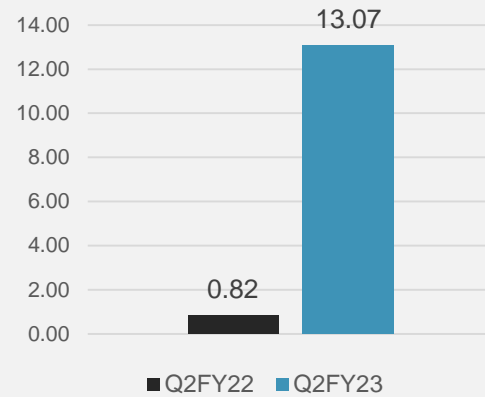
Consolidated Quarterly Highlights

All data ₹ in crores

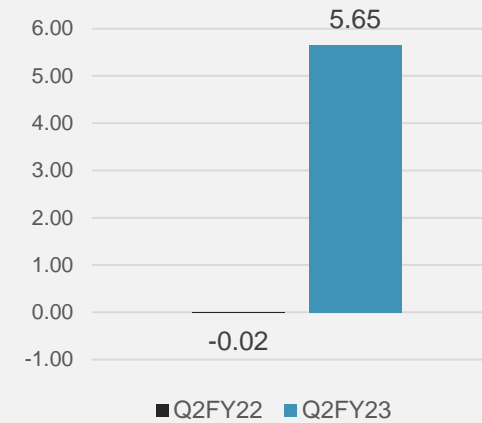
REVENUE FROM OPERATIONS (YOY)



EBITDA (YOY)



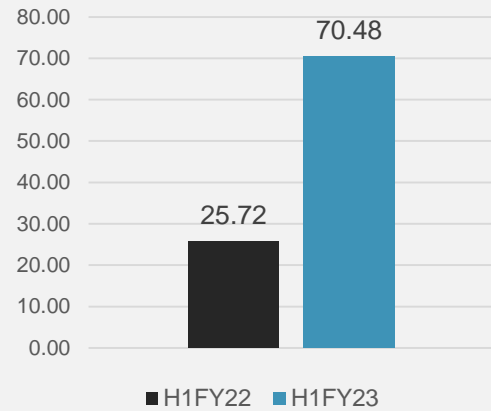
PROFIT AFTER TAX (YOY)



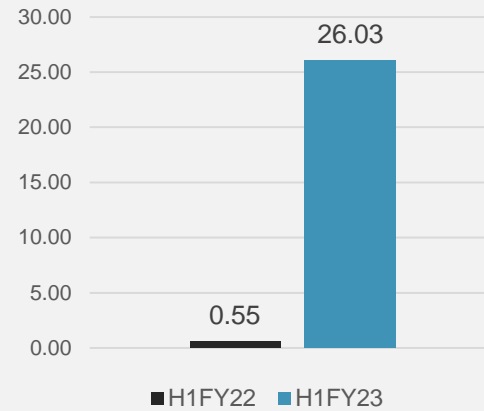
Consolidated Half Yearly Highlights

All data ₹ in crores

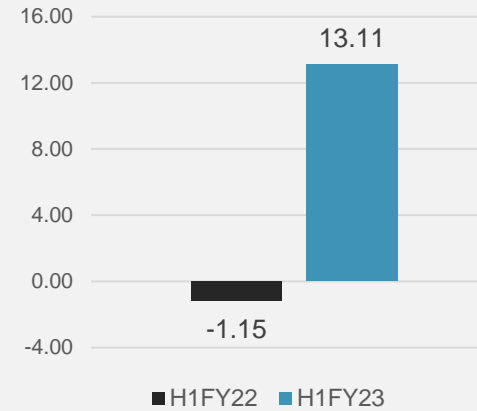
REVENUE FROM OPERATIONS (YOY)



EBITDA (YOY)



PROFIT AFTER TAX (YOY)



Order Book Status



Financial Statement Summary

Summary of Standalone Profit & Loss Statement

All data ₹ in crores

Particulars	Q2FY23	Q1FY23	Q2FY22	H1FY23	H1FY22
Net Sales	21.13	33.23	16.25	54.36	25.38
Other Operating Revenue	2.80	2.15	0.96	4.95	1.70
Total Revenue	23.93	35.38	17.21	59.31	27.09
Total Operating Expenses	15.74	22.00	15.13	37.75	24.31
EBITDA	8.19	13.38	2.08	21.56	2.78
EBITDA Margins	34.22%	37.82%	12.09%	36.35%	10.26%
Interest Cost	0.65	0.59	0.22	1.24	0.36
Depreciation	0.96	0.92	0.92	1.87	1.91
Profit Before Tax	6.58	11.87	0.95	18.44	0.51
Profit After Tax	4.57	8.21	0.85	12.78	0.51

Financial Statement Summary

Summary of Standalone Balance Sheet

All data ₹ in crores

Particulars	H1FY23	FY22
Total Equity	304.23	291.70
Non Current Liabilities	1.95	4.93
Current Liabilities	87.90	61.22
Total Equity and Liability	394.08	357.85
Non Current Assets	110.24	107.59
Current Assets	283.84	250.26
Total Assets	394.08	357.85

Financial Statement Summary

Summary of Consolidated Profit & Loss Statement

All data ₹ in crores

Particulars	Q2FY23	Q1FY23	Q2FY22	H1FY23	H1FY22
Net Sales	33.41	37.07	15.75	70.48	25.71
Other Operating Revenue	3.15	2.17	0.97	5.32	1.72
Total Revenue	36.56	39.24	16.72	75.80	27.44
Total Operating Expenses	23.49	26.28	15.90	49.77	26.89
EBITDA	13.07	12.96	0.82	26.03	0.55
EBITDA Margins	35.75%	33.04%	4.88%	34.35%	2.02%
Interest Cost	0.70	0.65	0.27	1.35	0.43
Depreciation	1.37	1.63	1.18	2.99	2.43
Profit Before Tax	11.01	10.69	(0.63)	21.69	(2.31)
Profit After Tax	5.65	7.46	(0.02)	13.11	(1.15)

Financial Statement Summary

Summary of Consolidated Balance Sheet

All data ₹ in crores

Particulars	H1FY23	FY22
Total Equity	299.94	289.90
Non Current Liabilities	3.64	7.10
Current Liabilities	107.27	71.96
Total Equity and Liability	410.85	368.96
Non Current Assets	95.17	92.75
Current Assets	315.68	276.20
Total Assets	410.85	368.96

Zen Technologies at a glance

A pioneer in providing state of art Defence Training Solutions, Drones and Anti-Drone Solutions for imparting defense training and measuring combat readiness of security forces. The company is engaged in indigenous design, development and manufacturing of sensors and simulators technology based defence training systems.



29+

YEARS OF
EXPERIENCE



100+

CUSTOMERS
SERVED



112

PATENTS FILED



ORDER BOOK OF
~432

CRORES*



270+

EMPLOYEES



1,000+

CUMULATIVE
INSTALLATIONS

*Order book as on 30th September 2022

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 109 patents for the pioneering initiatives undertaken, of which **27 have been granted.**



~75

CRORES OF
INVESTMENTS IN
R&D IN LAST 5 YEARS



~17%

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



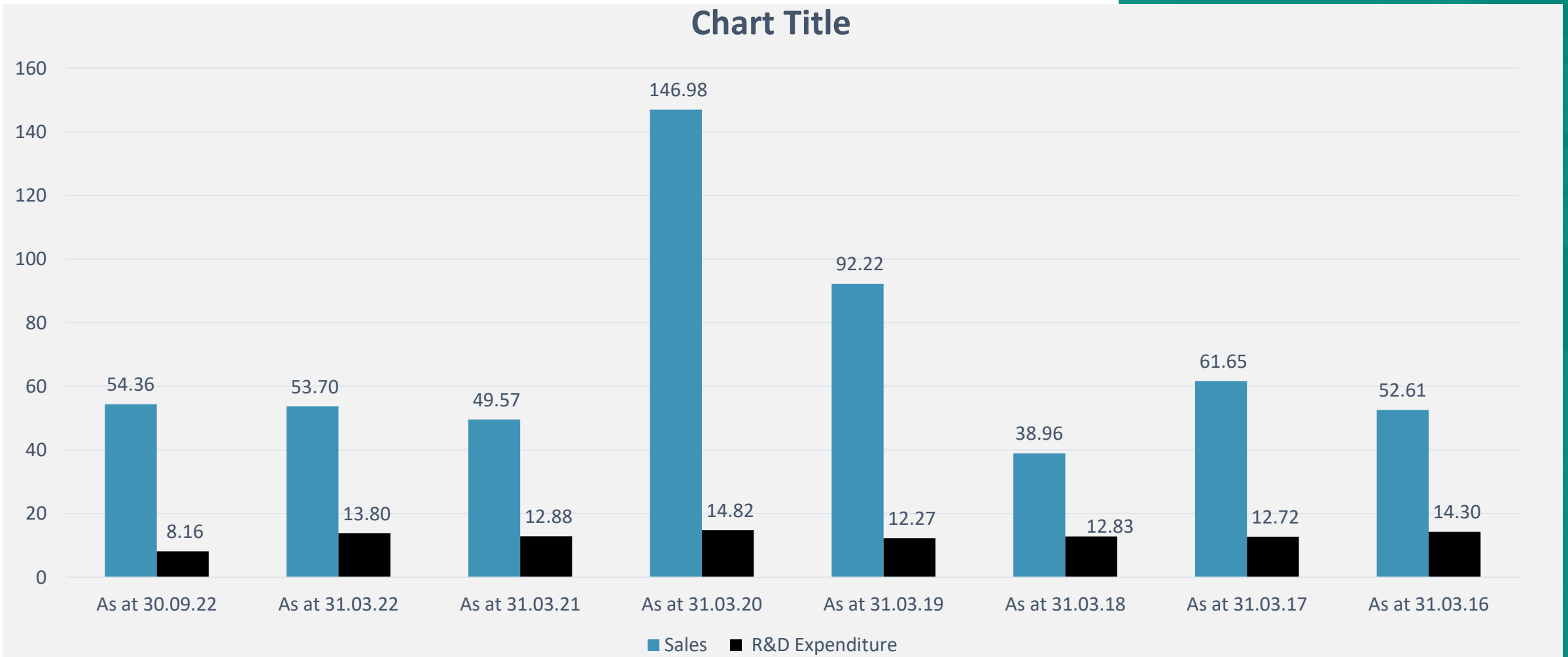
112

PATENTS FILED

- **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.**

R&D Spends over the Years

All data ₹ in crores



Business Canvas – A Well Diversified Business Model



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.
- Expect big orders in the coming years.
- Most frictionless product with strong demand in export markets
- One of the two IDDM suppliers for Anti-Drone



COMBAT TRAINING CENTRE

- A leader in defence training solutions.
- Infrequent but large orders with long closing cycles.
- 90% of order from repeat customers.
- Comprehensive Product Range consisting of 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.



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 INR 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.

- **Import embargo** on 101 items (9 items manufactured by Zen Technologies Limited) to enhance domestic manufacturing.
- 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.
- Enhancement of **FDI limit to 74%** under automatic route.
- Significant **reduction in receivables from government.**

→ **The confluence of all these factors provides for a strong regulatory tailwind for the Indian defence space.**

Investment Merits



ASSET-LIGHT
business model



**INCREASING
SHARE OF AMC**
which is annuity
in nature



**STRONG
REGULATORY**
tailwinds



Focus on
**HIGH VALUE
COMPLEX SYSTEMS**



**INCREASING
R & D SPENDS**
with special emphasis
on Anti-Drone systems
for armed forces



**STRONG
BALANCE SHEET**
with surplus liquidity



**Strong Technical and
Management Team**
with high experience



**High customer
stickiness**

Strategic Priorities

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



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

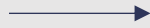


Enhance technical capabilities by increasing our investments R&D and getting into high value-added complex systems



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

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 50% to the top line in the current financial year. Furthermore fast clearances from the Government for exports further acts as a tailwind.

New Product Additions



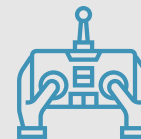
Anti-Drone
Systems



Anti-Drone
Simulators & Drone
Simulators



Integrated Air Defence
Combat Simulators



Logistic
Drones

- With **changing warfare dynamics**, drones have become a major threat to any country's security.
- Authorities across the globe investing in technologies to neutralize this threat.
- **Wide applications.** Not only restricted to military training.
- **A huge opportunity size.**
- New products to **contribute significantly to the revenues and profitability** in the coming years.



Disclaimer

This document which have been prepared by Zen Technologies Limited (the “Company”), have been prepared solely for information purposes and do not constitute any offer, recommendation or invitation to purchase or subscribe for any securities, and shall not form the basis or be relied on in connection with any contract or binding commitment whatsoever. No offering of securities of the Company will be made except by means of a statutory offering document containing detailed information about the Company.

This document has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Document. This Document may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of, or any omission from, this Document is expressly excluded.

Certain matters discussed in this Document may contain statements regarding the Company’s market opportunity and business prospects that are individually and collectively forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions that are difficult to predict. These risks and uncertainties include, but are not limited to, the performance of the Indian economy and of the economies of various international markets, the performance of the industry in India and world-wide, competition, the company’s ability to successfully implement its strategy, the Company’s future levels of growth and expansion, technological implementation, changes and advancements, changes in revenue, income or cash flows, the Company’s market preferences and its exposure to market risks, as well as other risks. The Company’s actual results, levels of activity, performance or achievements could differ materially and adversely from results expressed in or implied by this Document. The Company assumes no obligation to update any forward-looking information contained in this Document. Any forward-looking statements and projections made by third parties included in this Document are not adopted by the Company and the Company is not responsible for such third-party statements and projections.



Let's connect

HANSRAJ SINGH RAJPUT

cosec@zentechnologies.com

Company Secretary & Compliance 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