



being there...

ZEN TECHNOLOGIES LIMITED

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

Date: 01st November 2021

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 Q2 FY 2022

Please find attached earnings presentation for the quarter ended 30th September 2021.

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



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

Works : Plot 36, Hardware Park, Near Shamshabad International Airport, Hyderabad - 501 510, Telangana, India



CMMIDEV / 5SM
Exp. 2022-01-30 / Appraisal #2306

Zen Technologies Limited Earnings Presentation Q2FY22

India's leading defence training solution provider

NSE: ZENTEC

BSE: ZENTEC - 533339

BLOOMBERG: ZEN IN

REUTERS: ZETE.BO



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Management Commentary



Commenting on the results, Mr. Ashok Atluri – Chairman and Managing Director, said:

“I am delighted to share with you our performance for this quarter. Our AMCs contributed about INR 7.63 crores to this quarter. We soon expect to cross the run rate of INR 8.5 crores per quarter. The AMC revenues will soon cover all the fixed overheads during this financial year, which is a positive direction for us at Zen.”

We recently bagged two big orders, one from the export market and another from the Indian Air Force. The order for our anti-drone technologies validates our hard work and our bets, and we believe that there will be many such big orders in the future.

This quarter we have also integrated hard kill technology with our anti-drone systems, which has further strengthened our position and opened up new markets for us.

We have also decided to raise INR 100 crores, primarily, for further R&D in anti-drone area and export promotion.”

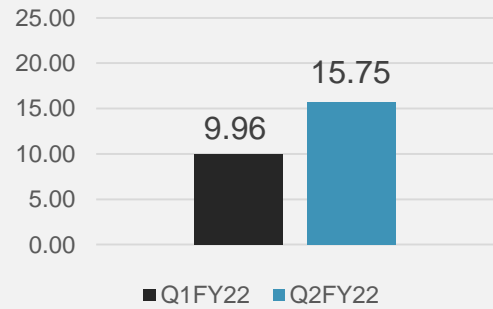
ZEN TECHNOLOGIES LIMITED

Q2FY22 Earnings Presentation

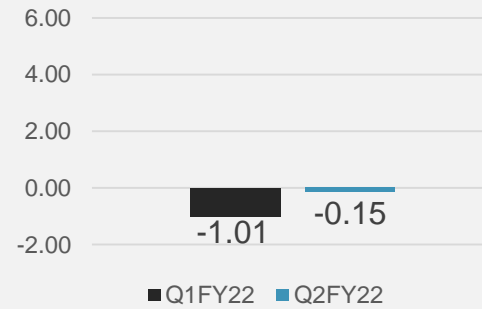
Consolidated Quarterly Highlights

All data ₹ in crores

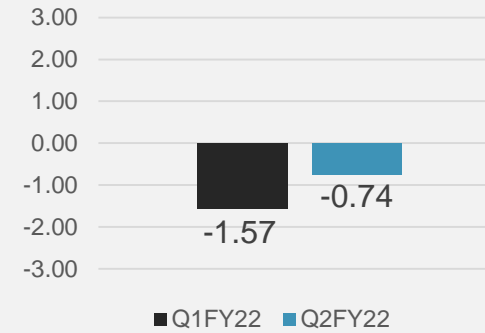
REVENUE FROM OPERATIONS (QoQ)



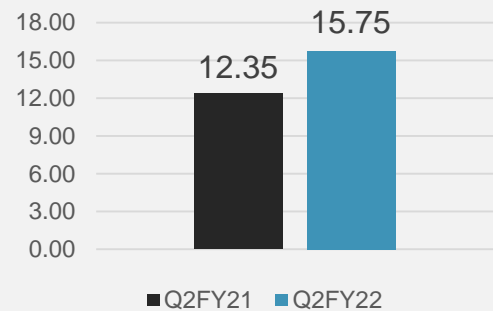
EBITDA (EXCLUDING OI) (QoQ)



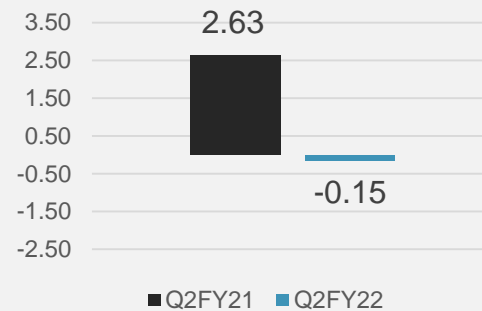
PROFIT AFTER TAX (QoQ)



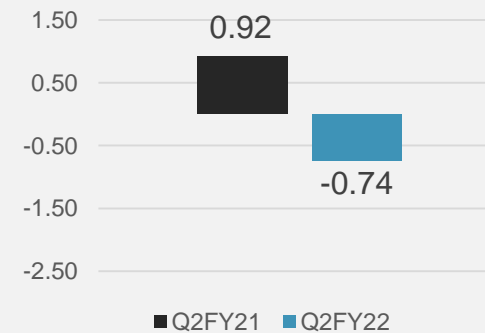
REVENUE FROM OPERATIONS (YoY)



EBITDA (EXCLUDING OI) (YoY)



PROFIT AFTER TAX (YoY)



QUARTER HIGHLIGHTS: Q2FY22

Revenue Contribution from Sale of Equipment: **₹ 8.62 crores.**

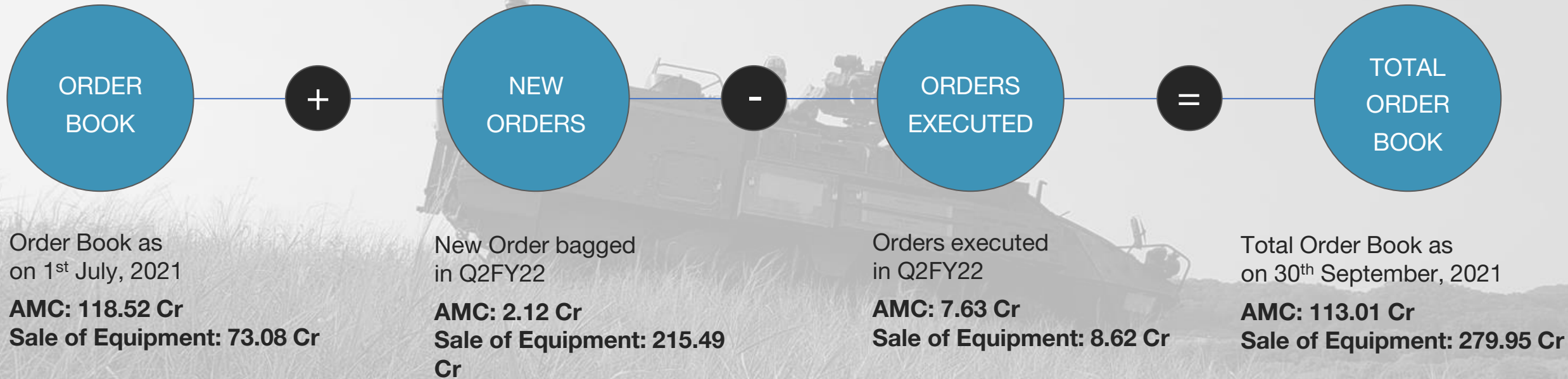
Revenue Contribution from Annual Maintenance Contracts: **₹ 7.63 crores.**

Revenue contribution from Exports: **₹ 2.79 crores.**

Revenue contribution from Domestic: **₹ 5.83 crores.**

R&D spends during the quarter **₹ 4.51 crores.**

Order Book Status



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 SALE 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 sale 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 more than 2 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.

Financial Statement Summary

SUMMARY OF CONSOLIDATED PROFIT & LOSS STATEMENT

All data ₹ in crores (excluding EPS)

Particulars	Q2FY22	Q1FY22	Q2FY21
Revenue from Operations	15.75	9.96	12.35
Other Income	0.97	0.75	0.71
Total Income	16.72	10.71	13.06
Total Operating Expenses	15.91	10.97	9.72
EBITDA (excluding other income)	-0.15	-1.01	2.63
EBITDA Margins	-0.97%	-10.16%	21.30%
Interest Cost	0.27	0.16	0.5
Depreciation	1.18	1.25	1.22
Profit Before Tax	-0.63	-1.67	1.62
Profit After Tax	-0.74	-1.57	0.92

Financial Statement Summary

SUMMARY OF CONSOLIDATED BALANCE SHEET

All data ₹ in crores (excluding EPS)

Particulars	H1FY22	FY21
Total Equity	207.60	210.66
Non Current Liabilities	3.18	2.94
Current Liabilities	31.63	9.72
Total Equity and Liability	242.41	223.32
Non Current Assets	91.98	93.21
Current Assets	150.43	130.11
Total Assets	242.41	223.32

Financial Statement Summary

SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT

All data ₹ in crores (excluding EPS)

Particulars	H1FY22	H1FY21
Cash Flow from Operating Activities	12.85	-4.56
Cash Flow from Investing Activities	-22.35	-2.13
Cash Flow from Financing Activities	-1.92	9.90
Net increase/ (decrease) in cash and cash equivalents	-11.42	3.21
Cash and cash equivalents at beginning of the year	20.93	15.81
Cash and cash equivalents at the end of the year	9.51	19.02



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 what so ever. No offering of securities of the Company will be made except by means of a statutory offering document containing detailed information about the Company.

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Annexures



Zen Technologies at a glance

A pioneer in providing state of art Defence Training 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.



27+

YEARS OF
EXPERIENCE



100+

CUSTOMERS
SERVED



109

PATENTS FILED



ORDER BOOK OF

~393

CRORES*



200+

EMPLOYEES

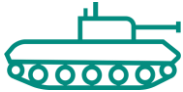


1,000+

CUMULATIVE
INSTALLATIONS

*Order book as on 30th September 2021

Business Canvas



SALE OF EQUIPMENT

- A leader in manufacturing defence training solution with **> 95% market share** in tank simulators.
- **Infrequent but large order size** with long closing cycles is an **inherent characteristic** of this segment.
- **Huge opportunity size** in existing products with strong focus on R&D for continuous new additions to product basket.
- Focus on **Anti-Drone Simulators**



COMBAT TRAINING CENTRE

- A training platform to provide realistic battle experiences by **integrating together the entire range of product offerings**.
- **Big ticket size offerings** with potential order wins worth USD 25M for single installation.
- Expected growth in export market on the back of attractive **EXIM financing options**.



ANNUAL MAINTENANCE CONTRACT

- A **recurring revenue stream** with superior profitability margins.
- Addition in simulator installations base leads to growth in revenues from AMC
- Growing service revenue from AMC **ensures profitability even in absence and lumpiness of new equipment orders**
- AMC revenues start kicking in after 3 years of equipment installation.

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.**



~67
CRORES OF
INVESTMENTS IN
R&D IN LAST 5 YEARS



~17%
OF CUMULATIVE SALES
INVESTED IN R&D IN
THE LAST 5 YEARS



109
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.**

New Product Additions



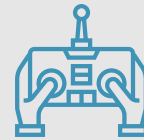
Anti-Drone
Systems



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.

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.**



Develop and expand the international presence and exports with friendly countries.



Continuously improve competitiveness, efficiency and drive operational excellence.

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 zero debt