



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: 08th May 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 Q4FY 2022 & FY 2022

Please find attached earnings presentation for the quarter and year ended 31st March 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

HANSRAJ Digitally signed by
HANSRAJ SINGH
SINGH Date: 2022.05.08
21:08:51 +05'30'

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 Q4FY22 & FY22

India's leading defence training solution provider

NSE: ZENTEC

BSE: ZENTEC - 533339

BLOOMBERG: ZEN IN

REUTERS: ZETE.BO



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Management Commentary



ZEN
TECHNOLOGIES LIMITED

Q4FY22 & FY22 Earnings
Presentation

Commenting on the performance of Q4FY22, Mr. Ashok Atluri, Chairman and Managing Director commented:

“We are pleased to share an update to accompany our FY22 results. This year’s sales were primarily driven by AMC contracts, while we continued to face some unforeseen challenges.

Our profitability was impacted on account of increase in selling and distribution expenses, accompanied by increased foreign travel, in line with our plans to expand Zen’s global outreach. Our Business Development and Business Promotion activities increased, as we spent close to INR 2.16 crores in our exhibition at Abu Dhabi. To add to this, cost of few components required in manufacturing our products increased drastically. There was a delay in executing the big orders that we have received. Shortage of electronic components globally caused delays in procurement; lead times for some chips has increased dramatically. Worse has been the complete non-availability of some components, forcing us to redesign some of the sub-systems. Mechanical components that were outsourced also were delayed due to labour non-availability (post-Covid) at vendor locations. Logistics and shipping constraints further impacted the execution timelines.

On our order book and order status front, we have received an AMC contract worth INR 55 crore, wherein the revenue will be recognized periodically over the next 5 years. Both our export order of INR 120 crore and IAF order worth INR 155 crores are expected to be fully executed by Q3FY23. Our order book position as on 31st March 2022 stood at ~ INR 430 crores .

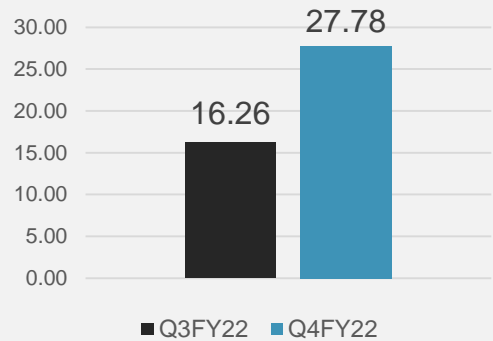
On the exports front, we continue to pursue substantial opportunities and expect to have a big order book position by this year end. The extremely favourable environment for the Indian defence players created by current Government does act as an antidote to the Covid impacted environment. One example is the Indian government’s robust simulation framework, which gives us confidence that in the coming years will see a very strong performance.

#WalkingTheTalk #Atmanirbhar initiatives coupled with policy actions being announced clearly indicate the Government’s resolve to make India self-reliant in defence and this augurs well for companies like Zen which have developed and continue to invest in developing their own IP for global markets.”

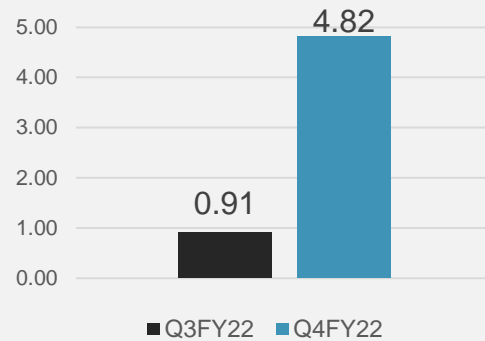
Quarterly Highlights

All data ₹ in crores

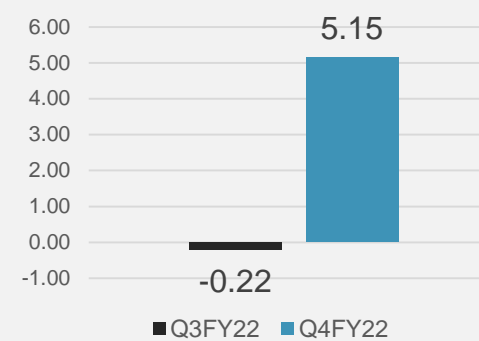
REVENUE FROM OPERATIONS (QOQ)



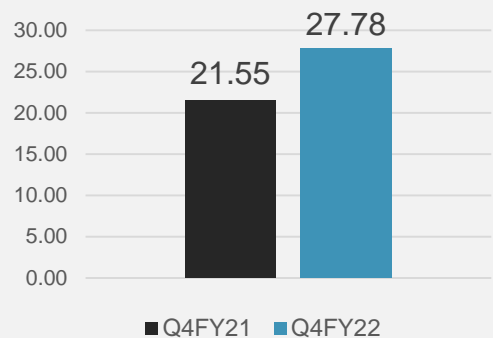
EBITDA (EXCLUDING OI) (QOQ)



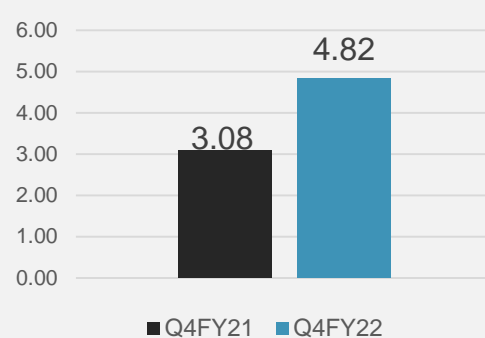
PROFIT AFTER TAX (QOQ)



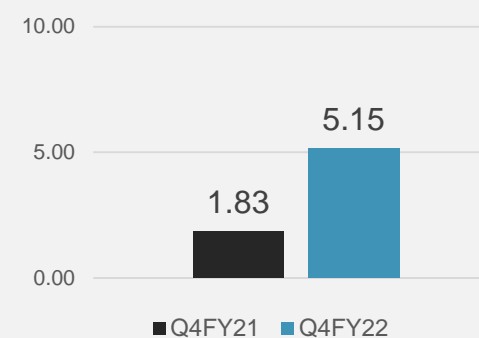
REVENUE FROM OPERATIONS (YOY)



EBITDA (EXCLUDING OI) (YOY)



PROFIT AFTER TAX (YOY)



QUARTER HIGHLIGHTS: Q4FY22

Revenue Contribution from Sale of Equipment:
₹ 7.96 crores

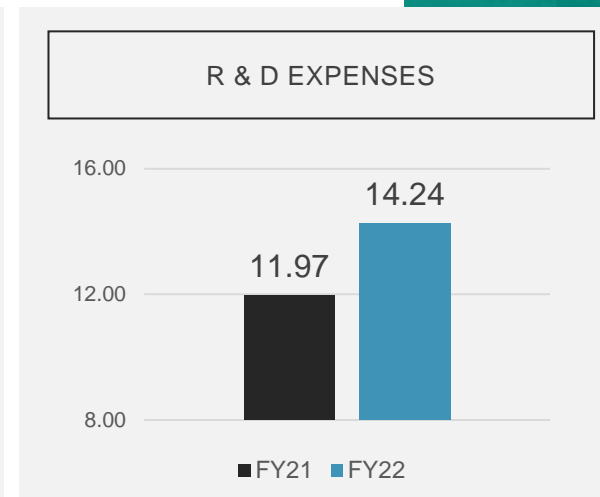
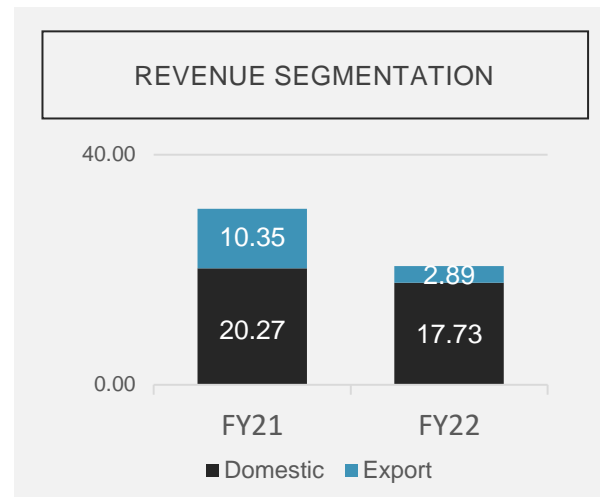
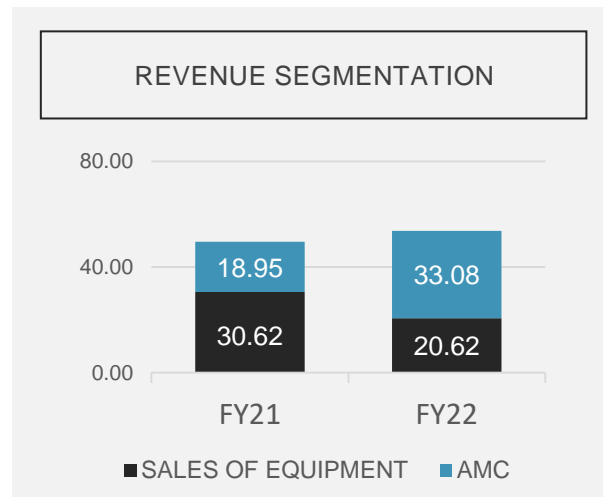
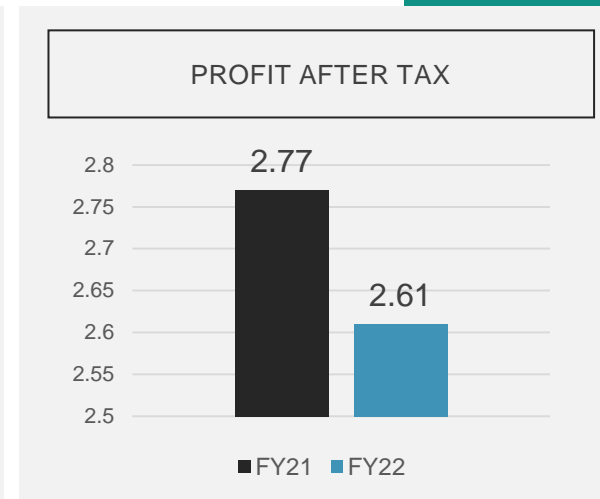
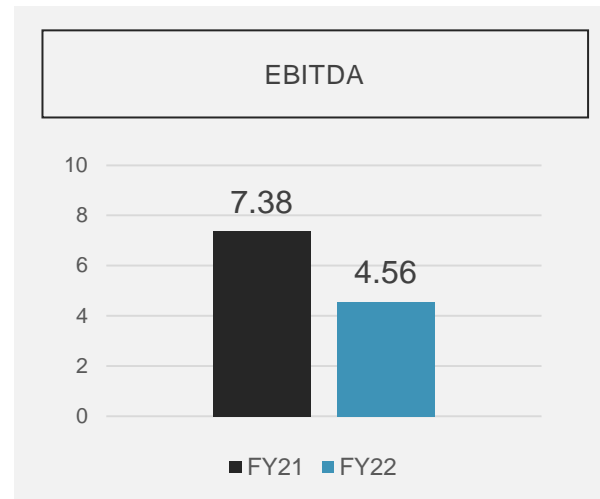
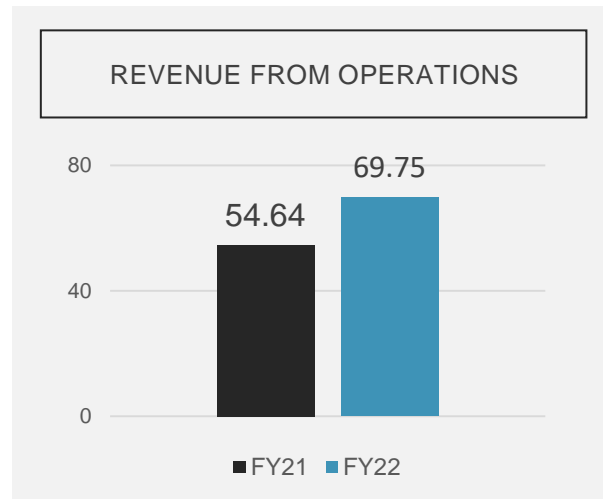
Revenue Contribution from Annual Maintenance Contracts:
₹ 8.00 crores

Revenue contribution from Exports:
₹ 0.00 crores

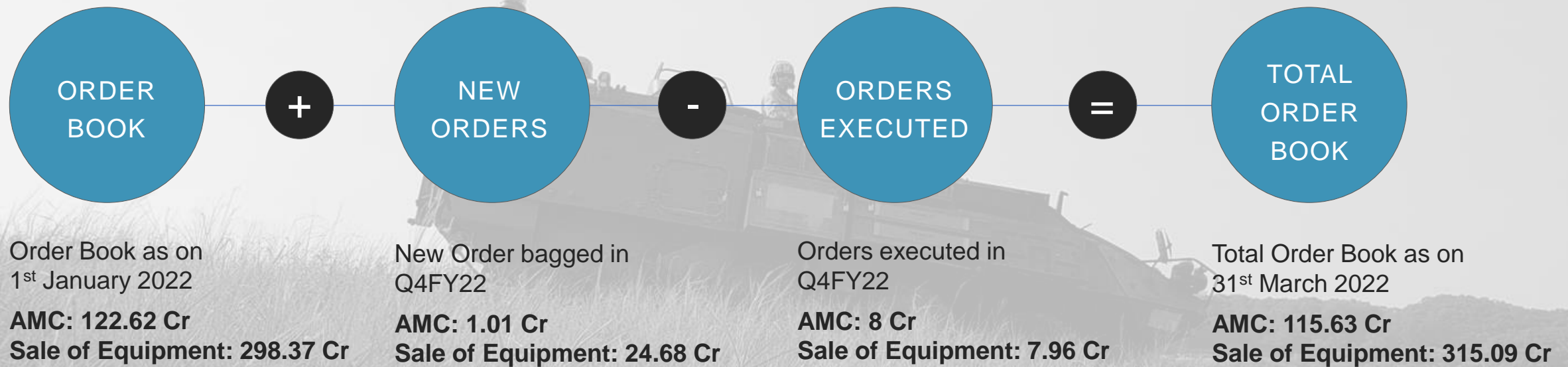
Revenue contribution from Domestic:
₹ 7.96 crores

Financial Year Highlights

All data ₹ in 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 | Q4FY22 | Q3FY22 | Q4FY21 | FY22 | FY21 |
|--------------------------------------|---------------|--------------|---------------|--------------|---------------|
| Revenue from Operations | 27.78 | 16.26 | 21.55 | 69.75 | 54.64 |
| Other Income | 2.64 | 1.02 | 0.89 | 5.38 | 3.02 |
| Total Income | 30.42 | 17.28 | 22.44 | 75.13 | 57.66 |
| Total Operating Expenses | 22.96 | 15.35 | 18.47 | 65.19 | 47.26 |
| EBITDA | 4.82 | 0.91 | 3.08 | 4.56 | 7.38 |
| EBITDA Margins | 17.35% | 5.60% | 14.29% | 6.54% | 13.51% |
| Interest Cost | 0.66 | 0.44 | 0.29 | 1.53 | 1.09 |
| Depreciation | 1.20 | 1.20 | 1.26 | 4.83 | 4.95 |
| Profit Before Tax & Exceptional Item | 5.58 | 0.30 | 2.42 | 3.58 | 4.36 |
| Profit After Tax | 5.15 | -0.22 | 1.83 | 2.61 | 2.77 |
| EPS | 0.42 | -0.02 | 0.17 | 0.25 | 0.39 |

Financial Statement Summary

Summary of Consolidated Balance Sheet

All data ₹ in crores

| Particulars | FY22 | FY21 |
|-----------------------------------|---------------|---------------|
| Total Equity | 289.90 | 210.66 |
| Non Current Liabilities | 7.10 | 2.94 |
| Current Liabilities | 71.96 | 9.72 |
| Total Equity and Liability | 368.96 | 223.32 |
| Non Current Assets | 92.75 | 93.21 |
| Current Assets | 276.21 | 130.11 |
| Total Assets | 368.96 | 223.32 |

Financial Statement Summary

Summary of Consolidated Cash Flow Statement

All data ₹ in crores

| Particulars | FY22 | FY21 |
|---|--------------|--------------|
| Cash Flow from Operating Activities | -44.26 | 5.90 |
| Cash Flow from Investing Activities | -43.61 | -9.77 |
| Cash Flow from Financing Activities | 87.98 | 8.98 |
| Net increase/ (decrease) in cash and cash equivalents | 0.12 | 5.12 |
| Cash and cash equivalents at beginning of the year | 20.93 | 15.81 |
| Cash and cash equivalents at the end of the year | 21.05 | 20.93 |



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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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

Annexures



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.



27+

YEARS OF
EXPERIENCE



100+

CUSTOMERS
SERVED



109

PATENTS FILED



ORDER BOOK OF
~431
CRORES*



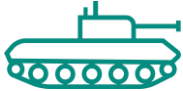
200+
EMPLOYEES



1,000+
CUMULATIVE
INSTALLATIONS

*Order book as on 31st March 2022

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



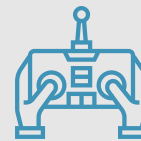
Anti-Drone
Systems



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