



ZEN TECHNOLOGIES LIMITED

Certified ISO 9001:2015, ISO 27001:2013, ISO 14001:2015, CMMI ML5
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Email: info@zentechnologies.com Website: www.zen.in
Corporate Identity Number : L72200TG1993PLC015939

Date: 31st July 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 Q1FY 2023

Please find attached earnings presentation for the quarter ended 30th June 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: 2022.07.31
13:30:09 +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



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



Zen Technologies Limited Earnings Presentation Q1FY23

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**

Q1FY23 Earnings Presentation

Commenting on the performance of Q1FY23, Mr. Ashok Atluri, Chairman, Managing Director commented:

"I am pleased to share an update to accompany our Q1FY23 results and happy to report that all our efforts during the last two years are now starting to bear fruits.

We've had a particularly strong start to the year and have delivered on our commitment by executing an export order worth ₹ 19.94 Cr. on time. This is despite the severe challenges faced due to supply chain constraints resulting in an erratic supply of critical electric components. We also remain on track for executing our anti-drone order during the year, and I am glad to share that we have already executed the First-off production model for the same.

Having overcome the supply constraints by internally re-designing our sub-systems, we remain confident that we will be able to execute our complete equipment order book (₹ 290 Cr. as of 30th June 2022) during the remaining part of the year. Given the substantial operating leverage built into our business model, we expect FY23 to be a year of robust financial performance at Zen.

On our order book and order status front, we have received an AMC contract worth ₹ 47 Cr, wherein the revenues will be recognised periodically over the next five years. Additionally, our positive interaction with customers gives us the visibility of replenishing

our order book to the existing levels in the second half of the year.

As discussed earlier, two focus areas at Zen remain enhancing our focus on R&D and tapping the potential in export markets. To this effect, we have strengthened our investments in our R&D team and initiatives and roped in a professional CFO to increase our management bandwidth. Furthermore, with support from the Indian Government to focus on exports, we are taking positive strides to establish a demonstration centre in Abu-Dhabi in a phased manner.

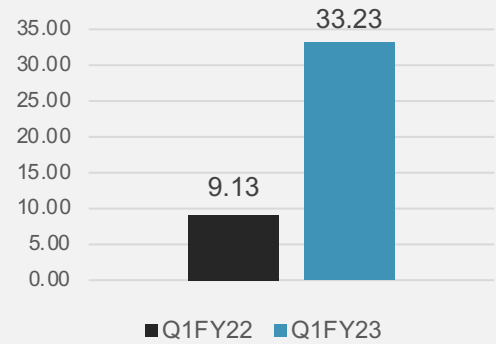
The extremely favourable environment for the Indian defence players created by the current Government acts as an antidote to the Covid-impacted environment. One example is the Indian Government's robust simulation framework, which gives us confidence that in the coming years will see a very strong performance.

#WalkingTheTalk #Atmanirbhar initiatives and announced policy actions clearly indicate the Government's resolve to make India self-reliant in defence. This augurs well for companies like Zen which have developed and continue to invest in developing their IP for global markets."

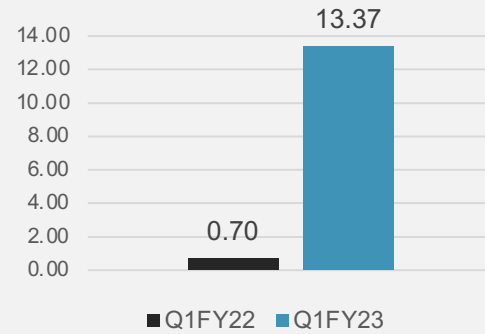
Quarterly Highlights

All data ₹ in crores

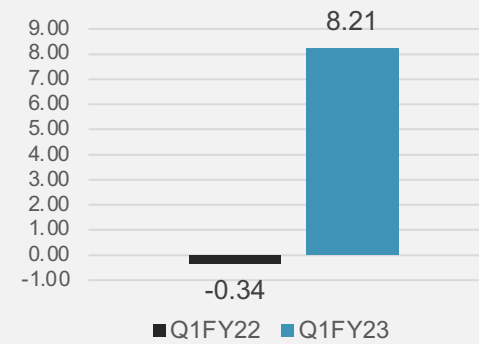
REVENUE FROM OPERATIONS (YOY)



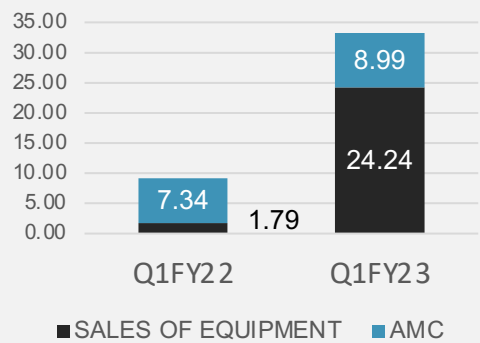
EBITDA (YOY)



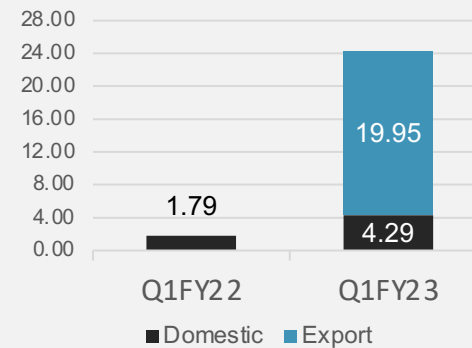
PROFIT AFTER TAX (YOY)



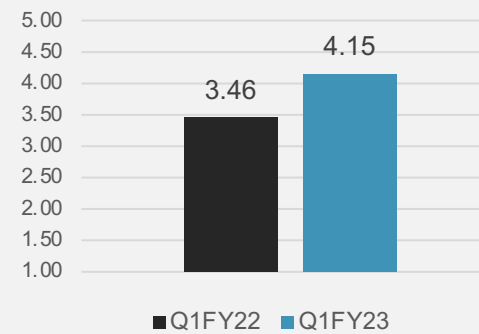
REVENUE SEGMENTATION



REVENUE SEGMENTATION



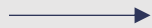
R & D EXPENSES



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 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 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.

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

Financial Statement Summary

SUMMARY OF PROFIT & LOSS STATEMENT

All data ₹ in crores

Particulars	Q1FY23	Q1FY22	Q4FY22
Net Sales	33.23	9.13	15.97
Other Operating Revenue	2.15	0.74	2.60
Total Sales	35.38	9.87	18.57
Total Operating Expenses	22.00	9.17	16.07
EBITDA	13.38	0.70	2.50
EBITDA Margins	37.80%	7.05%	13.47%
Interest Cost	0.59	0.14	0.62
Depreciation	0.92	0.99	0.90
Profit Before Tax	11.87	(0.44)	0.71
Profit After Tax	8.21	(0.34)	1.40



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, 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.



28+

YEARS OF
EXPERIENCE



100+

CUSTOMERS
SERVED



109

PATENTS FILED



ORDER BOOK OF

~445

CRORES*



250+

EMPLOYEES

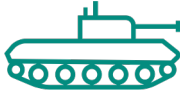


1,000+

CUMULATIVE
INSTALLATIONS

*Order book as on 30th June 2022

Business Canvas



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.**



~71

CRORES OF INVESTMENTS IN R&D IN LAST 5 YEARS



~18%

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



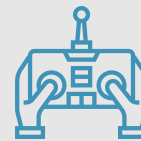
Anti-Drone
Systems



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.

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