



being there...

ZEN TECHNOLOGIES LIMITED

Certified ISO 9001:2015, ISO 27001:2013, CMMI ML5

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Corporate Identity Number : L72200TG1993PLC015939

Date: 03rd May 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 Q4 FY 2021


Please find attached earnings presentation for the quarter ended 31st March 2021.

The above information is also available on the website of the Company:
<https://www.zentechnologies.com/>.

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. A38213



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



Zen Technologies Limited Earnings Presentation Q4FY21

India's leading defence training solution provider

NSE: ZENITEC

BSE: ZENITEC - 533339

BLOOMBERG: ZEN IN

REUTERS: ZETE.BO



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Management Commentary



ZEN
TECHNOLOGIES LIMITED

Q4FY21 Earnings Presentation

Commenting on the performance of Q4FY21, Mr. Ashok Atluri, Chairman, Managing Director & CFO commented:

“We can look back at the last financial year as a challenging one. We entered FY2020-21 in a period of significant uncertainty related to macro factors that were beyond our control. The company also suffered a decline in financial performance due to the delay in release of Modernization fund from the central Government which led to lower orders than expected. However, in these challenging times the company continues to focus on factors within its control by harnessing its strong research and development capabilities and continuously introducing new products with huge market opportunities. With an aim to strengthen the business further, the company has invested ₹ 11.97 crores in Research and Development in FY2020-21. As a result this year the company has added the following 4 new products to its offerings:

- 1. Anti-Drone Systems*
- 2. Integrated Air Defence Combat Simulators*
- 3. Drone Simulators and Anti Drone Simulators*
- 4. Logistics Drones*

We expect these products to make significant contributions to our topline given the changing dynamics of warfare. Also, we believe that the use of drones will not only be limited to military and will have much wider applications.

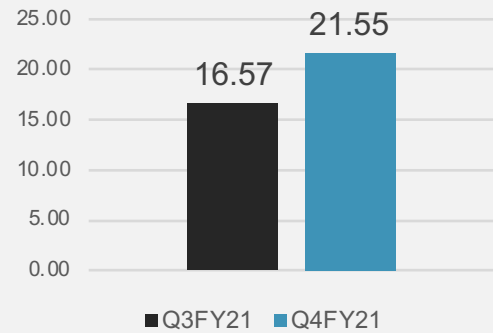
Conclusion:

FY2021-22 has started on an uncertain note with severe impact from the 2nd wave of the ongoing COVID-19 pandemic. This may affect us in the short term as Government funds get diverted and some orders get delayed. However, we firmly believe that we have the experience and financial strength to see this through and emerge stronger. With all the Research and Development work that has happened behind the scenes of this subdued financial performance, we remain confident that we will emerge out much stronger once the situation normalizes.”

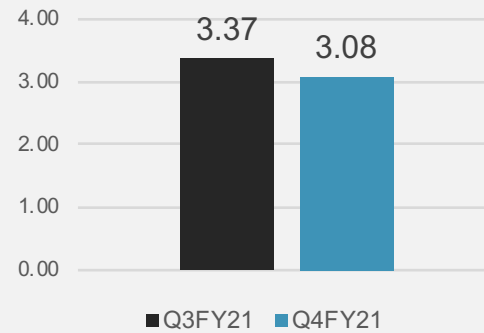
Quarterly Highlights

All data ₹ in crores

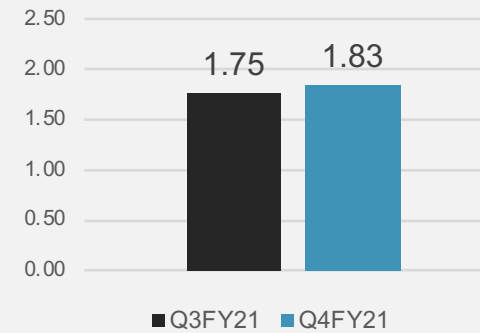
REVENUE FROM OPERATIONS (QOQ)



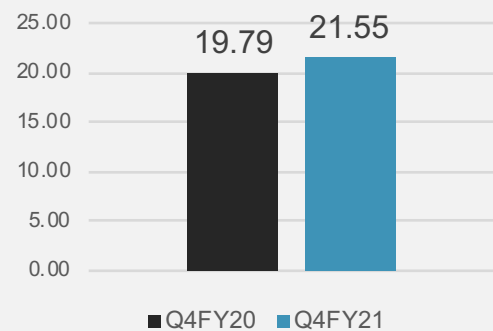
EBITDA (EXCLUDING OI) (QOQ)



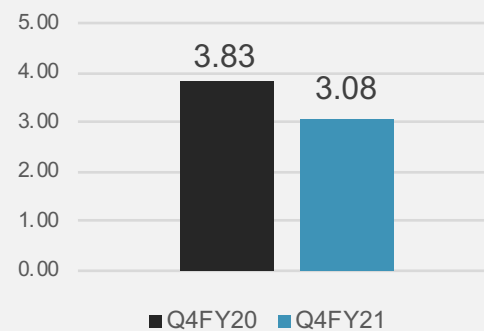
PROFIT AFTER TAX (QOQ)



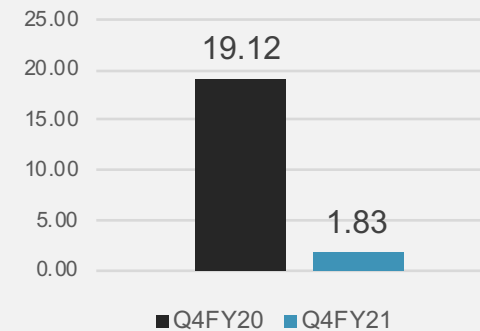
REVENUE FROM OPERATIONS (YOY)



EBITDA (EXCLUDING OI) (YOY)



PROFIT AFTER TAX (YOY)



QUARTER HIGHLIGHTS: Q4FY21

Revenue Contribution from Sale of Equipment:
₹ 12.61 crores

Revenue Contribution from Annual Maintenance Contracts:
₹ 6.3 crores

Revenue contribution from Exports:
₹ 1.49 crores

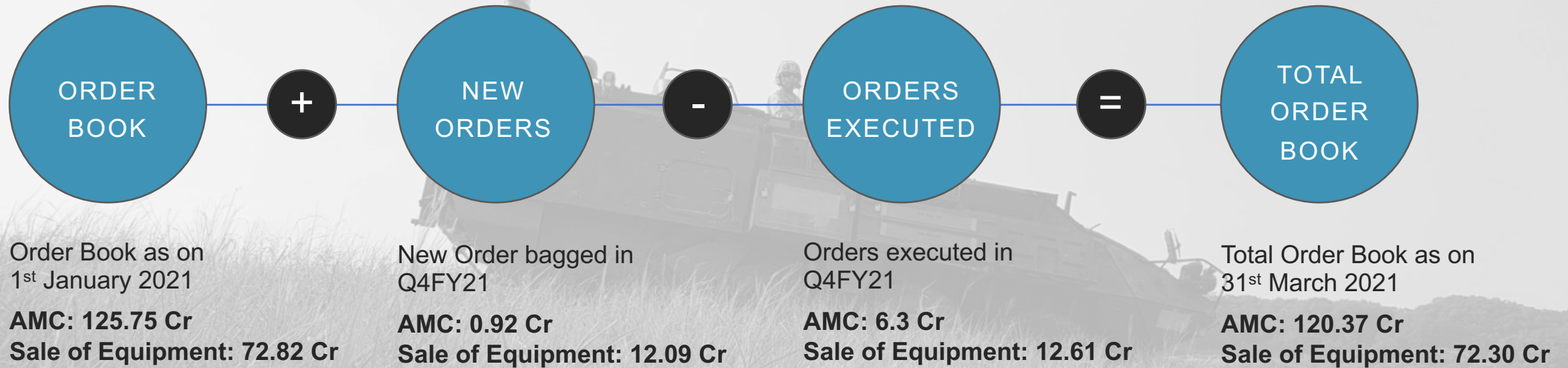
Revenue contribution from Domestic:
₹ 11.12 crores

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	Q4FY21	Q3FY21	Q4FY20
Revenue from Operations	21.55	16.57	19.79
Other Income	0.89	0.73	0.96
Total Income	22.44	17.30	20.75
Total Operating Expenses	18.47	13.20	16.03
EBITDA	3.08	3.37	3.83
EBITDA Margins	14.30 %	20.32 %	19.33 %
Interest Cost	0.29	0.17	0.99
Depreciation	1.26	1.23	1.19
Profit Before Tax	2.42	2.69	2.62
Profit After Tax	1.83	1.75	19.12
EPS	0.17	0.29	2.39

Financial Statement Summary

Summary of Consolidated Balance Sheet

All data ₹ in crores (excluding EPS)

Particulars	FY21	FY20
Total Equity	210.66	197.77
Non Current Liabilities	2.94	3.01
Current Liabilities	9.72	13.29
Total Equity and Liability	223.32	214.07
Non Current Assets	93.58	97.61
Current Assets	129.74	116.46
Total Assets	223.32	214.07

‘Strong Debt-free Balance Sheet supported by liquidity position of ~83 Crores as on 31st March, 2021’

Financial Statement Summary

Summary of Consolidated Cash Flow Statement

All data ₹ in crores (excluding EPS)

Particulars	FY21	FY20
Cash Flow from Operating Activities	13.58	62.43
Cash Flow from Investing Activities	(17.95)	(11.76)
Cash Flow from Financing Activities	9.49	(12.42)
Net increase/ (decrease) in cash and cash equivalents	5.12	38.24
Cash and cash equivalents at beginning of the year	15.81	(22.43)
Cash and cash equivalents at the end of the year	20.93	15.81



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
~192

CRORES*



200+

EMPLOYEES

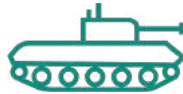


1,000+

CUMULATIVE
INSTALLATIONS

*Order book as on 31st March 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.

New Product Additions



ZEN MEDICAL
TECHNOLOGIES

Oxygen Enrichment Unit



*Design conceptual



Focus on **Medical Simulators**



Developed a **Medical Ventilator**



Received Transfer of Technology for **Oxygen Enrichment Unit**



Plans to introduce 2-3 new products in this segment by end of the year

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