



being there...

Date: 09 February 2021

To  
**BSE Limited**  
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**Dalal Street**  
**Mumbai- 400001**  
Through: BSE Listing Centre

To  
**National Stock Exchange of India Limited**  
**Exchange Plaza, C-1, Block G,**  
**Bandra Kurla Complex,**  
**Bandra (E), Mumbai – 400 051**  
Through: NEAPS

**Security Code: 533339**

**Symbol/Security ID: ZENTEC**

Dear Sir/Madam,

**Sub: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015**

**Ref: Transcript of Q3 Earnings Conference Call - FY 2020-21**

Please find enclosed herewith the transcript of the Q3 Earnings Conference Call - FY 2020-21 held on Tuesday, 02<sup>nd</sup> February 2021.

The same is also being uploaded on the website of the Company i.e., <https://www.zentechnologies.com/corporate-announcements>

This is for your kind information and records.

Thanking You.

Yours faithfully,  
**For Zen Technologies Limited**

  
**Hansraj Singh Rajput**  
**Company Secretary & Compliance Officer**  
M. No. A38213



## ZEN TECHNOLOGIES LIMITED

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**CMMI DEV / 5<sup>SM</sup>**  
Exp. 2022-01-30 / Appraisal #2306



Zen Technologies Limited  
Q3FY21 Earnings Conference Call  
Tuesday, 2<sup>nd</sup> February, 2021

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Management Participants

Mr. Ashok Atluri – Chairman, Managing Director & CFO

**Zen Technologies Limited**  
**Introductory & Q3 FY21 Earnings Conference Call**  
**February 02, 2021**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Introductory and Q3 FY21 Conference Call of Zen Technologies Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Mehra from The Investment Lab. Thank you and over to Mr. Mehra.

**Abhishek Mehra:** Thank you Rutuja. Welcome everyone and thanks for joining this Introductory and Q3 FY21 Earnings Call for Zen Technologies Limited. The results and investor update have been emailed to you and are also available on the websites of the stock exchanges. In case, anyone does not have a copy of the press release, please do write to us and we will be happy to send it over to you. To take us through the business performance and question & answers we have today with us Mr. Ashok Atluri, Chairman and Managing Director, Zen Technologies Limited. We will be starting the call with a brief overview of the company performance, which will be followed via a Q&A session.

I would like to remind you all, that everything said in this call reflecting any outlook for the future, which can be constituted as a forward-looking statement must be in conjunction with the uncertainties and the risks that the company faces. These uncertainties and risks are included but not limited to what we’ve mentioned in the prospectus filed with SEBI and the subsequent annual reports which you will find on our website. With that said, I will now hand over the call to Mr. Ashok Atluri, over to you sir.

**Ashok Atluri:** Thanks Abhishek. Good afternoon friends and welcome to the call for Zen Technologies. Given that we are doing a call after quite some gap, let me introduce you to who we are, what we do and how we are unique.

The company was incorporated in 1993, the headquarter is in Hyderabad. We design develop and manufacture state of the art training simulators and other training equipment. Recently we have started working on anti-drone systems, which we have been showing to the army, the state police force and paramilitary forces and it’s a very positive response. Over the last 27 years we have supplied over 1000 simulators to 100+ clients across the country and overseas. Owing the rich experience over the years, Zen has emerged as a dominant force

within the training segment for army and police forces. We have strengthened our business around strong focus on R&D and asset lightness pertaining to manufacturing. So, even if you get a huge order, manufacturing is outsourced, it becomes possible for us to ramp up at speed without a corresponding increase in company's net block, fixed costs or debt.

The company's growth has been facilitated by a robust ecosystem of components and subsystem vendors in and around Hyderabad. So, more than 85% of the company's manufacturing functions are outsourced, transforming the fixed costs into a variable expense. The defense and police training solutions niche is marked by lumpy revenues. At Zen we recognize that this reality can test balance sheet stability across periods when order inflows are low. However, over the years the company has strengthened revenues derived from Annual Maintenance Contracts (AMC). These AMCs provide company with annuity revenues derived from product sales made in the past. Not all customers enter into an equipment maintenance contract with them. But with those who do, we can potentially generate the revenues equivalent to 120% of the initial product sales value extended over a period of 15 years. The company is progressing towards the critical mass of product sales to be able to generate adequate AMC revenue to more than breakeven, making the business sustainable even in depressed market crises.

A part of our product portfolio consists of a very unique offering, called Zen Combat Training Center. It is the one stop training solution for armed forces, and state police forces. It is designed to secure facility with modern combat training infrastructure to provide best possible performance-oriented training in a safe, productive and realistic environment. This combines live fire, instrumented training and virtual training to set up an all-encompassing solution which enables coordinated team training under various realistic threat scenarios. Such integrated solutions capability has increased the competitive edge company has over its domestic & international competitors, who just focus on a very limited subset of these training solutions that we give. While our local and international peers focus on Make in India, while mostly doing zero R&D and taking technology from foreign countries or in the very best scenario, from an organization like DRDO, they haven't built capability to design and develop different equipment.

Zen has invested in IP development with strong focus on R&D. The company's investment in R&D ensures that the products were technologically advanced and suited for customer requirements. The continuous research efforts have resulted in the creation of diverse technological positions and corresponding to a very strong patent portfolio. Indeed, the company has filed more than 90 patents for a pioneering initiative undertaken. Today, we are among the handful of global players who can offer such tailored training solution and we are hopeful that this product would generate significant revenue in coming years. For FY20 the company achieved a turnover of 148.99 crore and profit of about 60 crores. The major contribution of revenue came from tank simulator. AMC's are increasingly emerging as an

important contributor to overall revenues and we expect increasing contribution from AMC going into the future.

For our financial year 2021 started on a subdued note and has indeed been a challenging year. In Q3 FY21, the revenue from operations was lower than expected due to a delay in release of the modernization fund from the central government. We expect the government to release funds and we are hoping that it happens sooner than later. Our headline number for Q3 FY21 are revenue from operations to Rs.16.57 crores, EBITDA stood at 3.37 crores, with a profit to margin of 20.32%. PAT stood at 1.75 crores resulting in PAT margin of 10.56%.

In these challenging times, we are focusing on expanding our relationship with existing clients and doing groundwork for development of new products. I would take this opportunity to share with you that we have developed four new products, which augur very well for company's growth in the coming future. These products are Anti-drone systems, Integrated Air Defense Combat Simulators, Drone simulators and Anti-drone simulators. We expect these products to contribute significantly to our revenues in the next 9 to 12 months, especially our anti-drone systems and simulators, which are positioned to take benefit from huge upcoming opportunity given the recent change in the nature of warfare especially which happened in the Armenia Azerbaijan war.

While the operating environment may continue to remain challenging in the near term, we remain confident that we will bear the fruits of our investment in the long term. We will continue to broaden the range of offerings by continuing to invest in extensive R&D. With increased focus of the government on curbing defence imports and making India self-reliant we are well positioned to benefit from the upcoming opportunities.

I now open the floor for Q&A. And in closing, I urge you to come and visit our facility in Hyderabad which is very close to Hyderabad Shamshabad Airport. It's about five minutes from the airport. So if you come, you can do a four hour visit to Hyderabad and you can see our facility and have an interactive session with our anti-drone systems and simulators which is worth about 100's of these calls. So, I would very strongly request you to visit us, this would also give you a deep understanding of the value we bring to the table to the defense, police and paramilitary forces. If any of you is interested in visiting us, I would request you to coordinate with our Investor Relations team and they will be glad to setup a visit for you. Thank you and the floor is open for questions.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

**Swechha Jain:**

Sir I had few questions and I apologize if I'm being too naive because I've just recently started tracking this company and I am not that tech savvy person so, I may have few basic questions. So, I'm really sorry about it. But my first question was sir with regarding to the new products

that we have launched the anti-drone and the air combat, if you could throw some highlight as to, what exactly these products to and how these products are going to be an edge over, the current systems that our defense must be using. One was that, and also is related to these products if you could share, what kind of revenue are we targeting from these four products and how will they contribute to our EBITDA margin sir going forward?

**Ashok Atluri:** Okay. So, I didn't get your name could you come again?

**Swechha Jain:** Swechha.

**Ashok Atluri:** Okay. Swechha before I tell about the anti-drone system, I just want to refer to the recent Armenia Azerbaijan war, Armenia won a war against Azerbaijan a few decades ago. And Azerbaijan was wanting to take revenge and they sent a plane across into Armenia. And looking at the plane, immediately they scrambled they thought that it is an act of war Armenia treated as an act of war and activated all its assets, the war assets like the planes, the radar, the artillery, they activated everything. And what happens is when you activate something, every activation generates a signature which the other side radar can identify, these are so many tanks, so these are so many weapons planes they have, so they activated. So, the plane that they sent was actually unmanned plane there was no human being in that, the plane got destroyed. And when these people identified, all the assets were identified, Azerbaijan sent across very, very low cost drones into their country and destroyed all the assets.

And the war was over before the war started. So with this destruction, and Azerbaijan just walked into Armenia and it was almost like a cakewalk, maybe dramatizing the whole thing. But Azerbaijan won the war very quickly. And so what has happened is completely changed people's mind that my asset, which is worth about \$10 million, can be destroyed by something that's \$10,000. So because of that, there is a huge requirement, perception of the drone threat that it is very real, and it has proven its lethality. Second is, how do we protect ourselves against these kind of drones. So, anti-drone systems, our systems basically what they do is when the drones are coming, they ensure that no signal reaches the drone, when no signal reaches the drone what happens is typically this is basically being monitored, being pushed by somebody remotely, when no signal comes it's just lands itself, that's called a soft kill, where we ensure that there is no, sometimes people do send the drone in autopilot mode, which is guided by the GPS position. Even for that, what the anti-drone system does is, it does something called a GPS signals and it sends false GPS signal so that it loses track of the destination and go somewhere else.

And the third aspect is, to do a soft kill, but the hard kill is actually shooting with a gun or a laser and destroying it. So, these are the various, there are very, very few companies in the world that have developed the anti-drone system and Zen Technologies is one of them. And we have done demonstration of the product, it's very, very huge response to what we have

done and we expect that this will become a very, very key product for us.

And so one thing you will notice is, anti-drone system is actual operational equipment, we have been always focused on training simulators and training equipment's. So this is the first time we are shifting to actually operational equipment we use in a war. And the second point is. So, even for training on drone and anti-drone system we need some kind of simulator. So our training portfolio that we were offering has now added these two more products, which is basically drone simulator, anti-drone simulators. In addition, we have also developed one more product called Integrated Air Defense Combat Simulator, which is basically used to destroy oncoming planes, air defense is that on coming planes are destroyed by air guns but we have developed the simulator for that, but in this simulator we have also integrated training against oncoming drones, how do you destroy oncoming drones also. It's a little advance version of that air defense capability. So, these are the four things that we have done.

**Swechha Jain:** Okay. from my sense this would primarily be export driven kind of products. So, you see in domestic use as well?

**Ashok Atluri:** Yes, it is. We have send some letters to various foreign countries and the response that we have seen is, it's overwhelming almost everybody said we will get back to you, earlier it used to be like throwing something in a black hole kind of thing, out of maybe 10, maybe 2 people used to respond, now it almost like 8 or 9 people who responded. So that's a great thing for us. But, to your question, Yes, it's not just domestic market, international market is going to be huge for this.

**Swechha Jain:** Okay. So is there any revenue target or EBITDA margins that we are looking from these products?

**Ashok Atluri:** No, EBITDA margins are typically around 60% for most of our products, that should continue even in this maybe 50% to 60% will definitely be there. So we don't think that it will be less than that.

**Swechha Jain:** Okay. And sir any revenue number, I know I'm just emphasizing but?

**Ashok Atluri:** I would be just, we'll go to a different orbit that's what my expectation is. Our numbers are very low as of now, but this really, really will push us into a different orbit altogether.

**Swechha Jain:** Sir, I have few more questions. Can I take this?

**Ashok Atluri:** Yes, please go ahead.

**Swechha Jain:** Okay. Sir, I was just going through the annual report, and somewhere in the annual report, you had mentioned that, we're planning to move ahead in the medical device segment. Any update as to where are we in terms of the medical device segment as of now sir?

**Ashok Atluri:** So, there are two things, one thing is that we actually developed medical ventilator, during the COVID time. Now, there was acceptance for COVID, but by the time we have actually developed the government purchase were already over, they bought from Dell and all. But at this point in time, that is going through a normal process of evaluation and prior with the government came in India, there are some export inquiries for that particular medical ventilator. So, it is part one. Part two is, we have started focusing on making simulators for the medical community because, what has happened is there will be a huge gap of trained personnel for the handling the medical equipment, medical equipment is being manufactured, but there are no trained hands to handle the medical equipment for various reasons. So, we have now focused on developing, identifying and developing some medical simulators which will help, which has a big market, huge market and we expect that the government focus on these primary healthcare which government has actually allocated lot of funds. So all those people will get trained on these simulators, because they can't actually use human beings for getting trained. So that is our expectation.

**Swechha Jain:** Okay. Sir another question was related to our AMC contracts. sir in the annual report, we had mentioned that the AMC we have a target that AMC would cover a fixed cost by FY22. So just wanted to know so, are we on track because, or there is some detail in this because of the pandemic. How do we see the AMC, going up?

**Ashok Atluri:** So, we have expected to go to 60% FY22, there is one contract that looks a little, it's not certain at this point in time, but that certainty should come through in the next couple of months. But otherwise, almost 40 crores are guaranteed to come in FY22, almost guaranteed to come through by FY22. And unless there is some slip in the couple million, but 40 crore in guaranteed but we are expecting that other 20 crores to be sorted out in the next couple of months.

**Swechha Jain:** And sir typically, I wanted to know, what percentage of our existing clients take the AMC contract. And typically for how long these AMC contracts are spread is it like a two year or a five year kind of a contract?

**Ashok Atluri:** So there are two kinds of prices, when army purchases, when they place a big order for us, they typically what they do is, they place the order basically with two years of warranty and they also sign a five year maintenance contract with that. So, all the army contract are large 100, 150 crore kind of contract typically comes with AMC, but in the smaller contract, where we have two different kinds of customers. One is the state police force and paramilitary forces, paramilitary forces are better in giving the annual maintenance contract because with the state police force what happens is, they get the funds to acquire this equipment from the



central government, all modernization fund. And once they acquire it, the maintenance is supposed to be done by them from their own resources, which they typically are not able to arrange funds for. So, we have very poor track record in getting the maintenance contract from a state police forces, very good with the armed forces and little somewhere midway with the paramilitary, when I say paramilitary forces, the central police forces like CRPF, BSF, et cetera. So, it will depend how much sales we have done. So, if we have done about let us say around 300 crores of sales with the army, we can expect about 25 to 30 Crores coming from them in terms of AMC. Whereas, for police, if we have done about 300 crores we may expect 5 to 10 crores from them in terms of AMC, that is how the whole thing works.

**Moderator:** Thank you. We will move to the next question which is from the line of V. P. Rajesh from Banyan Capital. Please go ahead.

**V. P. Rajesh:** My first question was in terms of the customer base, should we assume that our main customer is the defense ministry in India or, there are customers abroad as well?

**Ashok Atluri:** So our main customer is Indian government, mostly in the Indian Army. But then we have the central police organizations like the CRPF and BSF, and then the state police forces of various states and all these in other countries. They're all our potential clients, but yes primarily in India, but we are focusing on exports a lot. And we are getting a lot of response from the export market at this point in time.

**V. P. Rajesh:** Okay, so what is the percentage of export revenue as of now?

**Ashok Atluri:** This year, we did about 17 crores of the turnover that we have done till now. But we expect it to go up substantially higher next year onwards.

**V. P. Rajesh:** Okay, and that substantially high is it because of anti-drone that you were describing earlier or it is the simulators that we sell?

**Ashok Atluri:** Yes, it was actually the anti-drone we have not even, we don't have any numbers for the thing, but I'm talking about the training simulators themselves because they are undergoing negotiations at this point in time, they may fructify. And that would be a big break for us. So that is what we're expecting.

**V. P. Rajesh:** Okay. And on the balance sheet side, if you can just comment on the credit terms and the payment terms, because obviously everybody worries about money coming back from the government. So if you can just educate us about the balance sheet side?

**Ashok Atluri:** I will just talk about our customer, we have been getting money from the customers very, very promptly, there has been no delay. Especially, we were surprised during the time of COVID, Nirjala Sitharaman came and announced that 45 days, and we actually got most of

the funds within 45 days, but within 60 days all the outstanding were cleared by the government. And that was quite a surprise for us and so, if you look at the balance sheet, all these, most of them are less than three months or four months kind of phase and most of the money has come from the central government, there was some amount which was stuck with the state government even that we got in about few days back. So, our experience has been very, very positive with the government. We do not have any hold back from the central government regarding the payment. So it's a very positive experience.

**V. P. Rajesh:** Great. And my last question is that, what is the kind of growth you envision over the next three to five years on the revenue side?

**Ashok Atluri:** So again, we think that it will be huge. I would not really like to put number on that, but it's going to be multiple of what we are actually earning now.

**Moderator:** Thank you. Next question is from the line of Abhishek Data an Individual Investor. Please go ahead.

**Abhishek Data:** My question is related to the order book execution. So as I can see in the earnings release, the company currently has around 200 crore of order book split into 75 crores of equipment and around 125 on-sale of equipment. But however, when we look at the execution, somehow it has not picked up in pace. So when we look at the quarterly run rate was around 35 to 40 crores. So if you could throw some light, what exactly are the executional challenges that we are facing, or are there any other thing that you'd like to highlight?

**Ashok Atluri:** No. So, if you look at the order book and why the orders are not coming, one is that the annual maintenance contract that we are talking are spread over five years, they're not spread over one year. When we sign an agreement with Ministry of Defense, typically they place order with two year warranty and then after the two year warranty expires, there is a five year annual maintenance contract that is to be done. So, if I get the order today, the complete recognition of this happens seven years from now. So, that is why you see that the AMCs are there, that means recognition is happening. So in the best case, you can see that there are 125 crore, on an average we will be getting about 25 crore worth of AMCs per annum in the next few years, that's how it will be. So that's why you will not see 100 crores in one year. But this is going to change as I said that there are more and more AMCs entering into and we think we'll reach a point where our AMCs will take care of all our overheads and then some that will give us a breakeven and some more small profit which can pass every year irrespective of the order book position. So, that is the reason, I hope I answered your question Abhishek.

**Abhishek Data:** Yes, very much thanks a lot. I have one more question, I went through the earnings presentation where in your talked about the delay in disbursement of modernization funds,

which led to that insufficient order inflow. So, can you give more details on this modernization front and how it functions, what is the quantum of this fund?

**Ashok Atluri:** Yes, very quickly what we know is, modernization fund is given by the central government to the state government. And what they did, all the modernization, most of the states have used it for COVID purposes. And then the central government assured the state that, we will give you more funds if required, and they are waiting for the funds to be disbursed. At this point in time that money has not been disbursed to our knowledge, we expect the moment the funds are disbursed, the orders will come. All the states have need for this and our training equipment and they're waiting for the funds to come so that they can start procuring, not only our simulator, but a lot of other modernization stuff that they need to sustain their forces.

**Moderator:** Thank you. The next question is from line of Pradeep Shah an Individual Investor. Please go ahead.

**Pradeep Shah:** Sir, can you throw some light on the macro level developments updated the Ministry of Defense level and any of the Atmanirbhar or Make in India reforms happening at the ground level?

**Ashok Atluri:** At a very broad level government had decided to refrain a few months back as they didn't have money. Now the government is saying we have as much money as you want. Now, you can procure whatever you want, it's a message they are giving to the forces. So, at a macro level there is no dearth of funds for equipment that they want to procure and this change has happened in the last couple of months. Before that it was kind of very restricted thing. So that was one question, what was the second question you asked?

**Pradeep Shah:** Any reforms happening at the ground level on Atmanirbhar?

**Ashok Atluri:** There is an amazing amount, you can see they have blocked about 108 items they have put in blacklist in defense and out of that 9 were simulators that Zen was already using, so these kind of things are happening, at the ground level they are actually checking, are there any product that Indians are making and they are saying let us go and ban those items we will not procure and they are telling the police forces you have to procure from Indian sources. So that's a very, very big and in fact, some people are saying that my product will be ready in two years. So they are preemptively banning two years later, so this Atmanirbhar.

Very few offices used to have this stand. In a war there is no runner up, either you win, or you're dead. So this was the thing and everyone would say we want the world's best. So we are going to go global procurement. Now what is wrong with this thing is, it's absolutely first order thinking. Benjamin Netanyahu, the Israeli Prime Minister, what he says is that I will procure anything that is Israeli, even if this is 60% of the functionality of the foreign imported

products. So, do they want to lose their war? They are playing in long term gain, they are saying, I am willing to sacrifice short term uncertainty for long term independence and export capability. So that is what the thinking is, and India has started going into that thinking now, they are saying even if it is less they are talking about 80% or something like that but the reality is, they have started seeing domestic products. This is unheard of thinking from the Indian armed forces so this is very big development. We are seeing a changing opinion and they are saying we want to buy only Indian, so we think that's a very positive change in there and they also started recognizing it's not just Made in India, but we need to design and develop need to owned IP. And they are giving much more preference to company that do the, that build IP in India, rather than just who are just manufacturing bill to order bagging technology from others and acting like their manufacturing colliers, which most of the defense companies in India do.

**Moderator:** Thank you. Next question is from the line of Sudev Mahajan from Mahajan Family Office. Please go ahead.

**Sudev Mahajan:** This is regarding your integrated air defense combat. Will this be able to take care of including the radar systems being made or is it just a standalone only for the drone systems that is one. Number two, you have talked about this anti-drone system is it something like the iron drone that Israel makes or is it totally a different thing?

**Ashok Atluri:** Okay. So let me first talk about the integrated IADCF. Indian air defense have two major weapons systems called ZO23 and L17. So this IADCF is basically to replicate those weapon systems only. Because we have developed so many libraries that if somebody else have some other air defense guns also, we can integrate them into our system that is one. And the simulator has been refined in order even to take care of drone. Actually this ZO23 and these are only meant for destroying air target like helicopters, planes, et cetera. But now we have included training exercises, which includes destruction of drones also. So that's why this IADCF integrated air defense has become very, very important for the people who have air defense system. And your second question was regarding anti-drone system right?

**Sudev Mahajan:** Yes, is this something like the iron drone of Israel or is it something completely different?

**Ashok Atluri:** No, anti-drone system is just focused on drones, iron drone is more, it's like a missile shield kind of thing, anti-drone system is just taking care of drones that may be coming on.

**Sudev Mahajan:** So just to continue from there, just like what we have had in Saudi Arabia?

**Ashok Atluri:** So, you have absolutely hit the nail on the head, I need to say the usage is with more than the army, anybody who has oil assets, any strategic asset, any VIP to be protected, everybody needs this anti-drone system. And, just imagine they can send a simple drone and they can cause damage of billions of dollars, you know exactly the Saudi the destruction was running

into billions of dollars. And what did they do, they just sent some small drone loaded with C4 and went and destroyed some critical point and that loss really escalated. You're right, these are the kinds of applications.

**Sudev Mahajan:** So, would you be also be something having something for a civilian thing, who can buy it like, say the Reliance or the others who could buy something like this, the refineries?

**Ashok Atluri:** Refineries are a major target, so they will be needing this. Refineries are one of the major customers that we are targeting at this point in time. Proposals have gone to some of them and they are absolutely in the process of talking with us.

**Sudev Mahajan:** The nuclear plants, the water things all that. So, it's an unlimited open thing?

**Ashok Atluri:** Absolutely. And there is some water source also you are right. Because the Armenia war happened, now people are saying that we want this drone for our war purposes, because drone attack happened in Saudi oil and natural gas people are aware. But as these applications, the people apply various situations, the anti-drone system demand will keep increasing based on that. But the reality is, if you just imagine you're exactly right, you have come up with so many applications, anti-drone system is a very, very big thing for us.

**Sudev Mahajan:** Sir, but now this anti-drone system, mobile system or is it a shoulder pack or something like that. So, say I have a dam, I have to protect the dam. Now, do I need such a big I need shoulder pack thing, or is it a total system which is a mobile systems, which?

**Ashok Atluri:** It is a vehicle motor system, quite a heavy system but what the one you are talking about they are like a gun which we are able to see the thing, and you can shoot at it, that's a very simple subsystem of what we are imagining, we got ours in a 360 degrees searching, it keeps monitoring all the 360 degrees and the moment some drone comes in, it gets flagged on this, identified, tracked and then disabled. But eventually, probably we will have a gun also, the one you are talking about.

**Moderator:** Thank you. We'll move to the next question which is from the line of Jagdish an Individual Investor. Please go ahead.

**Jagdish:** I have seen that in the year 2021 big innovation award for work done by Zen labs, so what was the actually work done in Zen Labs?

**Ashok Atluri:** Sorry, I am not able to get it. We got an innovation award in 2021?

**Jagdish:** Yes, 2021 big innovation awards for work done by Zen Labs innovation for these things. So, what was that award about, what was the actual work done?

**Ashok Atluri:** I am sorry, I am not able to get it. I don't remember, such award getting, maybe I'll get back to you on this. I am so sorry I am not able to recollect anything.

**Moderator:** Does this answers your question, Mr. Jagdish.

**Ashok Atluri:** No, he asked me a question that we got an award in 2021 for some innovation, I said I don't remember which Innovation award we got in 2021. So I'm not able to answer his question, but if there is something we will definitely publish in the Q&A.

**Moderator:** Thank you. We will move to the next question which is from the line of Swechha Jain from ANS Wealth. Please go ahead.

**Swechha Jain:** I have few questions, so one was we were discussing about the AMC and you said that paramilitary is somewhere, you get some orders on paramilitary also, just wanted to understand for the AMC contract are for how many years like for army you said it is 2+5. Similarly, for paramilitary do we get like a five year contract?

**Ashok Atluri:** No, we only get for one year, renewable every year. So, we go back to them after the thing expires. It is also only one year.

**Swechha Jain:** Okay. And sir I have just two more questions, one is, if you could give us a receivable numbers as of 31st, December?

**Ashok Atluri:** It's there in the balance sheet.

**Swechha Jain:** Okay, no problem I will take it from there, and so just wanted to understand at a macro level or an industry level, if you could throw some highlight as to typically what kinds of budgets are allocated for the modernization fund in India, generally if you could just give some sense as to, what happens in India compared to how things are globally?

**Ashok Atluri:** Globally, you see that especially with countries like, the Western countries like Europe and America, simulators are very well integrated into their training schedule. In India, that simulators are taking some time, there are a lot of studies that have been done that showed that simulators are extremely useful, they save money, they build skill sets, and they prepare people for all kinds of eventualities, but somehow they have been slow in coming, maybe for various reasons some people feel that, people need to go to the real equipment and they have genuine reasons, some may be motivated to keep buying the ammunition that is there, which they want to use, there are some incumbents who have their own interest to protect. But overall, we think that there is generally a case that is being made out, and people are saying, it is high time we start moving to simulator, and they're actually seeing the benefits of buying simulators over a period of time that people with almost zero skill set become extremely well trained, we have studies in which users said, we were hitting at 15%, 20%,

45%. Now, we are going to 60%, 85%, and in some cases 95% improvement, of the time they are hitting the target.

So we see there is lot of improvement, and these kinds of studies are going deep inside, and the government is processing let us focus on training not only on the latest equipment, but what will happen we know that one of the reason Pakistan attacked in 1960s was because they had these tanks from America, and they thought they could just walk into India and take whatever they wanted. But the funny part was, they took the tank and when they started driving, they didn't know how to drive the tank. And that's how the tank got stuck and they lost the war. So, just imagine you have the world's latest weaponry, if you don't know how to use it. So, simulators are that critical gap, critical skill builder that will determine who will win and who will lose. So, that realization is there and you see the budgets are increasing every day, but not to the extent that we want, but yes next couple of years are going to be big year for simulator based training induction.

**Swechha Jain:** So, sir would it be then fair to assume that the growth for a company typically come from export for next two, three years?

**Ashok Atluri:** I frankly, feel that it is going to be India and exports. We will have a problem of plenty, so many orders that we will struggle to execute. Even the execution is not a challenge for us because we outsource most of our manufacturing and our servers have huge capacity. But, we would definitely like to have the problem of operations rather than problem of getting orders as of now.

**Moderator:** Thank you. The next question is from the line of V.P. Rajesh from Banyan Capital. Please go ahead.

**V.P. Rajesh:** Ashok, one question from almost 20 crore of the new orders we received in the Q3 quarter. How much came from the new products versus our simulators?

**Ashok Atluri:** Q3 we got new order it was all old product, nothing on new product, all existing products only.

**V.P. Rajesh:** Right. So when will the new products get into the sales pipeline, is it next quarter or sometime?

**Ashok Atluri:** The earliest we expect these sales to happen is around nine months from now. Nine months about, so in nine months, we'll start getting revenue recognition, all those things.

**V.P. Rajesh:** Okay, but hopefully you will be announcing some of the wins sooner than that right?

**Ashok Atluri:** The orders should come much earlier than that, absolutely the wins will be announced much earlier than that absolutely, Yes.

**V.P. Rajesh:** Okay. And the second question was, is there a difference between the sales cycle of the actual anti-drone systems which are going to be in the field versus a simulator, which is more for training purposes?

**Ashok Atluri:** No, what I would suggest is that we should segment it separately here, you should say army procurement, mostly we are selling it to the army. So armed forces, their cycle is little longer, but in the case of ownership of a company like Jamnagar refinery and all the Saudi refinery, not from Saudi but some other refineries are privately owned, this will be much faster to secure them. So we expect the cycle to be much, much shorter, based on the customer, it will vary based on the customers, rather than the product. I hope you get now what I am saying?

**V.P. Rajesh:** Right. So, then that's a question who are the competitors for the commercial customers meaning, if you're, let's say selling to a refineries, or other guys like Dams, which are not Dams, but any private property or any important person. So who are the other companies that are selling in the same system or similar systems in that market?

**Ashok Atluri:** Okay, I'll tell you that, there are few, there's a German company, Israeli, American companies that are there in the scene. But when we went to our Indian customer, they said Ashok nobody has shown, everybody is making claims. But nobody has shown the product like you have shown. You're actually disabling drone, and you're showing it to us, everybody else is showing videos, et cetera. But there are at least three or four companies worldwide, that are making the same claims, or maybe a bit a little more fantastic than ours. But from what I hear from the one of the world's largest customer, that is the Indian Defense Force is that Ashok we have not seen anybody actually demonstrating this for us.

**V.P. Rajesh:** My question is more coming from the perspective that in India, you will have a home advantage with Atmanirbhar, et cetera with respect to the government. But when you go to the commercial customers, they will probably look at what is available across the globe. So that's where I was trying to enter?

**Ashok Atluri:** So, my answer to that is, that in performance we are doing extremely well. There is no doubt about that and in terms of commercials, we have seen their bid, our bid is very competitive. And we see that in terms of features, we are as good as them.

**V.P. Rajesh:** And lastly, anything in the budget you want to call out which is supportive of yours, industry and your simulators and systems?

**Ashok Atluri:** It's the overall very positive budget and again, the impression that we have, they have just opened the first phase and I am really surprised. Suddenly the government has discovered that they have a printing press and RBI and they have just started spending a lot of money. So it's very good news for us and very good.



**Moderator:** Thank you. The next question is from the line of Rohit Orhi from Progressive Shares. Please go ahead.

**Rohit Orhi:** Two questions. One is related to the revenue split, that is currently we are having around 65% from the domestic and 35% from the exports. So from the commentary, which you just mentioned in last hour or so, that the vision and you see a sea change in the entire revenue profile. It's fair to assume that the exports would be 65% and domestic will be 35% in next three or five years or so?

**Ashok Atluri:** First is that 65, 35 is the current makeup, but it will change very dramatically. And, before it was something like 10% or 90% compared to 5% and 95%. That keeps changing, but you're right our objective is that major revenue should come, 70% to 80% revenue should come from export and domestic should be only 20%, that's our actual target three to five years from now.

**Rohit Orhi:** Okay. Sir second question is related to the investments that we have made and the subsidiaries. So would you like to give some idea as to be working as to buy when they can be break even at EBITDA level and the PAT level. Because both of them currently are loss making?

**Ashok Atluri:** Yes. Number one, Zen Tech USA, actually why we started the US operation was because of the support Mr. Trump was giving to the local for export purposes, different export purposes. But what we saw after a year, year and a half was that, Modi was doing more aggressive promotion than Mr. Trump. So we completely changed and we started pushing all of our products. There are still something going on from the US thing, which will help us in breakeven and make some money there. But now all exports are being focused from India, we are not doing any export promotion, exclusively from America at this point in time. So, yes.

Secondly, regarding UTS, the product anti-drone system has been developed by them. So, it's like Warren Buffett said something like, there is a rickshaw puller and he is earning money and the other guy, his friend who's studying in Harvard he is losing money while studying there, you should not shout at the Harvard guy, because you are not earning anything. So let's wait for the anti-drone system. Then they will be more than justify the investments. We are very proud of that investment.

**Rohit Orhi:** So the question comes back to the same, will we be PAT positive next year or do we have to wait?

**Ashok Atluri:** I am very sure that they should be PAT positive, they will be PAT positive next year, absolutely.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints this was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Ashok Atluri:** Thank you so much for the interaction. I really loved it. And please feel free to mail us some questions, but again, I would like to stress that nothing beats personal visit to the team, and it's very entertaining forget whether you invest or not, you will find very engaging, entertaining thing, because for some reason, I have seen people say, Ashok it should be 1000 core market cap for us to invest and don't invest. But they'll also get opportunity and all the people who have higher targets will also get opportunity to invest in them. And I request Abhishek to finally close the call.

**Abhishek Mehra:** Thank you so much for joining, just in case you have any queries feel free to write us at the email IDs that are provided in the earnings and the press release shared with you.

**Moderator:** Thank you. On behalf of Zen Technologies Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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