

Zen Technologies

Estimate change	
TP change	
Rating change	

Bloomberg	ZEN IN
Equity Shares (m)	90
M.Cap.(INRb)/(USDb)	121 / 1.4
52-Week Range (INR)	2628 / 945
1, 6, 12 Rel. Per (%)	-16/-13/-28
12M Avg Val (INR M)	1131

Financials Snapshot (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	5.8	11.1	15.4
EBITDA	2.0	4.1	5.7
EBITDA Margin (%)	35.0	37.0	37.0
PAT	1.9	3.7	4.8
EPS (INR)	21.6	40.5	53.3
EPS Growth (%)	-26.0	87.6	31.8
BV/Share (INR)	208.6	249.1	302.4
Ratios			
Net D/E	-0.7	-0.6	-0.6
RoE (%)	10.9	17.7	19.3
RoCE (%)	10.8	17.7	19.3
Valuations			
P/E (x)	62.1	33.1	25.1
P/BV (x)	6.4	5.4	4.4
EV/EBITDA (x)	53.9	26.6	18.8

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	48.5	49.1	51.3
DII	7.9	8.8	8.1
FII	6.4	6.5	6.2
Others	37.2	35.7	34.5

FII Includes depository receipts

CMP: INR1,340

TP: INR1,400 (+4%)

Neutral

Inflows remain weak in 1HFY26

Zen Technologies (ZEN) posted weak numbers in 2QFY26, with a miss on revenue but a beat on PAT due to higher-than-expected other income. Inflows in 1HFY26 remained weak; however, management expects inflows to revive in 2H due to the finalization of the pending simulator order and improved tendering activity for anti-drone systems under the emergency procurement programs. In addition to its core business, the order book has been strong for ZEN's subsidiaries, and a combined revenue contribution of ~INR2.5b is expected for FY26 with a fairly strong profit profile. ZEN is already building up capabilities to expand into marine simulators and eventually into air simulation, too. To bake in its 1HFY26 performance, we cut our estimates for ZEN by 25%/11% / 12% for FY26/FY27/FY28. We also trim our TP to INR1,400 (from INR1,550), based on 30x Sep'27E EPS. The stock is currently trading at a P/E of 62.1x/33.1x/25.1x on FY26/ FY27/ FY28E EPS. Our estimates bake in a revenue/PAT CAGR of 18%/22% over FY25-28 with a strong EBITDA margin of 37% by FY28. We reiterate our Neutral rating on the stock. We would look for order inflow announcements for further sustainability of revenue going forward.

Beat on PAT due to higher other income and lower tax rate

ZEN's revenue decreased 48% YoY to INR1.2b, missing our estimate by 10%. Gross margin was 140bp below our expectation at 55.1% vs. our estimate of 57.5%. Absolute EBITDA declined 47% YoY to INR418m, indicating a miss on our estimates by 13%. EBITDA margin at 33.5% expanded 60bp YoY, though it was below our estimates. However, the company's PAT dipped 29% YoY, beating our estimates by 16%. PAT stood at INR462m vs. our estimate of INR398m, fueled by higher-than-expected other income and a lower tax rate. ZEN's PAT margin expanded 1,000bp YoY to 37.0% vs. our estimate of 28.9%. For 1HFY26, its revenue/EBITDA/PAT declined 52%/56%/40% YoY, while EBITDA margin contracted 290bp YoY to 33.9%. As of 1HFY26, ZEN's OCF/FCF turned positive to INR1.3b/1.2b, compared to net cash outflows in the previous year. The company is now debt-free.

Recovery in inflows expected in 2HFY26

The company exited 1HFY26 with a consolidated order book of ~INR6.8b, comprising INR3.8b of equipment orders and the balance from AMC. Of this, standalone accounts for INR4.8b, while subsidiaries UTS/ARI/Vector contribute INR980m/INR920m/INR10m. Order inflows remained muted due to delays in simulator tenders and a shift in focus on emergency procurements. However, orders are expected to pick up in 2HFY26 as the pending simulator orders worth INR6.5b and anti-drone tenders move forward. The company maintains its cumulative revenue guidance of INR60b for FY26-FY28, though achieving this will require a sharp pick-up in inflows through FY27-28. ZEN's robust net cash position, operational preparedness, and alignment with the government's IDDM framework position it well to capitalize on emerging opportunities over the medium to long term. However, the current softness in ordering momentum suggests a slower pace of execution in the near term. We thus expect a moderate standalone revenue CAGR of 18% to factor in ZEN's 1H performance.

Export opportunities to offer diversification

Export engagement continues to strengthen, supported by increasing inquiries from Africa, the Middle East, CIS, and Southeast Asia. ARI's Singapore base is helping open new channels, particularly for simulation and anti-drone solutions. While exports could become a meaningful contributor over the medium term, conversion timelines in defense exports are typically long, and competition from established global OEMs remains a factor. ZEN's focus on developing end-to-end solutions with full IP ownership aligns well with the government's broader push to promote defense exports. We believe export traction could help diversify the order book and reduce dependence on domestic procurement cycles, though meaningful revenue contribution is likely to be gradual.

Building a connected portfolio through its subsidiaries

Subsidiaries now form a meaningful part of ZEN's ecosystem, contributing about INR1.9b to the consolidated order book. UTS and ARI enhance simulation and export capabilities, while Vector, AI Turing, and Bhairav Robotics add depth in remote weapon and autonomous systems. These acquisitions complement ZEN's integrated defense systems strategy and help the company offer complete, end-to-end solutions under one umbrella. Management highlighted that subsidiaries such as AI Turing and Vector have already participated in recent trials, demonstrating integrated hard-kill capabilities. While most subsidiaries are still scaling up and their revenue contribution remains modest, their technological complementarity enhances ZEN's qualification strength for larger, more complex tenders. Management expects ~INR2.5b of combined revenue contribution from its subsidiaries in FY26, with strong prospects for the following years.

Financial outlook

We trim our estimates by 25%/11%/12% for FY26/27/28 to factor in the slowdown in execution due to delayed ordering activity. We expect a CAGR of 18%/22%/22% in revenue/EBITDA/PAT during FY25-28. This will be supported by 1) finalization of orders across simulators and anti-drones; 2) EBITDA margin of 35%-37% for FY26-28; and 3) control over working capital due to improved collections.

Valuation and view

The stock currently trades at 62.1x/33.1x/25.1x P/E on FY26/27/28E earnings. While we remain positive about the company and its ability to capitalize on the upcoming demand for simulators and anti-drones, we cut our estimates to factor in a slowdown in inflows during 1H. **We thus reduce our TP to INR1,400 (from INR1,550 earlier), based on 30x Sep'27E earnings. Reiterate Neutral.**

Key risks and concerns

Any slowdown in procurement from the defense industry, especially for simulators, can expose the company to the risk of reduced order inflows and hinder its growth. ZEN is also exposed to foreign currency risks for its export revenue.

Standalone - Quarterly Earnings Model

Y/E March									(INR m)			
	FY25				FY26E				FY25	FY26	FY26E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE	Var (%)	
Net Sales	2,540	2,417	1,415	2,935	1,111	1,247	1,391	2,047	9,307	5,794	1,379	(10)
YoY Change (%)	91.7	277.4	44.3	116.3	(56.3)	(48.4)	(1.7)	(30.3)	116.3	(37.7)	(42.9)	
Total Expenditure	1,508	1,623	1,048	1,991	730	829	925	1,283	6,169	3,766	896	(8)
EBITDA	1,032	794	367	944	380	418	466	764	3,137	2,028	483	(13)
Margins (%)	40.6	32.9	26.0	32.2	34.3	33.5	33.5	37.3	33.7	35.0	35.0	
Depreciation	22	23	26	29	31	33	32	33	101	130	32	5
Interest	10	21	27	36	14	4	2	2	94	22	25	(83)
Other Income	30	84	220	244	199	230	185	126	578	740	135	70
PBT	1,030	835	534	1,122	535	610	617	855	3,520	2,617	561	9
Tax	288	182	147	273	164	149	158	200	890	670	163	(9)
Rate (%)	28.0	21.8	27.6	24.3	30.6	24.4	25.6	23.4	25.3	25.6	29.0	
Reported PAT	742	652	386	849	371	462	459	655	2,630	1,947	398	16
Adj PAT	742	652	386	849	371	462	459	655	2,630	1,947	398	16
YoY Change (%)	57.4	276.1	21.9	177.3	(50.0)	(29.2)	18.8	(22.8)	107.3	(26.0)	(38.9)	
Margins (%)	29.2	27.0	27.3	28.9	33.4	37.0	33.0	32.0	28.3	33.6	28.9	


Key highlights from the management commentary

- **Weak performance:** The quarter remained weak for Zen Technologies, as revenues decreased, largely due to delayed government orders following the focus on emergency procurements post-Operation Sindoor. Despite lower topline, EBITDA margins stayed healthy at 34%, supported by cost efficiency and an asset-light model.
- **Strong financial resilience:** Zen maintained a strong balance sheet with INR11b in net cash and zero debt. Management reiterated that the company continues to operate efficiently with stable margins and strong liquidity, ensuring it remains well-positioned to scale up when order inflows improve.
- **Anti-drone edge:** Management reiterated that Zen's anti-drone systems are fully indigenous, cost-competitive, and technically superior. They emphasized ownership of complete IP and wideband jamming capability, which allows detection and neutralization across frequencies where global competitors often fall short.
- **Simulator demand revival:** Management highlighted strong medium-term growth in the simulator segment, driven by global rearmament and training needs amid heightened geopolitical tensions. The company sees sustained demand over the next 4-5 years, with regular replacement cycles keeping the opportunity recurring.
- **Potential export opportunities:** Exports are emerging as a strong growth lever, with traction building across Africa, the Middle East, CIS, and Southeast Asia. Leveraging ARI's presence in Singapore, Zen expects meaningful export orders in both simulation and anti-drone systems over the next few quarters.
- **AI-Driven innovation:** Management spoke about embedding AI into both internal processes and core products. In simulators, AI is being used to create adaptive one-on-one training experiences, while in anti-drone systems, it enhances threat classification and autonomous response capabilities.
- **Order book visibility:** While 1HFY26 was muted, the company expects strong traction in 2HFY26 and 1HFY27, driven by simulator and anti-drone orders under emergency procurement. Management guided that each order under this scheme typically remains under INR3b, with most finalizations expected before Mar'26.
- **Long-term guidance reiterated:** Management reaffirmed its cumulative revenue guidance of INR60b over FY26-FY28, stating that most of the execution will occur in FY27 and FY28. The company ruled out any spill-over to FY29 and remains confident that the pipeline will support this scale-up.

Key Exhibits

Exhibit 1: Total revenue declined 48% YoY on slower-than-expected execution

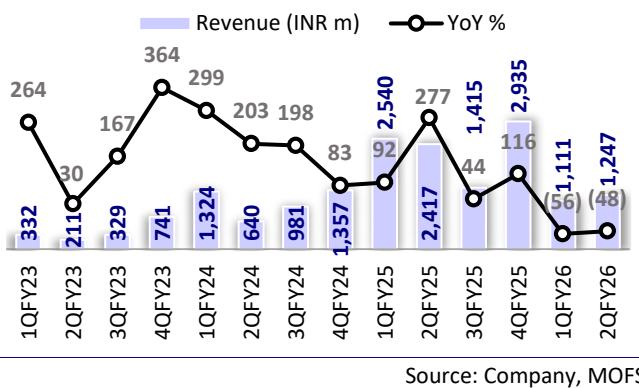


Exhibit 2: Share of revenue from equipment sales remained a major contributor

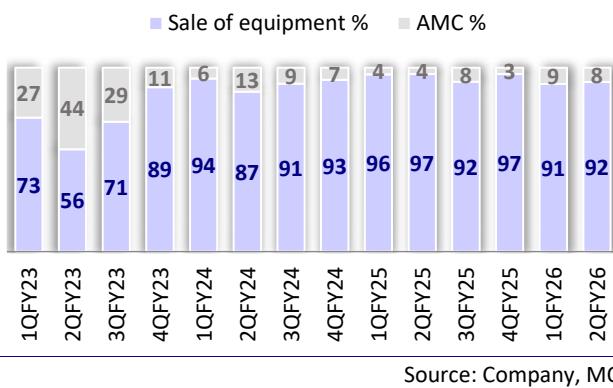


Exhibit 3: Order book decreased 49% YoY, mainly due to delayed ordering from the government

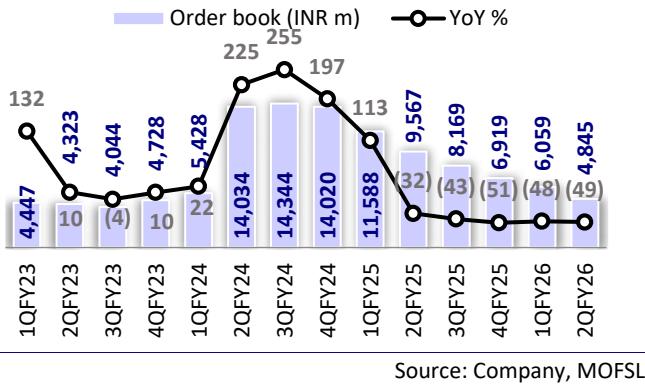


Exhibit 4: Share of AMC has been on the rise since 1QFY25 due to faster execution of equipment orders

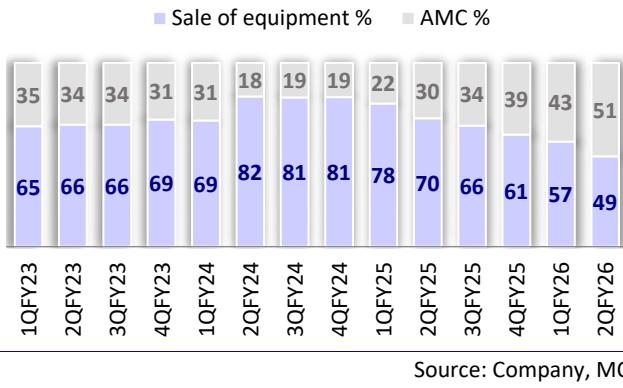


Exhibit 5: EBITDA declined 47% YoY, while margin expanded 60bp YoY to 33.5%

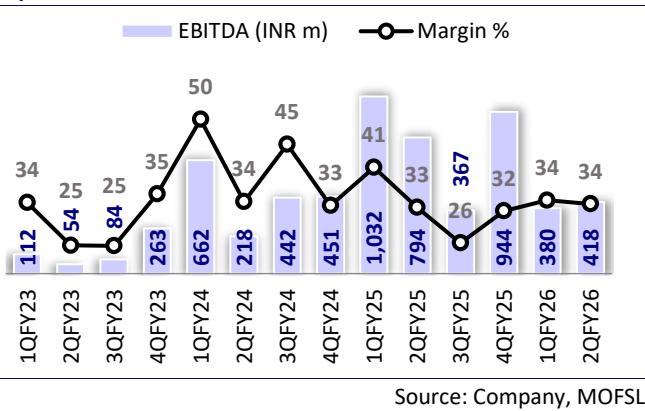


Exhibit 6: PAT decreased 29% YoY, while PAT margin expanded 1,000bp YoY to 37.0%

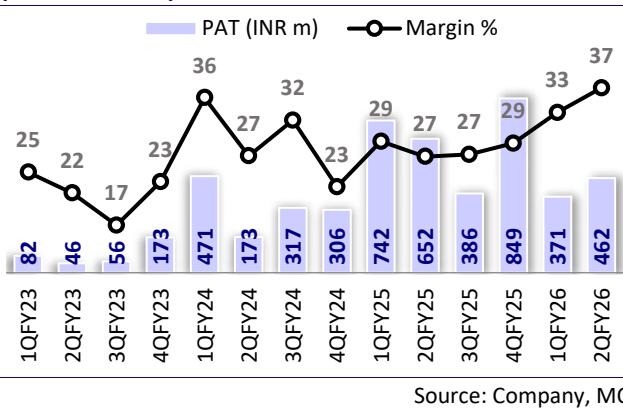
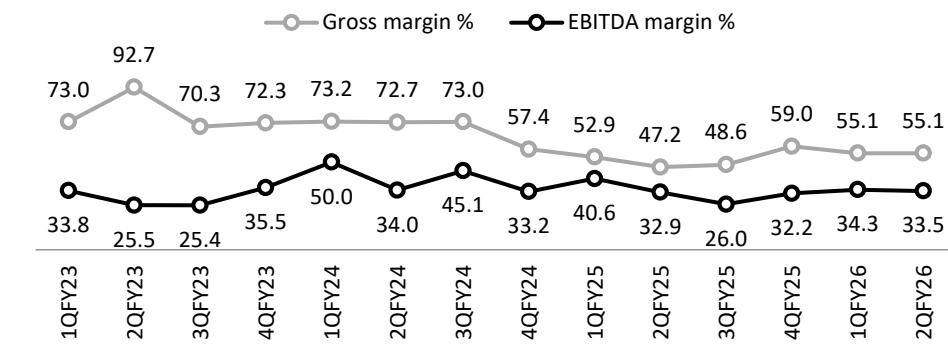


Exhibit 7: Gross margin expanded 790bp YoY, while EBITDA margin expanded 60bp YoY



Source: Company, MOFSL

Exhibit 8: We cut our estimates to factor in the absence of orders in 1H, thereby providing lower visibility of execution

(INR m)	FY26E			FY27E			FY28E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	New	Old	Chg (%)
Net Sales	5,794	8,112	(28.6)	11,107	13,116	(15.3)	15,424	18,236	(15.4)
EBITDA	2,028	3,001	(32.4)	4,110	4,853	(15.3)	5,707	6,747	(15.4)
EBITDA (%)	35.0	37.0	-200 bp	37.0	37.0	0 bp	37.0	37.0	0 bp
Adj. PAT	1,947	2,610	(25.4)	3,653	4,109	(11.1)	4,814	5,516	(12.7)
EPS (INR)	21.6	28.9	(25.4)	40.5	45.5	(11.1)	53	61.1	(12.7)

Source: MOFSL

Financial outlook

Exhibit 9: We expect ZEN to clock 25% revenue CAGR over FY25-FY28

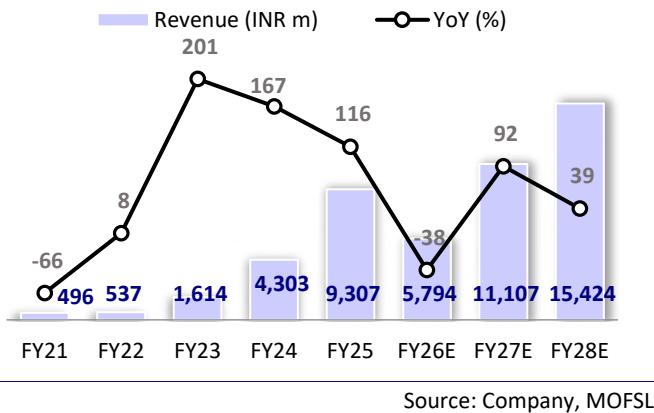


Exhibit 10: Gross margin to normalize and remain at comfortable levels beyond FY25

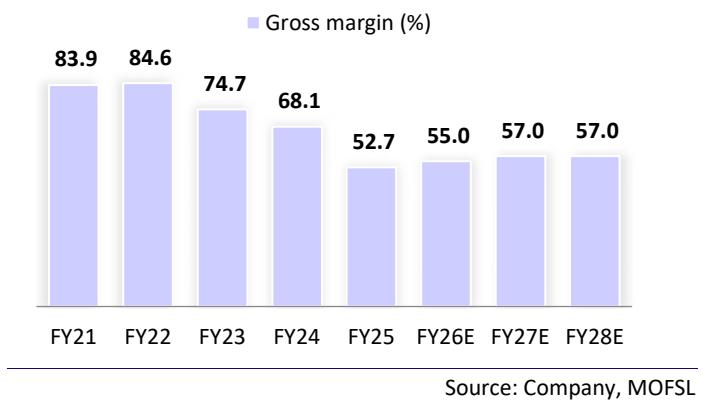


Exhibit 11: EBITDA margin to remain above 35%

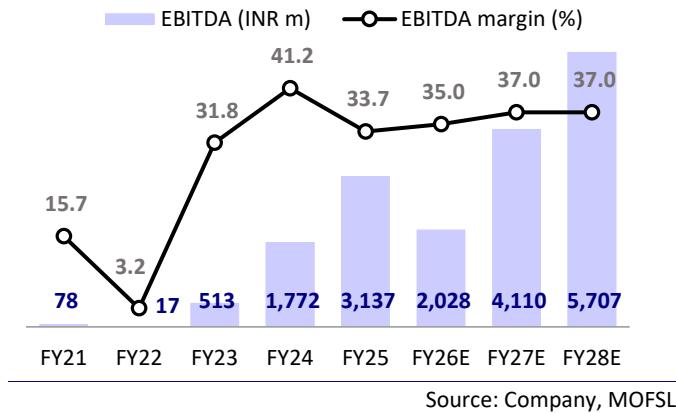


Exhibit 12: We expect 28% PAT CAGR over FY25-28

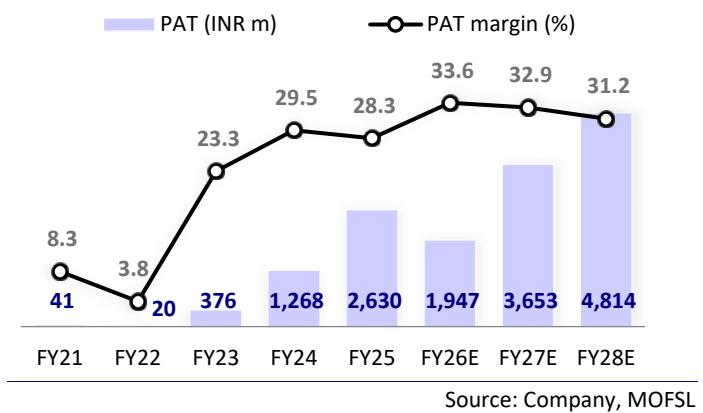


Exhibit 13: OCF and FCF to be lumpy over the years

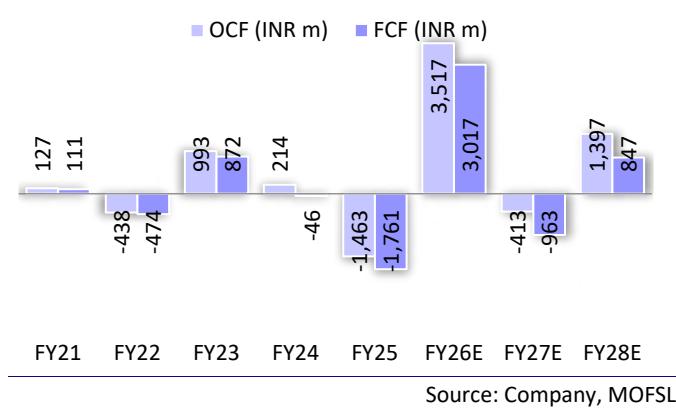


Exhibit 14: NWC to stabilize on improved collections

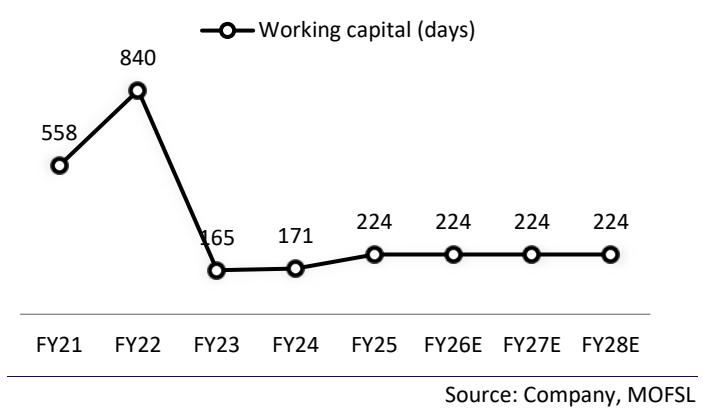
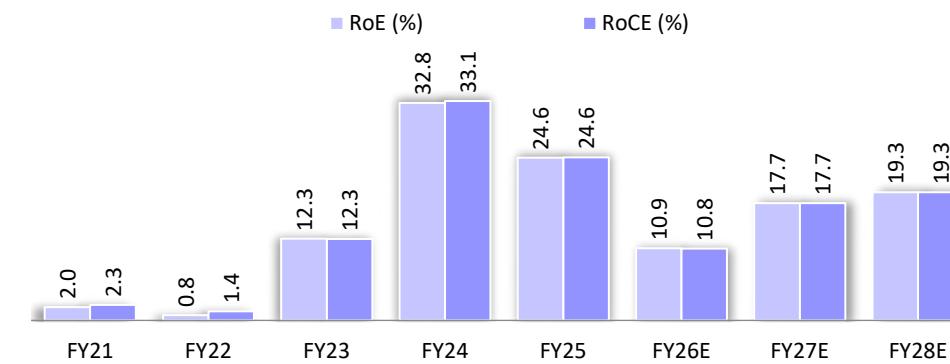
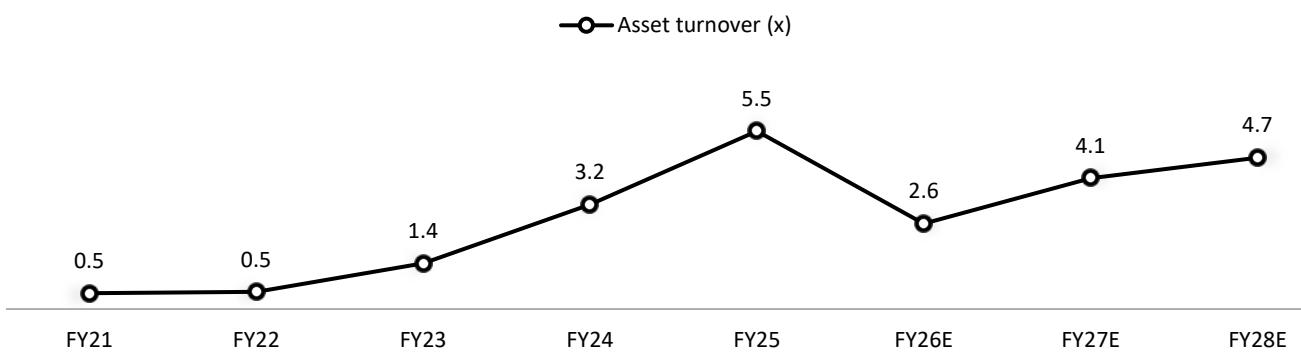


Exhibit 15: ROE and ROCE expected to reach near 20% levels



Source: Company, MOFSL

Exhibit 16: With an improved product mix, we expect the asset turnover ratio to improve



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement									
Y/E Mar	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	(INR m) FY28E
Total Income from Operations	1,470	496	537	1,614	4,303	9,307	5,794	11,107	15,424
Change (%)	59.4	-66.3	8.4	200.6	166.5	116.3	-37.7	91.7	38.9
Raw Materials	390	80	83	408	1,373	4,402	2,607	4,776	6,632
Gross Profit	1,080	416	454	1,206	2,930	4,904	3,187	6,331	8,792
Employee Cost	167	127	148	228	432	570	464	777	1,080
Other Expenses	278	211	289	465	726	1,197	695	1,444	2,005
Total Expenditure	834	418	520	1,102	2,530	6,169	3,766	6,997	9,717
% of Sales	56.7	84.3	96.8	68.2	58.8	66.3	65.0	63.0	63.0
EBITDA	636	78	17	513	1,772	3,137	2,028	4,110	5,707
Margin (%)	43.3	15.7	3.2	31.8	41.2	33.7	35.0	37.0	37.0
Depreciation	38	40	37	44	73	101	130	165	202
EBIT	599	38	-20	469	1,699	3,036	1,898	3,945	5,505
Int. and Finance Charges	32	10	14	20	18	94	22	0	0
Other Income	19	29	53	91	139	578	740	965	965
PBT bef. EO Exp.	586	57	19	539	1,820	3,520	2,617	4,910	6,470
EO Items	-1	0	-2	14	-24	0	0	0	0
PBT after EO Exp.	587	57	20	525	1,844	3,520	2,617	4,910	6,470
Total Tax	-20	16	-2	163	552	890	670	1,257	1,656
Tax Rate (%)	-3.3	27.8	-7.9	31.0	29.9	25.3	25.6	25.6	25.6
Reported PAT	606	41	22	362	1,292	2,630	1,947	3,653	4,814
Adjusted PAT	605	41	20	376	1,268	2,630	1,947	3,653	4,814
Change (%)	214.4	-93.2	-50.5	1,753.7	237.0	107.3	-26.0	87.6	31.8
Margin (%)	41.2	8.3	3.8	23.3	29.5	28.3	33.6	32.9	31.2

Standalone - Balance Sheet									
Y/E Mar	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	(INR m) FY28E
Equity Share Capital	77	80	80	80	84	90	90	90	90
Total Reserves	1,910	2,052	2,837	3,112	4,447	16,800	18,746	22,399	27,213
Net Worth	1,988	2,132	2,917	3,192	4,531	16,890	18,837	22,490	27,304
Minority Interest	0	0	0	0	0	0	0	0	0
Total Loans	9	9	123	59	0	522	0	0	0
Deferred Tax Liabilities	-203	-206	-201	-134	63	2	2	2	2
Capital Employed	1,794	1,935	2,839	3,117	4,595	17,414	18,839	22,492	27,306
Gross Block	995	1,012	1,016	1,142	1,326	1,689	2,189	2,739	3,289
Less: Accum. Deprn.	351	391	425	468	541	642	772	937	1,139
Net Fixed Assets	644	621	591	674	785	1,047	1,417	1,802	2,151
Goodwill on Consolidation	0	0	0	0	0	0	0	0	0
Capital WIP	0	0	25	19	107	70	70	70	70
Total Investments	159	241	243	243	263	2,185	2,185	2,185	2,185
Curr. Assets, Loans & Adv.	1,128	1,169	2,517	3,394	6,029	15,452	16,001	20,034	25,122
Inventory	104	86	142	411	1,334	510	318	609	846
Account Receivables	444	174	196	662	1,691	3,784	2,356	4,516	6,271
Cash and Bank Balance	185	333	761	1,472	1,422	8,392	11,605	11,608	13,421
Loans and Advances	299	563	1,404	812	1,564	2,753	1,714	3,285	4,562
Other Current Asset	96	13	15	36	17	13	8	16	22
Curr. Liability & Prov.	138	95	538	1,213	2,589	1,340	835	1,600	2,222
Account Payables	111	78	520	1,190	2,559	1,309	815	1,562	2,170
Other Current Liabilities	16	17	18	23	0	0	0	0	0
Provisions	10	1	0	0	31	31	19	37	52
Net Current Assets	990	1,074	1,979	2,181	3,440	14,112	15,166	18,434	22,900
Appl. of Funds	1,793	1,935	2,839	3,117	4,595	17,414	18,839	22,492	27,306

Financials and valuations

Ratios									
Y/E Mar	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)									
EPS	6.7	0.5	0.2	4.2	14.0	29.1	21.6	40.5	53.3
Cash EPS	7.1	0.9	0.6	4.7	14.9	30.2	23.0	42.3	55.6
BV/Share	22.0	23.6	32.3	35.4	50.2	187.1	208.6	249.1	302.4
DPS	0.4	0.1	0.1	0.2	1.0	2.0	0.0	0.0	0.0
Payout (%)	5.1	19.4	39.2	4.2	6.6	6.9	0.0	0.0	0.0
Valuation (x)									
P/E	199.8	2,949.5	5,957.1	321.4	95.4	46.0	62.1	33.1	25.1
Cash P/E	188.1	1,494.8	2,099.5	287.9	90.1	44.3	58.2	31.7	24.1
P/BV	60.8	56.7	41.5	37.9	26.7	7.2	6.4	5.4	4.4
EV/Sales	82.2	243.3	224.0	74.0	27.8	12.1	18.9	9.8	7.0
EV/EBITDA	189.9	1,554.2	6,993.7	233.1	67.4	36.0	53.9	26.6	18.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0
FCF per share	6.9	1.3	-5.2	9.7	-0.5	-19.5	33.4	-10.7	9.4
Return Ratios (%)									
RoE	35.6	2.0	0.8	12.3	32.8	24.6	10.9	17.7	19.3
RoCE	33.4	2.3	1.4	12.3	33.1	24.6	10.8	17.7	19.3
RoIC	42.2	1.9	-1.4	20.3	56.9	47.4	24.0	43.1	40.4
Working Capital Ratios									
Fixed Asset Turnover (x)	1.5	0.5	0.5	1.4	3.2	5.5	2.6	4.1	4.7
Asset Turnover (x)	0.8	0.3	0.2	0.5	0.9	0.5	0.3	0.5	0.6
Inventory (Days)	26	64	96	93	113	20	20	20	20
Debtor (Days)	110	128	133	150	143	148	148	148	148
Creditor (Days)	28	57	353	269	217	51	51	51	51
Leverage Ratio (x)									
Current Ratio	8.2	12.3	4.7	2.8	2.3	11.5	19.2	12.5	11.3
Interest Cover Ratio	18.8	3.8	-1.4	23.1	92.3	32.2	86.3	NA	NA
Net Debt/Equity	-0.2	-0.3	-0.3	-0.5	-0.4	-0.6	-0.7	-0.6	-0.6

Standalone - Cashflow Statement (INR m)									
Y/E Mar	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	586	57	19	539	1,844	3,520	2,617	4,910	6,470
Depreciation	38	40	37	44	73	101	130	165	202
Interest & Finance Charges	23	-15	-30	-48	12	59	22	0	0
Direct Taxes Paid	-114	-28	-12	-87	-321	-984	-670	-1,257	-1,656
(Inc)/Dec in WC	111	74	-452	537	-1,405	-3,778	2,159	-3,265	-2,653
CF from Operations	643	127	-439	985	204	-1,082	4,257	553	2,363
Others	1	0	1	8	10	-381	-740	-965	-965
CF from Operating incl EO	644	127	-438	993	214	-1,463	3,517	-413	1,397
(Inc)/Dec in FA	-23	-10	-36	-121	-260	-298	-500	-550	-550
Free Cash Flow	622	117	-474	872	-46	-1,761	3,017	-963	847
(Pur)/Sale of Investments	-26	-82	-3	-25	-42	-1,922	0	0	0
Others	-62	-84	-393	119	-518	-6,404	740	965	965
CF from Investments	-110	-176	-432	-27	-820	-8,624	240	415	415
Issue of Shares	0	0	0	0	0	9,802	0	0	0
Inc/(Dec) in Debt	-154	-1	865	-64	-58	507	-522	0	0
Interest Paid	-32	-5	-9	-16	-12	-44	-22	0	0
Dividend Paid	-23	-32	-8	-8	-17	-90	0	0	0
Others	-5	134	25	-97	26	-7	0	0	0
CF from Fin. Activity	-214	97	873	-184	-62	10,169	-544	0	0
Inc/Dec of Cash	321	47	3	782	-668	82	3,213	3	1,813
Opening Balance	-225	96	144	147	929	261	8,392	11,605	11,608
Other Bank Balances	89	189	614	543	1,161	8,050	0	0	0
Closing Balance	185	333	761	1,472	1,422	8,392	11,605	11,608	13,421

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NOTES

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SELL	< - 10%
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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

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