

Zen Tech: Portfolio future-ready; execution cadence the key monitorable

May 05, 2026 | CMP: INR 1,528 | Target Price: INR 1,850

BUY

Expected Share Price Return: 21.1% | Dividend Yield: 0% | Potential Upside: 21.1%

Sector View: Positive

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✗

Company Info	
BB Code	ZEN IN EQUITY
Face Value (INR)	1.0
52-wk High/Low (INR)	2,268/1,223
Mkt Cap (Bn)	INR 137.6/ USD 1.5
Shares o/s (Mn)	90.29
3M Avg. Daily Volume	7,24,865

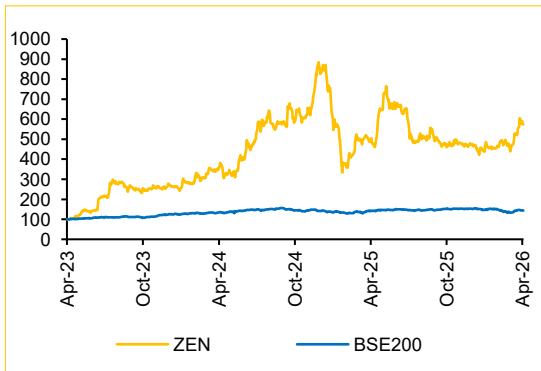
Change in CIE Estimates						
	FY27E			FY28E		
INR Mn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	10,315	14,040	(26.5)	20,631	19,656	5.0%
EBITDA	3,609	4,711	(23.4)	7,217	6,399	12.8%
EBITDAM %	35.0	33.6	140Bps	35.0	32.6	238Bps
PAT	2,692	3,995	(32.6)	5,551	5,546	0.1%
EPS	29.8	44.2	(32.6)	61.5	61.4	0.1%

Actual vs CIE Estimates		
INR Mn	Q4Y26 CIE Estimates	Dev. %
Revenue	1,781	4,875 (63.5)
EBITDA	510	1,879 (72.9)
EBITDAM %	28.6	38.5 (99.1Bps)
PAT	472	1,462 (67.7)

Key Financials					
INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	9,736	6,877	10,315	20,631	28,883
YoY (%)	121.4	(29.4)	50.0	100.0	40.0
EBITDA	3,735	2,472	3,609	7,217	10,104
EBITDAM %	38.4	36.0	35.0	35.0	35.0
Adj PAT	2,993	2,179	2,692	5,551	7,413
EPS (INR)	32.1	21.5	29.8	61.5	82.1
ROE %	27.9	12.1	13.3	22.8	24.0
ROCE %	17.0	11.4	12.5	20.1	21.2
PE(x)	47.6	71.0	51.3	24.9	18.6
EV/EBITDA	36.0	54.4	36.6	18.6	13.2

Shareholding Pattern (%)			
	Mar-26	Dec-25	Sep-25
Promoters	48.51	48.51	48.51
FIIIs	5.99	5.54	5.94
DIIIs	10.06	7.86	7.93
Public	35.04	37.67	37.20
Others	0.40	0.41	0.42

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE200	43.2	8.3	1.1
ZEN	431.3	47.7	10.7



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Portfolio future-ready; execution cadence the key monitorable

We interpret management commentary from ZEN as strategically constructive, with a clear emphasis on building a future-ready portfolio across anti-drone systems, interceptor drones and next-generation combat solutions. We believe ZEN is well-aligned with evolving global warfare dynamics, where rising geopolitical tension is accelerating the demand for cost-efficient, technology-led defence systems. While this significantly expands ZEN's long-term opportunity set, we note that **order finalisation timelines remain inherently uncertain**, impacted by procurement processes and budget cycles. Accordingly, we **moderately recalibrate our FY27–28E assumptions** on the basis of slower conversion of the pipeline despite strong demand.

Looking ahead, we continue to view ZEN as a structurally well-positioned player, in an emerging, scalable, high-priority segment globally. The expanding product suite and focus on indigenisation strengthen its competitive positioning. However, **revenue visibility remains closely linked to order inflows and execution cadence, which can bring periodic volatility**. As such, **while the medium- to long-term growth narrative remains intact, near-term performance is forecast to remain lumpy, making execution visibility the key monitorable**.

Management misses guidance significantly, leads to a miss on our Q4 projection

- Revenue for Q4FY26 down by 45.2% YoY and flat on a QoQ basis at INR 1,781 Mn (vs CIE est. INR 4,875 Mn)
- EBITDA for Q4FY26 down by 63.0% YoY and down by 23.7% QoQ at INR 510 Mn (vs CIE est. INR 1,879 Mn). The EBITDA margin stood at 28.6%, contracted by 1,382 bps YoY (vs CIE est. of 38.5%)
- PAT for Q4FY26 down by 58.5% YoY and down by 15.2% QoQ at INR 472 Mn (vs CIE est. INR 1,462 Mn). PAT margin contracted by 849 bps YoY, reaching 26.5% (vs CIE est. 30.0%)

View & Valuation: We maintain a constructive stance on ZEN, balancing strong long-term prospects with near-term execution uncertainties. In light of **inconsistent guidance delivery and limited visibility on order conversion timelines**, we adopt a more conservative valuation approach and **reduce our target multiple to 30x FY28E EPS (vs. 35x earlier)**.

We revise our FY27E and FY28E EPS estimates by **-32.6%** and **+0.1%**, respectively and now expect Revenue/EBITDA/PAT to grow at a CAGR of **67.3%/67.3%/66.0% over FY27–29E**. Based on the revised multiple, we arrive at a **target price of INR 1,850** and maintain our **'BUY'** rating. Our valuation is further in line with a **DCF-based approach (used as a sanity check)**, which yields a similar outcome. We believe **sustained improvement in order inflows and execution consistency** will be key triggers for any future re-rating.

Particulars (INR Mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)
Net Sales (incl OOI)	1,781	3,250	(45.2)	1,778	0.2
Material Exp	400	864	(53.7)	389	2.8
Gross Profit	1,381	2,385	(42.1)	1,389	(0.6)
Manufacturing Exp	124	50	148.0	109	13.8
Employee Exp	385	293	31.4	348	10.6
Other Exp	362	663	(45.4)	264	37.1
EBITDA	510	1,380	(63.0)	668	(23.7)
Depreciation	58	47	23.4	65	(10.8)
EBIT	451	1,332	(66.1)	603	(25.2)
Other Income	227	248	(8.5)	156	45.5
Interest Cost	20	40	(50.0)	27	(25.9)
PBT	658	1,540	(57.3)	732	(10.1)
EO Items	-	-	-	-	-
Tax	172	402	(57.2)	172	-
RPAT	487	1,138	(57.2)	560	(13.0)
APAT	472	1,138	(58.5)	557	(15.3)
Adj EPS (Rs)	4	11	(63.6)	6.1	(34.4)

Margin Analysis	Q4FY26	Q4FY25	YoY (Bps)	Q3FY26	QoQ (Bps)
Gross Margin (%)	77.6	73.4	420	78.1	(50)
Mfg Exp. % of Sales	7.0	1.5	550	6.1	90
Emp Exp. % of Sales	21.6	9.0	1,260	19.6	200
Other Exp. % of Sales	20.3	20.4	(10)	14.9	540
EBITDA Margin (%)	28.63	42.5	(1,387)	37.6	(897)
Tax Rate (%)	26.1	26.1	-	23.5	260
APAT Margin (%)	26.5	35.0	(850)	31.3	(480)

Management Call – Highlights

Long-term margin guidance maintained of 35% at the operational EBITDA level and 25% at the PAT level

Cumulative revenue guidance of INR 4,000 Cr for FY27 and FY28

Hyperstrike Interceptor Drone designed as a cost-effective hard-kill solution against USD 30,000 threat drones like the Shahed

Geopolitical events have created heavy demand for anti-drone technologies and training simulators

Order Book & Revenue Guidance

- Consolidated order book stood at INR 1,336 Cr as of March 31, 2026. Of this, ~INR 1,000 Cr is scheduled for execution in FY27 (primarily in Q2 and Q3), remaining INR 326 Cr represent AMC revenues recognised over time
- Cumulative revenue guidance of INR 4,000 Cr for FY27 and FY28
- Long-term margin guidance maintained of 35% at the operational EBITDA level and 25% at the PAT level
- Bidding Pipeline: ~INR 1,500 Cr in competitive bids and another potential INR 1,000 Cr in single-vendor tenders. The pipeline split is 55% anti-drone systems and 45% simulators

New Product Launches & Innovation

- Hyperstrike: Autonomous, AI-enabled interceptor drone with ~400 km/h speed and ~5-minute loiter time; management expects it to become the largest product within two years, with initial production capacity of ~5,000–15,000 units per shift per month starting this year
- The company has expanded its anti-drone capabilities with a wide 70 MHz–12 GHz frequency range, enabling it to counter drones that dynamically shift frequencies
- Having secured arms and ammunition licenses, the company is developing 30mm smart ammunition with RF-based programming and pre-fragmentation, capable of neutralising drones within a 10x10 meter radius, with manufacturing expected to begin next FY
- Vrishabh: A new unmanned ground vehicle with a 150 kg payload, ~50 km/h speed and ~100 km range, designed for combat logistics, casualty evacuation and weapon integration, with commercial launch targeted by FY27-end
- A cybersecurity suite developed by AnaWave with zero foreign dependency, offering six-layer protection and integration across control centres, ships and aircraft to prevent hacking

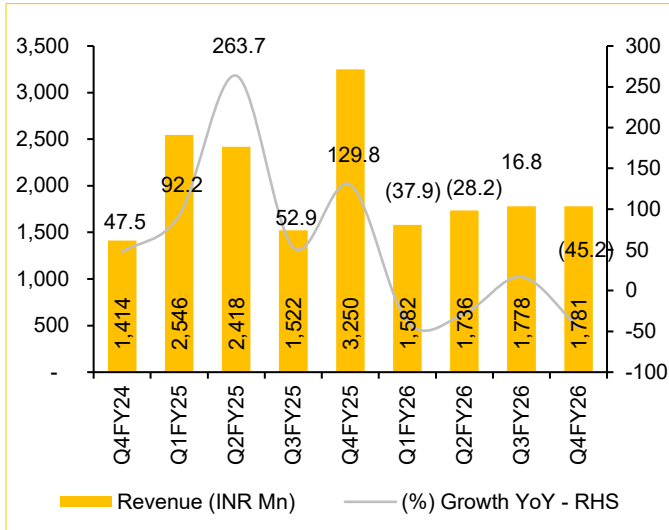
Industry Tailwinds & Strategic Outlook

- Recent geopolitical conflicts are accelerating military preparedness, driving strong demand for anti-drone systems and simulators, while the Indian government's IDDM push supports indigenous defence solutions
- Rising threats at global maritime choke points are driving demand for naval training, with Zen Technologies Limited expanding into naval simulation and targeting export opportunities across South America and Europe.

Subsidiary Performance

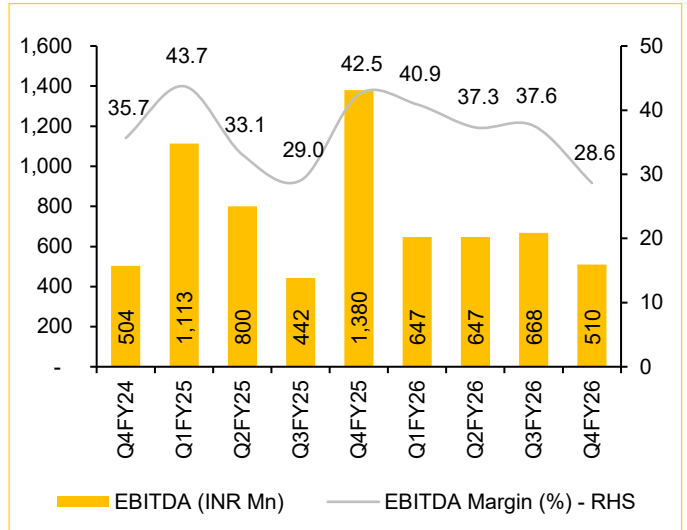
- Subsidiaries contributed ~INR 260 Cr to FY26 revenue, with ARI accounting for ~INR 131 Cr at a 30.3% PAT margin, while UTS reported a PAT margin of 26.5%.
- Management expects ARI and UTS to generate ~INR 365 Cr revenue in FY27E, with ARI scaling to ~INR 300 Cr and UTS to ~INR 150–200 Cr by FY28E.

Revenue down 45.2% on YoY basis



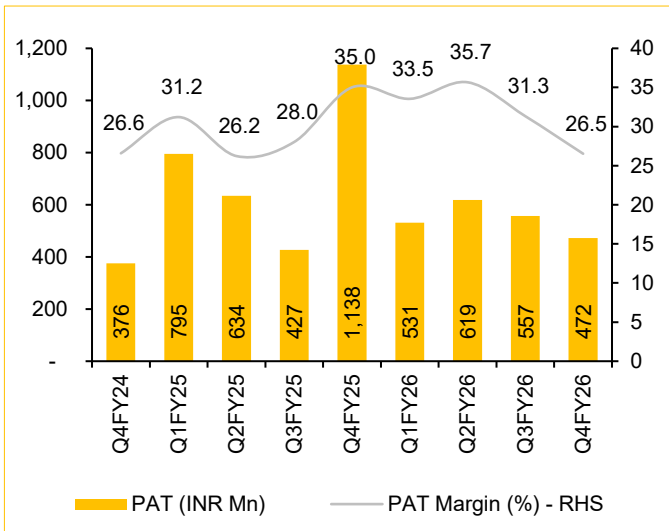
Source: ZEN, Choice Institutional Equities

EBITDA down 63.0% on YoY basis



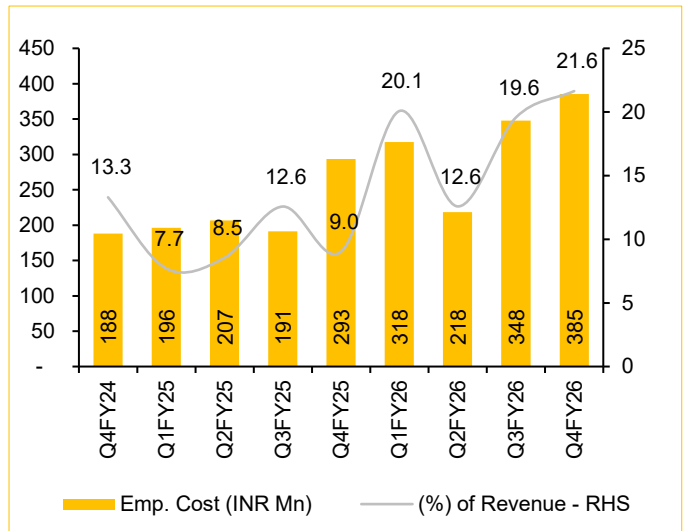
Source: ZEN, Choice Institutional Equities

PAT down 15.2% on YoY basis



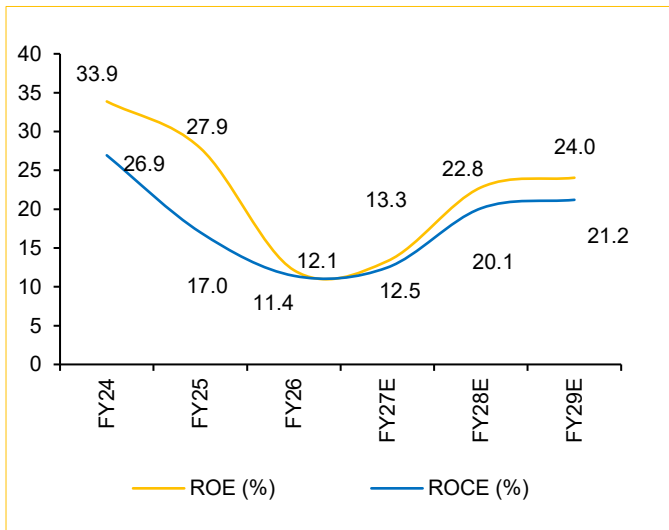
Source: ZEN, Choice Institutional Equities

Employee cost trend



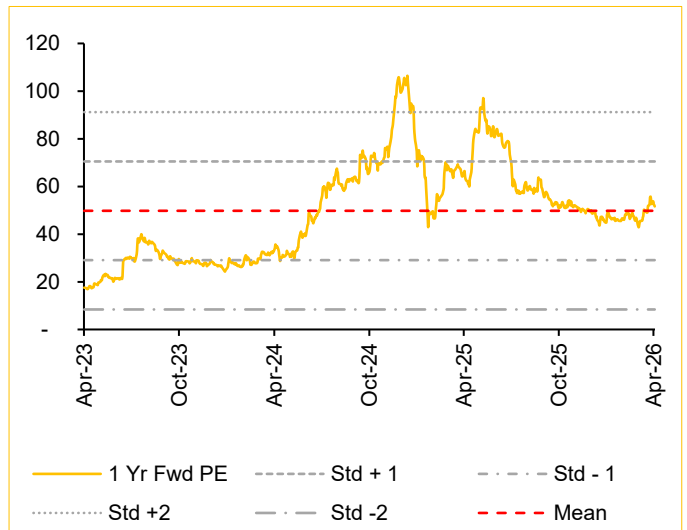
Source: ZEN, Choice Institutional Equities

ROE & ROCE trend



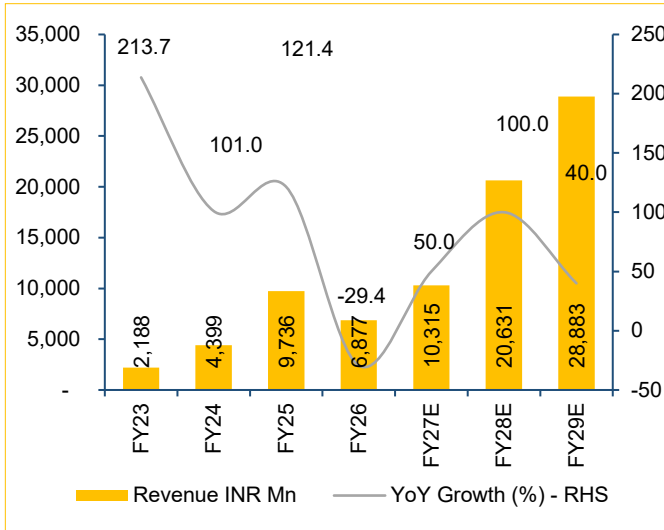
Source: ZEN, Choice Institutional Equities

1-yr forward PE band



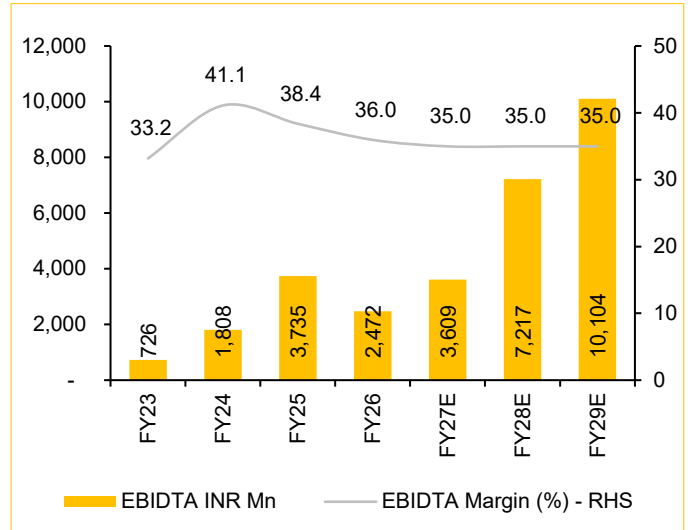
Source: ZEN, Choice Institutional Equities

Rev. expected to expand ~61.3% CAGR over FY26-29E



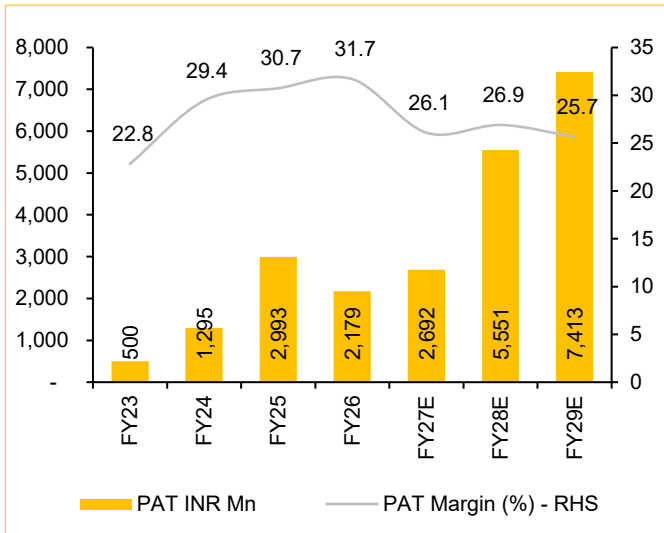
Source: ZEN, Choice Institutional Equities

EBITDA margin trend



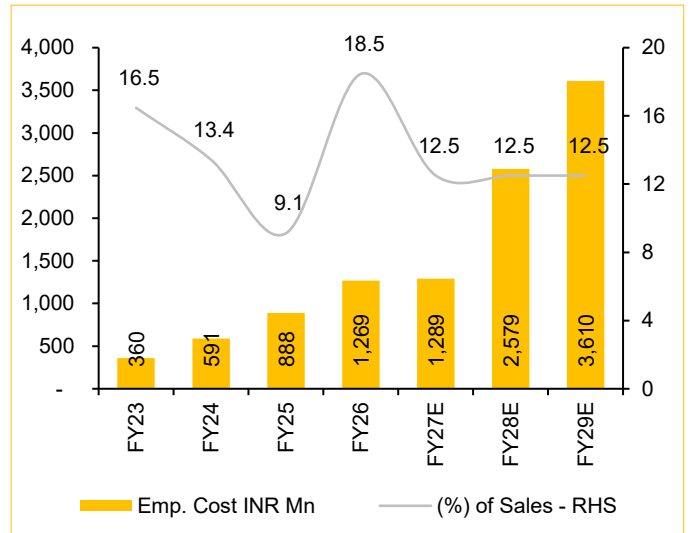
Source: ZEN, Choice Institutional Equities

PAT anticipated to expand ~50.4% CAGR over FY26-29E



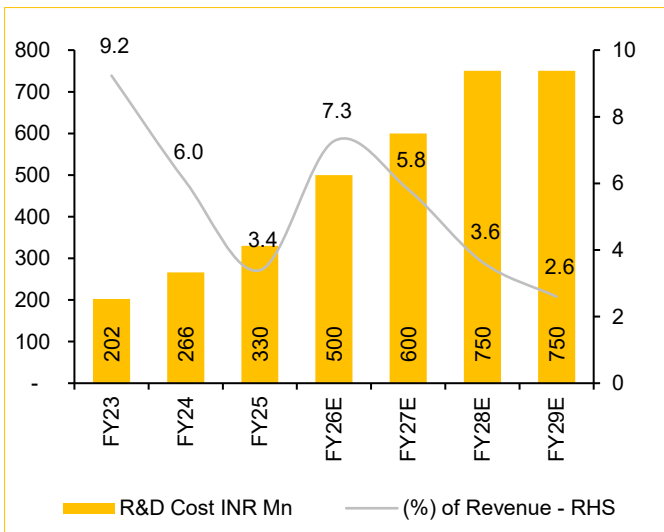
Source: ZEN, Choice Institutional Equities

Employee cost trend



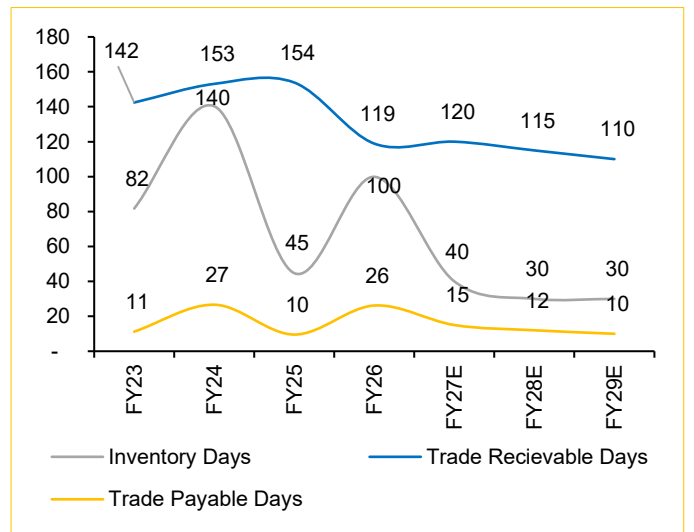
Source: ZEN, Choice Institutional Equities

Strong R&D for futuristic technologies



Source: ZEN, Choice Institutional Equities

Working capital cycle to improve



Source: ZEN, Choice Institutional Equities

Income Statement (INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	9,736	6,877	10,315	20,631	28,883
Gross Profit	6,046	5,222	7,002	14,005	19,607
Other Exp	6,001	4,404	6,707	13,413	18,779
EBITDA	3,735	2,472	3,609	7,217	10,104
Depreciation	154	244	401	469	544
EBIT	4,165	3,083	3,826	7,780	10,427
Interest Expense	104	103	118	136	156
Other Income	584	854	619	1,032	866
Reported PAT	2,993	2,179	2,692	5,551	7,413
EPS	32.1	21.5	29.8	61.5	82.1

Source: ZEN, Choice Institutional Equities

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	121.4	(29.4)	50.0	100.0	40.0
EBITDA	106.6	(33.8)	46.0	100.0	40.0
PAT	131.1	(27.2)	23.5	106.2	33.6
Margins (%)					
Gross Margin	62.1	75.9	67.9	67.9	67.9
EBITDA Margin	38.4	36.0	35.0	35.0	35.0
PAT Margin	30.7	31.7	26.1	26.9	25.7
Profitability (%)					
ROE	27.9	12.1	13.3	22.8	24.0
ROCE	17.0	11.4	12.5	20.1	21.2
Working Capital					
Inventory Days	45	100	40	30	30
Debtor Days	154	119	120	115	110
Payable Days	10	26	15	12	10
Cash Conversion Cycle	189	193	145	133	130
Valuation metrics					
PE (x)	47.6	71.0	51.3	24.9	18.6
EV/EBITDA (x)	36.0	54.4	36.6	18.6	13.2
Price to BV (x)	7.9	7.1	6.2	5.0	3.9

Source: ZEN, Choice Institutional Equities

Balance Sheet (INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	17,007	18,891	21,582	27,133	34,546
Non-controlling Interest	352	600	600	600	600
Long-term Borrowings	402	14	-	-	-
Lease Liabilities	172	97	155	309	433
Other Liabilities & Provisions	118	246	206	410	574
Short-term Borrowings	139	20	-	-	-
Other Current Liabilities	2,300	1,735	1,820	3,394	4,543
Total Liabilities	20,490	21,602	24,363	31,847	40,696
Net Fixed Assets	1,064	1,369	1,407	1,388	1,344
Capital Work in Progress	36	133	309	619	866
Other Non-current Assets	1,349	4,558	6,945	9,420	11,401
Inventories	1,193	1,882	1,130	1,696	2,374
Trade Receivable	4,104	2,240	3,391	6,500	8,704
Cash & Bank Balance	4,006	3,547	6,001	3,723	4,106
Other Current Assets	8,738	7,872	5,179	8,501	11,900
Total Assets	20,490	21,602	24,363	31,847	40,696

Source: ZEN, Choice Institutional Equities

Cash Flow Statement (Consolidated in INR Mn)

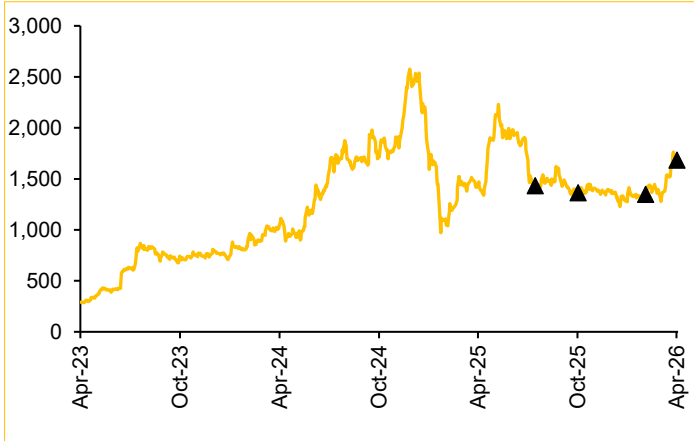
Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	310	2,446	3,170	2,798	3,186
Cash Flows from Investing	(10,004)	(1,615)	(3,002)	(3,235)	(2,728)
Cash Flows from Financing	10,068	(783)	(114)	223	131

Source: ZEN, Choice Institutional Equities

DuPont Analysis (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden	74%	73%	74%	74%	74%
Interest Burden	97%	96%	96%	97%	97%
EBIT Margin	43%	45%	37%	38%	36%
Asset Turnover	0.7	0.3	0.4	0.7	0.8
Equity Multiplier	1.3	1.2	1.1	1.2	1.2
ROE	27.9%	12.1%	13.3%	22.8%	24.0%

Source: ZEN, Choice Institutional Equities

Historical Price Chart: Zen Technologies



Date	Rating	Target Price
August 21, 2025	BUY	2,150
October 28, 2025	BUY	2,150
February 03, 2026	BUY	2,150
May 05, 2026	BUY	1,850

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CHOICE RATING DISTRIBUTION & METHODOLOGY

Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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