

Zen Technologies

Estimate change	↔
TP change	↕
Rating change	↔

Bloomberg	ZEN IN
Equity Shares (m)	90
M.Cap.(INRb)/(USDb)	152.4 / 1.6
52-Week Range (INR)	2024 / 1223
1, 6, 12 Rel. Per (%)	-4/37/-2
12M Avg Val (INR M)	1022

Financials Snapshot (INR b)

Y/E MARCH	FY27E	FY28E	FY29E
Sales	9.9	13.7	17.5
EBITDA	3.6	5.0	6.4
EBITDA Margin (%)	35.9	36.4	36.4
PAT	3.0	4.2	5.3
EPS (INR)	33.6	47.0	58.8
EPS Growth (%)	107.8	40.0	25.1
BV/Share (INR)	235.4	282.4	341.2

Ratios

Net D/E	-0.6	-0.6	-0.6
RoE (%)	15.4	18.2	18.9
RoCE (%)	15.5	18.3	19.0

Valuations

P/E (x)	50.3	35.9	28.7
P/BV (x)	7.2	6.0	5.0
EV/EBITDA (x)	39.9	28.1	21.7

Shareholding pattern (%)

As Of	Jun-26	Mar-26	Jun-25
Promoter	48.5	48.5	49.1
DII	10.4	10.1	8.8
FII	6.9	6.4	6.5
Others	34.2	35.0	35.7

FII includes depository receipts

CMP: INR1,690 **TP: INR1,600 (-5%)** **Neutral**

Execution to improve from 2HFY27

Zen Technologies (ZEN)'s 1QFY27 result was weaker than our estimates due to lower-than-expected execution and higher other expenses, which affected its EBITDA margin. Orders started flowing in from Jul'26, and we expect further inflows from simulator orders worth ~INR7-8b, followed by anti-drone orders. We also expect the execution ramp-up to be largely visible from 2HFY27 owing to the inflows of FY26. The company is continuously adding new capabilities to widen its portfolio of offerings, and going forward, we also expect subsidiaries to witness an improvement in inflows. We largely maintain our estimates and reiterate our Neutral rating on the stock with a TP of INR1,600 based on 30x Sep'28E earnings. Order inflows and improvement in execution will be the key re-rating drivers for the stock going forward.

A weak set of results

ZEN reported a weak set of results with a miss across revenue, EBITDA, and PAT. Revenue declined 7% YoY to INR1b, missing our estimate by 6%. Gross margins surged to 65.7% (55.1% last year) during the quarter vs. our estimate of 55.0%. However, due to a spike in other expenses, EBITDA margin contracted 690bp YoY to 27.4% vs. our estimate of 28.5%. The absolute EBITDA declined 26% YoY to INR282m (9% below our estimates). Lower execution and margin contraction led to a 21% YoY dip in PAT to INR292m vs. our estimate of INR333m. The standalone order book as of the end of 1QFY27 grew 88% YoY to ~INR11.4b, whereas the consolidated order book stood at INR12.4b, indicating subsidiaries' OB of ~INR1b.

Inflow and execution to pick up in 2HFY27

ZEN's consolidated order book stood at INR12.4b as of Jun'26, comprising INR9.2b of equipment orders and INR3.2b of AMC orders. At the standalone level, the order book stood at INR11.4b, with equipment orders of ~INR8.4b (55% anti-drone, 34% simulator), and AMC of ~INR3b. Post quarter-end, the company secured an additional INR1.8b order from the Ministry of Defence for the upgradation and integration of tank and crew gunnery simulators, taking the executable consolidated order book to ~INR14.2b. The company expects to end FY27 with an order book of around INR25b, after factoring in order execution during the year, supported by a healthy pipeline across simulators and anti-drone systems. Simulator orders worth INR7-8b remain in the pipeline, with additional orders expected over the next few months as government procurement gains momentum. The company also reiterated that the current order book has a typical execution cycle of around 12 months, with execution weighted towards 2HFY27. We expect standalone inflows/revenue to clock a CAGR of 32%/60% over FY26-29.

Gradual expansion in export markets

Management expects exports to become a more meaningful growth driver, supported by rising global defense spending and increasing demand for training simulators and anti-drone solutions. The company is expanding beyond its traditional export markets in the Middle East, Africa, Southeast Asia and CIS

countries into North America and Europe, initially through partnerships with established defence contractors before pursuing direct opportunities. The addressable market for the simulator portfolio in the US alone stands at ~USD10b over the next three years, with the company targeting ~USD100m of revenue from the US market by the third year.

Expanding defense capabilities through subsidiaries

Vector Technics, the company's drone propulsion subsidiary, has expanded its manufacturing capacity to approximately 300,000 propulsion units and supplies products to domestic drone manufacturers as well as export customers. Nearly 50% of recent inquiries have originated from overseas markets, including Europe and the US, although industry-wide delays in drone procurement have slowed near-term order inflows. Depending on order conversion, Vector Technics has the potential to generate INR1-3b of annual revenues at current capacity utilization. Separately, ZEN continues to evaluate acquisitions to strengthen its technology portfolio, supported by its debt-free balance sheet, cash balance of around ~INR12.2b, and balance proceeds from the earlier QIP.

Margins affected by cost absorption

The company attributed the lower EBITDA margin during the quarter primarily to negative operating leverage arising from lower revenue absorption of fixed costs, with revenue expected to improve as execution accelerates through the year. Margins were also impacted by the absence of INR77m of provision reversals recorded in 1QFY26, along with higher warranty provisions of INR29m and incremental R&D expenditure of ~INR43m during the quarter. The company reiterated its expectation of achieving a mid-30% EBITDA margin for FY27 as execution scales up over 2QFY27 and 3QFY27.

Broadening solutions across the core and emerging segments

ZEN expects simulators to contribute ~INR20b (50%) of its targeted cumulative revenue of INR40b during FY27-FY28, supported by opportunities across the Army, Navy, and Air Force, including the C-295 flight simulator. Management expects anti-drone procurement to accelerate with fast-track government tenders, while the man-portable anti-drone system remains under armed forces evaluation. Beyond its core businesses, it is also developing an Integrated Smart Border Management System, Hyper-Strike interceptor drones (~20km range), laser-based directed energy weapons, robotics, and autonomous ground vehicles, with these technologies expected to mature over the next 2-3 years and support long-term growth.

Financial outlook

We broadly maintain our estimates and expect revenue/EBITDA/PAT CAGR of 60%/67%/54% over FY26-29E, with an EBITDA margin of ~36% for FY27-29. Subsidiaries' contributions to consolidated numbers are also expected to improve meaningfully over the next two years.

Valuation and view

The stock currently trades at 50.3x/35.9x/28.7x P/E on FY27/28/29E earnings. We **reiterate our Neutral rating on the stock with an unchanged TP of INR1,600, based on 30x Sep'28E earnings.**

Key risks and concerns

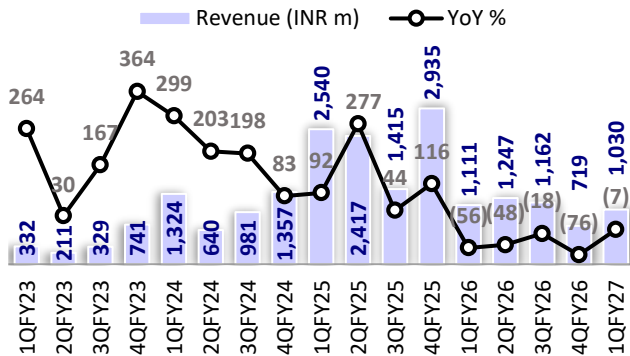
Any slowdown in procurement from the defense industry, especially for simulators, can expose the company to the risk of reduced order inflows and hinder its growth. ZEN is also exposed to foreign currency risk due to its export revenue.

Standalone - Quarterly Earnings
(INR m)

Y/E March	FY26				FY27E				FY26	FY27E	FY27E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Net Sales	1,111	1,247	1,162	719	1,030	2,181	2,776	3,928	4,238	9,916	1,091	(6)
YoY Change (%)	(56.3)	(48.4)	(17.9)	(75.5)	(7.3)	75.0	139.0	446.3	(54.5)	134.0	(1.8)	
Total Expenditure	730	829	636	683	747	1,462	1,846	2,305	2,877	6,360	780	(4)
EBITDA	380	418	526	36	282	720	930	1,624	1,360	3,556	311	(9)
YoY Change (%)	(63.1)	(47.4)	43.2	(96.2)	(25.8)	72.2	76.8	4,427.2	(56.6)	161.4	(18.3)	
Margins (%)	34.3	33.5	45.3	5.0	27.4	33.0	33.5	41.3	32.1	35.9	28.5	
Depreciation	31	33	36	37	47	38	39	32	137	156	37	27
Interest	14	4	10	6	5	8	9	12	34	34	8	(36)
Other Income	199	230	143	200	175	177	177	180	772	709	182	(4)
PBT	535	610	624	192	405	851	1,060	1,759	1,961	4,075	448	(9)
Tax	164	149	145	45	113	218	271	441	502	1,044	115	(1)
Rate (%)	30.6	24.4	23.3	23.2	27.9	25.6	25.6	25.1	25.6	25.6	25.6	
Reported PAT	371	462	478	147	292	633	788	1,318	1,459	3,031	333	(12)
Adj PAT	371	462	478	147	292	633	788	1,318	1,459	3,031	333	(12)
YoY Change (%)	(50.0)	(29.2)	23.8	(82.6)	(21.3)	37.1	64.9	793.6	(44.5)	107.8	(10.3)	
Margins (%)	33.4	37.0	41.2	20.5	28.4	29.0	28.4	33.5	34.4	30.6	30.5	

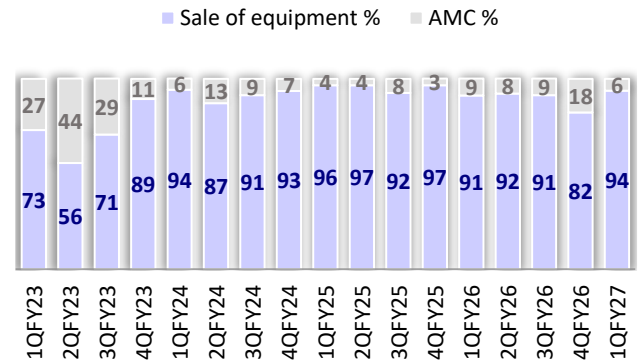
Key Exhibits

Exhibit 1: Total revenue declined 7% YoY on slower-than-expected execution



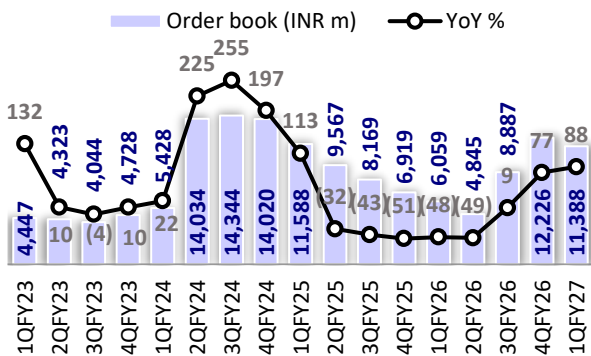
Source: Company, MOFSL

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



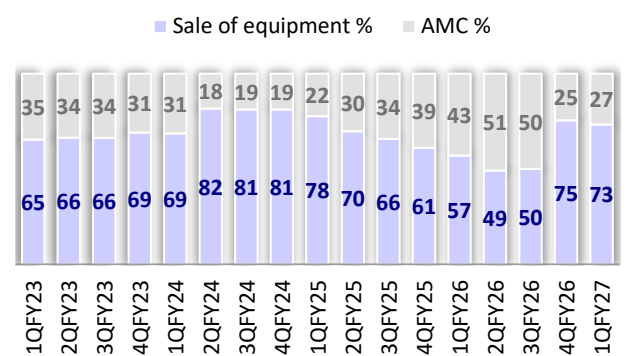
Source: Company, MOFSL

Exhibit 3: Order book jumped 88% YoY on improved ordering during 2HFY26



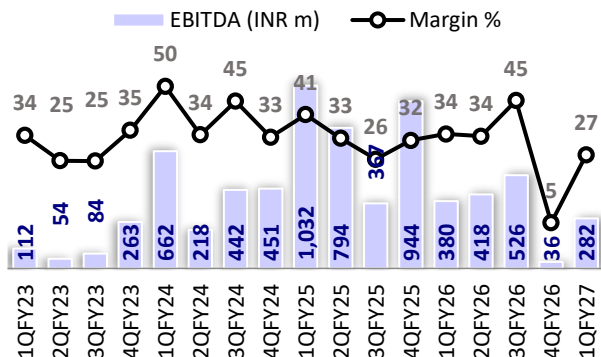
Source: Company, MOFSL

Exhibit 4: Share of equipment in overall order book increased due to ramp-up in inflows during 2HFY26



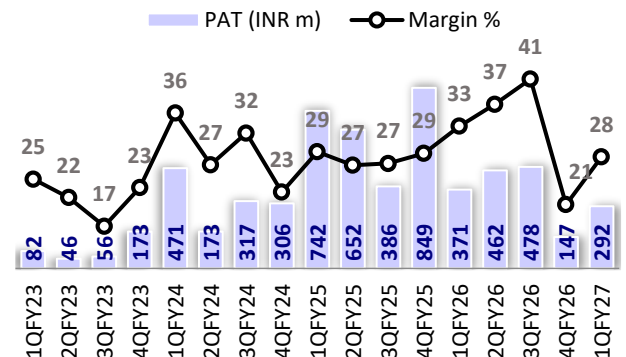
Source: Company, MOFSL

Exhibit 5: EBITDA declined due to fixed cost absorption



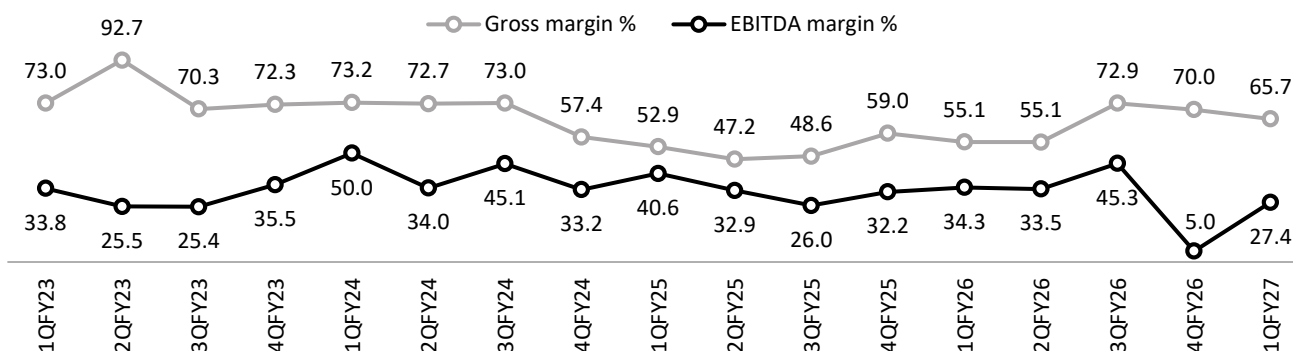
Source: Company, MOFSL

Exhibit 6: PAT declined 21% YoY



Source: Company, MOFSL

Exhibit 7: Gross margin remained strong during the quarter; however, EBITDA margin dipped due to operating leverage from lower revenue absorption of fixed costs, along with higher warranty provisions and increased R&D spending



Source: Company, MOFSL

Exhibit 8: Comparison of key metrics of ZEN on a standalone and consolidated basis

Zen Technologies INR m	1QFY27		
	Standalone	Consolidated	Subsidiaries
Order book	11,388	12,390	1,003
Revenue	1,030	1,416	387
YoY growth (%)	-7.3	-10.5	NM
EBITDA	282	387	105
YoY growth (%)	-25.8	-40.2	NM
Margin (%)	27.4	27.3	27.2
Adj PAT	292	378	86
YoY growth (%)	-21.3	-20.8	NM
Margin (%)	28.4	26.7	22.3

Source: Company, MOFSL

Exhibit 9: Proforma consolidated income statement of ZEN (INR m)

Y/E Mar	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Total Income from Operations	1,493	546	698	2,188	4,399	9,736	6,877	13,267	17,936	22,526
Change (%)	61.9	-63.4	27.7	213.7	101.0	121.4	-29.4	92.9	35.2	25.6
Total Expenditure	866	473	652	1,462	2,591	6,001	4,404	8,371	11,346	14,253
% of Sales	58.0	86.5	93.5	66.8	58.9	61.6	64.0	63.1	63.3	63.3
EBITDA	627	74	46	726	1,808	3,735	2,472	4,896	6,590	8,273
Margin (%)	42.0	13.5	6.5	33.2	41.1	38.4	36.0	36.9	36.7	36.7
Depreciation	46	50	48	61	97	154	244	279	334	392
EBIT	582	24	-3	666	1,711	3,581	2,229	4,618	6,256	7,881
Int. and Finance Charges	33	11	15	41	23	104	103	135	160	185
Other Income	19	30	54	72	149	584	854	810	1,061	1,193
PBT bef. EO Exp.	567	44	36	697	1,837	4,061	2,980	5,293	7,157	8,889
EO Items	0	0	3	-20	-24	0	9	0	0	0
PBT after EO Exp.	567	44	33	717	1,862	4,061	2,971	5,293	7,157	8,889
Total Tax	-19	16	7	218	566	1,067	787	1,397	1,882	2,336
Tax Rate (%)	-3.4	36.4	21.0	30.3	30.4	26.3	26.5	26.4	26.3	26.3
Share of P/L from JV and MI	-1	-3	6	72	16	191	268	304	363	437
Reported PAT	588	31	20	427	1,279	2,802	1,916	3,592	4,912	6,116
Adjusted PAT	588	31	23	407	1,255	2,802	1,925	3,592	4,912	6,116
Change (%)	341.4	-94.7	-27.2	1,698.8	208.0	123.3	-31.3	86.6	36.8	24.5
Margin (%)	39.4	5.7	3.2	18.6	28.5	28.8	28.0	27.1	27.4	27.2

Source: Company, MOFSL

Exhibit 10: ZEN's subsidiaries and their offerings



Source: Company

Financial outlook

Exhibit 11: We expect revenue to grow going forward, driven by higher order inflows

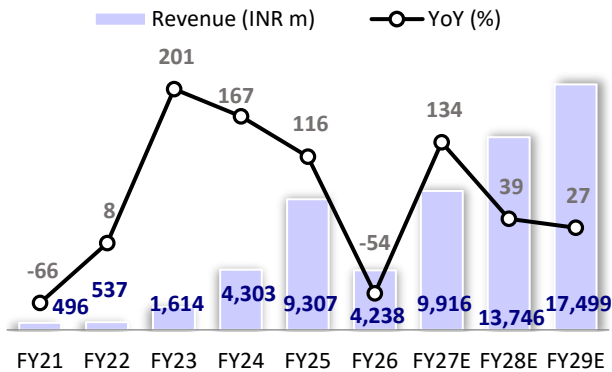


Exhibit 12: We expect gross margin to remain at comfortable levels of ~60%

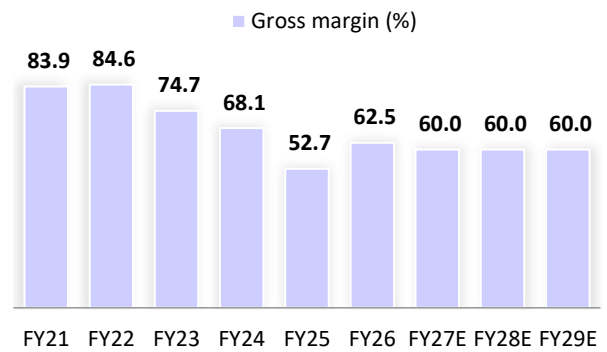


Exhibit 13: We expect EBITDA margin to remain at ~36%

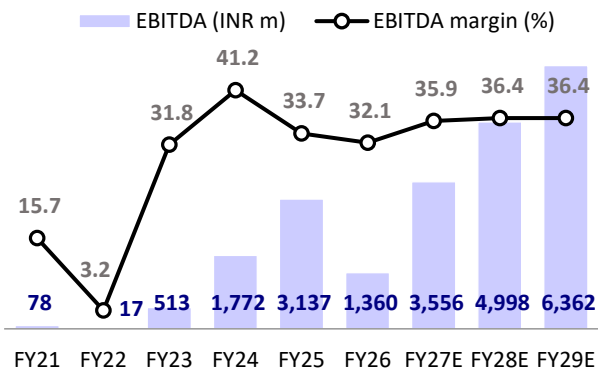


Exhibit 14: We expect PAT CAGR of ~54% over FY26-29

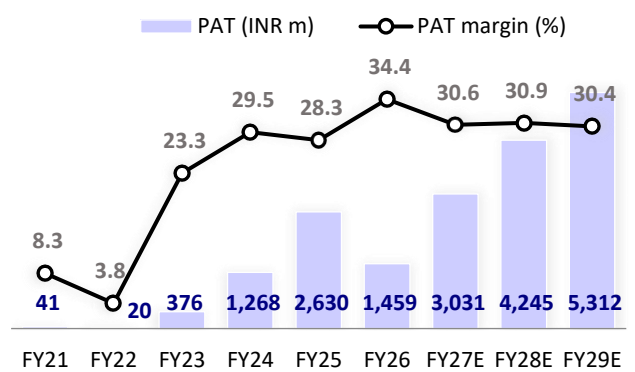


Exhibit 15: OCF and FCF to be lumpy over the years

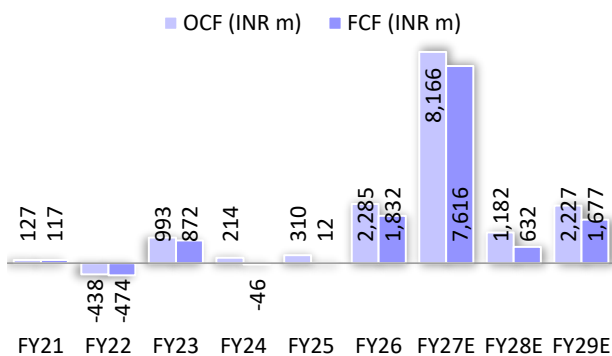


Exhibit 16: We expect RoE/RoCE to be at ~15-19%

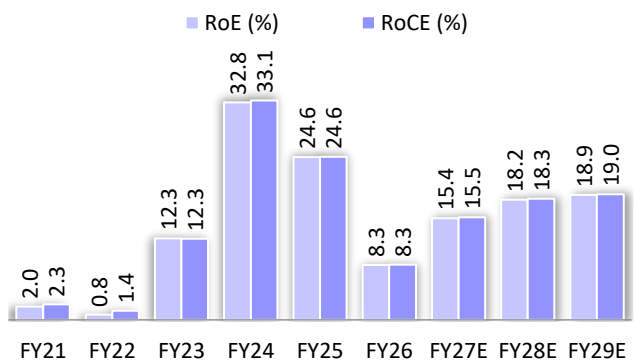
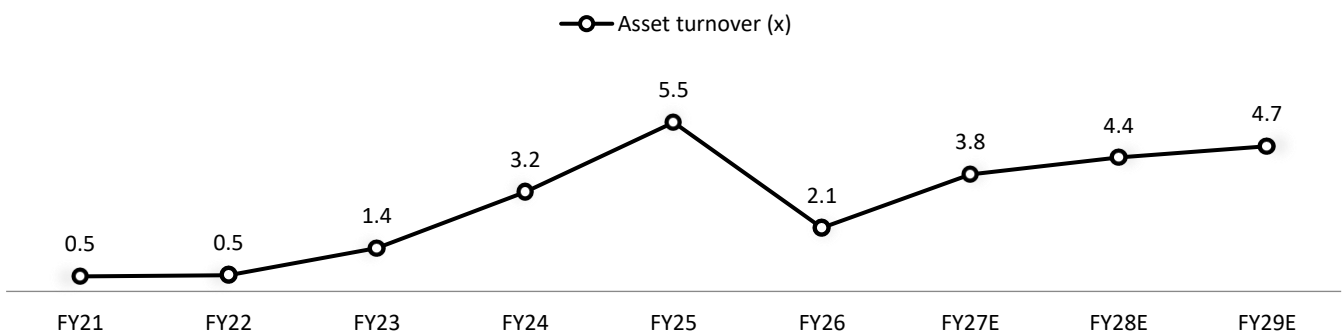


Exhibit 17: With an improved product mix, we expect the asset turnover ratio to improve beyond FY26



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E Mar	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Total Income from Operations	1,470	496	537	1,614	4,303	9,307	4,238	9,916	13,746	17,499
Change (%)	59.4	-66.3	8.4	200.6	166.5	116.3	-54.5	134.0	38.6	27.3
Raw Materials	390	80	83	408	1,373	4,402	1,589	3,966	5,498	6,999
Gross Profit	1,080	416	454	1,206	2,930	4,904	2,649	5,949	8,247	10,499
Employee Cost	167	127	148	228	432	570	562	645	825	1,050
Other Expenses	278	211	289	465	726	1,197	726	1,749	2,425	3,087
Total Expenditure	834	418	520	1,102	2,530	6,169	2,877	6,360	8,748	11,136
% of Sales	56.7	84.3	96.8	68.2	58.8	66.3	67.9	64.1	63.6	63.6
EBITDA	636	78	17	513	1,772	3,137	1,360	3,556	4,998	6,362
Margin (%)	43.3	15.7	3.2	31.8	41.2	33.7	32.1	35.9	36.4	36.4
Depreciation	38	40	37	44	73	101	137	156	192	229
EBIT	599	38	-20	469	1,699	3,036	1,223	3,400	4,805	6,133
Int. and Finance Charges	32	10	14	20	18	94	34	34	34	34
Other Income	19	29	53	91	139	578	772	709	935	1,042
PBT bef. EO Exp.	586	57	19	539	1,820	3,520	1,961	4,075	5,706	7,141
EO Items	-1	0	-2	14	-24	0	0	0	0	0
PBT after EO Exp.	587	57	20	525	1,844	3,520	1,961	4,075	5,706	7,141
Total Tax	-20	16	-2	163	552	890	502	1,044	1,461	1,829
Tax Rate (%)	-3.3	27.8	-7.9	31.0	29.9	25.3	25.6	25.6	25.6	25.6
Reported PAT	606	41	22	362	1,292	2,630	1,459	3,031	4,245	5,312
Adjusted PAT	605	41	20	376	1,268	2,630	1,459	3,031	4,245	5,312
Change (%)	214.4	-93.2	-50.5	1,753.7	237.0	107.3	-44.5	107.8	40.0	25.1
Margin (%)	41.2	8.3	3.8	23.3	29.5	28.3	34.4	30.6	30.9	30.4

Standalone - Balance Sheet

(INR m)

Y/E Mar	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Equity Share Capital	77	80	80	80	84	90	90	90	90	90
Total Reserves	1,910	2,052	2,837	3,112	4,447	16,800	18,129	21,161	25,405	30,718
Net Worth	1,988	2,132	2,917	3,192	4,531	16,890	18,220	21,251	25,496	30,808
Minority Interest	0	0	0	0	0	0	0	0	0	0
Total Loans	9	9	123	59	0	522	0	0	0	0
Deferred Tax Liabilities	-203	-206	-201	-134	63	2	29	29	29	29
Capital Employed	1,794	1,935	2,839	3,117	4,595	17,414	18,249	21,280	25,525	30,837
Gross Block	995	1,012	1,016	1,142	1,326	1,689	2,050	2,600	3,150	3,700
Less: Accum. Deprn.	351	391	425	468	541	642	767	923	1,115	1,344
Net Fixed Assets	644	621	591	674	785	1,047	1,283	1,677	2,035	2,355
Goodwill on Consolidation	0	0	0	0	0	0	0	0	0	0
Capital WIP	0	0	25	19	107	70	151	151	151	151
Total Investments	159	241	243	243	263	2,185	2,839	2,839	2,839	2,839
Curr. Assets, Loans & Adv.	1,128	1,169	2,517	3,394	6,029	15,452	15,070	18,041	22,480	28,012
Inventory	104	86	142	411	1,334	510	839	544	754	959
Account Receivables	444	174	196	662	1,691	3,784	1,317	4,032	5,589	7,115
Cash and Bank Balance	185	333	761	1,472	1,422	2,741	2,228	10,519	12,052	14,737
Loans and Advances	299	563	1,404	812	1,564	8,404	10,617	2,933	4,066	5,176
Other Current Asset	96	13	15	36	17	13	68	14	20	25
Curr. Liability & Prov.	138	95	538	1,213	2,589	1,340	1,094	1,428	1,980	2,520
Account Payables	111	78	520	1,190	2,559	1,309	1,058	1,395	1,934	2,462
Other Current Liabilities	16	17	18	23	0	0	0	0	0	0
Provisions	10	1	0	0	31	31	36	33	46	59
Net Current Assets	990	1,074	1,979	2,181	3,440	14,112	13,976	16,613	20,500	25,492
Appl. of Funds	1,793	1,935	2,839	3,117	4,595	17,414	18,249	21,280	25,525	30,837

Financials and valuations

Ratios										
Y/E Mar	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Basic (INR)										
EPS	6.7	0.5	0.2	4.2	14.0	29.1	16.2	33.6	47.0	58.8
Cash EPS	7.1	0.9	0.6	4.7	14.9	30.2	17.7	35.3	49.1	61.4
BV/Share	22.0	23.6	32.3	35.4	50.2	187.1	201.8	235.4	282.4	341.2
DPS	0.4	0.1	0.1	0.2	1.0	2.0	1.0	0.0	0.0	0.0
Payout (%)	5.1	19.4	39.2	4.2	6.6	6.9	6.2	0.0	0.0	0.0
Valuation (x)										
P/E	252.0	3,720.6	7,514.5	405.4	120.3	58.0	104.6	50.3	35.9	28.7
Cash P/E	237.3	1,885.6	2,648.3	363.1	113.7	55.9	95.6	47.9	34.4	27.5
P/BV	76.8	71.6	52.3	47.8	33.7	9.0	8.4	7.2	6.0	5.0
EV/Sales	103.7	307.1	282.8	93.6	35.1	16.2	35.5	14.3	10.2	7.9
EV/EBITDA	239.6	1,961.6	8,831.8	294.7	85.3	47.9	110.5	39.9	28.1	21.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0
FCF per share	6.9	1.3	-5.2	9.7	-0.5	0.1	20.3	84.3	7.0	18.6
Return Ratios (%)										
RoE	35.6	2.0	0.8	12.3	32.8	24.6	8.3	15.4	18.2	18.9
RoCE	33.4	2.3	1.4	12.3	33.1	24.6	8.3	15.5	18.3	19.0
RoIC	42.2	1.9	-1.4	20.3	56.9	29.8	7.2	24.3	39.2	38.7
Working Capital Ratios										
Fixed Asset Turnover (x)	1.5	0.5	0.5	1.4	3.2	5.5	2.1	3.8	4.4	4.7
Asset Turnover (x)	0.8	0.3	0.2	0.5	0.9	0.5	0.2	0.5	0.5	0.6
Inventory (Days)	26	64	96	93	113	20	72	20	20	20
Debtor (Days)	110	128	133	150	143	148	113	148	148	148
Creditor (Days)	28	57	353	269	217	51	91	51	51	51
Leverage Ratio (x)										
Current Ratio	8.2	12.3	4.7	2.8	2.3	11.5	13.8	12.6	11.4	11.1
Interest Cover Ratio	18.8	3.8	-1.4	23.1	92.3	32.2	35.7	99.1	140.1	178.8
Net Debt/Equity	-0.2	-0.3	-0.3	-0.5	-0.4	-0.3	-0.3	-0.6	-0.6	-0.6

Standalone - Cashflow Statement										(INR m)
Y/E Mar	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
OP/(Loss) before Tax	586	57	19	539	1,844	3,520	1,961	4,075	5,706	7,141
Depreciation	38	40	37	44	73	101	137	156	192	229
Interest & Finance Charges	23	-15	-30	-48	12	59	9	34	34	34
Direct Taxes Paid	-114	-28	-12	-87	-321	-984	-560	-1,044	-1,461	-1,829
(Inc)/Dec in WC	111	74	-452	537	-1,405	-2,005	1,409	5,654	-2,354	-2,306
CF from Operations	643	127	-439	985	204	691	2,956	8,875	2,117	3,269
Others	1	0	1	8	10	-381	-671	-709	-935	-1,042
CF from Operating incl EO	644	127	-438	993	214	310	2,285	8,166	1,182	2,227
(Inc)/Dec in FA	-23	-10	-36	-121	-260	-298	-453	-550	-550	-550
Free Cash Flow	622	117	-474	872	-46	12	1,832	7,616	632	1,677
(Pur)/Sale of Investments	-26	-82	-3	-25	-42	-1,922	-658	0	0	0
Others	-62	-84	-393	119	-518	-8,177	-524	709	935	1,042
CF from Investments	-110	-176	-432	-27	-820	-10,397	-1,635	159	385	492
Issue of Shares	0	0	0	0	0	9,802	0	0	0	0
Inc/(Dec) in Debt	-154	-1	865	-64	-58	507	-518	0	0	0
Interest Paid	-32	-5	-9	-16	-12	-44	-13	-34	-34	-34
Dividend Paid	-23	-32	-8	-8	-17	-90	-180	0	0	0
Others	-5	134	25	-97	26	-7	8	0	0	0
CF from Fin. Activity	-214	97	873	-184	-62	10,169	-703	-34	-34	-34
Inc/Dec of Cash	321	47	3	782	-668	82	-53	8,291	1,533	2,685
Opening Balance	-225	96	144	147	929	261	342	2,228	10,519	12,052
Other Bank Balances	89	189	614	543	1,161	2,398	1,939	0	0	0
Closing Balance	185	333	761	1,472	1,422	2,741	2,228	10,519	12,052	14,737

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UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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