

THE WAY IS IN THE TRAINING



being there...

ZEN TECHNOLOGIES LIMITED



THE WAY IS IN THE TRAINING



Zen (zen) n. [[Jpn <Chin ch'an, ult. <Sans dhyāna, thinking, meditation]] a sect of Buddhism, seeks to attain an intuitive illumination of mind and spirit through meditation.

- FROM WEBSTER'S NEW WORLD DICTIONARY

being there...

Our training simulators project situations realistically. The combat situations are patterned in such a way that the trainee benefits immensely. It is said that the best training is actual combat experience in a battlefield. Zen simulators artificially duplicate the actual combat scenarios so realistically that personnel trained get the feeling of actually **being there...**





Our products

Zen has been at the forefront of applying new technologies and developing new products and is actively involved in the indigenisation of technologies, which are helpful for security forces in India and other friendly countries.

Defence

- 81mm Mortar Integrated Simulator
- Zen Advanced Weapons Simulator (Zen AWeSim®)
- Air-to-Ground Firing Range Scoring System
- Zen Integrated Air Defence Combat Simulator (IADCS)
- Zen Anti-Aircraft Air Defence Simulator (Zen 3ADS)
- Zen Anti-Tank Guided Missile Simulator (Zen ATGM® Sim)
- Zen Armour Combat Training System (ZEN ACTS™)
- Zen Artillery Forward Observers Simulator (Zen ArtyFOS)
- Zen Automatic Grenade Launcher Simulator (Zen AGL Sim)
- Zen Infantry Combat Vehicle Driving Simulator (Zen BMP II DS)
- Zen BMP II Integrated Missile Simulator (Zen BMP II IMS)
- Zen Carrier Mortar Tracked Simulator (Zen CMT Sim)
- Zen Combat Training Centre (Zen CTC)
- Zen Combat Training Simulation System (Zen CTSS)
- Zen Containerised Indoor Shooting Range (Zen CISR)
- Zen Containerised Tubular Shooting Range (Zen CTSR)
- Zen Driver Aptitude Testing System (ZEN DATS™)
- Zen Driving Training Simulator (ZEN DTS®)
- Zen Hand Grenade Simulator (Zen HE36S®)
- Zen Infantry Weapons Training Simulator (Zen IWTS®)
- Zen Master Control Station for Live-Firing Ranges (Zen MCS)
- Zen Medium Machine Gun Simulator (Zen MMG Sim)
- Zen Multi-Functional Target System (Zen MFTS®)
- Zen Robotic Targets
- Zen Rotary Wing Simulator (Zen RWS)
- Zen ShootEdge®
- Zen Shoot House for Live and Simulated Indoor Tactical Training
- Zen Small Arms Training Simulator - Stand Alone (Zen SATS® SL)
- Zen Smart Target System (ZEN STS®) - LOMAH®
- Zen Tactical Engagement Simulator (Zen TacSim®)
- Zen TacSim® with Indoor Tracking System (ITS)
- Tank Simulators
 - Tank Targets
 - T72 Crew Gunnery Simulator
 - T72 Tank Driving Simulator
 - T72 Tank Gunnery Simulator
 - T90 Crew Gunnery Simulator
 - T90 Tank Driving Simulator
 - T90 Tank Gunnery Simulator

- Zen Tank Zeroing System (Zen TZS)
- Zen UAV Mission Simulator (Zen UAV Sim)
- Zen War Gaming Solutions (Zen WGS)

Homeland security

- Zen 81 mm Mortar Integrated Simulator (Zen 81 mm MIS)
- Zen Advanced Weapons Simulator (Zen AWeSim®)
- Zen Air-to-Ground Firing Range Scoring System
- Zen Artillery Forward Observers Simulator (Zen ArtyFOS)
- Zen Automatic Grenade Launcher Simulator (Zen AGL Sim)
- Zen Carrier Mortar Tracked Simulator (Zen CMT Sim)
- Zen Combat Training Centre (Zen CTC)
- Zen Containerised Indoor Shooting Range (Zen CISR)
- Zen Containerised Tubular Shooting Range (Zen CTSR)
- Zen Driver Aptitude Testing System (ZEN DATS™)
- Zen Driving Training Simulator (ZEN DTS®)
- Zen Hand Grenade Simulator (ZEN HE36S®)
- Zen Master Control Station for Live-Firing Ranges (Zen MCS)
- Zen Medium Machine Gun Simulator (Zen MMG Sim)
- Zen Multi-Functional Target System (Zen MFTS®)
- Zen Robotic Targets
- Zen Rotary Wing Simulator (Zen RWS)
- Zen ShootEdge®
- Zen Shoot House for Live and Simulated Indoor Tactical Training
- Zen Small Arms Training Simulator - SL (Zen SATS® SL)
- Zen Smart Target System (ZEN STS®) - LOMAH®
- Zen Tactical Engagement Simulator (Zen TacSim®)
- Zen TacSim® with Indoor Tracking System (ITS)
- Zen UAV Mission Simulator (Zen UAV Sim)

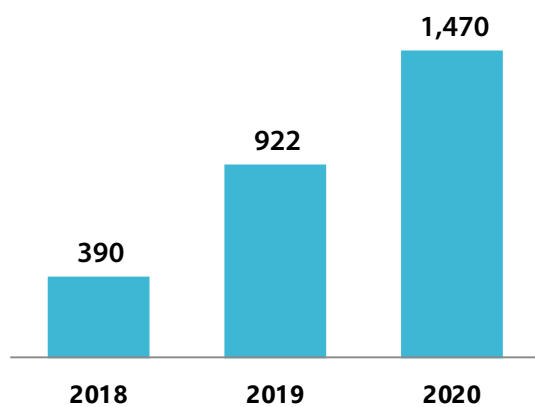
Driving

- Zen Automated Driving Simulator (ZEN ADS™)
- Zen Driving Simulator (Zen DS)
- Zen Bus Driving Simulator (Zen BusSim)
- Zen Driver Aptitude Testing System (ZEN DATS™)
- Zen Driving Training Simulator (ZEN DTS®)
- Zen Tatra Driving Simulator (Zen TDS)

Performance of the Company at a Glance

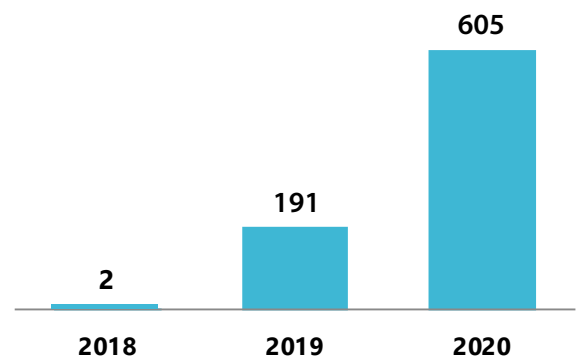
SALES

Figures in INR Millions



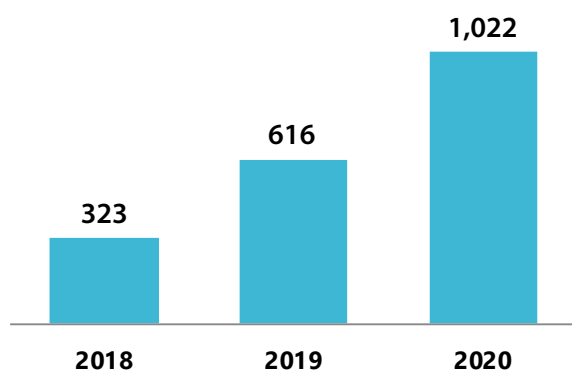
PAT

Figures in INR Millions



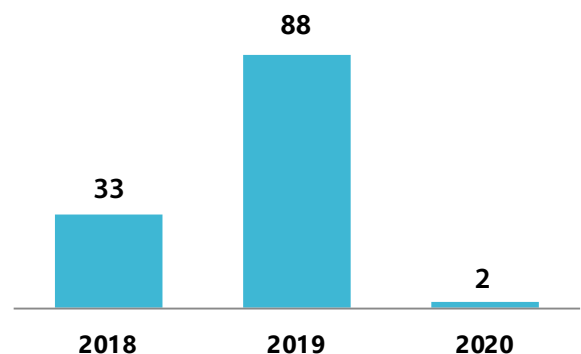
GROSS MARGINS

Figures in INR Millions



LONG TERM DEBT

Figures in INR Millions





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Chairman's Letter to Fellow Shareholders

27 Years of Service to Nation

Dear Fellow Shareholders

The financial year 2019-20 witnessed phenomenal growth and delivered historically highest turnover, profitability and cash inflows for your Company and it has become debt free. Amidst such immense enthusiasm, last week of the financial year started with series of lock downs posing serious challenges and disruption in commutation, logistics and operations of the Company. The silver lining in such turbulence has been Modi Government's direction to the Government departments to expedite payments due to MSME. As a result, the payments from Ministry of Defence accelerated and your Company could build up adequate cash reserves to cushion the impact of the pandemic. This crucial action from the Central Government has saved thousands of MSMEs from a certain financial ruin.

Overview

The Wuhan-originated Chinese COVID Pandemic has disturbed geopolitical equations causing threat of wars and need of increasing defence, training and security. The pandemic has also caused significant unrest and regrouping of anti-national forces world-wide. For handling such anti-national forces Governments will need to spend considerable resources on training. Currently, COVID-19 has refocused the efforts of the State Governments and Foreign Governments in to a crisis fighting mode to arrest the pandemic. In the short-term, this has delayed the orders that we were expecting from overseas customers and state Governments.

The Government's stance and inclination towards procurement of indigenous systems remains very strong. Indian IDDM (Indigenously Designed, Developed and Manufacturing) policy change will provide the much-needed push. The scenario of very large foreign purchases which used to drain the defence budgets, leaving very little on the table for Indian players is likely to considerably change with Hon'ble Defence Minister's announcement of a list of 101 items which will be exclusively procured from domestic defence industry. The list includes 9 simulators which are designed, developed and manufactured by your Company. The central government's this policy support will immensely benefit Indian defence industry including your Company.

Positioning

Over the years, Zen has focused on security training solutions niche that is core to the security preparedness of any country – few meters wide and a mile-deep positioning, which is in contrast to the inch-

deep and mile-wide strategy of other Defence players. For almost three decades, we have adhered to the Zen philosophy of 'Less is More'. Having established ourselves deeply in training solutions for defence forces, Zen is now ready to explore non-training segments. In addition to adjacent defence segment it also includes non-defence segments like medical devices. We have conviction that medical devices is a field in which your Company can establish itself well. As usual, it will be a convex bet - small investment with a potential upside which is very huge. To ensure that such a venture doesn't dilute our current efforts and prospects, the medical devices venture will be a distinct and separate effort.

With full support from the management, we hope that medical devices industry will be a faster and predictable and sustainable revenue generator and our venture into this field will be very fruitful.

COVID-19: Opportunity in Crisis

COVID-19 has expanded the thinking within your Company. Almost all key employees did few online courses to deepen the understanding of the theoretical underpinning for the work we do. This has resulted in better understanding and the team coming to the same page. Also, we have done innovations in marketing that has improved our customer reach significantly. While our revenues may take a temporary dip, our optimism is at its highest today. We expect big orders to materialize in the coming months, especially after the COVID-19 panic is over.

COVID-19 has completely reinforced, the once optional, but now almost mandatory work option: Work-from-home. Or the more aggressive, work-from-anywhere. For knowledge workers this will become the new 5-day week. Companies that don't offer WFH will have to forego a huge talent pool. Companies like Zen, that do extremely sensitive work, are finding it challenging to give WFH to some employees. However, newer technologies are helping us realise what was till now thought impossible. As of now, we are in transition, and expect to make some progress during the year.

While the Government announced a slew of measures to delay the pain of MSMEs, your Company did not need to take advantage of restructuring of loans, or moratorium on repayments offered by the banks. In fact, one long-term loan which your Company availed was prepaid and foreclosed out of internal accruals. Your Company has become Zero debt. We have seen that some banks have become very predatory in nature and are asking for their pound of flesh even during



these trying times. Given the fact, that primary creation of wealth happens only in industries (and farms), the attitude towards MSMEs is baffling. It is said, only where the businesses and industries are revered, the country flourishes.

Capitalism is the cure for many ills that befall a country. Crony capitalism and socialism, two sides of the same coin (those closer to power get all the benefits), are the cause of many ills the country is facing today.

Presently your Company doesn't have any fund-based debt on the books. Financially, your Company is on very sound footing and can withstand many storms. The question of raising funds will be examined by doing a cost benefit analysis. Only long-term raise - debt or equity - makes sense for Zen. This will be primarily to fund aggressive expansion overseas, marketing, R&D, and foray into non-training segments.

Customer Value

Zen provides value to the customer by stressing *"The more you sweat in peace, the less you bleed in war."* Relentless training, not only for war, but in every other segment, is the surest way to win. The value of Zen's training solutions has been tested repeatedly. Proof: the same customers keep coming back to us asking for more training solutions - for the last 27 years. We hope to create deeper connections with the customers in the forthcoming years and hope to create and sustain a win-win situation.

Global Market

Due to COVID, the export market has slowed down but the conversations continue with the customers. Due to COVID related stress, Governments are trying to cut down their budgets on training. This is creating huge opportunities for your Company. The existing players are being asked to renegotiate the prices down, and many players are refusing the re-negotiation. This is creating a vacuum that can be filled by Zen, which offers high-quality yet reasonably priced solutions. The ticket size of some of these opportunities is expected to be very big. We expect some significant orders from overseas customers during the year. The support from the Indian Govt continues to be very encouraging for export opportunities.

Your Company continues to focus on the growing opportunities arising out of India, the Middle East, CIS and Africa. Besides, the Company is engaging with small countries where solutions like Combat Training Centres (CTC) are being welcomed. Combat Training Centres are big-ticket scalable solutions which include everything from basic soldier training up to a full-fledged war. These effective CTCs can be achieved by providing superior technologies at a price point acceptable to customers. One of the roadblocks for such proposals is usually the upfront payment that is required from the customers. To overcome it, Your Company is approaching the customer with very

attractive financing options including EXIM bank to export defence training solutions from India. The Company expects ride the wave of growing global credibility of Indian Defence vendors, with active Indian government support.

Indian Market

The usual delays that plague the Indian market now have a scapegoat also - COVID-19. Some state Govts have used their security modernisation fund for tackling COVID and are awaiting fresh fund allocation. We do see that the funds are coming and some of the customers are going ahead with their acquisition plans. Overall, we expect the normalcy to return by FY21-22.

IP-Play

The world of products has a spectrum of products - from pure hardware to pure software. By pure hardware, I mean, hardware with no IP content, like nuts and bolts, where the bill of materials is almost equivalent to the selling cost with very slim margin. And, on the other end of the spectrum, take cloud-based software, where the bill of materials and true variable costs are almost zero, and the sales are all contribution. Your Company is attractively placed towards the software end of the spectrum. Most of the hardware that we need to supply to the customers, though designed and prototyped in-house, is outsourced for manufacturing. Therefore, the plant & machinery investment required for incremental orders is negligible. Over the years, the Company has strengthened its business around such asset-lightness. This approach makes it possible to ramp up its production with reasonable flexibility without a corresponding increase in the capex. The Company's business growth has been facilitated by a robust eco-system of component and sub-system vendors in and around Hyderabad. More than 85 per cent of the Company's manufacturing can be outsourced, thus transforming a fixed cost into a variable expense. Besides, this dependable eco-system has adequate spare capacity, making it possible for the Company to accept large orders while promising aggressive delivery schedules.

Annuity Revenue Stream

Our niche market is distinguished by its lumpy revenues. At Zen, we recognise that such lumpiness can severely impact company's liquidity when order inflows are low. Over the years, the Company has strengthened revenues derived from annual maintenance contracts. These AMC contracts provide the Company with annuity revenues. While only a subset of customers enter into AMC contracts, they can potentially generate revenues upto 120 per cent of the initial product revenue. Lifecycle of a product is between 10- to 15-years. Ideal situation for the company would be when the AMC would cover the fixed costs. We expect to reach this situation by FY22. In addition, we at Zen have been relentless at eliminating unnecessary costs and spending more on profit generating avenues.

Optimism

The global addressable market of more than US\$ 8 bn with a relatively few high-quality players ensures that your Company has a large sustainable business opportunity. As the world invests more in training and preparedness, preferring eco-friendly and effective methodologies over crude and environment destructive training methodologies, the market for our products has immense potential. The performance of the company for FY19-20 has been the best so far, both in terms of top-line and bottom-line in line with the last year's letter however due to global pandemic COVID-19 we expect the coming quarters to be subdued but for Long-term, your Company is very positive and optimistic.

We are thankful to all the stakeholders for reposing confidence into the Company's business model and its management.

Ashok Atluri
Chairman and Managing Director
Zen Technologies Limited



INFORMATION

CIN	L72200TG1993PLC015939	
Board Of Directors	Mr Ashok Atluri (DIN: 00056050)	- Chairman and Managing Director & Chief Financial Officer
	Mr Midathala Ravi Kumar (DIN: 00089921)	- Whole Time Director
	Mr Venkat Samir Kumar Oruganti (DIN: 06699271)	- Independent Director
	Ms Sridevi Madati (DIN: 02446610)	- Independent Director (retired w.e.f. May 28, 2020)
	Mr Amreek Singh Sandhu (DIN: 08064880)	- Independent Director
	Dr Ravindra Kumar Tyagi (DIN: 01509031)	- Independent Director
	Dr Ajay Kumar Singh (DIN: 08532830)	- Independent Director (Co-opted w.e.f. November 02, 2019)
	Ms Sirisha Chintapalli (DIN: 08407008)	- Independent Director (Co-opted w.e.f. August 08, 2020)
President	Mr Kishore Dutt Atluri	
Company Secretary	CS Hansraj Singh Rajput	
Registered Office	B-42, Industrial Estate Sanathnagar, Hyderabad-500018, Telangana, INDIA CIN: L72200TG1993PLC015939 Phone: +91- 40 - 23813281, 23812894 Fax: +91- 40 – 23813694 Email id: info@zentechnologies.com Website: www.zentechnologies.com	
Statutory Auditors	M/s. Ramasamy Koteswara Rao and Co LLP Chartered Accountants Hyderabad (Appointed w.e.f. June 28, 2019)	
Secretarial Auditors	M/s. P. S. Rao & Associates Company Secretaries Hyderabad	
Internal Auditors	M/s. NSVR & Associates LLP Chartered Accountants Hyderabad	
Banker	HDFC Bank Limited	
Registrar and Share Transfer Agents	KFin Technologies Private Limited (formerly known as Karvy Fintech Private Limited) Unit: Zen Technologies Limited Selenium Tower B, Plot No 31 & 32 Gachibowli, Financial District, Nanakramguda Serilingampally Mandal, Hyderabad – 500 032 Phone: +91 -40 - 67161605 Fax: + 91- 40 - 23001153 Email id: einward.ris@kfintech.com	
Listed With	BSE Limited, Mumbai (BSE) National Stock Exchange of India Limited, Mumbai (NSE)	