

## Company Name: Zen Technologies

BSE CODE: 533339

NSE CODE: ZENTECH

Sector: Aerospace/Defence

Industry: Defence

**CMP (Rs): 937 | Buy Range: 920-940 | Target Price: 1145 | Potential Upside: 22%**
**Duration of Recommendation: 8 - 12 months**

### Company Data

Market Cap (Rs Cr)	7,890
Enterprise value (Rs Cr)	7,734
52-Week High/Low (Rs)	1130/297
EPS (TTM) (Rs)	15.20
P/E Ratio (x) TTM	62.6
Industry PE (x)	60.6
EV/EBITDA (x) TTM	39
P/PB (x) TTM	17.5

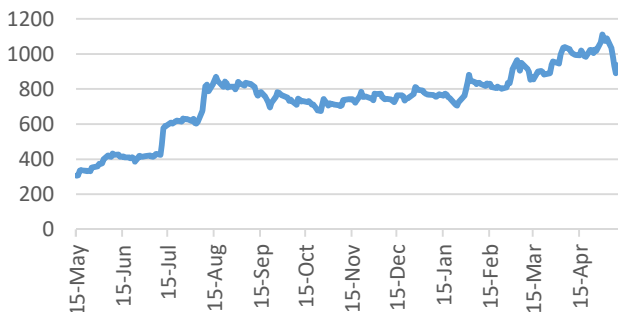
Shareholding %	Q2FY24	Q3FY24	Q4FY24
Promoters	57.07	55.07	55.07
FII's	4.84	4.65	3.84
DII's	0.15	3.09	3.31
Public	36.8	36.42	37.15
Others	0.76	0.76	0.76
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Pledged	0.00	0.00	0.00

### Financial Performance (Consolidated)

INR (Cr)	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>219</b>	<b>440</b>	<b>616</b>	<b>924</b>
Growth (%)	213.8%	101.0%	40.0%	50.0%
EBITDA	73	181	203	314
EBITDA growth	0.0%	149.0%	12.4%	54.5%
EBITDA margin	33.2%	41.1%	33.0%	34.0%
<b>Net Profit</b>	<b>50</b>	<b>130</b>	<b>191</b>	<b>286</b>
Profit growth	10.4%	10.4%	47.4%	50.0%
Profit margins	22.8%	29.4%	31.0%	31.0%
EPS	6.3	15.4	22.7	34.1
BVPS	39.5	53.4	74.6	105.3
P/E (x)	46.2	61.4	41.6	27.8
P/BV(x)	8.3	17.7	12.7	9.0
ROE (%)	14.4%	33.6%	35.4%	37.9%
RoCE	20.8%	38.0%	38.0%	38.0%
EV/EBITDA(x)	33.93	42.56	37.86	24.50

Source: Company, Share India Securities

### Price Performance



Share India Securities | Retail Research

**Our Recommendation:** ZTL's focus on innovation has led to new opportunities, particularly in anti-drone technology & training through simulation. This positions the company well to capitalize on emerging markets. We expect strong future performance driven by domestic production, a solid order backlog, & efficient execution. At CMP, the stock is trading at 27.6x of its FY26EPS. We value the stock at P/E of 33x of FY26 EPS. **We recommend BUY in price range of 920-940 with target price of 1145 (based on 33x FY26EPS) with potential upside 22%.**

**About Company:** Zen Technologies Limited designs, develop, & manufacture combat training solutions, drones, & Counter-drone solutions for defense forces & paramilitary and state police forces. Company has applied for over 112 patents, of which 27 have been granted. It has shipped more than 1,000 training systems around the world. Company's **Product Portfolio** includes Training Simulation Equipment, Counter-Drone Solutions, & Annual Maintenance Contract(AMC).

### Investment Rationale:

**Strong order book brings earning visibility going forward:** The company's unexecuted order book stood at Rs. 1402 crores as on March 31, 2024, which is 3.2 times of the FY24 net revenue with Rs. 103.4 crores new deal wins in fourth quarter that give revenue visibility over the coming few quarters.

**Favorable industry dynamics:** India's defense industry is really important for the country. India spends a lot on its military and has the second biggest army globally. The Indian government wants the country to rely more on itself, so they've been giving a lot of support to the defense industry lately. They've introduced different plans and programs to make more defense stuff within the country and sell it to other countries too. Ban on importing of drones in 2022 was the right step in

**Consistent Financial Performance:** Revenue has grown at a CAGR of 37% over FY19-24 period from Rs. 92 crores in FY19 to Rs. 440 crores in FY24. EBITDA has grown at a CAGR of 60.5% during FY19-24 from Rs. 17 to Rs. 181 crores. Operating margins have improved from 18% to 41%. PAT has grown at a CAGR of 27% from Rs. 13 crores in FY19 to Rs. 130 crores in FY24. Company's ROE/ROCE are 33.5%/38% respectively in FY24. Company is almost debt free with with D/E at 0.01%.

### Strong Q4FY24 Results:

- ❖ Consolidated Revenue/EBITDA/PAT up by 47.5%/43%/61% YoY to Rs. 141/50/38 crores respectively.
- ❖ EBITDA margins fell marginally by 100 bps to 35.7% YoY from 36.7%.
- ❖ On QoQ basis, Revenue/EBITDA/PAT increased by 42.1%/18.6%/26%.

**Key Risks:** Any change in procurement policy by Govt, competition threat from big private players like Adani Defence, Bharat Forge, and BEL.

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