

ZEN TECHNOLOGIES LIMITED

22nd AGM PRESENTATION

SATURDAY

26 SEPTEMBER 2015

9.30 A.M.

REGISTERED OFFICE

Expectations from the Government



- New Govt has Done a Lot Already! Still we need...
- Changes in DPP
- Increase the Indigenous Content 40%+
- Prioritize and then procure 1. indigenously designed, developed and manufactured defence weapons and systems
- Then procure items that are 2. manufactured under ToT (licensed or bought-out)
- And only then 3. Import equipment only

#DesignDevelop&MakeInIndia



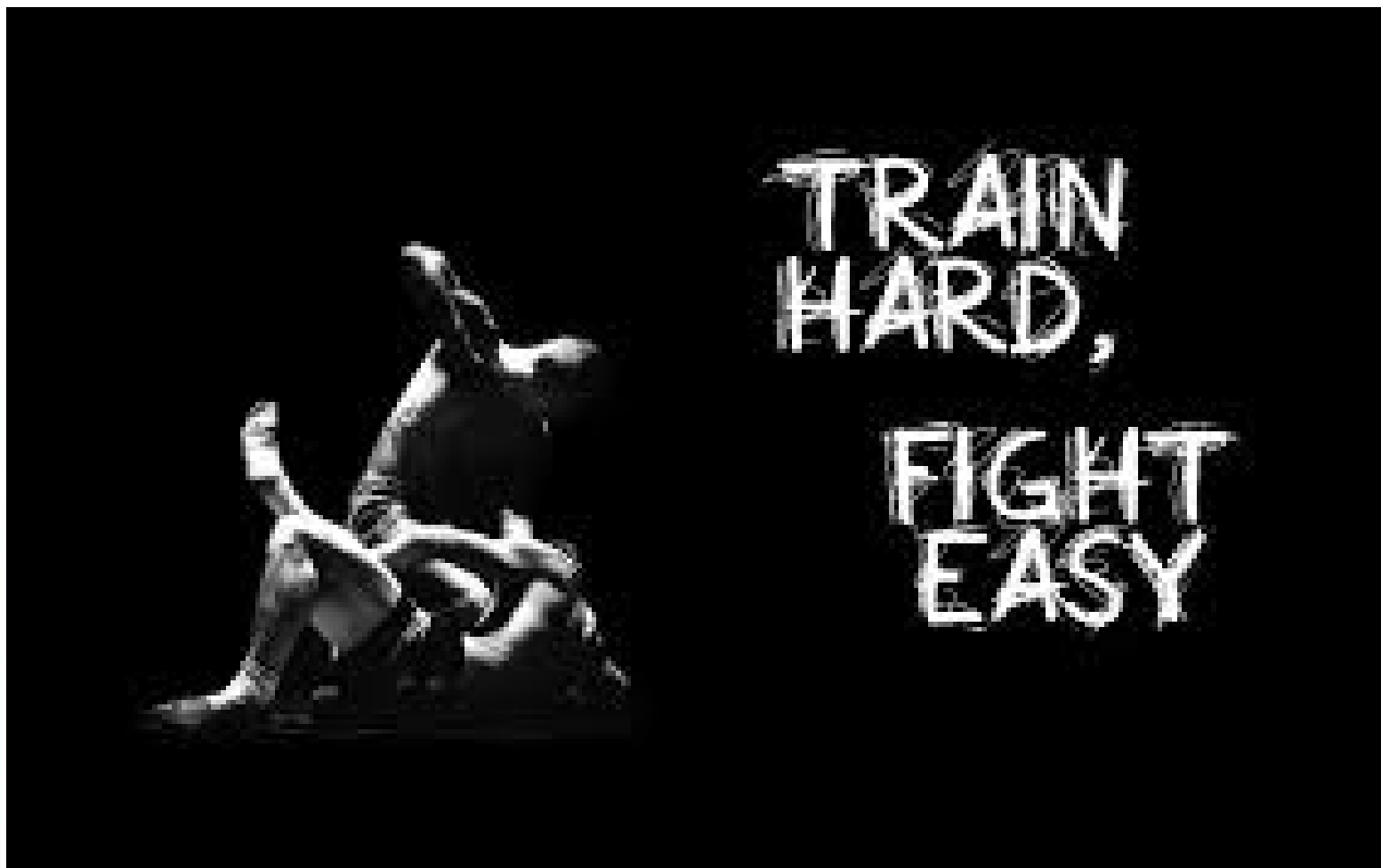
- Not just #MakeInIndia – should be #DesignDevelop&MakeInIndia
- Owning key technologies in strategic areas
- Encourage indigenous development of sophisticated software, complex algorithms, technology etc
- Genuine global leadership for Indian products in some defence segments
- No Cost, (but) Full Commitment – basis
- Promote export of Indian defence equipment

RISKS AND CONCERNS

- More players entering the field of simulation
- No commitment from the end-users
- Definite expenditure
- No promise of matching income
- Government policy – Recent changes in DPP – right direction
- Performance guarantee to our clients
- Dependence on Government
- High R & D Costs
- Stricter user acceptance and marketing costs
- Long receivables and unpredictability of earnings

DISCLAIMER

Certain statements in this release concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, intense competition, political instability and general economic conditions affecting our industry. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.



Creating Value – From Customer's View



- Training is a Necessity
- Conventional Training Costs Lots of Time and Money – Small Arms, ATGM, Tank Sims
- Can we save both? And yet be more effective?
- Eg:- Tank Simulators
- Testimonial
- Combat Training Centres

Zen's Business Model

- Simulator as a product
- Simulator – Annual Maintenance Contract
- Simulator – As A Service?

Strategy: ...Being Different

- No Reselling...Only Creating;
- Only Training and Simulation
- NIH Syndrome
- Only Import Substitute Products
- Only Big Elephants
 - Complex Technology – Software, Mechanical Engg, & Electronics
 - Min Market Size
- Best-in-the-Class After Sales Support

Organization: To Achieve the Strategy



- Org Structure to Match The Strategy & Reality
- R&D
- CSD
- Marketing
- Production

ZEN'S COMPETITIVE ADVANTAGES – R&D

- 40% of staff in R&D - 97/243
- 23% of staff in Customer Support – 57/243
- FY14: R&D Exp: Rs 20.66 Cr on revenues of Rs 46Cr?
- CRO vs Real R&D – IP Ownership?
- Source code, algorithms, mechanical designs, electronic circuit designs
- Patents?
- 30+ Simulators
- In-House R&D Recognition by Govt. of India Since 1998

ZEN'S COMPETITIVE ADVANTAGES

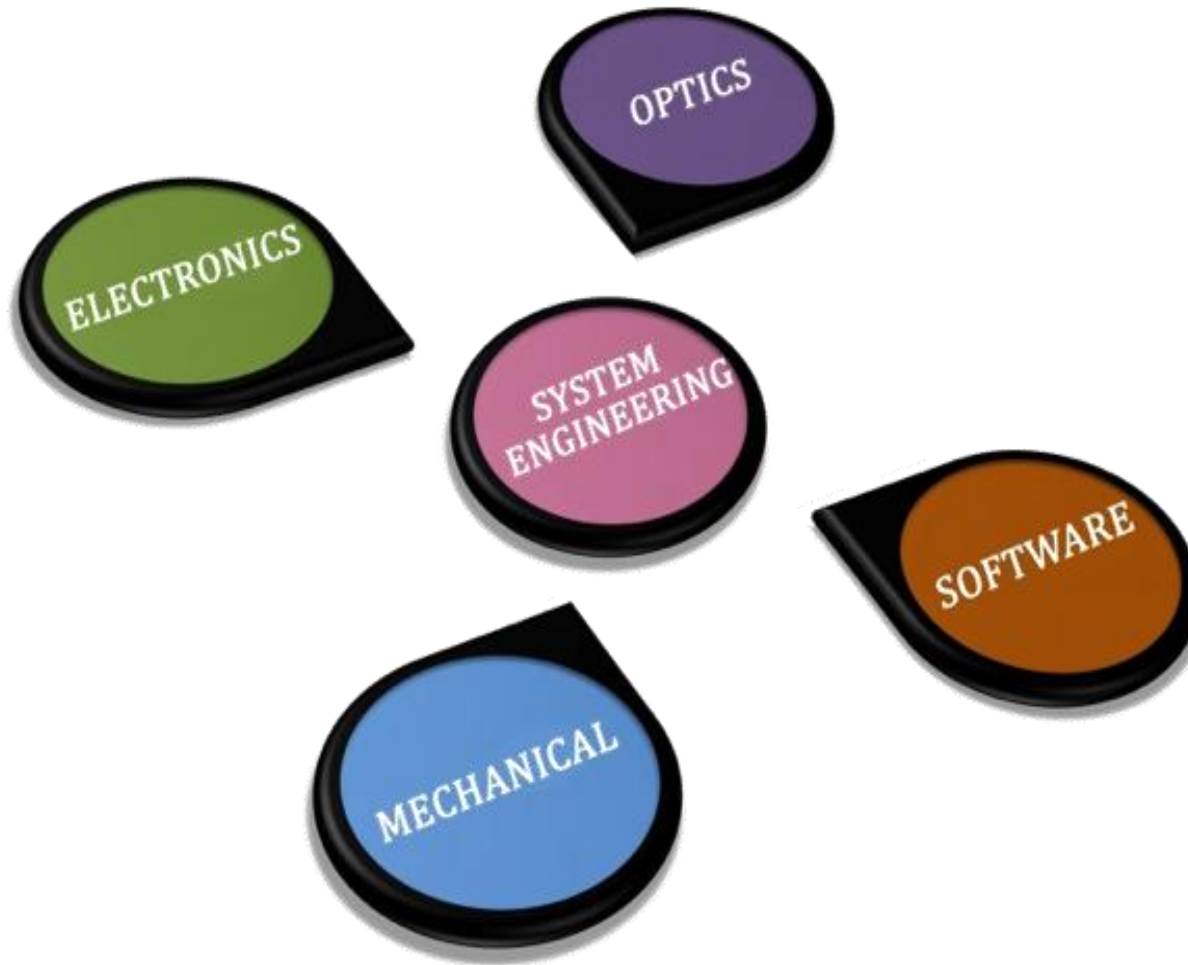


- **Ability to Realize a Simulator Fast – Libraries/Deep Competence**
- **Process**
- **Indian Customers –100% Repeat Police/Defence Customers**
- **22+ Years Track Record**
- **Prototypes Ready for Upcoming Requirements**
- **#MakeInIndia Stress by GoI**

ZEN'S COMPETITIVE ADVANTAGES



Core Competencies



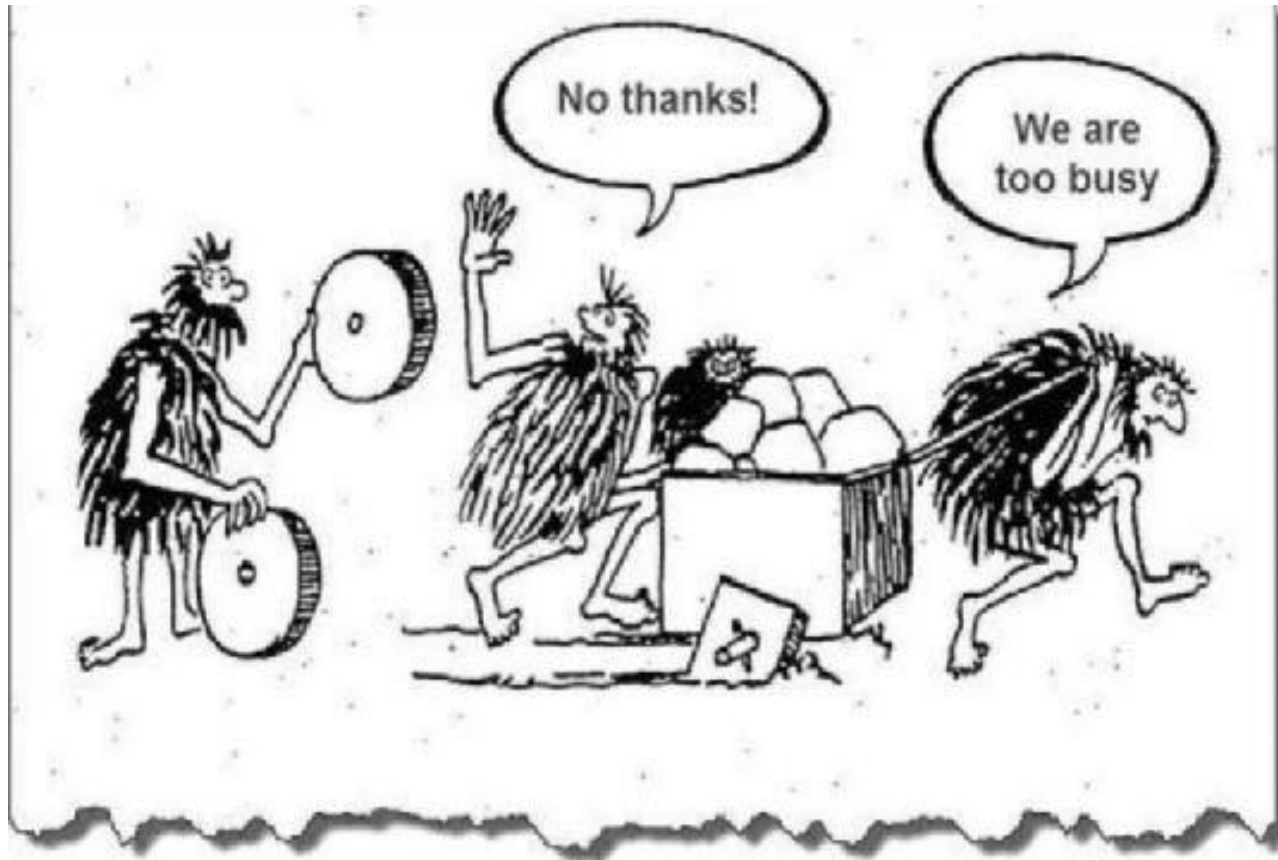
Zen's Growth – Product Development (Ansoff)

	Existing Product	New Product
Existing Market	Market Penetration	Product Development
New Market	Market Development	Diversification

COMPETITION

- **Cubic Defense**
- **Israeli OEMs/Cos**
- **Large Private Indian Cos and DPSUs**
- **Meggitt**
- **Rheinmetall**
- **Russian OEMs**
- **Saab**
- **Thales**

Innovation and Uncertainty



Betting on the Future

- R&D – 5 to 7 years timeline!
- Depriving Today for a Better Tomorrow?
- We are the beneficiaries of Yesterday.
- Not Huge Budgets when Compared to Opps



Innovation has nothing to do with how many R&D dollars you have. When Apple came up with the Mac, IBM was spending at least 100 times more on R&D. It's not about money. It's about the people you have, how you're led, and how much you get it.

(Steve Jobs)

izquotes.com

The Numbers Please...

“What day is it?” asked Pooh?

“It's today”, squeaked Piglet.

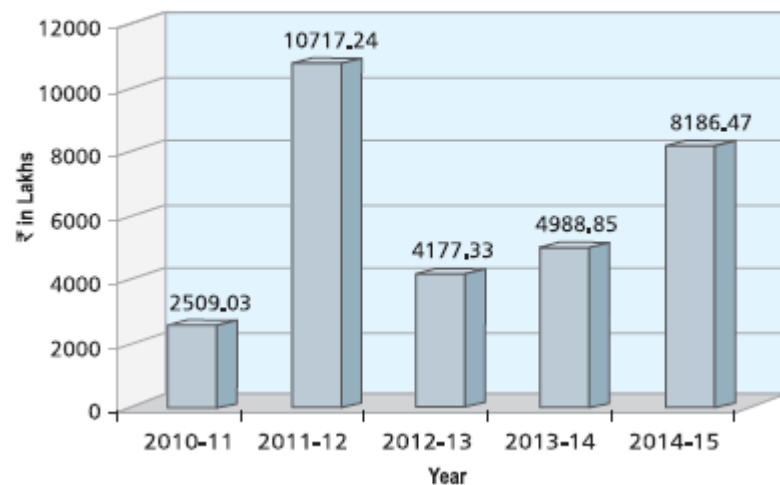
“My favorite day” said Pooh.



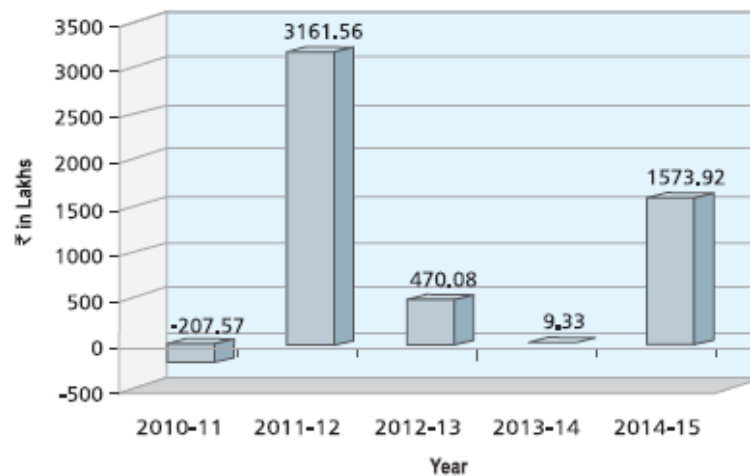


being there...

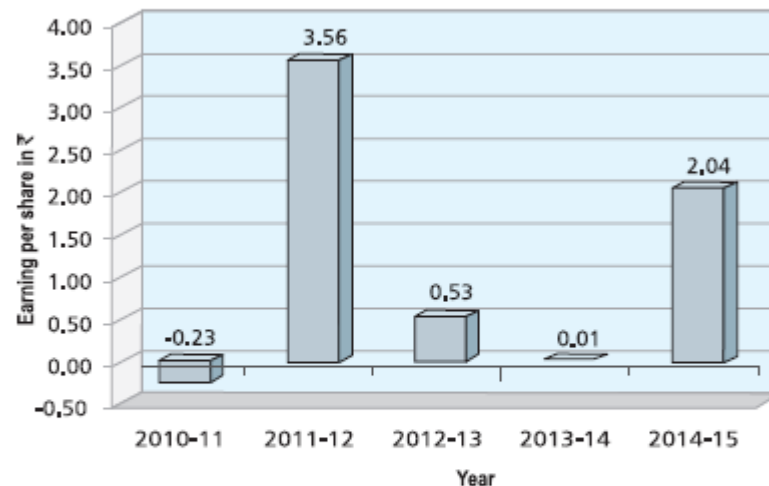
Total Income



Profit after Tax

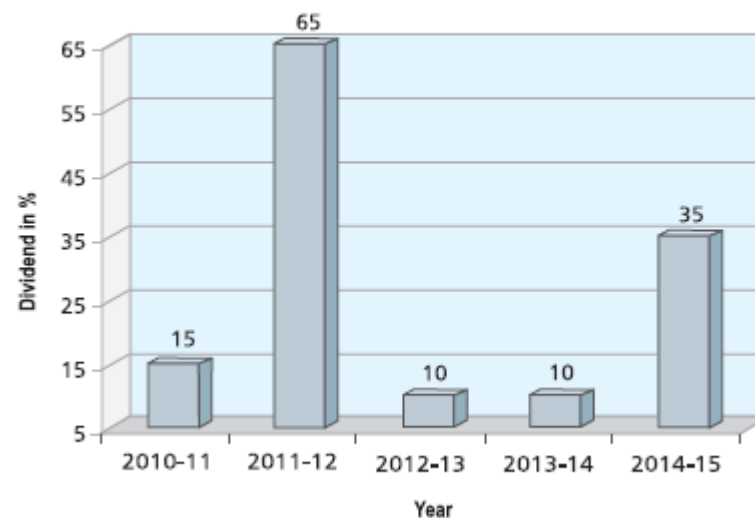


EPS



Note - During the year 2014-15, the Company has sub-divided each Equity Share of face value of ₹ 10/- (Rupees Ten only) as existing on the Record Date (24 November 2014) into 10 (Ten) Equity Shares of face value of ₹ 1/- (Rupee One only) each fully paid-up, with effect from the Record Date. Accordingly, per share information reflects the effect of subdivision retrospectively for the earlier reporting periods.

Dividend

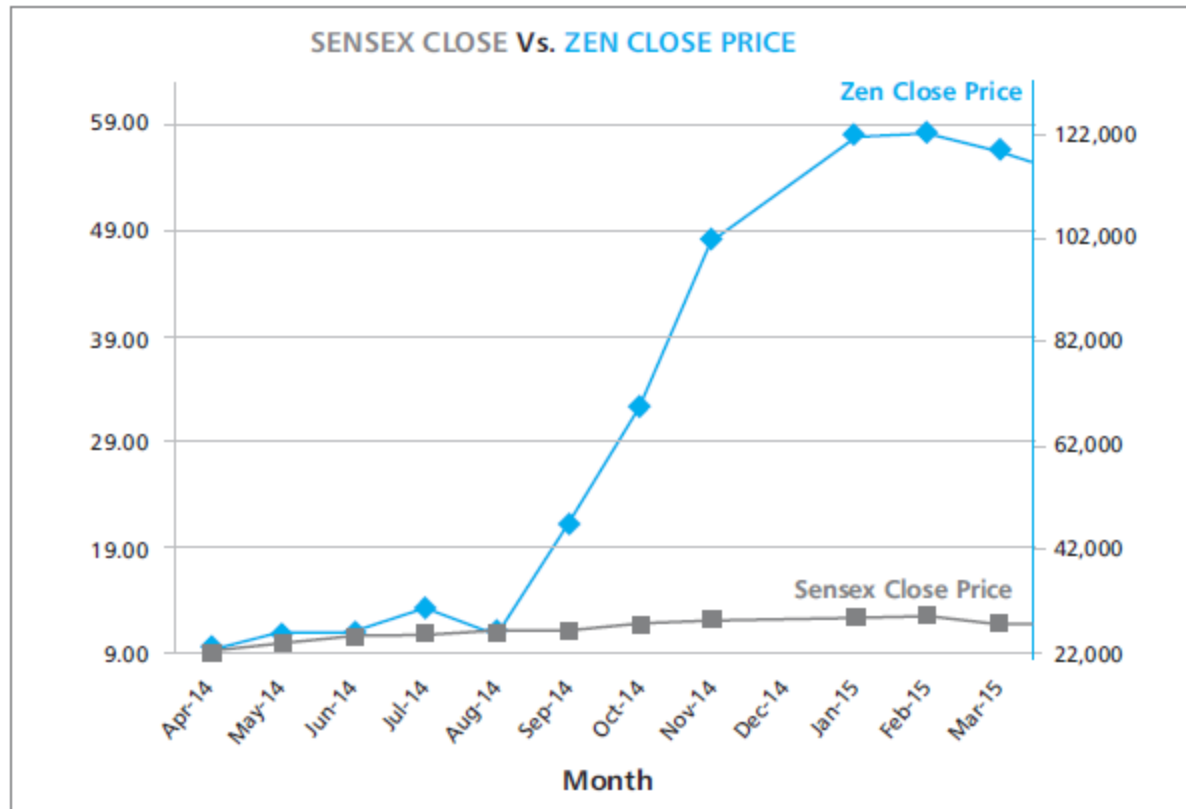


Too Volatile?

“Three Most Harmful Addictions Are Heroin, Carbohydrates, and Monthly Salary” – Taleb



Performance of Zen Share price (in Rs) in comparison to BSE Sensex



Crystal Ball Gazing...



STRATEGIC ALLIANCE



- **Memorandum of Understanding (MoU) with Rockwell Collins**
 - **To combine their strengths in simulation and training to offer industry-leading, high fidelity solutions to Indian military customers.**
 - **Rotary wing simulator at Aero India 2015 – Military flight simulation**
 - **Cost benefits for customers across the region**

OPPORTUNITIES

- **Advanced Stage – Expected Rs 500+ Crores**
- **Execution in FY17 & FY18**
- **Exports**
- **Expected RFPs for Larger Contracts – FY17 onwards**
- **AMCs – Expected along with Equipment Orders**

COMBAT TRAINING CENTRES

- **Not Product, Solution**
- **From Hostage Scenarios to War Scenarios**
- **Integrates Zen's vast range of Simulators**
- **Customization for the End User**
- **Recurrent Income**
- **Huge Opportunity**
- **Very Few Players**
- **One of the Key Way to Achieve Large Export Targets**

EXPORTS

- **Opportunity as Preparedness is Becoming Important in Europe, Middle East, Africa, etc**
- **Cost/Availability of Sims Prohibitive/Difficult**
- **Small Markets Ignored**
- **Zen's Solution**

OFFSETS

- **30% Obligation of Overseas Vendors**
- **Difficult to Fulfill**
- **New Opportunity for Zen**
- **1.5x Higher Offset Credit**
- **Zen Products – A Ready Made Solution**
- **Expect Great Demand for this Option**
- **New DPP clause: Ease of Change in DPP Partner**

Defence Sim Opportunity for Zen

Selected Simulators

Tank Sims

ACTS

UAV Sim

Tactical Engag. Sim

Infantry Weapons Sim

Driving Sim

AGL & MMG Sims

81mm

ShootEdge

TOTAL OPPORTUNITY SIZE IS > Rs 7,000 Crores

ANNUAL MAINTENANCE CONTRACTS

- **Typical Lifecycle - 15 years**
- **2 years warranty**
- **Expected 13 years AMC/Support**
- **Expected up to 5 years at the time of signing of contract**
- **Strong Annuity Income**

Next Steps

- Bird in Hand is worth Ten in the Bush
 - Pursue 500 Cr+ Orders
- AMCs
- Pursue 7,000 Cr+ Opportunities
- Exports
- CTC
- Aviation
- Offsets

THANK YOU