Sector: Aerospace & Defence **RESULT REVIEW Q3FY26** **Declared On: 31 Jan 2026**

Zen Technologies Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs1341	121.1	Accumulate	Rs1500	12%

**as on 04th Feb, 2026*

About the Company:

Incorporated in 1993, Zen Technologies Limited (Zentec) is involved in designing, developing and manufacturing world-class, state-of-the-art training simulators. These training equipment's and simulators are basically used for defense and military applications. The company is chaired by Mr. Ashok Atluri who is a post-graduate diploma holder in Applied Computer Science from CMC. The company has AS9100C from DQS Inc., ISO 9001:2008 (QMS), ISO 14001:2015 (EMS), ISO/IEC 27001:2013 (ISMS) certifications.

Results: Quick Glance:

- The company has reported net sales of Rs1778mn as compared to Rs1522mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 37.6% as compared to 29.0% in the corresponding quarter last year
- The net profit came in at Rs557mn as against Rs427mn in the corresponding quarter of last year
- EPS for the quarter under reference stood at Rs6.09 as compared to Rs4.42 in Q3FY25
- For 9MFY26, the revenues came in at Rs5096mn as compared to Rs6487mn; drop of 21.4% while the PAT stood at Rs1707mn as against Rs1856mn. The EPS came in at Rs18.01 as against Rs20.70 in 9MFY25

Conference Call Highlights:

- The company has delivered a resilient performance for Q3FY26 despite facing delays in finalization of regular defence orders. These delays were largely due to security-related developments and operational priorities at the government level. As a result, some revenues that were earlier expected to be recognized during the current financial year are now likely to be recognized in subsequent periods. However, the Management clarified that this impact is purely timing-related and does not reflect any slowdown in demand
- Despite these challenges, the company maintained healthy profitability during the quarter under review. This was driven by a favourable product mix, better operational efficiency, and continued focus on cost discipline across the organization. The improved Ebitda margins was driven by better absorption of costs and higher contribution from core defence products. While certain employee-related expenses increased during the quarter, the underlying operating performance remained strong
- During the 9MFY26, the Management indicated that revenues have been impacted mainly due to the delays in execution and recognition of certain large defence orders. These delays were not due to cancellations or competitive losses, but due to slower procurement cycles and prioritization of emergency requirements. The Management reiterated that demand visibility continues to remain strong and that deferred revenues are expected to flow through in upcoming quarters
- In Q3FY26, the company has secured new orders worth ~Rs5860mn. Subsequent to 31st December 2025, the company has secured additional orders ~Rs3450mn, taking cumulative order inflows over to ~Rs9310mn. The majority of these orders are scheduled for execution in FY27E. With the current order book, the Management anticipates stronger financial performance in FY27E, driven by higher execution across both the standalone business and subsidiaries. The order book consists of both equipment orders and annual maintenance contracts
- The Management highlighted that out of the multiple key order wins during the quarter, one of the most important was a large order for the upgradation of anti-drone systems of ~Rs2450mn. These systems allow faster adaptation to evolving threats while offering significantly lower lifecycle costs compared to imported solutions. Another major development was the order for the Combat Training of ~Rs1020mn, which is a kind of integrated training solution developed entirely through in-house R&D. The Management emphasized that this project represents a major technological milestone for the company and positions it as a leader in integrated defence training solutions. In addition to this, the company has received orders for anti-drone systems with hard-kill capabilities of ~Rs370mn, this segment is witnessing strong growth due to changing modern warfare requirements. The company has successfully completed the Integrated Air Defence Combat Simulator project, which was delivered significantly ahead of contractual timelines. In Jan 2026, the company has received orders (from the MoD) worth ~Rs3320mn for the supply of anti-drone systems/counter unmanned aerial systems and ~Rs720mn for training simulators and equipment

Please Turn Over

Conference Call Highlights (contd.):

- While simulators remain a large contributor to the current order book, the Management indicated that anti-drone systems have the potential to become a much larger growth driver over time due to increasing global demand and changing defence doctrines
- During the quarter under review, the company has been granted an Indian patent for its 60 mm Mortar Simulator taking its portfolio to 57 Indian patents and 85 patents globally
- In terms of the acquisitions, the company acquired ~76% stake in Anawave Systems and Solutions Pvt. Ltd, further strengthening presence in naval simulation; this acquisition was made with a clear strategic intent to strengthen capabilities, particularly in naval simulation and advanced defence technologies. In addition to this, the company has completed the acquisition of the remaining 24% stake in Applied Research International Pvt. Ltd (ARIPL). on 17th Oct, 2025, making ARIPL its wholly owned subsidiary
- The integration of subsidiaries is currently underway. During this integration phase, consolidated margins may appear slightly lower compared to standalone margins. However, once integration is complete and scale improves, subsidiary margins are expected to move closer to the company's long-term margin profile
- The company intends to invest in additional manufacturing capacity, machinery and R&D infrastructure to prepare for even higher execution for future requirements. These investments are being made proactively to avoid bottlenecks and ensure smooth delivery even if execution volumes exceed historical levels. The Management expressed confidence that operational capability will not be a constraint to growth

Financials:

Performance (Q3FY26)

Q3FY26 Result (Rs mn)	Dec-25	Dec-24	y-o-y	Sept-25	q-o-q	9MFY26	9MFY25	y-o-y	FY26E
Total Revenue	1778	1522	16.8%	1736	2.4%	5096	6487	(21.4%)	8249
EBITDA	668	442	51.1%	647	3.2%	1963	2356	(16.7%)	2722
Other Income	156	220	(29.1%)	253	(38.3%)	627	336	86.6%	756
Interest	27	30	(7.2%)	20	34.8%	83	64	28.5%	115
Depreciation	65	38	70.4%	57	13.7%	185	107	73.9%	251
Share of profit/loss of associates	(3.0)	0	-	(1.1)	-	(8.8)	0	-	(8.8)
Exceptional Items	0	0	-	9	-	9	0	-	9
Tax	172	168	2.3%	212	(19.1%)	615	665	(7.4%)	815
Net Profit	**557**	**427**	**30.6%**	**619**	**(10.0%)**	**1707**	**1856**	**(8.0%)**	**2297**

Outlook and Recommendations:

The future growth of the company appears to be constructive despite short-term execution related fluctuations. The quarter was impacted due to the revenue recognition in regular procurement processes, but operational execution and profitability remained strong. The company is anticipated to benefit from higher execution momentum as procurement normalises and deferred orders move into the execution phase. Margin quality is likely to remain healthy, driven by a favourable product mix, higher contribution from proprietary and technology-intensive solutions, and sustained focus on cost discipline. While employee-related costs and integration-related expenses may continue in the near term, these are expected to stabilise as organisational scaling and subsidiary integration progress. Growth prospects remain strong across core segments such as training and simulation as well as anti-drone systems, driven by increasing emphasis on defence, modern warfare requirements, and preference for indigenous solutions. The company's continuous product innovation and expansion from basic systems to more advanced and integrated solutions is expected to strengthen its competitive position and support long-term growth. Execution capability is not expected to be a constraint, as Management is building capability to execute big orders. Recent acquisitions are expected to gradually contribute more meaningfully as integration benefits and cross-segment synergies are realised, which should improve consolidated performance over time. The strong balance sheet and liquidity position provide comfort and flexibility to pursue growth opportunities, invest in new technologies, and selectively explore acquisitions without financial strain. Overall, the company is positioned for sustained growth in the coming years, driven by improving execution visibility and strong defence demand environment while short-term volatility in revenue timing is expected to smooth out as the order cycle normalises. We continue to maintain our target price of Rs1500.

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