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Riding on robust industry tailwinds...

About the stock: Zen Technologies (ZTL) designs develop and manufacture combat training solutions and Counter-drone solutions for defence and security forces. It is actively involved in the indigenization of technologies, which are beneficial to Indian armed forces, state police forces, and paramilitary forces

- Consolidated revenue of the company has grown by ~46% CAGR during the period FY23-26 while EBITDA and PAT have grown by ~50% CAGR and ~65% CAGR respectively over the same periods

Investment Rationale

- Strong technological moat led by IP-led, R&D-driven business model:** The underlying product strategy of ZTL is built around continuous in-house design and software development, which creates high entry barriers and long customer validation cycles. This technological moat spans two main product families: virtual/live training simulators and advanced anti-drone security suites. The continuous investment in R&D has resulted into 85 granted patents, giving it a technological edge. Its DSIR-recognized R&D centre promotes extensive design and engineering in various fields, driving continuous innovation. With IP-heavy technology platform, company commands high margins (EBITDA margin of 36%+ in the last 3 years) on its product contracts
- Changing landscape of modern warfare driving structural demand:** Modern warfare is shifting towards asymmetric threats like drones and electronic warfare, requiring advanced counter-drone and simulation training solutions. Recent conflicts highlight the importance of anti-drone systems (C-UAS), leading global defence forces to adopt cost-effective simulation platforms that replicate real combat scenarios. ZTL is well-positioned to benefit from these trends, enhancing its anti-drone capabilities from soft-kill to hard-kill systems, while simulators remain in high demand. Though simulation systems segment contributes 60–70% of revenue at present, the anti-drone division is expected to grow significantly in the coming period, driven by changing warfare dynamics, offering multi-layer detection and both soft and hard-kill options
- Strong order book support growth visibility; focus on expanding product portfolio provides order inflows:** With a strong order intake of ₹ 1332 crore during FY26, the total order book stands at ₹1,336 crore (1.9x FY26 revenue), ensuring strong revenue visibility. Management targets revenue of ₹ 1000 crore in FY27E and ₹3000 crore in FY28E, backed by a solid bidding pipeline in both domestic and export markets. Moreover, company remain focused on expanding its overall defence product portfolio through Artificial Intelligence, robotics, Unmanned Ariel Vehicles (UAVs) or drones, loitering munitions etc

Rating and Target Price

- ZTL is strongly positioned to capture a significant pie of increasing demand of anti-drone systems & other new-age warfare requirements. As execution scales up and the revenue mix increasingly tilts toward high-yield contracts, EBITDA margin is expected to remain healthy at 35%+ for FY27E/28E
- We recommend **BUY** on ZTL with a TP of ₹ 2170 (valued at 40x P/E on FY28E)

Key Financial Summary

(Year-End March)	FY23	FY24	FY25	FY26	3 Year CAGR (FY23-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Revenues	219	440	974	688	46.5	949	1,708	57.6
EBITDA	73	181	374	247	50.4	335	608	56.9
EBITDA margin (%)	33.2	41.1	38.4	36.0		35.3	35.6	
Net Profit	50	130	299	218	63.4	286	488	49.7
EPS (Rs)	6.3	15.4	33.2	24.2		31.8	54.3	
P/E (x)	286.1	114.9	52.7	72.4		54.9	32.2	
EV/EBITDA (x)	189.2	76.0	34.8	54.8		40.5	22.5	
RoCE (%)	22.0	39.8	23.3	15.8		17.8	24.8	
RoE (%)	14.7	27.4	17.2	11.1		12.9	18.1	

Source: Company, ICICI Direct Research



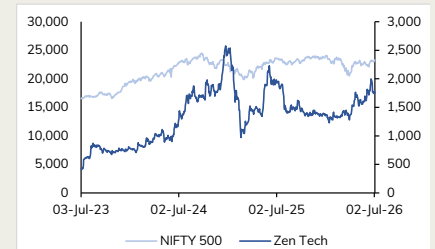
Particulars

Particulars (Rs Crore)	Amount
Market Capitalization	15,730
Total Debt (FY26)	3.4
Cash and Inv (FY26)	355
EV (FY26)	15,379
52 week H/L	2024 / 1223
Equity capital	9.0
Face value (Rs)	1.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	49.1	48.5	48.5	48.5
FII	6.0	5.9	5.5	6.0
DII	8.8	7.9	7.9	10.1
Others	36.2	37.6	38.1	35.4

Price Chart



Key risks

Key Risk:

- Dependent on govt. contracts
- High working capital requirements
- Competition and Technological risk

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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