Zen Technologies (ZENTEC)

CMP: ₹ 1635 | Target ₹ 2170 (35%) | Target Period: 12 months | BUY

July 28, 2026

Result Update

ICICI Securities – Retail Equity Research

Order momentum set to accelerate; growth thesis intact

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 order pipeline supports revenue acceleration beyond Q1: While Q1 execution remained subdued as expected (mainly due to lack of meaningful order inflows during H1FY26), management reiterated its guidance of total revenue recognition worth ₹ 4000 crore over FY27E-28E, as execution is expected to pick-up from Q2FY27 onwards. During FY26, company received total orders worth ₹ 1332 crore, of which large part was received in H2FY26. Going forward, the company expects to end FY27 with an order book of ~₹2,500 crore (which implies ₹ 2000+ crore worth of orders during the year), supported by upcoming simulator orders, expanding counter-drone opportunities. The current order backlog stands at ₹ 1400 crore (including the recent simulation order of ₹ 178 crore)
- Focus remains on IP-led platforms; multiple long-term growth drivers in place: Zen continues to strengthen its leadership across simulation and counter-drone systems while expanding into next-generation capabilities including HyperStrike interceptor drones, Integrated Smart Border Suite, drone propulsion, autonomous systems and unmanned ground vehicles. Increasing defence preparedness, lessons from recent conflicts and higher adoption of simulation-led training are expected to drive long-term demand. As per the industry reports, the anti-drone market is currently valued at ~USD 3 billion and is projected to grow by ~25% reaching ~USD 14 billion by 2032. Apart from domestic market the company is also scaling its international presence, with management highlighting a US$10 billion simulator opportunity in the U.S., growing export prospects across Europe, the Middle East and friendly nations, and increasing demand for indigenous drone propulsion through Vector Technics. Supported by a debt-free balance sheet, ₹1,217 crore cash balance and an active acquisition pipeline, Zen remains well positioned to expand its technology portfolio and sustain long-term growth

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)

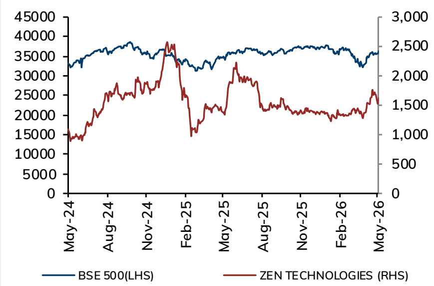
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	14,713
FY26 Gross Debt (₹ Crore)	3.4
FY26 Cash (₹ Crore)	355
EV (₹ Crore)	14,362
52 Week H/L (₹)	2024/1223
Equity Capital	9.0
Face Value	1.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	48.5	48.5	48.5	48.5
FII	5.9	5.5	6.0	6.5
DII	7.9	7.9	10.1	10.4
Others	37.6	38.1	35.4	34.6

Price Chart



Key risks

i. Dependent on govt contracts

ii. High working capital requirement

iii. Competition and Technological risk

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Key Financial Summary

Key Financials (₹ Crore)	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)	267.6	107.5	49.3	67.7		51.4	30.1	
EV/EBITDA (x)	200.4	80.5	36.9	58.1		42.9	23.8	
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

Q1FY27 Result Summary

- Revenue declined by 10.5% YoY (-20.5% QoQ) to Rs 141.6 crore in Q1FY27 on account of lower execution (as most of the contracts were received from 2HFY26 which has led to lower revenue recognition during the last 2-3 quarters)
- EBITDA margin contracted by 1356 bps YoY (-129 bps QoQ) to Rs 27.3%. Subsequently, EBITDA was down 40.2% YoY (-24.1% QoQ) to Rs 38.7 crore. PAT was down 40% YoY (-32.6% QoQ) to Rs 31.8 crore.

Q1FY27 highlights

- Management reiterated that FY27 revenues will be weighted towards Q2 and Q3, as a significant portion of the current order book was secured in H2FY26 with a typical execution cycle of ~12 months. The company remains on track with its delivery schedules and continues to target mid-30% operational EBITDA margins for FY27E
- The consolidated order book stood at ₹1,239 crore as of Jun'26 (Equipment: ₹921 crore; AMC: ₹318 crore). During the quarter, the company executed ₹142 crore of orders and secured ₹45 crore of fresh orders. Post quarter-end, it received an additional ₹178 crore Ministry of Defence order for upgradation and integration of tank and crew gunnery simulators
- Management reiterated its expectation of ending FY27 with an order book of ~₹2,500 crore, implying strong order inflows (₹ 2000+ crore) during the remainder of the year. The company highlighted a healthy pipeline across both simulation and counter-drone systems, with simulator orders worth ₹700–800 crore expected over the coming months and significantly larger anti-drone opportunities thereafter
- Despite lower quarterly EBITDA margins, management reiterated that the underlying profitability of the business remains unchanged. Gross margin remained healthy at 72.9%, while EBITDA margin compression was attributed to lower operating leverage and incremental R&D investments rather than any structural pricing pressure
- Management reaffirmed its medium-term revenue aspiration of ₹4,000 crore cumulative revenue across FY27-FY28, with simulation expected to contribute over ₹2,000 crore, supported by strong domestic demand and expanding export opportunities
- The company expects to be a key beneficiary of increasing defence spending on counter-drone with recent battlefield validation accelerating demand. Management highlighted strong interest from both domestic armed forces and friendly foreign countries, while multiple anti-drone tenders are expected over the coming quarters
- Zen continues to expand its simulation portfolio across Army, Navy and Air Force, with entry into flight simulators through the C-295 simulator marking an important milestone. Management highlighted an addressable domestic simulator opportunity of ~₹25,000 crore across Army and Navy, while also pursuing opportunities in the Air Force and overseas markets
- The company continues to strengthen its next-generation product portfolio through HyperStrike interceptor drones, Integrated Smart Border Suite, drone & counter-drone simulators, unmanned ground vehicles (Zen Vrishab), autonomous systems and directed energy technologies, while robotics and autonomous platforms are expected to become meaningful growth drivers over the next 2-3 years
- Vector Technics continues to scale up as a strategic growth platform, expanding propulsion manufacturing capacity to 300,000 units annually. Management indicated strong export interest, with nearly 50% of enquiries originating from overseas markets, positioning the subsidiary as a potential beneficiary of broader drone adoption

- Management remains optimistic on inorganic growth, highlighting an active acquisition pipeline aimed at adding new technology capabilities and expanding the addressable market, supported by a debt-free balance sheet and cash & bank balances of ~₹1,217 crore

Exhibit 1: Q1FY27 consolidated result overview (₹ crore)

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Net Sales	141.6	158.2	-10.5	178.1	-20.5	Revenue declined on account of management indicated lower execution
Other income	19.2	21.8		22.7	-15.6	
Total Revenue	160.8	180.0		200.8	-19.9	
Raw materials costs	38.4	45.4		52.4	-26.7	
Employees Expenses	34.5	31.8		38.5	-10.6	
Other Expenses	30.0	16.3		36.2	-16.9	
Total Expenditure	102.9	93.5		127.1	-19.0	
EBITDA	38.7	64.7	-40.2	51.0	-24.1	Margins impacted due to negative operating leverage
EBITDA margins (%)	27.3	40.9	-1356 bps	28.6	-129 bps	
Interest	1.1	3.5		2.0	-45.9	
Depreciation	7.9	6.3		5.8	34.6	
Tax	13.4	23.1		17.2	-21.9	
PAT	31.8	53.1	-40.0	47.2	-32.6	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	974	688	949	1,708
% Growth	121.4	(29.4)	38.0	80.0
Other income	58.4	85.4	94.0	103.4
Total Revenue	974	688	949	1,708
% Growth	121.4	(29.4)	38.0	80.0
Total Raw Material Costs	385	211	289	520
Employee Expenses	89	127	165	231
other expenses	127	103	159	349
Total Operating Expenditure	600	440	614	1,100
Operating Profit (EBITDA)	374	247	335	608
% Growth	106.6	(33.8)	35.6	81.4
Interest	10	10	8	8
PBDT	422	322	421	704
Depreciation	15	24	33	41
PBT before Exceptional Items	406	298	389	663
Total Tax	107	79	102	174
PAT before MI	299	220	286	488
PAT	299	218	286	488
% Growth	131.1	(27.2)	31.4	70.6
EPS	33.2	24.2	31.8	54.3

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	299	218	286	488
Depreciation	15	24	33	41
Interest	10	10	8	8
Cash Flow before WC chg	325	253	327	537
Changes in inventory	50	(69)	19	(112)
Changes in debtors	(226)	186	(85)	(248)
Changes in loans & Advances	(2)	2	(0)	(0)
Changes in other CA	42	(32)	(12)	(76)
Net Incr in Current Assets	(178)	(567)	(235)	(606)
Changes in creditors	(7)	24	18	54
Changes in provisions	(4)	1	1	4
Net Inc in Current Liabilities	(56)	(56)	27	126
Net CF from Op activities	91	(371)	119	58
Chg in deferred tax assets	(4)	(3)	-	-
(Pur)/Sale of Fixed Assets	(59)	(57)	(80)	(80)
Net CF from Inv activities	(314)	(174)	(137)	(110)
Dividend and Dividend Tax	(9)	(9)	(11)	(18)
Net CF from Fin Activities	1,031	(66)	(17)	(26)
Net Cash flow	808	(611)	(35)	(79)
Opening Cash/Cash Eq	158	966	355	320
Closing Cash/ Cash Eq	966	355	320	242

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	9.0	9.0	9.0	9.0
Reserve and Surplus	1,727	1,940	2,217	2,687
Total Shareholders' funds	1,736	1,949	2,226	2,696
Other Non-Current Liabilities	17.2	16.4	16.4	16.4
Total Debt	54	3	3	3
Total Liabilities	1,819	1,987	2,264	2,734
Gross Block	169	217	292	372
Acc: Depreciation	62	87	119	160
Net Block	106	137	173	212
Capital WIP	4	13	25	25
Total Fixed Assets	145	178	225	264
Non-Current Assets	230	346	403	433
Inventory	119	188	169	281
Debtors	410	224	309	557
Loans and Advances	2	0	0	0
Other Current Assets	51	83	95	171
Cash	966	355	320	242
Total Current Assets	1,604	1,560	1,761	2,288
Current Liabilities	25	49	68	122
Provisions	11	13	13	13
Total Current Liabilities	230	173	201	327
Net Current Assets	1,374	1,387	1,560	1,961
Total Assets	1,819	1,987	2,264	2,734

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	33.2	24.2	31.8	54.3
Cash per Share	107.0	39.4	35.6	26.8
BV	192.3	216.6	247.4	299.6
Dividend per share	1.0	1.0	1.2	2.0
Dividend payout ratio	3%	4%	4%	4%
EBITDA Margin	38.4	36.0	35.3	35.6
PAT Margin	30.7	31.7	30.2	28.6
RoE	17.2	11.1	12.9	18.1
RoCE	23.3	15.8	17.8	24.8
RoIC	43.4	13.9	15.8	23.1
EV / EBITDA	36.9	58.1	42.9	23.8
P/E	49.3	67.7	51.4	30.1
EV / Net Sales	14.2	20.9	15.2	8.5
Sales / Equity	0.6	0.4	0.4	0.6
Market Cap / Sales	15.1	21.4	15.5	8.6
Price to Book Value	8.5	7.5	6.6	5.5
Asset turnover	0.5	0.4	0.4	0.6
Debtors Turnover Ratio	3.3	2.2	3.6	3.9
Creditors Turnover Ratio	33.8	18.4	16.2	18.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	4.0	6.5	6.0	6.6
Quick Ratio	3.2	4.0	4.2	4.7

Source: Company, ICICI Direct Research

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Sell: <-15%

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