Zen Technologies (ZENTEC)

CMP: ₹ 1700 | Target ₹ 2170 (28%) | Target Period: 12 months | BUY

November 3, 2026

Strong execution; order inflows remain key trigger

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

- The consolidated order book stands at ₹1,376 crore as of Sep-26

Investment Rationale:

- Strong execution capability and order visibility support sustained revenue growth: Company reported its revenue of ₹345 crore in Q2FY27, (+98.8% YoY), in-line with management guidance from Q1FY27 through revenue spillover and operational scalability. The company has significantly improved its execution capabilities through operational streamlining and process improvements, with management indicating that it can comfortably handle a doubling of its current execution scale. The consolidated order book stands at ₹1,376 crore (1.6x TTM revenue) as of Sep-26, including equipment orders of ₹994 crore, while quarterly order inflows of ₹482 crore exceeded execution of ₹345 crore. Management remains comfortable with FY27 revenue of ₹1,200-1,300 crore and believes the company could scale towards ₹2,200-2,300 crore, subject to timely order inflows, particularly from the upcoming Fast Track Procurement (FTP) process. The company expects equipment orders to be executed within 12-18 months, providing scope for faster revenue growth as procurement activity picks up
- Expanding technology portfolio and R&D investments strengthen long-term growth prospects: Zen continues to expand its portfolio across simulation, counter-drone systems, robotics, AI and command-and-control technologies, supported by an increasing focus on in-house product development. The company spent around 12% of revenue on R&D in FY26 and expects a similar level of investment in FY27, with more than 235 patents filed to date. Its counter-drone systems address an estimated 70-80% of the market, with key components, including radars, jammers and command-and-control systems, developed in-house. The company is also developing next-generation products such as HyperStrike interceptor drones, which are expected to start contributing from FY28, with production capacity being built for 1.8 lakh units annually. Further, acquisitions such as Cogknit Semantics are expected to strengthen its capabilities in AI-led command-and-control systems, while its naval simulator portfolio offers an additional opportunity across domestic and international markets.

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.
- We maintain BUY on ZTL with a TP of ₹ 2170 (valued at 40x P/E on FY28E)

being there ZEN TECHNOLOGIES LIMITED

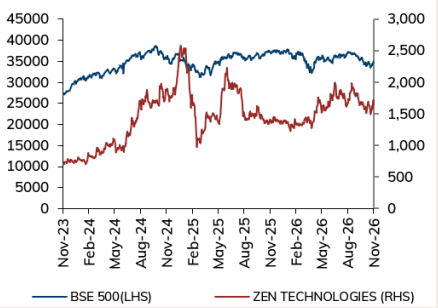
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	15,298
FY26 Gross Debt (₹ Crore)	3.4
FY26 Cash (₹ Crore)	355
EV (₹ Crore)	15,118
52 Week H/L (₹)	2044 / 1223
Equity Capital	9.0
Face Value	1.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	48.5	48.5	48.5	48.5
FII	5.5	6.0	6.5	6.6
DII	7.9	10.1	10.4	10.8
Others	38.1	35.4	34.6	34.1

Price Chart



Key risks

i. Dependent on govt contracts
ii. High working capital requirement
iii. Competition and Technological risk

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Result Update

ICICI Securities – Retail Equity Research

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)	281.4	113.0	51.9	71.2		54.0	31.7	
EV/EBITDA (x)	210.8	84.7	39.0	61.1		45.2	25.0	
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

Q2FY27 Result Summary

- Revenue increased by 98.8% YoY (+143.7% QoQ) to ₹ 345.1 crore in Q2FY27 in-line with management's guidance
- EBITDA margin increased by (94 bps YoY, +1,090 bps QoQ) to 38.2%, while EBITDA grew 103.9% YoY (+240.9% QoQ) to ₹132.0 crore. PAT increased 64.7% YoY (+219.9% QoQ) to ₹101.9 crore
- For, H1FY27, revenue grew 46.7% YoY to ₹486.8 crore, while EBITDA increased 31.9% to ₹170.7 crore, with EBITDA margin contracting 394 bps YoY to 35.1%. PAT grew 16.4% YoY to ₹133.7 crore

Q2FY27 highlights

- Management expects FY27 revenue of ₹1,200–1,300 crore to be comfortably achievable and reiterated its long-term operational EBITDA margin guidance of mid-30%. However, margins may vary depending on the product mix, with anti-drone systems generally carrying higher margins than simulators.
- The company expects healthy execution in H2FY27, supported by the existing order book and improved execution capabilities. Management indicated that the operational processes have been streamlined, enabling the company to handle a significantly higher volume of orders without major execution bottlenecks.
- Consolidated order book stood at ₹1,375.7 crore (1.6x TTM revenue) as of Sep'26, comprising equipment orders of ₹994 crore and EMC orders of ₹380.7 crore. During the quarter, the company executed ₹345.1 crore of orders and secured fresh inflows of ₹481.8 crore
- Management expects around ₹400 crore of simulator orders, although the ordering process has taken longer than anticipated. Counter-drone orders are expected to be the major source of incremental inflows, with Fast Track Procurement (FTP) tenders likely to be floated over the coming weeks. The earliest major order awards are expected in Q4FY27, with some possibility of spillover into Q1/Q2FY28.
- The earlier ₹4,000 crore revenue aspiration over FY27–FY28E remains linked to timely government procurement and order inflows across simulators and counter-drone systems. Management reiterated confidence in its execution capabilities but indicated that the timing of order placement remains uncertain; the order book will be the key indicator of revenue visibility.
- The company is investing in next-generation defence technologies, with R&D expenditure expected to remain around 12% of revenue in FY27, like FY26. Investments are focused on AI, robotics, anti-drone systems and upgrades to existing products, with the objective of developing globally competitive, India-owned technologies. The company has applied for over 235 patents.
- Zen is developing its command-and-control capabilities through the acquisition of Cogknit Semantics, which brings advanced AI and battlefield situational-awareness technology. The platform is initially focused on improving real-time visibility of tanks and can potentially be extended to infantry and air-defence applications. Management expects this business to become a meaningful contributor over the next five years.
- The company is expanding its counter-drone portfolio to address requirements across battlefield and critical infrastructure protection. Management indicated that its systems, including radars, detection, jamming, electro-optical sensors and command-and-control solutions, are designed and developed in-house. The company is also working on counter-drone solutions for tanks and infantry, while the HyperStrike interceptor is undergoing internal trials.

- HyperStrike is expected to see its first orders in FY28, followed by a gradual production ramp-up in FY29. The company is building capacity of up to 15,000 units per month, or 1.8 lakh units annually, at an assumed average price of around US$10,000 per unit. Initial production is expected to begin at around 600 units per month, with further scaling dependent on order inflows.
- The naval simulation business has expanded following the acquisitions of ARI and Anawave, which together provide capabilities across submarine, fast-craft and other marine simulators. The company is taking these offerings to global navies through a proposed Combat Training Centre solution, with management seeing a meaningful opportunity over the next three to four years.
- Export discussions are progressing across the Middle East, CIS countries and Southeast Asia, although geopolitical developments have delayed some opportunities. In the US, the company is working through regulatory and compliance requirements and engaging with large defence primes, with potential developments expected next year. In Europe, it is exploring partnerships to address local-content requirements across counter-drone and simulator opportunities.
- The company has budgeted capex of around ₹150 crore each for FY27 and FY28. Working capital increased to 379 days in Sep'26, primarily due to higher receivables from back-ended execution and advances to suppliers for upcoming deliveries. Management indicated that receivables are largely from government and defence contracts and reiterated that the company remains debt-free, with cash and bank balances of around ₹968 crore

Exhibit 1: Q2FY27 consolidated result overview (₹ crore)

Particulars	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments	H1FY27	H1FY26	YoY (%)
Net Sales	345.1	173.6	98.8	141.6	143.7	Execution remained in-line with guidance	486.8	331.8	46.7
Other income	16.7	25.3		19.2	-12.8		35.9	47.1	
Total Revenue	361.8	198.9		160.8	125.0		522.6	378.9	
Raw materials costs	128.9	63.2		38.4	235.7		167.3	108.6	
Employees Expenses	44.7	21.8		34.5	29.6		79.2	53.6	
Other Expenses	39.6	23.8		30.0	31.7		69.6	40.1	
Total Expenditure	213.1	108.8		102.9	107.1		316.1	202.3	
EBITDA	132.0	64.7	103.9	38.7	240.9		170.7	129.5	31.9
EBITDA margins (%)	38.2	37.3	94 bps	27.3	1090 bps	Margins improved through operational capabilities	35.1	39.0	-394 bps
Interest	1.1	2.0		1.1	3.6		2.2	5.5	
Depreciation	8.7	5.7		7.9	11.1		16.6	12.1	
Tax	35.8	21.2		13.4	167.1		49.2	44.4	
PAT	101.9	61.9	64.7	31.8	219.9		133.7	114.9	16.4

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	39.0	61.1	45.2	25.0
P/E	51.9	71.2	54.0	31.7
EV / Net Sales	15.0	22.0	16.0	8.9
Sales / Equity	0.6	0.4	0.4	0.6
Market Cap / Sales	15.9	22.5	16.3	9.1
Price to Book Value	8.9	7.9	6.9	5.7
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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