

FINANCIAL MODEL

PLANT VISIT

Rising Stars

2024

IMPORT
SUBSTITUTION

ORGANISED
V/S
UNORGANISED

MANAGEMENT MEET

EXPORT
OPPORTUNITY

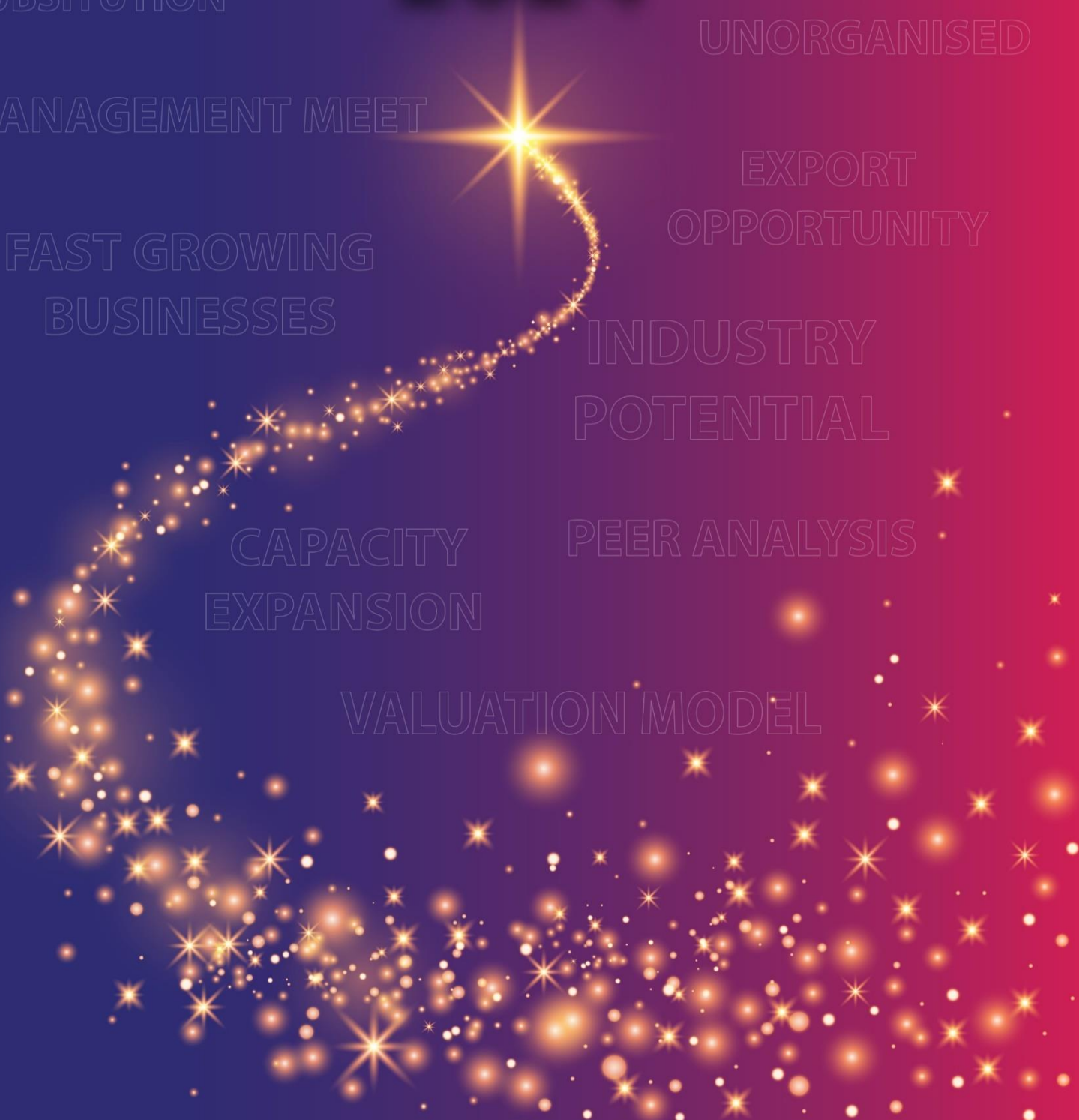
FAST GROWING
BUSINESSES

INDUSTRY
POTENTIAL

CAPACITY
EXPANSION

PEER ANALYSIS

VALUATION MODEL



Retail Research | 3QFY24 | BUY

30th January 2024

Zen Technologies Ltd.

Current Price*	Rs. 800.4
Target Price	Rs. 994.0
Upside	24.2%

*Current Price is live as of as on 30th Jan 2024

STOCK DATA

Industry Segment	Defence
BSE Code	533339
NSE Code	ZENTECH
Bloomberg Code	ZEN IN
52 Week High / Low (Rs.)	911/188
Face Value (Rs.)	1
Diluted Number of Shares (Crore.)	8.4
Market Cap. (Rs Crore.)	6,726.0
Avg. Yearly NSE Volume	9,85,263

SHAREHOLDING PATTERN (%)

Particulars	Mar-23	Jun-23	Sep-23	Dec-23
Promoters	60.1	57.5	57.5	55.1
FII	1.3	3.5	4.8	4.7
Other Institution	0.2	0.2	0.2	3.1
Public & Others	38.4	38.9	37.6	37.2
Total	100.0	100.0	100.0	100.0

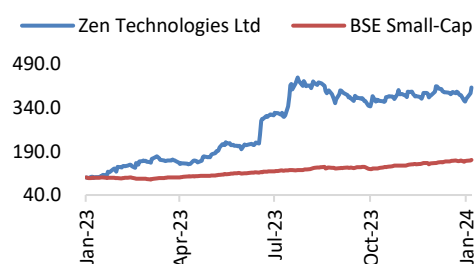
RETURNS STATISTICS (%)

Particulars	1M	3M	6M	12M
Zen Technologies Ltd	(2.9)	7.6	14.9	271.3
Bse Small Cap	5.6	22.1	29.4	57.6

Valuation and return ratio

Y/E March	2022A	2023A	2024E	2025E	2026E
PE (x)	2,438.6	127.3	51.6	28.3	22.1
P/BV (x)	22.5	20.1	14.9	9.9	6.9
EV/EBITDA (x)	1,377.8	85.4	37.7	20.8	15.9
EV/Sales (x)	90.2	28.3	13.2	7.3	5.6
Mcap/Sales (x)	91.2	29.1	13.4	7.3	5.8
ROE (%)	1.1	16.7	33.9	42.0	36.7
ROCE (%)	1.9	24.5	48.2	59.6	52.2

Stock Performance (1-year)



Key highlights of the 3QFY24 Result

Strong performance; In-line with our expectation

The Company during quarter reported 90%/150% YoY growth in consolidated net sales and profit to Rs 99.5 cr and Rs 29.8 cr respectively. The EBITDA margin for the quarter expanded by more than 1,000 bps to 42.7%. The growth is driven by strong execution supported by robust order book. The performance is broadly as per our expectations and we believe, the company may outperform its own guidance of Rs 450 cr plus topline for FY24.

Solid order book; Healthy medium term revenue visibility: The company has a strong order book Rs 1,434 cr which is 3.8x of its 9MFY24 annualised earnings thus offering healthy revenue visibility for medium term. The order book comprises of 35% export and rest domestic. The management expects more orders to flow in during 4th quarter. We expect the full year FY24 revenue to cross Rs 500 cr milestone.

Guided for 50% CAGR in revenue between FY25E-FY28E: The management is extremely positive on defence sector given ongoing geopolitical tensions on multiple fronts. For FY25, management expects Rs 900 cr plus revenue and 50% CAGR growth henceforth till FY28E. The export order which is 35% at present may surpass in overall order pie while anti-drone which is just a fraction of overall revenue may take a big leap from here.

Exploring for inorganic growth opportunities; To raise Rs 1,000 cr: The management is also exploring the inorganic growth opportunities and has received board approval to raise up to Rs 1,000 cr through QIP or any other equity route. The maximum deal size would Rs 500 cr. Interestingly above growth projections does not include revenue flow from possible inorganic candidates.

Valuation still attractive; Maintain buy rating- Target Rs 994/-

At the current price, the company is trading at 51.6x/28.3x/22.1x of its FY24E/FY25E/FY26E earnings respectively. We maintained our buy rating on the stock with upgraded price target of Rs 994/- thus providing an upside potential of 24.2%.

Financial Summary (Rs cr)

Particulars	2022A	2023A	2024E	2025E	2026E
Net Sales (Rs Cr)	69.8	218.8	503.1	916.5	1,168.5
<i>Growth (%)</i>	<i>27.7</i>	<i>213.7</i>	<i>129.9</i>	<i>82.2</i>	<i>27.5</i>
EBITDA (Rs Cr)	4.6	72.6	176.1	320.8	409.0
<i>Growth (%)</i>	<i>(38.1)</i>	<i>1,489.4</i>	<i>142.5</i>	<i>82.2</i>	<i>27.5</i>
Net Profit (Rs Cr)	2.6	50.0	130.3	237.8	304.4
<i>Growth (%)</i>	<i>(5.9)</i>	<i>1,814.9</i>	<i>160.6</i>	<i>82.6</i>	<i>28.0</i>
EPS (Rs)	0.3	6.3	15.5	28.3	36.2
<i>Growth (%)</i>	<i>(5.9)</i>	<i>1,814.9</i>	<i>146.6</i>	<i>82.6</i>	<i>28.0</i>
DPS (Rs)	0.1	0.3	0.5	0.8	1.0
Dividend Yield (%)	0.0	0.0	0.1	0.1	0.1

Source: Company, SSL Research

3QFY24 Result

Figures in Rs. Crs.

Quarter Ended	3QFY24	2QFY24	Q-O-Q % Change	3QFY23	Y-o-Y % Change	Comments
Net Sales	99.5	66.5	49.6	52.5	89.6	Pick-up in order execution
Other Income	4.2	5.3	-	1.9	117.5	
Total Income	103.8	71.8	44.4	54.4	90.6	
Total Operating Expenditure	57.0	47.5	20.0	35.8	59.4	
Material Cost	24.2	18.1	33.7	16.5	47.2	
As % of Sales	24.4	27.3	-	31.4	-	
Other Exp.	30.0	26.8	-	17.5	-	
As % of Sales	30.1	40.3	-	33.4	-	
EBDITA (Excl OI)	42.5	19.0	124.1	16.7	154.3	Cost optimization and efficiency
EBDITA (Incl OI)	46.7	24.3	92.2	18.7	150.4	
Interest & Finance Cost	0.5	0.5	(0.6)	2.1	(75.0)	
PBDT	46.2	23.8	94.3	16.6	179.1	
Depreciation.	2.6	2.2	19.7	1.5	71.2	
PBT	43.6	21.6	101.9	15.0	190.2	
Tax	13.7	7.9	72.8	5.1	170.2	
Net Profit	29.8	13.6	118.9	9.9	200.3	Overall growth in revenue
Operating Margins (%)	42.7	28.5		31.8		
Net Profit Margins (%)	30.0	20.5		22.7		
Tax Rate (%)	31.5	36.8		33.8		
Equity (Rs Cr)	8.4	8.4		8.0		
FV (Rs)	1.0	1.0		1.0		
EPS (Rs)	3.6	1.6		1.5		
Cash EPS (Rs)	3.9	1.9		1.7		

Estimate Revision

Particulars (Rs. Crore)	New Estimate		Old Estimate		% Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	503.1	916.5	511.0	763.0	(1.5)	20.1
EBITDA	176.1	320.8	178.8	267.0	(1.5)	20.1
EBITDA Margin (%)	35.0	35.0	35.0	35.0	-	-
PAT	130.3	237.8	132.4	197.2	(1.6)	20.6
EPS (Rs. Per share)	15.5	28.3	15.8	23.5	(1.6)	20.6

Source: SSL Research

Financial Statements

Income Statement

Figures in Cr.

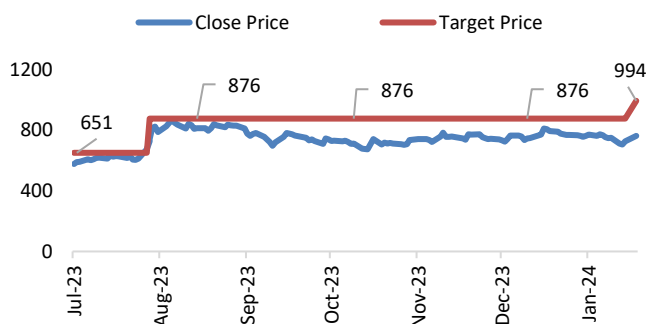
Particulars	2022A	2023A	2024E	2025E	2026E
Net Sales	69.8	218.8	503.1	916.5	1,168.5
Other Income	5.4	7.2	20.1	36.7	46.7
Total Income	75.1	226.1	523.2	953.2	1,215.2
Total Expenditure	65.2	146.2	327.0	595.7	759.5
Raw Material Consumed	13.1	58.6	135.8	247.5	315.5
As % of Sales	18.8%	26.8%	27.0%	27.0%	27.0%
Other Operating Cost	52.0	87.6	191.2	348.3	444.0
As % of Sales	74.6%	40.0%	38.0%	38.0%	38.0%
EBDITA (Excl OI)	4.6	72.6	176.1	320.8	409.0
EBDITA (Incl. OI)	9.9	79.9	196.2	357.4	455.7
Interest	1.5	4.1	4.1	11.0	14.0
PBDT	8.4	75.8	192.1	346.4	441.7
Depreciation	4.8	6.1	6.1	6.8	6.8
Exceptional Items	0.3	2.0	-	-	-
PBT	3.3	71.7	186.1	339.7	434.9
Tax	0.7	21.8	55.8	101.9	130.5
Net Profit	2.6	50.0	130.3	237.8	304.4

Cash Flow Statement

Figures in Cr.

Particulars	2022A	2023A	2024E	2025E	2026E
PBT	3.3	71.7	186.1	339.7	434.9
Depreciation	4.8	6.1	6.1	6.8	6.8
Interest (Net)	1.5	4.1	4.1	11.0	14.0
Other Income	(5.4)	(7.2)	(20.1)	(36.7)	(46.7)
Change in WC	(48.4)	46.2	(194.6)	(228.0)	(139.0)
Direct Taxes Paid	(0.7)	(21.8)	(55.8)	(101.9)	(130.5)
Net operating Cash Flow	(44.8)	99.1	(74.4)	(9.1)	139.5
(Incr.) / Dec. in Fixed Assets	(3.7)	(10.4)	(12.0)	(12.0)	(12.0)
Free Cash Flow	(48.6)	88.6	(86.4)	(21.1)	127.5
(Incr.) / Dec. in Investments	-	-	-	-	-
Other Income	5.4	7.2	20.1	36.7	46.7
C.F. from investing activities	1.6	(3.2)	8.1	24.7	34.7
Issue / reduction in R&S	86.6	-	10.0	-	-
Change in Debt	11.6	(7.6)	9.2	12.4	7.6
Interest Paid	(1.5)	(4.1)	(4.1)	(11.0)	(14.0)
Dividend	(0.8)	(2.4)	(4.2)	(6.7)	(8.4)
C F from fin. Activities	95.9	(14.1)	10.9	(5.3)	(14.9)
Other Adjustment (Net)	(10.1)	2.7	(14.7)	(9.8)	(5.2)
Net Change in cash	42.6	84.5	(70.1)	0.4	154.2
Opening Balance	40.3	82.9	167.4	97.3	97.7
Closing Balance	82.9	167.4	97.3	97.7	251.9

Recommendation History



Balance Sheet:

Figures in Cr.

Equities & Liabilities	2022A	2023A	2024E	2025E	2026E
Share capital	8.0	8.0	8.4	8.4	8.4
Reserves and surplus	275.1	308.2	443.4	673.2	967.5
Total Shareholder's Fund	283.0	316.2	451.8	681.6	975.9
Non-Controlling Interest	6.9	14.1	35.2	64.2	81.8
Non-current liabilities					
Long Term Borrowings	4.2	-	-	-	-
Other Non- Current Liabilities	2.9	3.3	6.0	11.0	14.0
Current liabilities	72.0	140.2	217.7	396.3	505.1
Total Liabilities	368.9	473.7	710.8	1,153.0	1,576.8
Assets					
Net Fixed Assets	68.8	77.2	81.0	86.2	91.4
Non-Current Assets	92.8	97.2	129.8	174.1	201.5
Current Assets					
Inventories	25.0	49.0	117.2	213.4	272.1
Trade receivables	31.7	85.4	261.9	477.1	608.3
Cash and bank balances	82.9	167.4	97.3	97.7	251.9
Other Financial Assets	119.6	54.9	75.5	137.5	175.3
Current Tax Assets (Net)	2.1	0.9	4.0	7.3	9.3
Other Current Assets	15.1	19.0	25.2	45.8	58.4
Total Current Assets	276.2	376.5	581.0	978.9	1,375.4
Total Assets	368.9	473.7	710.8	1,153.0	1,576.8

Key Ratios

A Growth (%)	2022A	2023A	2024E	2025E	2026E
Net Sales	27.7	213.7	129.9	82.2	27.5
EBITDA	(38.1)	1,489.4	142.5	82.2	27.5
PBT	(24.3)	2,071.4	159.4	82.6	28.0
Net Profit	(5.9)	1,814.9	160.6	82.6	28.0
Cash Profit	(3.7)	652.8	143.3	79.4	27.3
(B) Measures of Performance					
Operating Profit Margin (%)	6.5	33.2	35.0	35.0	35.0
Gross Profit Margin (%)	81.2	73.2	73.0	73.0	73.0
Total Tax Rate (%)	21.0	30.3	30.0	30.0	30.0
Net Profit Margin (%)	3.7	22.8	25.9	25.9	26.1
(C) Measures of Financial Status					
Debt / Equity (x)	0.0	0.0	0.0	0.0	0.0
Net Debt / Equity (x)	(0.2)	(0.5)	(0.2)	(0.1)	(0.2)
Debtors Period (days)	132	98	126	147	170
Creditors Period (days)	19	9	8	8	8
Inventory Period (days)	104	62	60	66	76
Cash Conversion Cycle (Days)	217	150	178	205	237
(D) Measures of Investment					
EPS (Rs)	0.3	6.3	15.5	28.3	36.2
Dividend Per Share (RS)	0.1	0.3	0.5	0.8	1.0
Dividend Yield (%)	0.0	0.0	0.1	0.1	0.1
Earning Yield (%)	0.0	0.8	1.9	3.5	4.5
ROA (%)	0.9	11.9	22.0	25.5	22.3
Return on Net Worth (%)	1.1	16.7	33.9	42.0	36.7
Return on Cap. Employed (%)	1.9	24.5	48.2	59.6	52.2
Interest Coverage (x)	3.2	18.6	46.7	31.9	32.0
(E) Measures of Valuation					
P/E (x)	2,438.6	127.3	51.6	28.3	22.1
M. Cap to Sales (x)	91.2	29.1	13.4	7.3	5.8
EV/Sales (x)	90.2	28.3	13.2	7.3	5.6
EV/EBDITA (x)	1,377.8	85.4	37.7	20.8	15.9

Source: Company, SSL Research

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