

FINANCIAL MODEL

PLANT VISIT

Rising Stars

2024

IMPORT
SUBSTITUTION

ORGANISED
V/S
UNORGANISED

MANAGEMENT MEET

EXPORT
OPPORTUNITY

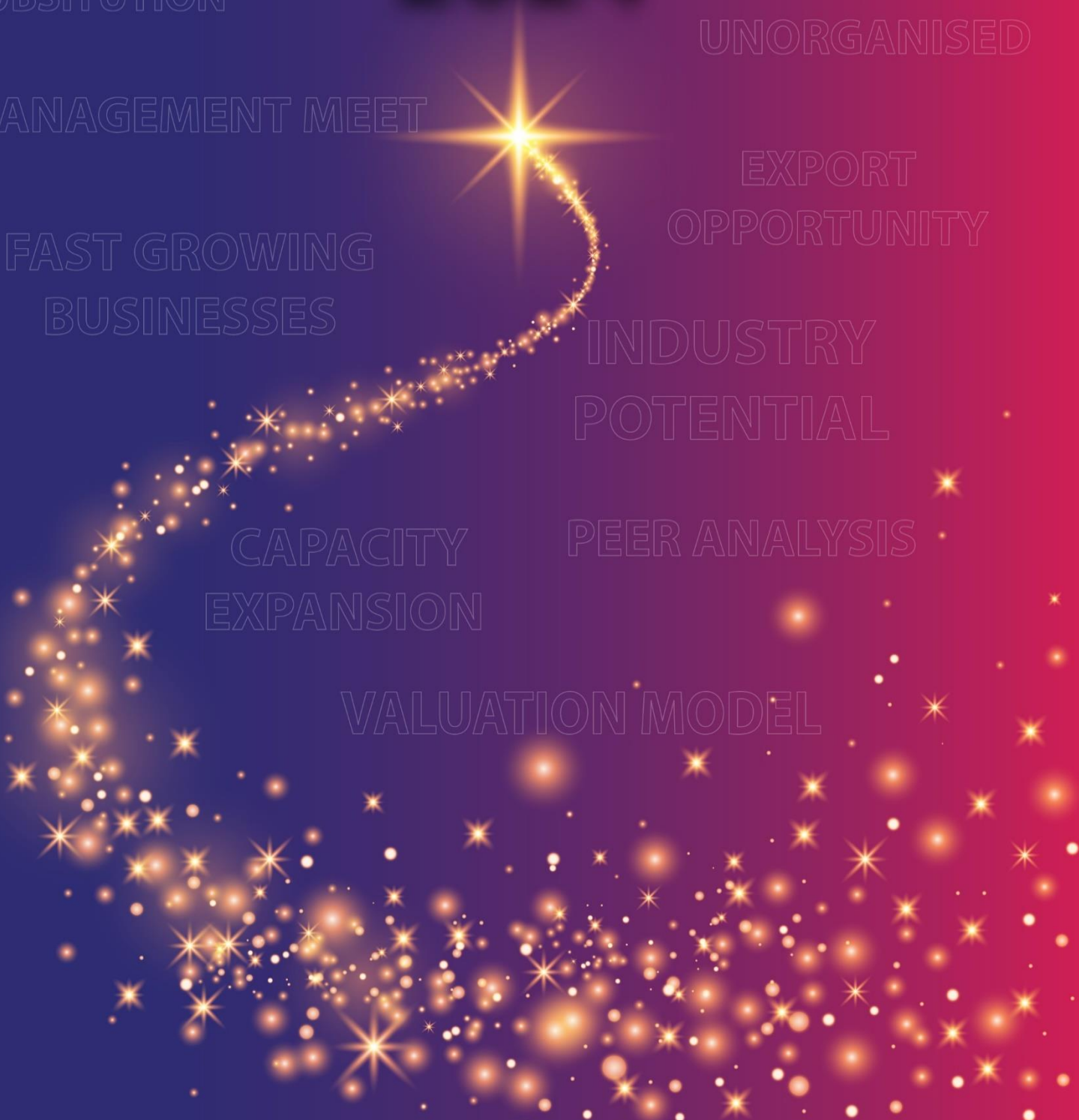
FAST GROWING
BUSINESSES

INDUSTRY
POTENTIAL

CAPACITY
EXPANSION

PEER ANALYSIS

VALUATION MODEL



Retail Research | 4QFY24 | BUY

8th May 2024

Zen Technologies Ltd.

Current Price*	Rs. 944.0
Target Price	Rs. 1,137.0
Upside	20.4%

*Current Price is live as of as on 8th May 2024

STOCK DATA

Industry Segment	Defence
BSE Code	533339
NSE Code	ZENTECH
Bloomberg Code	ZEN IN
52 Week High / Low (Rs.)	1,130/297
Face Value (Rs.)	1
Diluted Number of Shares (Crore.)	8.4
Market Cap. (Rs Crore.)	8,354.0
Avg. Yearly NSE Volume	9,85,263

SHAREHOLDING PATTERN (%)

Particulars	Jun-23	Sep-23	Dec-23	Mar-24
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

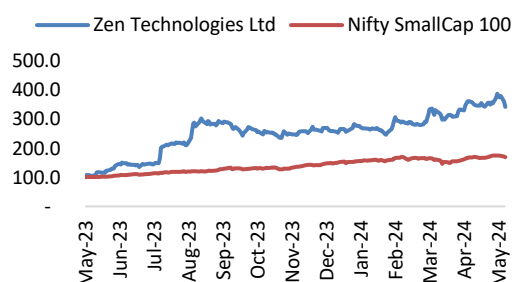
RETURNS STATISTICS (%)

Particulars	1M	3M	6M	12M
Zen Technologies Ltd	3.5	17.7	39.7	219.2
NSE SmallCap	4.9	(0.5)	24.5	67.8

Valuation and return ratio

Y/E March	2022A	2023A	2024A	2025E	2026E
PE (x)	2,876.1	150.2	61.3	36.8	26.1
P/BV (x)	26.5	23.7	17.7	12.2	8.5
EV/EBITDA (x)	1,627.8	101.1	43.0	26.0	18.3
EV/Sales (x)	106.6	33.6	17.7	9.2	6.5
Mcap/Sales (x)	107.6	34.3	18.0	9.5	6.8
ROE (%)	1.1	16.7	33.9	39.3	38.5
ROCE (%)	1.9	24.5	48.9	56.4	55.1

Stock Performance (1-year)



Key highlights of the 4QFY24 Result

Strong performance; Revenue marginally missed our expectation

The Company during FY24 has reported 101%/149%/159% YoY growth in Revenue/EBITDA/PAT up to Rs 439.9 cr/ Rs 180.8 cr/ Rs 129.5 cr respectively. The EBITDA margin expanded by more than 792 bps to 41.1%. The company despite reporting robust performance fell short of our FY24 sales expectations. However, the net profit of Rs 129.5 cr is in-line with our estimate of Rs 130 cr. The execution especially in O&M segment has been lower than our expectation which also impacted the margin on QoQ basis. For FY25, we have lowered our estimates for Revenue, EBITDA and PAT by 7% to 9% due to on going election code of conducts which could impact the order inflows and execution.

Order inflow has been slow but the outlook for FY25 is upbeat: The company's current order book of Rs 1,402 cr is 3.2x of its FY24 consolidated sales provides strong revenue visibility for next 2 years. The order inflow during the current quarter was soft due to ongoing general election while logistic cost impacted the export orders. The order inflow is expected to vary on QoQ basis but management expects Rs 1,200-1,500 cr of order inflow during FY25.

Guided for Rs 900 cr plus revenue along with EBITDA margin of ~35% for FY25; Exploring inorganic opportunities: The management, for FY25, expects Rs 900 cr plus revenue along with sustainable EBITDA margin of ~35% and targeting Rs 2,000 cr revenue by 2027. The export orders which are 31% at present may surpass in overall order pie. The anti-drone system order is presently at 43% of total orders and 63.4% of total export orders. 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.

Valuation still attractive; Maintain buy rating- Target Rs 1,137/-

At the current price, the company is trading at 36.8x/26.1x of its FY25E/FY26E earnings respectively. We maintained our buy rating on the stock with upgraded price target of Rs 1,137.0/- thus providing an upside potential of 20.4%.

Financial Summary (Rs cr)

Particulars	2022A	2023A	2024A	2025E	2026E
Net Sales (Rs Cr)	69.8	218.8	439.9	833.4	1,159.6
<i>Growth (%)</i>	<i>27.7</i>	<i>213.7</i>	<i>101.0</i>	<i>89.5</i>	<i>39.1</i>
EBITDA (Rs Cr)	4.6	72.6	180.8	295.8	411.7
<i>Growth (%)</i>	<i>(38.1)</i>	<i>1,489.4</i>	<i>149.0</i>	<i>63.6</i>	<i>39.1</i>
Net Profit (Rs Cr)	2.6	50.0	129.5	215.7	304.5
<i>Growth (%)</i>	<i>(5.9)</i>	<i>1,814.7</i>	<i>159.2</i>	<i>66.5</i>	<i>41.2</i>
EPS (Rs)	0.3	6.3	15.4	25.7	36.2
<i>Growth (%)</i>	<i>(5.9)</i>	<i>1,814.7</i>	<i>145.2</i>	<i>66.5</i>	<i>41.2</i>
DPS (Rs)	0.1	0.3	1.0	1.5	2.0
Dividend Yield (%)	0.0	0.0	0.1	0.2	0.2

Source: Company, SSL Research

4QFY24 Result*Figures in Rs. Crs.*

Quarter Ended	4QFY24	3QFY24	Q-O-Q		Y-o-Y		Comments
				% Change	4QFY23	% Change	
Net Sales	141.4	99.5	42.1	95.9	47.5		Pick-up in order execution
Other Income	2.7	4.2	-	(0.0)	(16,621.7)		
Total Income	144.0	103.8	38.8	95.9	50.3		
Total Operating Expenditure	91.0	57.0	59.5	60.7	49.9		
Material Cost	47.1	24.2	94.3	26.7	76.1		
As % of Sales	33.3	24.4	-	27.9	-		
Other Exp.	40.6	30.0	-	30.9	-		
As % of Sales	28.7	30.1	-	32.3	-		
EBDITA (Excl OI)	50.4	42.5	18.7	35.2	43.3		Cost optimization and efficiency
EBDITA (Incl OI)	53.1	46.7	13.6	35.2	50.9		
Interest & Finance Cost	0.8	0.5	56.3	0.6	31.4		
PBDT	52.3	46.2	13.1	34.5	51.3		
Depreciation.	2.9	2.6	10.8	1.5	92.4		
PBT	49.3	43.6	13.3	33.0	49.4		
Tax	14.2	13.7	3.3	9.6	46.9		
Net Profit	37.6	29.8	25.9	23.4	60.7		Overall growth in revenue
Operating Margins (%)	35.7	42.7		36.7			
Net Profit Margins (%)	26.6	30.0		24.4			
Tax Rate (%)	28.7	31.5		29.2			
Equity (Rs Cr)	8.4	8.4		8.0			
FV (Rs)	1.0	1.0		1.0			
EPS (Rs)	4.5	3.6		2.9			
Cash EPS (Rs)	4.8	3.9		3.1			

Estimate Revision

Particulars (Rs. Crore)	New Estimate		Old Estimate		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	833.4	1,159.6	916.5	1,159.6	(9.1)	-
EBITDA	295.8	411.7	320.8	411.7	(7.8)	-
EBITDA Margin (%)	35.5	35.5	35.0	35.5	0.5	-
PAT	215.7	304.5	237.8	304.5	(9.3)	-
EPS (Rs. Per share)	25.7	36.2	28.3	36.2	(9.3)	-

Source: SSL Research

Financial Statements

Income Statement

Figures in Cr.

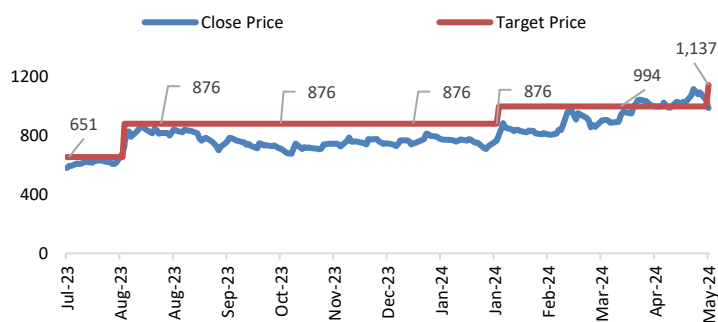
Particulars	2022A	2023A	2024A	2025E	2026E
Net Sales	69.8	218.8	439.9	833.4	1,159.6
Other Income	5.4	7.2	14.9	25.0	34.8
Total Income	75.1	226.1	454.8	858.4	1,194.4
Total Expenditure	65.2	146.2	259.1	537.5	748.0
Raw Material Consumed	13.1	58.6	118.0	241.7	336.3
As % of Sales	18.8%	26.8%	26.8%	29.0%	29.0%
Other Operating Cost	52.0	87.6	141.1	295.8	411.7
As % of Sales	74.6%	40.0%	32.1%	35.5%	35.5%
EBDITA (Excl OI)	4.6	72.6	180.8	295.8	411.7
EBDITA (Incl. OI)	9.9	79.9	195.7	320.8	446.5
Interest	1.5	4.1	2.3	2.9	4.1
PBDT	8.4	75.8	193.4	317.9	442.4
Depreciation	4.8	6.1	9.7	9.8	7.4
Exceptional Items	0.3	2.0	2.4	-	-
PBT	3.3	71.7	186.2	308.1	435.0
Tax	0.7	21.8	56.6	92.4	130.5
Net Profit	2.6	50.0	129.5	215.7	304.5

Cash Flow Statement

Figures in Cr.

Particulars	2022A	2023A	2024A	2025E	2026E
PBT	3.3	71.7	186.2	308.1	435.0
Depreciation	4.8	6.1	9.7	9.8	7.4
Interest (Net)	1.5	4.1	2.3	2.9	4.1
Other Income	(5.4)	(7.2)	(14.9)	(25.0)	(34.8)
Change in WC	(48.4)	98.6	(160.5)	(100.1)	(114.1)
Direct Taxes Paid	(0.7)	(21.8)	(56.6)	(92.4)	(130.5)
Net operating Cash Flow	(44.8)	151.5	(33.9)	103.3	167.1
(Incr.) / Dec. in Fixed Assets	(3.7)	(10.4)	(30.7)	(12.0)	(12.0)
Free Cash Flow	(48.6)	141.0	(64.6)	91.3	155.1
(Incr.) / Dec. in Investments	-	-	2.2	-	-
Other Income	5.4	7.2	14.9	25.0	34.8
C.F. from investing activities	1.6	(3.2)	(13.5)	13.0	22.8
Issue / reduction in R&S	86.6	-	10.0	-	-
Change in Debt	11.6	(7.6)	(5.3)	3.6	1.6
Interest Paid	(1.5)	(4.1)	(2.3)	(2.9)	(4.1)
Dividend	(0.8)	(2.4)	(8.4)	(12.6)	(16.8)
C F from fin. Activities	95.9	(14.1)	(6.0)	(12.0)	(19.2)
Other Adjustment (Net)	(10.1)	(49.7)	44.2	(4.7)	(23.5)
Net Change in cash	42.6	84.5	(9.2)	99.6	147.1
Opening Balance	40.3	82.9	167.4	158.2	257.8
Closing Balance	82.9	167.4	158.2	257.8	404.9

Recommendation History



Balance Sheet:

Figures in Cr.

Equities & Liabilities	2022A	2023A	2024A	2025E	2026E
Share capital	8.0	8.0	8.4	8.4	8.4
Reserves and surplus	275.1	308.2	440.2	640.8	925.1
Total Shareholder's Fund	283.0	316.2	448.6	649.2	933.5
Non-Controlling Interest	6.9	14.1	17.7	25.0	23.2
Non-current liabilities					
Long Term Borrowings	4.2	-	-	-	-
Other Non- Current Liabilities	2.9	3.3	14.3	16.7	23.2
Current liabilities	72.0	140.2	269.9	386.7	537.9
Total Liabilities	368.9	473.7	750.5	1,077.5	1,517.8
Assets					
Net Fixed Assets	68.8	77.2	104.3	108.5	115.4
Non-Current Assets	92.8	141.7	132.2	146.2	175.7
Current Assets					
Inventories	25.0	49.0	169.1	251.2	349.5
Trade receivables	31.7	85.4	184.5	274.0	381.2
Cash and bank balances	82.9	167.4	158.2	257.8	404.9
Other Financial Assets	119.6	10.4	10.0	25.0	34.8
Loans	-	-	0.8	-	-
Current Tax Assets (Net)	2.1	0.9	2.7	6.7	9.3
Other Current Assets	15.1	19.0	93.1	116.7	162.3
Total Current Assets	276.2	332.0	618.3	931.3	1,342.1
Total Assets	368.9	473.7	750.5	1,077.5	1,517.8

Key Ratios

Particulars	2022A	2023A	2024A	2025E	2026E
(A) Growth (%)					
Net Sales	27.7	213.7	101.0	89.5	39.1
EBITDA	(38.1)	1,489.4	149.0	63.6	39.1
PBT	(24.3)	2,071.4	159.5	65.5	41.2
Net Profit	(5.9)	1,814.7	159.2	66.5	41.2
Cash Profit	(3.7)	652.7	148.4	62.0	38.3
(B) Measures of Performance					
Operating Profit Margin (%)	6.5	33.2	41.1	35.5	35.5
Gross Profit Margin (%)	81.2	73.2	73.2	71.0	71.0
Total Tax Rate (%)	21.0	30.3	30.4	30.0	30.0
Net Profit Margin (%)	3.7	22.8	29.4	25.9	26.3
(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)	(0.4)	(0.4)	(0.4)
Debtors Period (days)	132	98	112	100	103
Creditors Period (days)	19	9	27	25	25
Inventory Period (days)	104	62	90	92	95
Cash Conversion Cycle (Days)	217	150	176	167	173
(D) Measures of Investment					
EPS (Rs)	0.3	6.3	15.4	25.7	36.2
Dividend Per Share (RS)	0.1	0.3	1.0	1.5	2.0
Dividend Yield (%)	0.0	0.0	0.1	0.2	0.2
Earning Yield (%)	0.0	0.7	1.6	2.7	3.8
ROA (%)	0.9	11.9	21.2	23.6	23.5
Return on Net Worth (%)	1.1	16.7	33.9	39.3	38.5
Return on Cap. Employed (%)	1.9	24.5	48.9	56.4	55.1
Interest Coverage (x)	3.2	18.6	82.6	106.6	108.2
(E) Measures of Valuation					
P/E (x)	2,876.1	150.2	61.3	36.8	26.1
M. Cap to Sales (x)	107.6	34.3	18.0	9.5	6.8
EV/Sales (x)	106.6	33.6	17.7	9.2	6.5
EV/EBDITA (x)	1,627.8	101.1	43.0	26.0	18.3

Source: Company, SSL Research

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