

## The masters of (virtual) destruction

### Zen Technologies is tapping into a worldwide thirst for military weapons simulators, reports Business 2.0.

By [Shailaja Neelakantan](#), Business 2.0 Magazine  
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(Business 2.0 Magazine) -- Holding the AK-47 assault rifle against my shoulder, I aim and fire at the gunman running to attack me. The report of the rifle is deafening, and the recoil feels like getting kicked in the shoulder by a horse.

"That is fine," says my bunker partner, Ashok Atluri, chief executive of Zen Technologies, based in Hyderabad in southern India. "But generally users are trained to injure and not to kill." On the Zen Advanced Weapons Simulator screen, the man I have blown away lies crumpled in a heap.



PHOTO: SHARAD HAKSAR

**Ashok Atluri's company has recorded 38 percent annual compound growth since 2003.**



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**Zen's Hand Grenade Simulator "explodes" if it's not hurled quickly enough -- booming, smoking, and inflicting a small burn on the hand of the trainee.**



**Zen's Driving Simulator costs 85 percent less than the competitions.**

This is no videogame. The modified AK-47 sounds and kicks just like the one I fired 16 years ago on a press junket with India's Eastern Air Command. But unlike on that occasion, when nobody explained why I missed my target -- a bottle of local cola called Thums Up -- the Zen simulator is both gun and instructor.

My second shot is way off target. A laser beam sent to the simulator's computer displays the movement of my gun and the trajectory of my virtual bullet, showing me why I'm off the mark. Anticipating the unpleasant recoil, I have flinched and sent my bullet over the target.

"This is why training simulators are so useful," says Atluri, a genial, portly man who looks more suited to accounting than making weapons simulators.

Atluri and co-founders A. Kishore Dutt and M. Ravi Kumar have made Zen Technologies the leading supplier of simulators for advanced weapons, hand grenades, small arms, and driver training to India's federal and state police forces.

The company has been profitable since 1999 -- one year before it went public on the Bombay Stock Exchange. Zen has also paid a dividend for the past four years and recorded compound annual growth of 38 percent since 2003. For the year ending March 31, it reported a net profit of \$1.8 million on revenue of \$5.8 million.

And those numbers could grow quickly: The Indian government, ranked 10th in the world in military spending, is rapidly modernizing its Soviet-era arsenal. Zen has also begun selling to Malaysia and is set to storm Africa and the Middle East, where armies determined to upgrade their equipment are thirsty for cheap, effective simulators.

The key to the company's success is that its five products -- with six more on the way -- are comparable in quality to but significantly cheaper than those made by competitors like Israeli-based Amcoram and U.S.-based Advanced Interactive Systems and Fats Inc.

Zen's products are also popular because their modular system makes it easy to switch from one language to another. Plug-ins simulate different kinds of warfare, from frontal assaults to more nuanced special forces operations.

Zen's founders are not military men; they actually started out in the customized networking-software business. But a 1990 meeting with some longtime Indian army customers convinced them they were onto something big.

"They kept talking about a shortage of shooting ranges, the expense of real ammunition, and the injuries to new recruits when they practiced," Atluri says. "That's when it hit us. This is the business to be in."

They started with the Small Arms Training Simulator, the company's first product and India's first PC-based weapons simulator; they finished it, and officially launched Zen Technologies, in 1993. Though the name Zen might seem antithetical for a maker of weapons simulators, it comes straight from a book that Atluri, an ardent meditator, was reading while they were tossing around company names: *Zen in the Martial Arts*.

Even though the Small Arms Training Simulator was designed with India's police and military in mind, it took three years to sell the first unit. The security agencies liked it but had tight budgets. A few Indian states had simulators they'd purchased from other companies, but weapons training wasn't even a line item on their budgets.

When Zen's founders lugged their new toy around the country, many prospective customers didn't know what a simulator was. "Some people thought we meant 'stimulator,'" Atluri says. "We felt like we were in the adult novelty business."

With no sales in sight, Zen gave a demo unit to India's National Police Academy. The gambit worked. Delhi police officials were so impressed that they bought one in mid-1996, and other states' security forces soon followed suit.

Now Zen has sold its simulators to most of India's 28 state security forces, as well as more than eight federal police forces.

Zen also made friends by tweaking its products, saving customers from having to buy a new one for each weapons system upgrade. The tightfisted security agencies even asked Zen to upgrade the few simulators they had bought from foreign competitors, a service the company was happy to provide.

Another reason the company is popular: Zen can make simulators less expensively than its competitors. Indian software talent is cheap, and the company maintains software libraries with functions that can be reused in different simulators. That cuts design time and development costs.

Most of Zen's rivals don't make enough different products for a library to be worthwhile. The company can also get a new product to market in six to nine months; five years is the industry norm. As a result, Zen's Advanced Weapons Simulator retails for 50 percent less than a comparable product from its competition. Zen's Driving Training Simulator costs about \$150,000, compared with \$1 million for one from a French maker.

Zen's reusable libraries -- its intellectual capital -- make it worth a lot more than its current market capitalization of \$12.2 million, says Bangalore-based Aman Thakur, a money manager at Kanav Capital.

"Fats Inc., a one-product company and a competitor of Zen's Advanced Weapons Simulator, was acquired for \$144 million," Thakur says. Zen's problem, he explains, is that its sales network is still developing and doesn't yet have the kinds of contacts with potential customers around the globe that could lead to big sales.

A glance at the map -- dotted with more and more hot zones every year -- suggests it's not too late. Even if Hyderabad's Zen masters, like India's many beauty queens, wish for nothing more than world peace.

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