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Zen Technologies: Stimulation for Simulation

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Our focus, right from the beginning, has been on indigenous product development. Of the whole lot of companies manufacturing in India, how many are creating their own IPs, and developing import substitute products end-to-end - from design to sale? The 1998 Pokhran tests were a good opportunity for us., says Ashok Atluri, Chairman and Managing Director, Zen Technologies

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The first Indian company to commercialize PC-based visual simulation technology for training simulators, Zen Technologies has now assumed leadership position in Firearms, Tank, Driving, Mining and Unmanned Aerial Vehicle (UAV) simulators. The company is confident of scaling new heights in the pro-growth environment ushered in by the new government. Anil Mascarenhas of IIFL spoke to Ashok Atluri, Chairman and Managing Director, Zen Technologies , about the

company's past, present and future. Excerpts from the tete-a-tete...

A few decades ago, you seemed ahead of time in the simulator space. Why is it that you haven't grown at the pace your value prop implied?

Our focus, right from the beginning, has been on indigenous product development. Of the whole lot of companies manufacturing in India, how many are creating their own IPs, and developing import substitute products end-to-end - from design to sale? The 1998 Pokhran tests were a good opportunity for us. Our share of victories notwithstanding, the then government's absolute neutrality to technology proved a big impediment on the way forward. In the US, 'Buy American' is a well known defence priority. In fact, the US Government pays a premium to indigenous players. In India, such privileges are unheard of. Worse, our much-publicized mission of self sufficiency is only a facade. In actuality, a few people out there are curbing the growth of indigenous products. I recall one tender where a foreign player had originally quoted Rs.2.5 crore against our Rs. 80 lakh. The same company then collaborated with an Indian firm to bag the contract at Rs. 70 lakh.

Having said that, things are changing for the better under the new government. Earlier, mere survival was the sole defence objective that caused several tender retractions and cancellations. The present government is serious about India's security. The results may not be evident in the short term but the long term is definitely about 'Make in India'. To give you a biological parallel, if the organism is stressed, the entire energy is focused on survival. It doesn't really grow but shrinks. Similar was our case. Now that we have a new focused team in place and the government means business, I am highly optimistic of a turnaround.

To cite a sterling example of the positive change, we recently secured an export permit in less than a month. The same clearance would have taken months in the past regime. More importantly, this government is enabling entrepreneurs to adopt the fearless growth mindset. Put simply, they are telling Indian businesses, "Why do you have only one customer for your proven product? Go all out and create a sustainable market for yourself. This stimulating environment surely beckons an era of wonderful

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Delays, most definitely, would be a thing of the past as people are now being questioned for delayed actions and negative decisions. This has made clearances and approvals fast and efficient. With decision making moving from autocracy towards accountability, I am confident that sticky issues like retractions and tender cancellations will not recur now. Our defence minister is unflinchingly focused on national security. His decision to rightsize the Dassault Rafale deal was a very brave decision. Despite being a huge political challenge, he stuck his guns in national interest.

[The Indian army, you have remarked, took very long to acknowledge the worth of simulation-driven exercises. Is there a very different view now?](#)

About a decade ago, simulators were considered like video games and there was no keen interest in trying them out. The demonstration of our anti-tank guided missile simulator helped put things in perspective. Earlier, only around 15-18 out of the 40 missiles would hit the target. After practice sessions on our simulators, the hit score drastically improved to 34-35 missiles. All doubts were laid to rest and our product gained the respect it deserved - as an educational tool with in-built capabilities to improve defence skill-sets and operational readiness. Simulators thus became an integral part of the Indian Armed forces.

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Companies talk about their R & D spends all the time. But we need to put R & D in perspective before we pat their backs. Now, there are different kinds of R & D. For instance, there's contract research; say the DRDO approaches us for some R & D on their behalf and remunerates us in return. In this case, a lot is at stake because the financial risk is ours, the technological risk is ours and we are compensated only if and when the final product fetches a customer, not otherwise. So the right question to ask in the context of R & D initiatives is "What's at stake?" Out of Rs. 80 crore revenues, we spent Rs. 13 crore on R & D last fiscal. The previous year's figures were Rs. 46 crore and ~Rs. 20 crore respectively. Our spend fluctuates because we don't look at it in terms of a percentage of revenues; we chase R & D opportunities instead. Out of our 250 people, close to 100 are engaged in R&D. Till date, our R & D lab has created as many as 32 products which have won raving accolades worldwide.

[What would be your client break-up?](#)

The Armed forces are a major addressable audience for us. The police and other para-military forces are also our customers. Client demands vary from year to year. Our repeat orders are a testimony to our products' success. If even one of my customers is unhappy with my product, I am in trouble. I have to meet their expectations year after year as it's only their delight that defines our value proposition.

[Is the tie-up with Rockwell Collins a big boost to your aviation vertical?](#)

Absolutely! Rockwell Collins is based in Cedar Rapids, Iowa and has facilities in Hyderabad and near New Delhi. We co-developed a helicopter simulator and demonstrated it at the recent AeroIndia. There are no indigenous aviation simulation players. Customers ask for original OEM data packs and Rockwell's established nexus would help us secure them. Given our pivot around the aviation segment and the robust tie up with Rockwell Collins, we are very optimistic about the value prop of our aviation simulator solution for Indian customers. We intend to capture the Indian aviation simulation market; mostly in military stimulation. Foreign companies are keen to tie-up with us because Zen is the only player, among shortlisted names, capable of absorbing emerging technology and improving upon it. Most other firms merely build on the tech provider's design. Such tie ups will also unleash the international markets for our existing products.

[Tell us about Zentec's share holding pattern? Any message to your shareholders?](#)

Promoter holding is about ~60% while the remaining is mostly with domestic investors. A small percentage is held by a foreign fund. We have pledged shares around 24-25%. As regards the message to shareholders, I'll reinforce what I said earlier. We were restrained in the past years due to a host of factors. The tailwinds are now in our favour and I expect significant business spread. Your company has moved up the value chain with resounding conviction, from a product company to a solutions company. Whether conducting combat training or devising ways to counter anti-nationals, rebels or terrorists, we can tailor simulations in line with the exact need.

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