

New DPP to change Zen Technologies prospects, says CMD

The government has introduced a bold step to refund R&D expenditure if orders are not placed, said Ashok Atluri



Ashok Atluri, chairman and managing director, Zen Technologies.

Goa: Zen Technologies Ltd believes that the life of the company that makes training simulators for defence forces will change with the key clauses of the new defence procurement procedures (DPP), unveiled on Monday by defence minister Manohar Parrikar.

In an interview on Wednesday, Ashok Atluri, chairman and managing director, Zen Technologies, said the recent amendments in the DPP 2016 to include the category 'Buy Indian—Indigenously Designed, Developed and Manufactured (IDDM)' has expanded to encompass the value chain of manufacturing, designing and developing as this chain actually captures almost 60-80% of product value.

"Zen Technologies has been and will continue to focus on research and development (R&D), and this will benefit us enormously under the new environment where IP ownership is being given top priority," Atluri said.

To be sure, unmanned aerial vehicles (UAV) simulator, tank simulators and infantry weapons training simulators are some

upcoming tenders for which Zen Technologies intends to bid.

Mint could not immediately verify the worth of these orders.

In the last 21 years, Zen Technologies has developed more than 30 product simulators, including advance weapons simulator, tactical engagement simulator, anti-tank guided missile simulator, infantry combat vehicle (ICV) BMP II driving and missile simulator, artillery forward observation simulator, hand grenade simulator, driving and gunnery simulators for tanks, smart target system (LOMAH), tank zeroing system, armoured combat training simulator, medium machine gun simulator, AGL simulator and UAV simulator.

Expressing the optimism for the company, Atluri said the new DPP ensures that even if a single vendor situation arises at the bid stage, the procurement will be concluded, if the product qualifies and due process is followed.

Atluri said the government has introduced a bold step to refund R&D expenditure if orders are not placed.

"This increases the government's responsibility tremendously and insures the risk taken by the industry," he said.

He admitted that the procurement process has been slow for the last five years.

"These last five years have been a bit uneven for Zen. While there is a lot of demand for simulators and training equipment, the slow procurement process has been painful. But we see dramatic changes happening now," Atluri said.

He said with the introduction of the new DPP, companies such as Zen will benefit tremendously which will ensure that Indian defence companies get good business.

"This is the right direction. Any change in direction by the government could impact companies like Zen adversely," he added.

At 1.54pm, Zen Technologies Ltd rose 1.7% to ₹74 while India's benchmark Sensex Index rose 1.53% to 25,281.99 points.

Since last one year, Zen Technologies rose 34.55% while India's benchmark Sensex fell 9.8%. So far this year, the stock fell 40% and Sensex fell 3.4%.

"Many Indian companies that fall under 'Make in India' category have benefited a lot from Prime Minister Narendra Modi's support for Indian companies," Atluri said.