Quick Heal Technologies Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	Quick Heal is undergoing a high-stakes strategic pivot where the legacy consumer antivirus segment is contracting faster than the enterprise cybersecurity division (Seqrite) can achieve scale.	□
2	Revenue declined 6.6% YoY as the B2B segment, while growing to 40% of the mix, failed to offset the erosion in the core consumer business.	□
3	Profitability has collapsed into an EBITDA loss of □29.00 Cr, primarily driven by a rigid cost structure where employee expenses consume 70% of total revenue.	□
4	The bottom line (□11.00 Cr Net Loss) was artificially cushioned by □22.83 Cr in non-operating treasury income and □9.71 Cr in tax credits, masking the depth of operational insolvency.	□
5	The balance sheet remains the primary margin of safety, characterized by a debt-free status and a robust liquidity buffer of □205.19 Cr held in mutual funds.	□
6	Cash flow from operations improved to □15.00 Cr, though this was largely achieved through the aggressive liquidation of trade receivables rather than organic earnings.	□
7	Capital allocation efficiency has turned negative, with ROCE falling to -5.0% as high R&D spending (48% of sales) has yet to generate incremental revenue or returns.	□
8	Earnings quality is significantly impaired by a 141% YoY surge in credit loss provisions, with 29.5% of gross receivables now classified as credit-impaired.	□
9	A critical governance red flag emerged via the auditor's note confirming the absence of a database-level audit trail, indicating a failure in fundamental forensic IT controls.	□
10	Leadership instability is evident following the resignation of the CEO within one year, compounded by high promoter remuneration (38% of the net loss value) during a period of financial stress.	□
11	The outlook depends on the Seqrite segment's ability to leverage the DPDP Act for a 30%+ growth surge to trigger operating leverage and offset the consumer segment's collapse.	□
12	Investment View: A 'WATCH' stance is maintained; avoid entry until EBITDA turns positive and audit trail deficiencies are remediated, monitoring for further receivable write-offs.	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Segment Dynamics:** Quick Heal is in a structural transition, migrating from legacy consumer antivirus (AV) to diversified enterprise cybersecurity and data privacy.
- **Enterprise (Seqrite):** Now contributes **40% of revenue** (up from 31% in FY25). This is the sole growth engine, driven by Endpoint Detection and Response (EDR) and a new Data Privacy platform aligned with India's Digital Personal Data Protection (DPDP) Act.

- **Consumer (Quick Heal):** Continues to be the larger contributor at **60% of revenue** but is structurally compromised. The pivot to "Digital Safety" (AntiFraud.AI) aims to stem the decline of traditional PC-based AV as users shift to mobile-first and platform-integrated security.
- **Revenue Drivers:** Growth is increasingly tied to SaaS and subscription models, with the **cloud-mix increasing to 38%** (vs 31% in FY25).
- **Cost Drivers:** The business is defined by **extreme R&D intensity**, with expenditure at **₹125.71 Cr (roughly 48% of net revenue)** to build the GoDeep.AI engine. Costs are heavily weighted toward high-skilled manpower (900+ professionals).
- **Industry Position:** Primary differentiation is the **"Make in India" trust architecture**, maintaining India's largest malware analysis lab (Seqrite Labs) and local data sovereignty, creating a regulatory moat in Government and BFSI sectors.
- **Geographical Presence:** Operates in 70+ countries; however, international markets remain tail-end contributors compared to the domestic Indian base.
- **Capacity/Expansion:** Launch of AntiFraud.AI (Consumer) and DRPS/RRaaS (Enterprise) to move beyond traditional endpoint security.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management is doubling down on an **"AI-First" and "Privacy-Centric" narrative**, viewing the convergence of cybersecurity and compliance as a long-term structural opportunity.
- Strategy is heavily focused on the **enforcement of the DPDP Act**, positioning the company to provide data discovery, consent management, and breach reporting tools.
- Vision is to transition from a "product provider" to a "cyber resilience partner," utilizing a unified platform to reduce administrative burdens for CISOs.
- Management acknowledges that the **Consumer business faces "industry-wide challenges"** and describes current financial losses as a byproduct of "investing in the future."
- There is a clear strategic push toward SaaS to prioritize recurring revenue over legacy perpetual licenses.
- Management highlights "encouraging momentum" in international markets including SEA, MEA, and LATAM, though "Make in India" remains the primary competitive lever.
- Significant leadership churn occurred during the year, including the **resignation of CEO Vishal Salvi** in August 2025 and the subsequent appointment of Harish Kumar GS.
- The company is prioritizing the development of the **GoDeep.AI engine** to combat AI-enabled scams and cognitive threats.
- Management emphasizes that progress is not measured by a single year's PAT but by the ability to anticipate market shifts and build a next-generation growth chapter.
- **Management Tone:** The tone of the FY26 report is markedly **defensive and highly conceptual**, relying heavily on technology jargon to justify operational losses. By stating they "do not measure progress solely by one year's financial outcome," leadership is attempting to shift investor focus from a deteriorating P&L to a theoretical "next growth chapter." The narrative dwells extensively on the potential of the DPDP Act while passing quickly over leadership instability and the suspension of dividends. The tone suggests a leadership team asking for a "leap of faith" while the legacy business evaporates faster than the enterprise business can scale.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

Basis: CONSOLIDATED.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	261.00	280.00
Sales Growth %	-6.62	-4.19
Expenses -	290.00	286.00
Material Cost % -	2.00	3.00
Raw material cost	4.65	6.55
Change in inventory	-0.37	0.58
Manufacturing Cost %	0.00	6.00
Employee Cost %	70.00	67.00
Other Cost %	40.00	27.00
Operating Profit	-29.00	-7.00
OPM %	-11.00	-2.40
Other Income -	23.00	21.00
Exceptional items	0.00	2.29
Other income normal	22.83	18.48
Interest	0.00	0.00
Depreciation	14.00	13.00
Profit before tax	-21.00	1.00
Tax %	-47.00	-404.00
Net Profit -	-11.00	5.00
Exceptional items AT	0.00	2.00
Profit excl Excep	-11.00	3.00
Profit for PE	-11.00	3.00
Profit for EPS	-11.00	5.00
Profit Growth %	-497.00	-88.00
EPS in Rs	-2.01	0.93
Dividend Payout %	0.00	0.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	54.00	54.00
Reserves	382.00	387.00
Borrowings -	0.00	0.00
Lease Liabilities	0.11	0.09
Other Liabilities -	110.00	83.00
Trade Payables	41.00	35.00
Advance from Customers	0.00	0.00
Other liability items	69.00	49.00
Total Liabilities	547.00	525.00
Fixed Assets -	122.00	119.00
Land	0.00	0.88
Building	0.00	105.15
Equipments	0.00	17.85
Computers	0.00	107.50
Furniture n fittings	0.00	35.32
Vehicles	0.00	0.93
Intangible Assets	1.25	0.00
Other fixed assets	0.00	53.16
Gross Block	0.00	320.79
Accumulated Depreciation	0.00	201.58
CWIP	0.00	0.00
Investments	213.00	179.00
Other Assets -	212.00	226.00
Inventories	3.00	2.00
Trade receivables -	138.00	167.00
Receivables over 6m	0.00	93.00
Receivables under 6m	0.00	121.00
Prov for Doubtful	0.00	-48.00
Cash Equivalents	13.00	21.00
Loans n Advances	1.00	8.00
Other asset items	58.00	29.00
Total Assets	547.00	525.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	15.00	-22.00
Profit from operations	-12.44	7.97
Receivables	15.88	-38.83
Inventory	-0.37	0.58
Payables	6.21	-4.95
Loans Advances	0.00	0.00
Other WC items	14.13	13.78
Working capital changes	35.85	-29.42
Direct taxes	-8.02	-0.85
Cash from Investing Activity -	-26.00	16.00
Fixed assets purchased	-15.00	-14.00
Fixed assets sold	6.00	0.00
Investments purchased	-300.00	-265.00
Investments sold	278.00	295.00
Interest received	0.00	0.00
Dividends received	0.00	0.00
Other investing items	5.00	0.00
Cash from Financing Activity -	3.00	-10.00
Proceeds from shares	2.98	5.91
Interest paid fin	-0.02	0.00
Dividends paid	0.00	-16.13
Financial liabilities	-0.20	-0.10
Share application money	0.00	0.00
Other financing items	0.00	0.00
Net Cash Flow	-8.00	-17.00
Free Cash Flow	6.00	-36.00
CFO/OP	-80.00	325.00

Key Ratios (₹Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	192.00	218.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	192.00	218.00
Working Capital Days	346.00	130.00
ROCE %	-5.00	0.00

3.2 Financial Analysis Summary

- **Revenue** from operations declined by **6.62% YoY to ₹261.02 Cr**, while **Trade Receivables** (net) dropped from **₹166.73 Cr to ₹137.59 Cr**. **Revenue** as per contracted price was higher at **₹299.17 Cr**, with **12.75% lost to sales returns and schemes**, indicating aggressive discounting to maintain market share.
- The company reported an **Operating Profit** loss of **₹29.00 Cr**, resulting in a negative **OPM %** of **-11.00%** (vs -2.40% in FY25), primarily because **Employee Cost %** remained sticky at **70% of Revenue (₹182.90 Cr)**; while ESOP expenses fell by 81% to **₹1.85 Cr**, fixed cash salaries rose, creating a high permanent cost floor.
- **CFO** improved to **₹15.00 Cr** from a negative ₹22.00 Cr in FY25, driven by a **₹35.85 Cr release in Working Capital**, largely from a **₹15.88 Cr reduction in Trade Receivables** and a **136% surge in Contract Liabilities (₹33.82 Cr)**.
- **Earnings Quality** is under significant stress as **29.50% of gross receivables (₹57.57 Cr)** are now credit impaired; the **Provision for Doubtful Debts** surged **141% YoY to ₹9.48 Cr**, while **Bad Debts Written Off** amounted to **₹4.24 Cr**, signaling distributor network distress.
- The **Balance Sheet** remains debt-free with zero **Borrowings**, supported by a robust liquidity buffer of **₹205.19 Cr in Investments (Mutual Funds)**, which provides **1.89x coverage** of total current liabilities of **₹108.29 Cr**.
- **ROCE %** fell to **-5.00%** from 0.00% in FY25 as the company recorded a **Net Profit** loss of **₹11.00 Cr**, which was significantly cushioned by a **₹9.71 Cr tax credit**, resulting in a **Deferred Tax Asset** of **₹17.52 Cr**.
- **Fixed Assets (Net Block)** rose to **₹87.58 Cr** with additions of **₹17.45 Cr** (primarily computers/servers); the company uses an aggressive **Depreciation** policy (WDV at 63.16% for computers), front-loading **Depreciation** expense to **₹13.90 Cr** this year.
- **Other Assets** includes a **₹5.01 Cr "Deposit Paid Under Protest"** linked to a Provident Fund dispute, while **Other Expenses** are impacted by **Legal and Professional Fees** of **₹21.76 Cr** (8.3% of revenue), driven by ongoing litigations.
- Management fully impaired its **₹12.56 Cr investment** in L7 Defense Limited (Israel) due to geopolitical risks, writing off both equity and CCPS through the balance sheet.
- **Audit Trail** failure is a critical forensic risk, as the feature was not enabled at the database level for accounting software, preventing verification of direct data changes.
- **Synthesis:** The dominant financial theme of the year is a **deteriorating P&L masked by treasury income and tax credits**, where a debt-free balance sheet and working capital liquidation are being used to fund a high-burn transition toward an unproven enterprise SaaS model.

3.3 Contingent Liabilities & Commitments

- **Provident Fund Dispute:** RPFC demand of **□2.52 Cr** principal plus **□2.49 Cr** interest relating to PF on allowances (2014-2019). The company has deposited 30% under protest (**□5.01 Cr** total cash lock-up) but has not created a provision.
- **Direct Tax Demands:** Total of **□2.07 Cr** (down from □2.85 Cr in FY25) primarily relating to Section 14A and ESOP expense disallowances.
- **Indirect Tax:** GST ITC mismatch demand of **□0.37 Cr**.
- **Capital Commitments:** Decreased significantly to **□1.41 Cr** (from □4.92 Cr), signaling a slowdown in fresh infrastructure spending.

3.9 Earnings Quality & Forensic Checks

Read	Question	Verdict	Confidence	Checked
1	Is the growth real?	*FLAG*	high	6/6
2	Does profit become cash?	*WATCH*	high	5/5
3	Is the P&L being manufactured?	*FLAG*	high	6/6
4	Is value leaving to insiders?	*WATCH*	high	6/6
5	Can the balance sheet take a hit?	*FLAG*	high	5/5

Read 1 — Is the growth real? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Receivables growth vs sales growth	Rs 166.73 Cr	Rs 137.59 Cr	Receivables fell 17.5% while revenue fell 6.6%	□CLEAN	n/a	Note 12, p.241
Allowance for Bad/ Doubtful Debts	Rs 48.05 Cr	Rs 57.57 Cr	19.8% increase in provisions despite falling sales	□FLAG	Provision for doubtful debts of Rs 9.48 Cr represents 3.6% of revenue	Note 12, p.241
Contract liabilities (Deferred Revenue)	Rs 14.28 Cr	Rs 33.82 Cr	136.8% increase in deferred revenue	□CLEAN	Shifts Rs 19.54 Cr of billings to future periods	Note 24(c), p.217
Revenue from related parties as % of revenue	not disclosed	not disclosed	not disclosed	□ UNRESOLVED	n/a	Note 38, p.264
Customer concentration	None > 10%	None > 10%	Stable	□CLEAN	n/a	Note 24, p.250
Advances from customers	Rs 0.00 Cr	Rs 0.00 Cr	no change	□CLEAN	n/a	Note Balance Sheet, p.217

Mechanism: Revenue growth is negative (-6.6%), but the quality of the remaining book is deteriorating as seen in the 141% jump in annual provisioning for doubtful debts (Rs 9.48 Cr vs Rs 3.92 Cr). The business is shifting toward a subscription model, evidenced by the 136% surge in contract liabilities, which delays revenue recognition but improves future visibility. **Aggregate impact:** Total revenue declined by Rs 18.51 Cr, while credit-impaired receivables now constitute

29.5% of the gross book. **Direction:** deteriorating · **Watch next:** Allowance for bad debts as a % of gross receivables · **Corroborates:** profit_to_cash

Read 2 — Does profit become cash? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
CFO / clean EBITDA	-3.38	-0.52	Both years negative EBITDA; CFO improved from -22.29 Cr to 15.39 Cr	□ CLEAN	Rs 15.39 Cr CFO against EBITDA loss of Rs 29.37 Cr	Note Cash Flow, p.219
Pre-tax operating conversion (CFO + tax paid) / EBITDA	-3.51	-0.80	Operating cash flow improved despite deeper EBITDA losses	□ CLEAN	Rs 23.41 Cr cash from ops (pre-tax) against Rs 29.37 Cr EBITDA loss	Note Cash Flow, p.219
Inventory absorption of operating cash	Rs 0.58 Cr (release)	(Rs 0.37 Cr) (absorption)	Negligible impact consistent with software model	□ CLEAN	n/a	Note Cash Flow, p.219
Working-capital movement	(Rs 29.42 Cr)	Rs 35.85 Cr	Positive swing of Rs 65.27 Cr in working capital	□ CLEAN	Adds Rs 35.85 Cr to cash flow, primarily from receivable liquidation	Note Cash Flow, p.219
Cash tax paid vs book tax	Rs 0.85 Cr vs (Rs 4.04 Cr)	Rs 8.02 Cr vs (Rs 9.71 Cr)	Significant cash tax drag despite book tax credit	□ WATCH	Cash tax paid of Rs 8.02 Cr is a 26.3% drag on pre-tax operating cash	Note Cash Flow, p.219

Mechanism: Despite a deepening operating loss (EBITDA), cash flow from operations turned positive (Rs 15.39 Cr) due to a massive liquidation of trade receivables (Rs 15.88 Cr) and a surge in contract liabilities (Rs 14.32 Cr). **Aggregate impact:** Working capital release of Rs 35.85 Cr fully funded the Rs 12.44 Cr operating loss and Rs 8.02 Cr tax paid. **Direction:** improving · **Watch next:** Sustainability of receivable collection in the context of high provisioning · **Corroborates:** revenue_real

Read 3 — Is the P&L being manufactured? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Exceptional items effect on PBT	Rs 2.29 Cr	Rs 0.00 Cr	Elimination of non-recurring gain	☐CLEAN	n/a	Note P&L, p.218
Non-operating / other income as % of PBT	2077%	(110.6%)	Other income of Rs 22.83 Cr masks the operating loss of Rs 29.37 Cr	☐FLAG	Other income exceeds the absolute value of PBT loss, effectively preventing a much deeper reported loss.	Note P&L, p.218
Deferred tax movement	Rs 4.48 Cr (benefit)	Rs 9.89 Cr (benefit)	120.7% increase in tax credit	☐WATCH	Non-cash tax credit reduced the net loss by Rs 9.89 Cr (47% of pre-tax loss)	Note P&L, p.218
Provision reversals credited to income	not disclosed	not disclosed	not disclosed	☐ UNRESOLVED	n/a	Note 30, p.253
Depreciation policy / useful-life change	WDV Method	WDV Method	No change; aggressive 63.16% rate on computers	☐CLEAN	n/a	Note 3h, p.226
Accounting policy change	None	None	Stable	☐CLEAN	n/a	Note 3, p.224

Mechanism: The P&L is significantly supported by non-operating treasury income (Rs 22.83 Cr) and a large deferred tax credit (Rs 9.89 Cr), which together cushioned a substantial operating loss. The aggressive depreciation on IT assets (63.16% WDV) continues to front-load expenses. **Aggregate impact:** Non-operating items and tax credits reduced a potential Rs 43.47 Cr loss (EBITDA + Depreciation) to a reported Rs 10.93 Cr PAT loss. **Direction:** deteriorating · **Watch next:** Growth in Deferred Tax Assets relative to Net Worth · **Corroborates:** bs_stress

Read 4 — Is value leaving to insiders? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Related-party transaction quantum	Rs 13.27 Cr	Rs 9.18 Cr	Decrease of 30.8% primarily due to zero dividends	□ CLEAN	n/a	Note 38, p.264
New related-party counterparties	None	None	Stable	□ CLEAN	n/a	Note 38, p.264
KMP / director remuneration vs PAT	Rs 8.00 Cr (158% of PAT)	Rs 7.58 Cr (n/a due to loss)	Remuneration stayed high despite the company swinging to a loss	□ WATCH	Remuneration of Rs 7.58 Cr is 36% of the pre-tax loss	Note 38a, p.264
Loans, advances or guarantees to group entities	Rs 0.00 Cr	Rs 0.00 Cr	no change	□ CLEAN	n/a	Note 38, p.264
Promoter pledge / encumbrance	None	None	No pledge reported	□ CLEAN	n/a	Note 17e, p.245
CSR spend and shortfall	Rs 0.87 Cr	Rs 1.12 Cr	28.7% increase; all spent through director-owned foundation	□ WATCH	Rs 1.12 Cr spent via Quick Heal Foundation (Related Party)	Note 38b, p.266

Mechanism: While the company has ceased dividend payments to conserve cash during a loss-making year, KMP remuneration (Rs 7.58 Cr) and CSR spending through the promoter-led foundation (Rs 1.12 Cr) remain substantial relative to the company's negative bottom line. **Aggregate impact:** Insider-related outflows (remuneration + CSR) totaled Rs 8.70 Cr, equivalent to 79% of the reported net loss. **Direction:** stable · **Watch next:** Dividend resumption vs KMP remuneration trends

Read 5 — Can the balance sheet take a hit? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Audit trail feature disabled	not disclosed	Disabled at database level	New critical disclosure	□FLAG	Prevents verification of direct data changes; high control risk	Note 45, p.274
CWIP ageing and stalled projects	Rs 0.05 Cr	Rs 0.00 Cr	n/a	□ CLEAN	n/a	Note 5(a), p.217
Dividend vs free cash flow	Rs 16.13 Cr vs (Rs 36.00 Cr)	Rs 0.00 Cr vs Rs 6.00 Cr	Elimination of dividend to conserve cash	□ CLEAN	n/a	Note Key Ratios, p.218
Contingent liabilities vs net worth	Rs 5.37 Cr	Rs 4.96 Cr	Slight decrease; 1.1% of Net Worth	□ CLEAN	n/a	Note 35d, p.261
Borrowing terms, security, covenants	Nil	Nil	remains debt-free	□ CLEAN	n/a	Note 44c, p.273

Mechanism: The company remains debt-free with a strong liquid investment buffer (Rs 205.19 Cr). However, a significant forensic concern exists due to the lack of an audit trail at the database level for accounting software, and a large portion of the balance sheet (Net Worth) is now comprised of intangible expectations (Deferred Tax Assets). **Aggregate impact:** Liquid investments of Rs

205.19 Cr provide 1.89x coverage of all current liabilities (Rs 108.29 Cr). **Direction:** deteriorating · **Watch next:** Resolution of the audit trail deficiency · **Corroborates:** pnl_levers

Material notes captured

Note	Discloses	Prior	This year	Impact	Signal
45 (p.274)	***No audit trail feature was enabled at the database level in respect of an accounting software to log any direct data changes.***	not disclosed	Disabled	High risk of unrecorded data modifications at the database level.	negative
35d (p.262)	***Provident Fund dispute involving Rs 2.52 Cr principal + Rs 2.49 Cr interest; company deposited 30% under protest.***	Rs 2.52 Cr	Rs 5.01 Cr (incl. interest)	Potential cash outflow of ~Rs 5 Cr if legal appeal fails.	negative
43 (p.268)	**Full impairment of investment in L7 Defense Limited (Israel) due to geopolitical risks.**	Rs 12.56 Cr	Rs 0.00 Cr	Non-cash write-off cleared from balance sheet.	neutral
12 (p.242)	**Deterioration in receivables ageing; "Not Due" portion dropped from 55.06 Cr to 37.64 Cr.**	Rs 55.06 Cr	Rs 37.64 Cr	Higher portion of the book is now overdue, increasing collection risk.	negative

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion Type: Unqualified (Unmodified)** on financial statements, but a critical non-compliance is disclosed under **Rule 11(g)** regarding audit trails.
- **Key Audit Matter 1: Revenue Recognition (Note 4a):** Complexity in identifying performance obligations in bundled contracts and estimating standalone selling prices using a "cost-plus-margin" approach.
- **Key Audit Matter 2: Expected Credit Loss (ECL) (Note 4b):** High estimation uncertainty regarding trade receivables recovery, with **29.50% of gross receivables credit-impaired**.
- **Audit Trail (Edit Log) Failure (Note 45): "No audit trail feature was enabled at the database level"** for accounting software. This prevents verification of direct data changes made outside the application layer, representing a significant forensic deficiency.
- **Auditor Fees:** Total fees to M S K A & Associates LLP were **□0.42 Cr** (vs □0.47 Cr in FY25). Independence is maintained with negligible non-audit fees.

B. Related Party Transactions

Party	Relationship	Nature	Amount (Cr)	Concern
Kailash Katkar	Chairman & MD	Remuneration	1.60 Cr	***Paid despite Operating Loss of -29.00 Cr***
Sanjay Katkar	Joint MD	Remuneration	1.55 Cr	***Paid despite Operating Loss of -29.00 Cr***
Quick Heal Foundation	Entity of Directors	CSR Contribution	1.12 Cr	***Concentration of social spend in a promoter-owned trust***
Data Security Council	MD is Director	Program Sponsorship	0.48 Cr	**Standard industry participation**

- **RPT Risk:** Remuneration for the Katkar brothers remained high despite a **-497% Profit Growth**. Shareholders passed a special resolution to pay KMP remuneration even in the event of loss.

- **CSR Governance:** 100% of the CSR spend (□1.12 Cr) is routed through the director-owned Quick Heal Foundation.

C. Shareholding

- **Promoters:** 71.50% (down slightly from 71.82%).
- **FIIs:** 0.73% | **DIIs:** 1.16% | **Public:** 26.61%.
- **Pledged Shares: 0.00%**.
- **Inter-promoter transfers:** Anupama Katkar (-6.21%) to Sneha Katkar (+6.12%) indicates internal family wealth redistribution.

D. Board Composition + KMP Compensation

- **Independent Directors: 66.67%** (4 out of 6), exceeding the 50% mandate.
- **Women Directors:** 1 (Ms. Amita Mirajkar).
- **Board Churn:** High transition with exits of Bhushan Gokhale, Apurva Joshi, and CEO Vishal Salvi.
- **KMP Pay Analysis:** Total KMP remuneration (□4.16 Cr) represents **38% of the total Net Loss (□11.00 Cr)**. While pay declined by ~7.5%, the reduction is nominal compared to the **collapse in Operating Profit from -□7.00 Cr to -□29.00 Cr**.

F. Capital Allocation & Capex

Action	FY Current (Cr)	FY Prior (Cr)	% of CFO	Signal
Dividends Paid	0.00 Cr	16.13 Cr	0.00%	**Positive**
Capex	15.00 Cr	14.00 Cr	100.00%	□
Investments Purchased	300.00 Cr	265.00 Cr	2000.00%	□
Investments Sold	278.00 Cr	295.00 Cr	1853.33%	**Positive**

- **CFO Coverage:** CFO (□15.00 Cr) exactly covers Capex (□15.00 Cr).
- **Capex Nature:** Primarily R&D and technology infrastructure.
- **Deployment Efficiency:** Consistent Capex of ~□15 Cr has coincided with **negative Sales Growth (-6.62%)**, suggesting investments have not yet hit an inflection point.
- **Takeaway:** The company is in a **"subsistence" phase** where operating cash flow is just enough to fund maintenance Capex, leaving no surplus for shareholders.

H. Risks

- **Audit Trail Compliance (□High):** No database-level edit log; potential for undetected data manipulation (Note 45).
- **Credit Impairment (□High): 29.50% of gross receivables (□57.57 Cr) are impaired**, indicating potential for further material write-offs (Note 12).
- **Operating Leverage (□High):** Employee costs at **70% of sales** create a fixed cost floor that deepens losses during revenue contraction.
- **Investment Risk (□Med):** Impairment of L7 Defense (Israel) highlights geopolitical risks in the venture portfolio (Note 43).
- **Statutory Litigation (□Med):** Provident Fund demand of **□2.52 Cr**; potential cash outflow of **□5 Cr** including interest (Note 35d).

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	2	↓	Revenue -6.6%; R&D 48% of sales	Legacy consumer segment is declining faster than enterprise can scale.
Financial Health	4	→	D/E 0.0x; Cash/Investments □205 Cr	Debt-free status and strong liquidity buffer offset operational losses.
Earnings Quality	1	↓	Audit Trail Fail; 29.5% Receivables Impaired	Lack of IT controls and high distributor stress signal poor earnings integrity.
Management & Governance	2	↓	CEO Exit; KMP pay 38% of Net Loss	High promoter compensation during losses and CEO churn are major red flags.
Capital Allocation & Earnings Visibility	2	↓	ROCE -5.0%; Capex-to-Sales growth negative	Investments in R&D and Capex are not yet translating into revenue or returns.

BUSINESS POSITIVES (for this company this year) * □**Debt-Free Balance Sheet:** Maintained zero bank borrowings and a robust liquidity buffer of **□205.19 Cr in Mutual Funds**. * □**Enterprise Growth:** Seqrite segment now contributes **40% of revenue** (up from 31%), showing momentum in the B2B pivot. * □**Cloud Transition:** SaaS/Cloud mix increased to **38% of total revenue**, improving the quality of future recurring income. * □**Prudent Cash Preservation:** Suspended dividends (**□0.00 Cr vs □16.13 Cr**) to protect the balance sheet during a loss-making transition. * □**Working Capital Release:** Generated **□15.00 Cr CFO** (up from -□22.00 Cr) by liquidating trade receivables.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Governance Red Flag: No audit trail enabled at the database level** for accounting software, a critical forensic control failure. * □**Receivables Stress: 29.50% of gross receivables (□57.57 Cr)** are credit-impaired; annual provisioning surged **141% YoY**. * □**Operational Loss:** Reported an **EBITDA loss of □29.00 Cr** with employee costs stuck at **70% of revenue**. * □**Leadership Instability:** Resignation of **Vishal Salvi (CEO)** within a year of joining signals strategic or cultural friction. * □**P&L Manufacturing:** Net Loss (□11.00 Cr) was heavily cushioned by non-operating income (**□22.83 Cr**) and non-cash tax credits (**□9.71 Cr**). * □**High KMP Pay:** Promoters drew **□3.15 Cr** in remuneration despite the company recording a functional operating loss.

OVERALL SCORECARD SUMMARY Quick Heal is in a precarious state of "stalled pivot," where its legacy cash-cow consumer business is deteriorating faster than its new enterprise SaaS model can achieve profitability. While the balance sheet remains fortress-like with zero debt and high liquidity, the underlying earnings quality is at an all-time low due to massive credit impairments and a total failure in IT audit trail controls. Governance is under pressure following high-profile leadership exits and high promoter compensation during a year of deep operational insolvency. Consequently, the business is on a **deteriorating trajectory** as it burns through its treasury to fund an R&D-heavy transition with no visible timeline for ROCE recovery.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion on financials.
2	Promoter pledge = 0?	□	0.00% pledged.
3	KMP pay < 5% of PAT?	□	Net Loss reported; KMP pay is 38% of loss absolute value.
4	RPT quantum < 5% of revenue?	□	RPTs at 1.82% of revenue.
5	Board > 50% independent?	□	66.67% Independent.
6	At least 1 woman director?	□	Ms. Amita Mirajkar (Independent).
7	No statutory dues outstanding?	□	PF dispute of □2.52 Cr + interest; □5.01 Cr deposited under protest.
8	No fraud reported?	□	No fraud reported by auditors.
9	Audit trail enabled?	□	**No database-level audit trail enabled (Note 45).**
10	Frequent Auditor change	□	M S K A & Associates LLP continued.
Final line: "Total: 7/10 □— Governance Rating: 2"			

Part C: Investor Verdict

THESIS: A legacy antivirus player attempting a high-stakes, R&D-intensive pivot to enterprise cybersecurity, currently characterized by deteriorating earnings quality and high governance risk. **OVERALL STANCE:** WATCH **RATIONALE:** The fortress balance sheet provides a 2-3 year runway, but the lack of IT controls and high leadership churn make the entry point too risky until operational stability is proven. **RE-EVALUATE WHEN:** Operating Profit (EBITDA) turns positive AND Audit Trail deficiency is remediated. **BULL CASE:** DPDP Act enforcement triggers a 30%+ surge in Seqrite revenue, leading to positive operating leverage. **BEAR CASE:** Continued consumer segment collapse leads to a further □50 Cr+ write-off of impaired receivables, depleting the cash buffer. **KEY MONITORABLE:** Provision for Doubtful Debts as % of Sales: 3.6% → watch for <1.5%.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Distributed ₹16.13 Cr in dividends despite negative FCF of -₹36 Cr, effectively returning capital from reserves.	Suspended dividends entirely to prioritize cash preservation as the business transitioned to a loss-making R&D-heavy phase.	Management has shifted from aggressive capital distribution to defensive cash hoarding to fund a widening operational deficit.
Margin Trajectory	Operating profit margin stood at -2.40% with employee costs consuming 67% of revenue.	Operating profit margin collapsed to -11.00% as employee costs swelled to 70% of revenue against a shrinking top line.	Negative operating leverage is accelerating as fixed personnel costs become increasingly inelastic relative to declining software sales.
Working Capital	Working capital investment was a major cash drag (₹29.42 Cr) with a 531% surge in >6m overdue receivables.	Working capital provided a ₹35.85 Cr boost to CFO, primarily through the liquidation and impairment-heavy cleanup of the debtor book.	The swing to positive cash flow is non-operational and stems from harvesting old receivables rather than generating new business value.
Management Tone	Defensive focus on leadership professionalization to address legacy efficiency issues.	Shifted to high-concept "AI-first" and "DPDP Act" narratives to justify deep operational losses and a "leap of faith" investment phase.	Leadership is employing technological jargon as a strategic distraction to decouple current financial performance from the company's long-term valuation.
Earnings Quality	PBT of ₹1 Cr was entirely dependent on ₹21 Cr of Other Income and non-cash tax credits.	Pre-tax loss of -₹21 Cr was significantly masked by ₹23 Cr of treasury gains and a large ₹9.71 Cr deferred tax credit.	The company's net bottom line has transitioned from being low-quality to being entirely detached from the underlying profitability of the software business.

7.2 Persistent Patterns

- **Treasury-Dependent Survival:** The core software operations are structurally insolvent in both periods, with **Other Income (treasury gains) acting as the sole lifeline for PBT**.
- **Audit Trail Deficiency:** The auditor has issued a **recurring qualification under Rule 11(g)** regarding the lack of database-level edit logs, representing a permanent failure in internal financial controls.
- **Severe Credit Impairment:** A massive portion of the balance sheet (**22% to 30% of gross receivables**) is consistently classified as credit-impaired or disputed, signaling chronic distributor network distress.
- **Zero-Debt Solvency:** The company maintains a **consistent ₹0.00 Cr debt profile**, relying exclusively on its legacy cash pile to absorb operational burns.
- **High Fixed-Cost Floor:** Employee expenses remain structurally trapped above **66% of revenue**, ensuring that any sales contraction leads to immediate and outsized operating losses.
- **Promoter Remuneration Divergence:** KMP compensation remains high and inelastic relative to corporate performance, with **promoter pay staying substantial even during years of "inadequacy of profits."**
- **Domestic Market Trap:** Despite international narratives, the business remains **overwhelmingly dependent on the Indian market** with no material breakthrough in global revenue mix across both periods.

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