Quick Heal Technologies Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Avoid: The company has swung to an operating loss with deteriorating revenue quality and a margin collapse that sits significantly below its historical performance.

Key findings

Key findings

- The company swung from a profit of ₹5 Cr to a loss of ₹**11 Cr** as structural headwinds hit retail antivirus sales.
- The company EBITDA margin of **-11.1%** fell significantly below its five-year range of -2.5% to 31.3%.
- Trade receivables show severe stress with **29.5%** of the gross book now credit-impaired and ₹16 Cr of 'good' dues overdue by more than a year.
- Revenue quality is likely deteriorating or impacted by channel stuffing as sales returns jumped to ₹**10.28 Cr**.
- Operating losses are currently masked by ₹**23 Cr** of non-core income, primarily mutual fund gains, and favorable tax accounting.
- The Enterprise segment grew **32.7%** to reach 51% of revenue, successfully leading the pivot away from the stressed consumer segment.
- Research and development investments consumed **48.6%** of revenue as the company transitions its product stack to AI-native SaaS.
- The auditor flagged an internal control weakness because one accounting software lacked a database-level audit trail for the entire **365-day** period.
- Enterprise deal wins include a strategic ₹**64 Cr** contract, providing critical forward visibility for the new integrated security solutions.
- Balance sheet liquidity remains a core strength with zero debt and ₹**205.19 Cr** held in mutual funds.

What to watch

What to watch

Monitorable	Current level	View-change level
Overdue 'good' receivables	₹16.0 Cr	Below ₹5.0 Cr
EBITDA margin	-11.1%	Above 5.0%
Sales returns	₹10.28 Cr	Below ₹3.0 Cr
Enterprise revenue share	51%	Below 45%
Database audit trail status	Not enabled	Fully enabled & verified

1. Business

1.1 What it sells, to whom

- **Security Software:** Sells antivirus, fraud prevention, and endpoint security via the Quick Heal (consumer) and Seqrite (enterprise) brands.

- **Customers:** Individual retail users, government entities, and enterprises in BFSI, healthcare, and education across India, Southeast Asia, and the Middle East.
- **Revenue Model:** Primarily earns through upfront software license fees (Security software products) and recurring support fees (Software support services).

1.2 Segment performance

Segment (gross revenue)	FY25 (□ Cr)	FY26 (□ Cr)	YoY	Share change (pp)	Margin	What drove it
Consumer	167.72	139.8	-16.65%	-11.51	—	Retail antivirus commoditization and hardware price headwinds
Enterprise & Govt	111.81	148.4	32.72%	11.51	—	Strong government mandates and BFSI sector digital transformation
Total	**279.53**	**288.2**	**3.1%**	**0**	**-11.11%**	**High R&D burn and shrinking retail consumer sales**

Forward visibility: 14.28 Cr of revenue is contracted via remaining performance obligations.

Consumer

- **Capacity:** Distribution network of 35,000 partners; capacity binds on partner credit limits.
- **Visibility:** 10.29 Cr of group performance obligations expected to be recognized within one year.
- **Cost driver:** Advertising and sales promotion spends.
- **Change:** Shifted to a freemium model for AntiFraud.AI to accelerate user acquisition.

Enterprise and government

- **Capacity:** Protects over 2 million B2B end-users and 35,000 enterprises; capacity binds on R&D talent.
- **Visibility:** Secured a strategic 64 Cr contract for integrated security solutions.
- **Cost driver:** Employee benefits and technical R&D personnel costs.
- **Change:** Launched Seqrite Intelligent Assistant (SIA) and broadened data privacy compliance tools.

1.3 Operating measures

Measure	FY25	FY26	Unit
Deal wins / TCV (Integrated Cyber Security Solutions)	—	□64 crore	INR crore
Top-client share	—	No customer who is accounting for…	%
Headcount and attrition	—	15.5%	%
Headcount and attrition	—	900+	Count
Business Segmental Share - Consumer	—	□139.8 Cr	□Crores
Business Segmental Share - Enterprise	—	□148.4 Cr	□Crores
Threat Detections (Seqrite Labs)	265 million	265.52 million	Detections
Patents	7	9	Count

Not disclosed: constant-currency growth. * R&D investment reached 135.95 Cr, consuming 48.64% of revenue as the company transitions to AI-native SaaS. * Enterprise gross revenue share surpassed 50% for the first time, reflecting a pivot away from the stressed retail segment.

1.4 What the company is building

Initiative	Type	Size	Timing / status	What it changes
Cybersecurity Solutions	Expansion	□64 Cr	Signed	Executing large-scale integrated enterprise cybersecurity engagements
AntiFraud.AI Freemium	New venture	Not quantified	Launched	Accelerating entry into AI-driven digital fraud prevention
TruVisor	Partnership	Not quantified	Signed	Expanding value-added distribution reach in India
NewJaisa Technologies	Partnership	Not quantified	Signed	Accessing the refurbished laptop and desktop market
NFSU-RIC	Partnership	Not quantified	Signed	Collaborating on cybersecurity forensic research and innovation
BIRD Lucknow	Partnership	Not quantified	Signed	Building cybersecurity capacity for rural financial institutions
IDRBT	Partnership	Not quantified	Launched	Upgrading threat analytics for the banking sector
Buyback tax refund	Capital restructuring	Not quantified	Completed	One-time adjustment recognized in retained earnings
Salary restructuring	Capital restructuring	Not quantified	July 2026	Aligning compensation structure with new labor codes

1.5 Cost base

Cost line	□Cr	Share of total cost	YoY	What drives it
Employee benefits	182.9	62.98%	—	R&D talent and professionalization of leadership
Legal and professional	21.76	7.49%	26.29%	Digital transformation and CRM platform implementation
Communication	16.5	5.68%	-20.52%	Technical support and cloud infrastructure efficiency
Advertising and sales	14.54	5.01%	—	Brand repositioning for Digital Bharat campaign
Technical services	13	4.48%	14.94%	Subscriptions for advanced threat intelligence tools

Sensitivity not disclosed.

1.6 Competitive position

- **Market Share:** Holds approximately 30% of the Indian retail antivirus market, a decline from the 40% share reported in the prior year.
- **Advantage:** Operates Seqrite Labs, India’s largest malware analysis facility, providing a "Make in India" advantage for sovereign government contracts.
- **Threat:** Lower-cost global competitors and the rapid commoditization of traditional antivirus software.

1.7 What must stay true

- **Debt-Free Status:** Maintenance of zero external borrowings and a net worth above 436 Cr (carried from last year).

- **Receivable Quality:** Recovery of trade receivables (138 Cr) without further credit impairment (carried from last year).
- **Enterprise Pivot:** Sustained growth in Enterprise gross revenue share to offset structural stress in Consumer retail (new).
- **R&D Conversion:** High R&D burn (48% of revenue) must successfully transition into scalable, high-margin SaaS products (new).

2. Management's view

2.1 Outlook on the business

Area	What management says	Number or date given	Horizon
Global Demand	The global economy exhibited "resilience" driven by supportive monetary conditions.	3.3%	CY 2026
India Economy	Emerged as a "pillar of macroeconomic stability" despite a volatile global backdrop.	7.7%	FY 2026
Consumer Segment	Facing "industry-level structural headwinds" from commoditization of traditional antivirus.	30%+	Ongoing
Enterprise Segment	Now represents "over 50% of the Company's total revenue" following diversification.	51%	FY 2026
Margins	Return on equity decreased on account of "loss in the current year."	(29.37) Crore	FY 2026
Growth Targets	Information security and risk management investments in India are projected to scale.	28.56 Cr	2026
Liquidity	Maintained through "conservative assets" to fund ongoing operations.	205.19 Cr	March 31, 2026
Pricing	Operating in an "increasingly digital and fraud-prone environment" requires new value.	—	Ongoing

2.2 Plans and expansion

- Transition the consumer business into a "Digital Safety Ecosystem" by scaling AntiFraud.AI through a new freemium model and "Digital Bharat" branding.
- Execute international expansion across Southeast Asia, Middle East, and Latin America by replicating a "tiered channel model" and leveraging partnerships like Terrabyte Group.
- Deepen enterprise engagement by deploying the "Integrated Cyber Security Solutions" stack, recently validated by a contract win worth 64 Cr.
- Advance research-led innovation through Seqrite Labs and partnerships with institutions like BIRD Lucknow to secure "Rural Financial Institutions."
- Institutionalize a "Culture of Performance" and high-potential leadership programs following the appointment of the new Chief Executive Officer and leadership overhaul.

2.3 Risks and challenges management names

- Geopolitical Volatility: Conflicts driving coordinated cyberattacks and "hacktivist activity" targeting critical infrastructure; mitigated by real-time tracking and original threat research at Seqrite Labs.

- Credit and Channel Risk: Market conditions impacting partner cash flow and collection cycles; mitigated by "prudent credit control" and reducing channel exposure to keep overdues controlled.
- Technological Obsolescence: Adversaries leveraging "Agentic AI" and automation to bypass traditional defenses; mitigated by the patented "GoDeep.AI" engine and 9 total patents.
- Regulatory Compliance: Evolving data protection mandates like the DPDP Act; mitigated by building an end-to-end "privacy automation" stack for enterprise customers.
- Supply Chain Vulnerabilities: Hardware-level risks and "unsecured API endpoints" in AI stacks; mitigated by indigenous "Make in India" technology and focus on data sovereignty.

2.4 Tone

Cautiously optimistic -- Management admits that current financial performance was "below expectations" but believes strategic investments in enterprise cybersecurity have laid a "foundation for the next growth chapter."

"We do not measure our progress solely by one year’s financial outcome."

"FY26 marked an important step in our transformation journey."

The tone shifted from "Pragmatic but Strained" last year to one focused on a "new phase of transformation."

3. Financial picture

3.0 What looks out of line

What it could mean	What would confirm or disprove it	Likelihood
Deteriorating revenue quality or channel stuffing	A reversal in sales return trends for H1 FY27 and recovery of ₹16 Cr of >1-year overdue "good" receivables.	Likely
Operating losses masked by non-core income and tax accounting	Stability of mutual fund gains (₹10.14 Cr) and sustainability of the -47% effective tax rate.	Likely
Internal control weaknesses regarding data integrity	Management implementation of database-level logging across all modules and independent IT audit verification.	Possible

The investment in L7 Defense Limited was written down to Nil during the year due to geopolitical scenarios.

3.1 Is it making money, and is the profit real?

Core operations are loss-making, with reported performance heavily reliant on non-operating mutual fund gains and deferred tax credits. * EBITDA margin collapsed to -11.11% as a 70% employee cost load met a 6.8% revenue decline, reflecting the high cost of the AI-native SaaS transition. * Reported PAT was cushioned by ₹22.83 Cr of other income, primarily mutual fund gains and property rental, without which the loss would be significantly deeper. * Operating losses are real; ROCE fell to -5% as R&D investment reached 48.64% of revenue, failing to generate immediate bottom-line returns during the segment pivot.

Where the profit came from (FY26): pre-tax loss of ₹21 Cr = a core operating loss of ₹29 Cr, plus recurring other income ₹23 Cr, less depreciation ₹14 Cr.

Five-year record

Metric	5-yr mean	FY25	FY26	Low ‹ band › high	Vs trend	Why it moved	Durable?
Revenue growth %	-5.93	-4.11	-6.79	-18.71 `[-----#-----]` 5.04	**Worse than trend**	Retail antivirus commoditization and hardware price headwinds	Structural
EBITDA margin %	8.92	-2.5	-11.11	-2.5 `# [---○-----]` 31.29	**Worse than trend** (worst in window)	High R&D burn (48.6% of revenue) and employee cost load	Too early
PAT margin %	9.11	1.79	-4.21	1.79 `# [--○-----]` 24.27	**Worse than trend** (worst in window)	Operating losses from AI-native SaaS transition costs	Too early
ROCE %	5.25	0	-5	0 `# [--○-----]` 15	**Worse than trend** (worst in window)	Deeper operating loss failing to cover capital costs	Too early

What the checks found

Is the growth real? Flag · Is the P&L being manufactured? Watch

Check	FY25	FY26	Status	What it means
Receivables ageing / ECL provisioning	48.05 Cr	57.57 Cr	Flag · high impact	29.5% of gross receivables are now credit-impaired and fully provided for; further, 16.0 Cr of 'good' receivables are overdue by >1 year.
Non-operating / other income as % of PBT	2,100.0%	Not meaningful	Watch · medium impact	Other income of 22.83 Cr (8.7% of revenue) significantly cushioned the PBT loss of -20.64 Cr.
Sales returns spike	2.93 Cr	10.28 Cr	Watch · low impact	Sharp increase in returns suggests potential channel stuffing or consumer segment pressure.
Deferred tax movement and cash-vs-book tax	4.48 Cr	9.89 Cr	Watch · low impact	A 9.89 Cr deferred tax credit (income) reduced the reported net loss; Net DTA rose to 17.52 Cr.

Clean (9): Unbilled revenue, contract assets, deferred revenue; Receivables growth vs sales growth; Revenue from related parties as % of revenue; Customer concentration; Advances from customers trend; Exceptional items and their effect on PBT; Provision reversals credited to income; Depreciation policy / useful-life change; Valuation-method or accounting-policy change.

3.2 Is profit turning into cash?

Operating cash flow turned positive through a significant reduction in trade receivables, despite the company suffering a reported accounting loss. * Positive CFO of □15 Cr was driven by a □15.88 Cr reduction in receivables, rather than operational earnings, which remained negative for the year. * Receivable quality is under significant stress; 29.5% of gross dues are credit impaired, and □16 Cr of "considered good" balances are overdue for over one year. * Cash conversion improved to 192 days but remains high, highlighting the difficulty of collecting dues amid retail antivirus commoditization and hardware price headwinds.

Five-year record

Metric	5-yr mean	FY25	FY26	Low ‹ band › high	Vs trend	Why it moved	Durable?
Debtor days	182	218	192	161 `[---o--#----]` 218	**In line with trend**	Aggressive collection efforts and liquidation of old dues	Structural
Cash conversion cycle (days)	182	218	192	161 `[---o--#----]` 218	**In line with trend**	Reduction in trade receivables (□15.88 Cr)	Structural
Cash from operations	26.75	-22	15	-22 `[---#-o-----]` 80	**Worse than trend**	Positive conversion despite loss due to working capital release	One-off

What the checks found

Does profit become cash? Watch

Check	FY25	FY26	Status	What it means
CFO vs clean EBITDA (cash conversion)	Not meaningful	Not meaningful	Watch · high impact	CFO of 15 Cr against an EBITDA loss of -29 Cr makes the ratio not meaningful, though cash generation is positive despite losses.
Pre-tax operating conversion (CFO + tax paid) / EBITDA	Not meaningful	Not meaningful	Watch · high impact	Pre-tax CFO (15.39 + 8.02) is 23.41 Cr against an EBITDA loss of -29 Cr.
Cash tax paid vs book tax	0.85 Cr	8.02 Cr	Watch · low impact	Paid 8.02 Cr in taxes despite reporting a pre-tax loss of 20.64 Cr and a book tax credit of 9.71 Cr.

Clean (2): Working-capital movement; Inventory absorption of operating cash.

3.3 Where is the cash going?

Operating cash is entirely consumed by research and development capex, leaving no surplus for dividends or external growth. * Five-year cumulative operating cash of □122 Cr was largely absorbed by □47 Cr in capex and □79 Cr in cumulative dividends paid during earlier profitable periods. * Current free cash flow reached exactly □0 Cr, as the entire □15 Cr of operating cash was reinvested into fixed assets and intangible software development. * Growth is not self-funded, evidenced by a negative self-sustainable growth rate of -7.7%, meaning current losses are not replacing the depreciation on the existing asset base.

Where 5 years of cash went: the business generated □122 Cr of operating cash; it went to capex □47 Cr, dividends □79 Cr; no equity raised.

What the checks found

Is value leaving to insiders? Clean

Clean (8): Related-party transaction quantum and trend; New related-party counterparties this year; KMP / director remuneration vs EBITDA; Loans, advances or guarantees to group entities; Interest earned on loans/ advances to related parties, against the company's own cost of debt; Interest paid on loans taken FROM promoters or directors, against the company's own cost of debt; Promoter pledge / encumbrance; CSR spend and shortfall.

3.4 How strong is the balance sheet?

The balance sheet remains liquid and debt-free, though asset quality is weakened by impaired receivables and non-core investment write-offs. * Zero debt and a liquid position in mutual funds of ₹205.19 Cr provide a significant buffer against current operating losses and high R&D burn. * Other liabilities rose to 20.1% of the balance sheet, driven by ₹16.45 Cr in employee incentives and a 136% surge in contract liabilities from the subscription pivot. * Net worth declined to ₹436 Cr, impacted by the reported loss and the Israeli investment write-off, while contingent liabilities include a ₹2.52 Cr disputed provident fund demand.

Five-year record

Metric	5-yr mean	FY25	FY26	Low ‹ band › high	Vs trend	Why it moved	Durable?
Net debt / EBITDA	-1.43	2.99	0.44	-6 `[-----o--#--] 2.99`	**Worse than trend**	Reduced EBITDA denominator and lower net cash position	Not explained

What the checks found

Can the balance sheet take a hit? Watch

Check	FY25	FY26	Status	What it means
Audit Trail non-compliance	Not disclosed	Qualified Remark	Watch · medium impact	No database-level audit log for one accounting software; represents an internal control weakness.

Clean (5): CWIP ageing and stalled projects; Dividend vs free cash flow; Contingent liabilities vs net worth; Borrowing terms, security, covenants; Encumbered assets / title deeds not in company name.

Contingent liabilities and commitments

Contingent liability type	FY 2026	FY 2025
Direct Tax Demands	2.07 Cr	2.85 Cr
Provident Fund Demand	2.52 Cr	2.52 Cr
Indirect Tax Demand	0.37 Cr	0 Cr
Capital Commitments	1.41 Cr	4.92 Cr

- The Provident Fund demand of 2.52 Cr (excluding interest and damages) relates to an order for the period 2014-2019; the company has deposited 30% under protest to stay recovery.
- Direct tax disputes primarily involve disallowance of expenses related to exempt income (Sec 14A) and ESOP expenses, which management expects to be upheld in their favor.

Financial statements

P&L statement (□Cr)

Line item	Mar 2026	Mar 2025
Sales	261	280
Sales Growth %	-6.62	-4.19
Expenses	290	286
Material Cost %	2	3
Raw material cost	4.65	6.55
Change in inventory	-0.37	0.58
Manufacturing Cost %	0	6
Employee Cost %	70	67
Other Cost %	40	27
Operating Profit	-29	-7
OPM %	-11	-2.40
Other Income	23	21
Exceptional items	0	2.29
Other income normal	22.83	18.48
Interest	0	0
Depreciation	14	13
Profit before tax	-21	1
Tax %	-47	-404
Net Profit	-11	5
Exceptional items AT	0	2
Profit excl Excep	-11	3
Profit for PE	-11	3
Profit for EPS	-11	5
Profit Growth %	-497	-88
EPS (□)	-2.01	0.93
Dividend Payout %	0	0

Balance sheet (□Cr)

Line item	Mar 2026	Mar 2025
Equity Capital	54	54
Reserves	382	387
Borrowings	0	0
Lease Liabilities	0.11	0.09
Other Liabilities	110	83
Trade Payables	41	35
Advance from Customers	0	0
Other liability items	69	49
Total Liabilities	547	525
Fixed Assets	122	119
Land	0	0.88
Building	0	105.15
Equipments	0	17.85
Computers	0	107.50
Furniture n fittings	0	35.32
Vehicles	0	0.93
Intangible Assets	1.25	0
Other fixed assets	0	53.16
Gross Block	0	320.79
Accumulated Depreciation	0	201.58
CWIP	0	0
Investments	213	179
Other Assets	212	226
Inventories	3	2
Trade receivables	138	167
Receivables over 6m	0	93
Receivables under 6m	0	121
Prov for Doubtful	0	-48
Cash Equivalents	13	21
Loans n Advances	1	8
Other asset items	58	29
Total Assets	547	525

Cash flow statement (□Cr)

Line item	Mar 2026	Mar 2025
Cash from Operating Activity	15	-22
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	0
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	16
Fixed assets purchased	-15	-14
Fixed assets sold	6	0
Investments purchased	-300	-265
Investments sold	278	295
Interest received	0	0
Dividends received	0	0
Other investing items	5	0
Cash from Financing Activity	3	-10
Proceeds from shares	2.98	5.91
Interest paid fin	-0.02	0
Dividends paid	0	-16.13
Financial liabilities	-0.20	-0.10
Share application money	0	0
Other financing items	0	0
Net Cash Flow	-8	-17
Free Cash Flow	6	-36
CFO/OP	-80	325

Key ratios

Line item	Mar 2026	Mar 2025
Debtor Days	192	218
Inventory Days	—	—
Days Payable	—	—
Cash Conversion Cycle	—	—
Working Capital Days	—	—
ROCE %	-5	0

4. Management & governance

Governance check matrix

Check	Status	Detail
Audit opinion (type)	Clean	Unmodified
Fraud reported by the auditor	Clean	—
Audit trail (edit log) in the accounting software	Watch	Not enabled at database level for one software
Statutory dues unpaid	Clean	—
Promoter pledge (% of promoter holding)	Clean	0%
Independent directors (% of board)	Clean	66.67%
Woman director	Clean	Amita Mirajkar
KMP pay against the statutory ceiling	Clean	Within limits
Related-party transactions (% of revenue)	Clean	3.52% of revenue

A. Auditor report & key audit matters

The auditor issued an unmodified opinion but highlighted a specific internal control weakness regarding the audit trail. While the accounting software maintains an edit log at the application level, one software lacked a feature to log direct data changes at the database level for the entire year.

Key Audit Matters (KAM): 1. **Revenue Recognition (Ind AS 115):** The auditor focused on the identification of performance obligations and the allocation of transaction prices in bundled contracts. Management addressed this by establishing controls over contract review and using mathematical models for price allocation. The auditor tested these controls and sampled customer agreements to verify compliance. 2. **Provision for Expected Credit Loss (ECL):** With □57.57 Cr provided against □195.16 Cr in gross receivables, the auditor flagged the complexity of management's assumptions on payment behavior. Management uses a simplified approach (aging matrix) but also performs customer-specific assessments for dues over 365 days. The auditor corroborated these recovery plans and verified the accuracy of the aging data.

Fees: Total fees paid to the statutory auditors on a consolidated basis were □0.42 Cr. This comprised □0.14 Cr for audit fees, □0.26 Cr for limited reviews, and □0.02 Cr for reimbursements. There were no significant non-audit fees.

B. Related party transactions

Transactions were primarily centered on management remuneration and CSR contributions. The company reported no significant commercial sales or purchases with related entities.

Counterparty	Relationship	Nature	FY26 flow (□ Cr)	FY25 flow (□ Cr)	Balance at FY26 year end (□Cr)	Assessment
Kailash Katkar	Promoter/CMD	Remuneration	1.60	1.62	0	Arm's length
Sanjay Katkar	Promoter/JMD	Remuneration	1.55	1.57	0	Arm's length
Vishal Salvi	Former CEO	Remuneration	1.61	2.17	0	Arm's length
Ankit Maheshwari	CFO	Remuneration	1.17	1.14	0	Arm's length
Anupama Katkar	Promoter Relative	Remuneration	0.78	0.71	0	Arm's length
Quick Heal Foundation	Entity owned by Promoters	CSR Contribution	1.12	0.87	0	Routine
Data Security Council of India	Director Interest	Services	0.48	0.73	0.03	Routine
Others	KMP/Directors	Remuneration/ Fees	0.87	0.85	0.27	Arm's length
Total	—	—	**9.18**	**9.66**	**0.30**	—

The company has not recorded any impairment of receivables relating to related parties. Dividend flows to promoters ceased this year as no dividend was declared for FY26, compared to □11.67 Cr paid to them in FY25. The company written off its investment in L7 Defense Limited (Israel) to Nil during the window, though this is treated as a fair value loss rather than a related party impairment.

C. Shareholding

Promoter holding remains dominant at 71.50%, though it saw a minor reduction during the year.

Category	FY26 (%)	FY25 (%)	Change (pp)
Promoters	71.50	71.82	-0.32
FPI	0.73	2.02	-1.29
Mutual Funds	0	1.13	-1.13
Alternate Invst Funds	1.16	0	1.16
Public & Others	26.61	25.03	1.58

The promoter pledge remains at 0%, and no shares are encumbered to secure either company or personal borrowing. The slight decline in promoter percentage is due to the dilution from the allotment of 238,847 shares under the ESOP scheme.

D. Board composition

The board consists of six members: two executive promoter directors and four independent directors. Kailash Katkar (CMD) and Sanjay Katkar (JMD) are brothers. Two independent directors, Apurva Joshi and Bhushan Gokhale, resigned during the year (September and August 2025, respectively) upon completion of their terms. Amita Mirajkar was appointed as an additional independent director in August 2025 to maintain the female

representation and independent quota. Notably, several relatives of the promoters, including Anupama Katkar and Sneha Katkar, hold Senior Management Personnel (SMP) or relative roles within the company.

E. KMP compensation

Remuneration is measured against a consolidated EBITDA of -₹29 Cr, as the company reported an operating loss for the year.

Name	Role	FY26 (₹Cr)	FY25 (₹Cr)	Change
Kailash Katkar	CMD	1.60	1.62	-1.23%
Sanjay Katkar	JMD	1.55	1.57	-1.27%
Vishal Salvi	CEO (part-year)	1.61	2.17	-25.81%
Ankit Maheshwari	CFO	1.17	1.14	2.63%
Sarang Hari Deshpande	CS	0.34	0.32	6.25%
Total	—	**6.27**	**6.82**	**-8.06%**
Pay as % of EBITDA	—	**-21.62%**	**-97.43%**	—

Total KMP compensation, including post-employment benefits and leave salary, was ₹8.39 Cr compared to ₹8.71 Cr last year. While absolute pay for the Managing Directors remained stable, the business swung into a deeper operating loss of -₹29 Cr (EBITDA margin -11.11% vs -2.40% in FY25), meaning KMP costs are being funded from balance sheet reserves rather than operating profits.

F. Capital allocation & capex

Quick Heal maintains a zero-debt balance sheet, funding all growth from internal accruals. Over the five-year window, the business generated ₹122 Cr in operating cash, of which ₹47 Cr (38.5%) was absorbed by capex. The remaining ₹75 Cr in free cash flow was insufficient to cover the ₹79 Cr paid out in dividends, resulting in a dividend cover of 0.95x; this minor shortfall was funded by the company's existing cash and mutual fund reserves.

In FY26, operating cash flow of ₹15 Cr exactly covered the ₹15 Cr capex. Despite the reported net loss of -₹11 Cr, the company raised ₹2.98 Cr through the exercise of employee stock options. Returns have deteriorated as the company transitions toward enterprise and subscription models; the investment in Israel-based L7 Defense was entirely written off (carrying value now Nil) due to geopolitical risks. The share count grew slightly by 2.39 lakh shares due to ESOP exercises, but the company remains well-capitalized with a net worth of ₹436 Cr and no external borrowings.

G. Revenue recognition policy

Revenue from security software licenses is recognized at a "point in time" when control is transferred, typically upon delivery of the activation key. However, the company increasingly bundles these licenses with support and updates, which are recognized "over time" as services are rendered. This requires significant management judgment to identify separate performance obligations and allocate the transaction price based on standalone selling prices. For FY26, "over time" revenue surged to ₹33.83 Cr from ₹6.96 Cr, indicating a shift toward subscription-based accounting where revenue is deferred via contract liabilities.

4.1 Credibility: said versus delivered

What they said last year	What happened	Verdict
Global Growth target of 3.30%	Global economy exhibited resilience at 3.3% growth for CY 2026	Delivered
India Economy Growth target of 6.50%	India emerged as a pillar of stability with 7.7% growth in FY26	Delivered
Shift to "professionalized execution" and KMP overhaul	New leadership appointed; however, operating margins collapsed to -11.11%	Partially Met
Strategic focus on Horizon 2/3 (EDR, XDR, AI)	Launched Seqrite Intelligent Assistant (SIA) and AntiFraud.AI	Delivered
Retire "Hawkk" for "Seqrite" tactical reset	Successful branding transition to Seqrite AI-native labels completed	Delivered
Use "Make in India" wedge for government sector	Enterprise & Govt share surpassed 50% following 32.7% segment growth	Delivered
Rectify lack of global analyst recognition	Revenue remains 93%+ domestic, failing to achieve international scale	Not addressed
Resolve excess promoter pay resolutions	KMP remuneration returned to within statutory limits in FY26	Delivered

1 further claim too vague to check: transforming into a platform-based security provider.

This year's claims against the numbers

- Management claims the Enterprise segment (now 51% of revenue) is the new growth engine, yet its 32.7% growth was insufficient to prevent a total revenue decline of 6.8% due to retail collapse.
- The claim of building a sustainable "Digital Safety Ecosystem" is challenged by a spike in sales returns to □10.28 Cr (up from □2.93 Cr), indicating significant channel stress or lack of product acceptance.
- High R&D investment (□135.95 Cr, 48.6% of revenue) is positioned as a strategic moat, but the resulting collapse in EBITDA margin to -11.11% suggests the cost of innovation is currently outpacing market commercialization.

Credibility: Medium While management successfully executed the product pivot toward Enterprise and resolved prior-year governance friction regarding promoter pay, the continued failure to scale internationally and the severe deterioration of operating margins—despite a "professionalized" leadership team—remains a concern.

What has not changed

- The company remains structurally tethered to the Indian market for 93%+ of its revenue, failing to achieve meaningful international scale for the fifth consecutive year.
- Receivable quality remains under persistent stress, with credit-impaired dues reaching 29.5% of the gross book in the third year of identified collection difficulty.
- The maintenance of a zero-debt balance sheet and a high liquid reserve position (□205 Cr in mutual funds) has remained a consistent trait throughout the five-year window.

Business Type: IT services / software products. * EBITDA margin, FY26: -11.11% (FY25: -2.5%). * Sector measures: Deal wins include a strategic □64 Cr integrated cybersecurity contract; Enterprise revenue share reached 51%; Headcount stands at 900+ with 15.5% attrition; constant-currency growth was not disclosed.

5. Scorecard

Dimension	Rating	Vs last year	What decided it
Business quality	2	Same	The company swung to a ₹**11 Cr** loss and the EBITDA margin of **-11.1%** fell below its historical range.
Financial health	5	Up	The company is debt-free with ₹**205 Cr** in liquid investments and net debt is below 1x EBITDA.
Earnings quality	2	Same	Credit-impaired receivables reached **29.5%** of the book, indicating deteriorating revenue quality, while non-core income masked operating losses.
Management & governance	3	Up	The auditor issued a qualified remark on the lack of database-level audit trails, though promoter pay remains within limits.
Capital allocation	5	Up	Cumulative five-year capex of ₹**47 Cr** was comfortably funded by operating cash flow with no equity dilution.