Quick Heal Technologies Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Avoid: Core operations have swung to a loss masked by non-core gains, while deteriorating collection quality and excessive executive pay in a loss year signal a breakdown in capital discipline.

Key findings

Must know * [-] Reported profitability is an accounting artifact rather than operational success as other income of ₹**20.77 Cr** entirely masks an operating loss of ₹7 Cr. * [-] Trade receivables rose ₹**35.01 Cr** despite a 4.19% revenue drop, signaling deteriorating collection quality or potential revenue inflation to counter retail stress. * [-] KMP remuneration of ₹**8.71 Cr** exceeded the total group profit after tax of ₹5.04 Cr and statutory limits during a year of operating losses.

Business * [~] Research and development intensity remains high at **48.6%** of revenue, reflecting the structural cost of pivoting toward enterprise cybersecurity software. * [-] Consumer segment revenue declined **8.75%** to ₹167.72 Cr as the retail market faces stress and the traditional antivirus category undergoes structural commoditization. * [+] Enterprise and Government revenue grew to ₹**111.81 Cr**, showing early traction for AI-driven products in the BFSI and manufacturing sectors.

Financial picture * [-] Operating cash flow turned negative at **-₹22.30 Cr** as working capital absorbed ₹29.42 Cr, primarily driven by the build-up in trade receivables. * [-] Dividends of ₹**16.13 Cr** were funded by liquidating mutual fund investments rather than free cash flow, which fell to a deficit of ₹36 Cr. * [+] Cash and liquid investments of ₹**179 Cr** provide approximately 9.5 years of runway at the current operating burn rate, maintaining a debt-free status.

Governance * [-] The auditor flagged that the audit trail feature was not enabled at the database level, preventing the logging of direct data changes in the accounting software.

Outlook * [~] Deferred revenue rose to ₹**14.28 Cr**, providing slight forward visibility for the enterprise roadmap despite a 5.25% reduction in total headcount.

What to watch

Monitorable	Current level	Threshold for change
Core EBITDA margin	-2.5%	Above 5.0%
Undisputed receivables overdue > 6 months	₹51.23 Cr	Below ₹20 Cr
KMP remuneration vs PAT	172.8%	Below 25.0%
Total remaining performance obligations	₹14.28 Cr	Above ₹25 Cr
Cash and investments runway	9.5 years	Below 3.0 years

1. Business

1.1 What it sells, to whom

- **Products:** Sells cybersecurity software including antivirus (Total Security), endpoint protection (EPP), detection and response (XDR), and fraud prevention (AntiFraud.AI).

- **Customers:** Individual consumers (retail), government entities, and enterprises across BFSI, healthcare, logistics, and manufacturing sectors.
- **Earnings:** Primarily earns through software license fees and support services (price x volume) in India, the Middle East, Africa, and Southeast Asia.

1.2 Segment performance

The segment note uses the net revenue basis.

Segment	FY24 (□ Cr)	FY25 (□ Cr)	YoY	Share change (pp)	Margin	What drove it
Consumer	183.80	167.72	-8.75%	-3.00	—	Retail market stress and antivirus commoditization
Enterprise and Government	107.95	111.81	3.58%	3.00	—	New product traction in XDR and ZTNA
Total	**291.75**	**279.53**	**-4.19%**	**0.00**	**-2.5%**	**Consumer decline offset by enterprise growth pivot**

Forward visibility: Total remaining performance obligations stand at □14.28 Cr, reflecting contracted revenue to be recognized over future license periods.

Consumer

- **Visibility:** Revenue recognized over the license period; typically sold via a 35,000-partner retail network.
- **Cost driver:** Advertising and business promotion (□20.20 Cr) to counter retail market stress.
- **Change:** Launched AntiFraud.AI, the first indigenous AI-driven digital fraud prevention tool.

Enterprise and government

- **Visibility:** Deferred revenue (contract liabilities) grew to □14.28 Cr, with 72% expected to be recognized within one year.
- **Cost driver:** R&D investment (□135.95 Cr) supporting next-generation "Horizon 3" products.
- **Change:** Rolled out Seqrite Intelligent Assistant (SIA) and malware analysis platforms (SMAP) using AI-native architectures.

1.3 Operating measures

Measure	FY24	FY25	Unit
Deferred revenue / contract liabilities (consolidated)	□2.10 crore	□14.28 crore	INR crore
Headcount and attrition (consolidated)	—	5.25% reduction	%
Paying customers or active users (Seqrite)	Not disclosed	>30,000 customers	Customers
Channel partners (consolidated)	Not disclosed	Over 35,000	Partners
Training participation growth (consolidated)	—	23.42%	%
Employee engagement score improvement (consolidated)	—	0.02%	%
R&D investment (consolidated)	Not disclosed	□135.95 crore	INR crore

Not disclosed: recurring or subscription share of revenue; deal wins / TCV; top-client share. * R&D investment of □135.95 Cr represents 48.6% of revenue, confirming a high-burn strategic pivot to enterprise software. *

Deferred revenue rose nearly 7x to ₹14.28 Cr, suggesting improving enterprise contract lock-ins despite a 5.25% headcount reduction.

1.4 What the company is building

Initiative	Type	Size	Timing / status	What it changes
AntiFraud.AI	New venture	Not quantified	Launched	Pivot to AI-driven digital fraud prevention category
NewJaisa Technologies	Partnership	Not quantified	Signed	Pre-installation on refurbished PC device segments
IB-CART 3.0 / IDRBT	Partnership	Not quantified	Launched	Banking sector threat analysis platform upgrade
TruVisor	Partnership	Not quantified	Signed	Enhanced value-added distribution for India enterprise reach
BIRD Lucknow Lab	Partnership	Not quantified	Commissioned	Cybersecurity capacity building for rural financial institutions
NFSU-RIC	Partnership	Not quantified	Signed	Two-year forensic science academic and research collaboration

1.5 Cost base

Cost line	₹Cr	Share of total cost	YoY	What drives it
Employee benefits	185.55	64.76%	+1.8%	R&D talent retention and leadership professionalization
Communication	20.76	7.25%	-2.9%	Cloud infrastructure and telemetry data handling
Advertising & Sales Promotion	17.34	6.05%	Not quantified	Consumer brand awareness and AntiFraud.AI rollout
Legal and Professional fees	17.23	6.01%	-12.1%	Intellectual property protection and advisory services
Tech Subscriptions	11.31	3.95%	+10.1%	Third-party software tools for R&D operations

Sensitivity not disclosed.

1.6 Competitive position

- **Market Share:** Holds approximately 40% of India's retail antivirus market; however, consumer revenue declined 8.75% YoY.
- **Advantage:** "Make in India" status provides a regulatory edge in government mandates; owns India’s largest malware telemetry network covering 8.44 million endpoints.
- **Threat:** Commoditization of retail antivirus and competition from free or pre-bundled global security software.

1.7 What must stay true

- **"Make in India" mandate:** Government procurement must continue prioritizing indigenous cybersecurity technology to sustain the enterprise pivot. (carried)

- **R&D Conversion:** The ₹135.95 Cr R&D spend must generate 25%+ Enterprise revenue growth to achieve operating leverage. (new)
- **Capital Preservation:** Maintaining a debt-free balance sheet (₹0 Cr debt) remains vital to subsidize the transition burn. (carried)
- **Leadership Continuity:** The professionalized KMP team must remain stable to execute the Horizon-3 SaaS roadmap. (new)

2. Management's view

2.1 Outlook on the business

Area	What management says	Number or date given	Horizon
Demand (Consumer)	"Performance this year was below expectations" and "under stress" due to industry headwinds.	—	Medium-term
Demand (Enterprise)	Seeing "early traction" for Seqrite; segment now contributes "nearly 40%" of revenue.	0.4	FY2025-26
Pricing	Operating in an "increasingly commoditized antivirus market" requiring a shift to fraud prevention.	—	Long-term
Margins	EBITDA (excluding other income) decreased by "138% on a year-on-year basis" primarily due to revenue decline.	-6.59 Cr	Short-term
Growth Targets	Expanding international presence across Southeast Asia, EMEA, and Latin America through "tailored offerings."	—	FY2025-26
Capex	Balances increased due to "addition in fixed assets" and infrastructure setup.	118.88 Cr	FY2025
Balance Sheet	Remains "debt-free" with investments reflecting "cash flow" and "conservative assets."	172.01 Cr	FY2025
Guidance	"None given."	—	—

Backdrop: Global economy is projected to grow at 3.3% in CY 2025; Indian GDP growth for FY25 is estimated at 6.5%.

2.2 Plans and expansion

- Management intends to scale AntiFraud.AI to address the mobile-first generation; funding is via internal accruals (₹172.01 Cr in current investments) and depends on "sharper go-to-market efforts."
- International expansion into the Middle East, Europe, and SE Asia is planned through strategic partner activations; timing depends on regional regulatory alignment like the DPDP Act.
- The Horizon-3 roadmap focuses on "Gen-AI-driven cybersecurity" and Seqrite Intelligent Assistant (SIA); management plans to extend SIA across the full product suite to reduce analyst alert fatigue.

2.3 Risks and challenges management names

Risk (management's words)	Mitigation stated	Where it shows in the numbers
Credit Risk	Monitors exposure, assesses partner creditworthiness, and utilizes national distributors for high-value projects.	Trade receivables at □166.90 Cr
Competition Risk	Differentiation through "exceptional customer service," multilingual support, and □135.95 Cr R&D investment.	EBITDA decrease to □(6.59) Crore
IP Infringement	Legal protection for key brands; holds eight granted patents in the US and trademarks in the EU/Japan.	Intangible assets at □118.88 Cr
Channel Dependency	Implemented a "two-tier distribution model" and continuous training for over 35,000 partners.	Channel partner count
Obsolescence	Continuous updates and R&D focus on emerging threats, supporting a wide range of hardware and OS.	R&D investment at □135.95 Cr

2.4 Tone

Cautiously optimistic -- Management acknowledges that financial performance was "below expectations" but maintains that the company is "entering a new phase of transformation" driven by AI-led innovation.

"The foundation we have laid over the past years is now enabling us to build more mature products." "Operational discipline, product focus, and deeper customer engagement will drive our next stage of growth."

Tone changed from **Pragmatic but Strained** last year to a more focused, innovation-led outlook.

3. Financial picture

3.0 What looks out of line

What it could mean	What would confirm or disprove it	Likelihood
Deteriorating collection quality or potential revenue inflation to counter retail stress.	Recovery of □50.78 Cr in undisputed receivables overdue by more than six months.	Likely
Reported profitability is an accounting artifact rather than operational success.	Sustained core EBITDA growth in FY26 without reliance on mutual fund fair-value gains.	Likely
Misalignment of executive incentives during operational decline.	Reduction in managerial pay or ESOP grants in the next cycle if margins remain negative.	Possible

Managerial remuneration for the Managing and Joint Managing Directors exceeded statutory limits by □1.48 Cr due to inadequacy of profits, requiring specific shareholder approval.

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

Operational loss and margin collapse are masked by non-core investment gains and significant tax credits. * Operational deleverage is structural, driven by a □18 Cr spike in employee costs and high R&D intensity (48.6% of revenue) while consumer sales eroded by 8.75%. * Reported PAT is non-operational; stripping out □21 Cr of other income (mostly mutual fund gains) and a □4.48 Cr deferred tax credit reveals an underlying core loss. * ROCE has fallen to zero as capital productivity vanishes; return on sunk fixed assets is 0.8%, significantly below the 6.5% risk-free rate.

Where the profit came from (FY25): pre-tax profit of □1 Cr = a core operating loss of □7 Cr, plus recurring other income □19 Cr, plus one-off items □2 Cr, less depreciation □13 Cr. Excluding the one-offs, profit after tax would have been a profit of □3 Cr.

What moved operating profit (FY24 □18 Cr to FY25 -□7 Cr, -□25 Cr): higher employee cost -□18 Cr, lower revenue -□12 Cr, lower other expenses +□6 Cr, higher materials -□3 Cr, lower manufacturing / power & fuel +□1 Cr. (Cost lines are Screener's percentages of sales, so each is good to about ±□1 Cr.)

To break even at the operating line the company needs □7 Cr: a 2.4% cut in operating costs (□287 Cr), or, with costs unchanged, 2.5% more revenue. Both are upper bounds on difficulty: costs are rarely fully fixed, and revenue rarely arrives at zero marginal cost.

Five-year record

Metric	5-yr mean	FY24	FY25	Low ‹ band › high	Vs trend	Why it moved	Durable?
Revenue	305	292	280	—	—	Retail antivirus commoditization and market stress	—
Revenue growth %	-3.66	5.04	-4.11	-18.71 `[------ #o---]` 5.04	**Worse than trend**	Consumer segment decline offset by enterprise growth	Too early
EBITDA margin %	20.13	6.16	-2.5	0.72 `#[---- o-----]` 42.34	**Worse than trend** (worst in window)	High R&D burn and personnel expenses	Structural
PAT	45	24	5	—	—	Operating loss masked by non-core income	—
PAT margin %	16.7	8.22	1.79	2.16 `{----- o-----]` 32.13	**Worse than trend** (worst in window)	Reliance on mutual fund gains and tax credits	Structural
EPS	7.73	4.53	0.93	—	—	—	—
ROCE %	10.5	6	0	0 `{----- o-----]` 21	**Worse than trend**	Collapse in capital productivity	Structural
Of which leases %	—	—	90	—	—	—	—
Exceptional % of PBT	66.4	7.6	229.0	—	—	Gains from one-off items exceeded total PBT	—
Net fixed asset turnover	2.33	2.42	2.37	—	—	—	—
Asset age %	59.0	62.1	62.8	—	—	—	—
Effective interest rate %	—	—	—	—	—	—	—
As % of EBITDA	267.0	-78.2	—	—	—	—	—
PBT % of net fixed assets	26.4	21.6	0.8	—	—	Return on plant below risk-free rate	—
Net fixed assets % of total assets	21.5	22.8	22.7	—	—	—	—
PAT % of total assets	4.4	4.8	1.0	—	—	—	—
Other income % of PBT	97.41	80.77	2,100	16.44 `o] #` 275	**Data artifact**	Fair value gains on mutual fund investments	One-off
Material cost % of revenue	3.2	2.0	3.0	—	—	—	—
Employee cost % of revenue	51.4	58.0	67.0	—	—	Leadership professionalization and R&D talent retention	Structural
Intangibles % of total assets	0.0	0.0	0.0	—	—	R&D costs immediately expensed	—
	41.2	37.0	34.1	—	—	—	—

Metric	5-yr mean	FY24	FY25	Low ‹ band › high	Vs trend	Why it moved	Durable?
Investments % of total assets							
CWIP % of gross block	0.3	1.0	0.0	—	—	Completion of prior year hardware projects	—

What the checks found

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

Check	FY24	FY25	Status	What it means
Receivables growth vs sales growth	₹131.72 Cr	₹166.73 Cr	Flag · high impact	Indicates deteriorating collection quality as net receivables rose ₹35.01 Cr despite a 4.19% drop in revenue.
Non-operating / other income as % of PBT	80.8%	2077.0%	Flag · high impact	Other income of ₹20.77 Cr entirely masks an operating loss of ₹7.00 Cr, enabling the report of a positive PBT.
Unbilled revenue, contract assets, deferred revenue	₹2.10 Cr	₹14.28 Cr	Watch · medium impact	A sharp jump in deferred revenue (₹12.18 Cr build) suggests a shift toward advance billing for long-term contracts.
Receivables ageing / ECL provisioning	₹44.13 Cr	₹48.05 Cr	Watch · low impact	Provisioning for credit impairment rose slower than gross receivables, while undisputed receivables >6 months reached ₹51.23 Cr.
Exceptional items and their effect on PBT	₹1.97 Cr	₹2.29 Cr	Watch · low impact	Exceptional gains of ₹2.29 Cr exceeded the total PBT of ₹1.00 Cr.
Deferred tax movement and cash-vs-book tax	-₹3.88 Cr	-₹4.48 Cr	Watch · low impact	A deferred tax credit of ₹4.48 Cr was the sole reason the company reported a positive PAT of ₹5.04 Cr.

Clean (6): Revenue from related parties as % of revenue; Customer concentration; Advances from customers trend; Provision reversals credited to income; Depreciation policy / useful-life change; Valuation-method or accounting-policy change.

3.2 Is profit turning into cash?

Cash generation has broken down as working capital absorbs liquidity through escalating receivables and doubled sales returns. * Negative operating cash flow reflects a massive ₹39 Cr receivables build, far outstripping the 4% revenue decline and suggesting extended credit terms to protect volumes. * Asset quality is deteriorating, with receivables over six months rising 82% to ₹93 Cr, while credit loss provisions cover only half of this overdue balance. * Cash tax paid (₹0.85 Cr) against a reported tax credit of ₹4.04 Cr confirms that reported profits are accounting entries not generating immediate liquid inflows.

Five-year record

Metric	5-yr mean	FY24	FY25	Low ‹ band › high	Vs trend	Why it moved	Durable?
CFO / EBITDA	3.59	1.00	—	—	—	Negative operating cash flow	—
Debtor days	168.75	165	218	161 `[-o--] #` 184	**Worse than trend** (worst in window)	Extended credit terms and poor collection efficiency	Not explained
Cash conversion cycle	178	165	218	—	—	—	—
Inventory turnover	85.7	83.43	112.00	—	—	Improved stock clearing despite revenue fall	—
Receivables > 6 months %	27.2	29.0	43.5	—	—	Significant buildup of overdue undisputed balances	—
Working capital movement	-7	-14	-29	—	—	□39 Cr build in trade receivables	Not explained
Change in inventory	0.6	1	1	—	—	—	—

What the checks found

Does profit become cash? Flag

Check	FY24	FY25	Status	What it means
CFO vs clean EBITDA (cash conversion)	□18.19 Cr / □18.00 Cr	-□22.30 Cr / -□7.00 Cr	Flag · high impact	Operating cash flow turned negative at -□22.30 Cr, driven by a □29.42 Cr drain from working capital changes.
Pre-tax operating conversion (CFO + tax paid) / EBITDA	□18.22 Cr / □18.00 Cr	-□23.15 Cr / -□7.00 Cr	Flag · high impact	Isolating tax payments confirms that the cash drain is fundamentally operational and working-capital led.
Working-capital movement	-□14.08 Cr	-□29.42 Cr	Flag · high impact	Working capital absorbed □29.42 Cr, primarily due to an increase in trade receivables (□38.83 Cr cash outflow).
Cash tax paid vs book tax	□0.03 Cr / □1.97 Cr	□0.85 Cr / -□4.04 Cr	Watch · medium impact	The company paid cash tax of □0.85 Cr while recording a P&L tax credit of □4.04 Cr, highlighting the non-cash nature of reported profits.

Clean (1): Inventory absorption of operating cash.

3.3 Where is the cash going?

Internal cash flow is insufficient to fund dividends and capex, forcing reliance on a shrinking mutual fund buffer. * The □16.13 Cr dividend and □14 Cr capex were entirely funded from the sale of investments rather than operations, as free cash flow flipped to a □36 Cr deficit. * Managerial pay remains high relative to performance; KMP remuneration of □8.71 Cr exceeds total group net profit, signaling a disconnect between executive capture and minority interests. * Strategic pivot costs are high, with R&D spending (□135.95 Cr) and capital advances for stalled projects drawing on the □185 Cr investment pool during a loss-making cycle.

Where 5 years of cash went: the business generated □206 Cr of operating cash; it went to capex □41 Cr, dividends □79 Cr; no equity raised.

Five-year record

Metric	5-yr mean	FY24	FY25	Low ‹ band › high	Vs trend	Why it moved	Durable?
Free cash flow	33	10	-36	—	—	Working capital drain from rising receivables	—
Capex % of CFO	17.5	44	—	—	—	Negative CFO prevented internal funding	—
Dividend % of operating cash flow	37.4	73.8	—	—	—	Dividend skipped due to cash drain	—

What the checks found

Is value leaving to insiders? Flag

Check	FY24	FY25	Status	What it means
KMP / director remuneration vs EBITDA	□6.85 Cr / □18.00 Cr	□8.71 Cr / -□7.00 Cr	Flag · high impact	KMP remuneration of □8.71 Cr exceeded total PAT (□5.04 Cr) in a year of operating loss.
Related party transaction quantum and trend	□19.33 Cr	□21.75 Cr	Watch · medium impact	Total RPT value (Remuneration + Dividends + CSR) rose while revenue fell.
New related-party counterparties this year	0	3	Watch · low impact	New KMPs and relatives (Vishal Salvi, Sneha Katkar) added to the remuneration grid.

Clean (3): 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.

3.4 How strong is the balance sheet?

The balance sheet remains debt-free with significant liquid reserves, providing a long runway despite severe operational stress. * Net debt is negative □20.9 Cr, and a □179 Cr investment portfolio provides 9.5 years of runway at current burn rates, shielding against a liquidity crisis. * Contingent liabilities are material; a new □5.01 Cr provident fund demand and □2.85 Cr tax claims represent a potential 1.8% hit to net worth. * Deferred revenue growth to □14.28 Cr offers slight forward visibility, though 72% must be realized within one year to stabilize the operating cash drain.

Five-year record

Metric	5-yr mean	FY24	FY25	Low ‹ band › high	Vs trend	Why it moved	Durable?
Net debt	-44	-38	-21	—	—	Liquidating investments to fund operations	—
Net debt / EBITDA	—	—	—	—	—	—	—
Interest coverage	—	—	—	—	—	—	—
Debt / equity	0.00	0.00	0.00	—	—	Debt-free status maintained	—

What the checks found

Can the balance sheet take a hit? Flag

Check	FY24	FY25	Status	What it means
Dividend vs free cash flow	₹13.29 Cr / ₹12.00 Cr	₹16.13 Cr / -₹36.00 Cr	Flag · high impact	Dividends were funded by liquidating investments rather than through free cash flow, which was negative ₹36 Cr.
Contingent liabilities vs net worth	₹3.67 Cr	₹7.86 Cr	Watch · low impact	Contingent liabilities rose due to a new ₹5.01 Cr PF demand, representing 1.8% of net worth.

Clean (3): CWIP ageing and stalled projects; Borrowing terms, security, covenants; Encumbered assets / title deeds not in company name.

Runway: ₹200 Cr of cash and investments against an operating loss of ₹7 Cr and capex of ₹14 Cr (underlying burn ₹21 Cr a year) is about 9.5 years at the current loss. There is no borrowing.

Contingent liabilities and commitments

Contingency type	FY 2025 (Cr)	FY 2024 (Cr)
Provident Fund (PF) Demand	5.01	0.00
Direct Tax Demands	2.85	2.87
Indirect Tax Demands	0.00	0.80
Capital Commitments	4.92	2.97

- A new significant contingent liability appeared regarding a PF demand of ₹5.01 Cr. The company has been directed by the CGIT to deposit 30% of this amount as a condition for a stay on recovery. Management has not provided for this, citing a non-probable outcome.
- A long-standing litigation involving an erstwhile distributor alleging embezzlement was quashed by the Calcutta High Court in June 2024, removing a significant legal overhang for the directors.

Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	280	292
Sales Growth %	-4.19	4.91
Expenses	286	274
Material Cost %	3	2
Raw material cost	6.55	5.54
Change in inventory	0.58	1.29
Manufacturing Cost %	6	6
Employee Cost %	67	58
Other Cost %	27	28
Operating Profit	-7	18
OPM %	-2	6
Other Income	21	21
Exceptional items	2.29	1.97
Other income normal	18.48	19.10
Interest	0	0
Depreciation	13	13
Profit before tax	1	26
Tax %	-404	8
Net Profit	5	24
Exceptional items AT	2	2
Profit excl Excep	3	23
Profit for PE	3	23
Profit for EPS	5	24
Profit Growth %	-88	2,668
EPS (□)	0.93	4.53
Dividend Payout %	0	66

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	54	54
Reserves	387	383
Borrowings	0	0
Lease Liabilities	0.09	0
Other Liabilities	83	76
Trade Payables	35	40
Advance from Customers	0	0
Other liability items	49	36
Total Liabilities	525	513
Fixed Assets	119	117
Land	0.88	2.66
Building	105.15	109.49
Equipments	17.85	16.43
Computers	107.50	100.60
Furniture n fittings	35.32	31.14
Vehicles	0.93	1.05
Intangible Assets	0	0
Other fixed assets	53.16	46.63
Gross Block	320.79	308
Accumulated Depreciation	201.58	191.28
CWIP	0	3
Investments	179	190
Other Assets	226	203
Inventories	2	3
Trade receivables	167	132
Receivables over 6m	93	51
Receivables under 6m	121	125
Prov for Doubtful	-48	-44
Cash Equivalents	21	38
Loans n Advances	8	6
Other asset items	29	24
Total Assets	525	513

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	-22	18
Profit from operations	7.97	32.24
Receivables	-38.83	-16.07
Inventory	0.58	1.70
Payables	-4.95	-8.73
Loans Advances	0	0
Other WC items	13.78	9.02
Working capital changes	-29.42	-14.08
Direct taxes	-0.85	0.03
Cash from Investing Activity	16	6
Fixed assets purchased	-14	-8
Fixed assets sold	0	1
Investments purchased	-265	-280
Investments sold	295	291
Interest received	0	1
Dividends received	0	0
Other investing items	0	0
Cash from Financing Activity	-10	2
Proceeds from shares	5.91	6.15
Dividends paid	-16.13	-13.29
Financial liabilities	-0.10	0
Share application money	0	0
Other financing items	0	8.74
Net Cash Flow	-17	26
Free Cash Flow	-36	12
CFO/OP	325	102

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	218	165
Inventory Days	—	—
Days Payable	—	—
Cash Conversion Cycle	—	—
Working Capital Days	—	—
ROCE %	0	6

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	Flag	Not enabled at database level
Statutory dues unpaid	Watch	₹5.01 Cr PF demand (contested)
Promoter pledge (% of promoter holding)	Clean	0%
Independent directors (% of board)	Clean	62.5% (5 of 8)
Woman director	Clean	Ms. Apurva Joshi
KMP pay against the statutory ceiling	Flag	Exceeded limits by ₹1.48 Cr
Related-party transactions (% of revenue)	Watch	3.68% of revenue; exceeds net profit

A. Auditor report & key audit matters

The auditor issued an unmodified opinion but flagged a specific internal control gap: the accounting software's audit trail feature was not enabled at the database level to log direct data changes.

Key Audit Matters (KAMs): 1. **Revenue Recognition:** The auditor identified complexity in Ind AS 115 application regarding the identification of performance obligations and timing of satisfaction. They addressed this by testing the design and effectiveness of controls over the sales process and reviewing customer agreements on a sample basis. 2. **Expected Credit Loss (ECL) for Trade Receivables:** Management judgment is significant in estimating default rates for the ₹214.78 Cr gross receivable balance. The auditor evaluated the management's methodology, tested the accuracy of the aging schedule, and reviewed recovery plans for balances outstanding over 365 days.

There were no defaults to lenders reported, as the company remains zero-debt. Total auditor remuneration was ₹0.47 Cr, comprising ₹0.41 Cr for audit and limited reviews and ₹0.06 Cr for other certifications and reimbursements.

B. Related party transactions

Related party flows increased this year, primarily driven by higher KMP compensation and dividends, despite a sharp drop in business profitability.

Counterparty	Relationship	Nature	FY25 flow (□ Cr)	FY24 flow (□ Cr)	Balance at FY25 year end (□Cr)	Assessment
Kailash Katkar	MD / Promoter	Remuneration & Div	4.55	5.26	0	Arm's length
Sanjay Katkar	JMD / Promoter	Remuneration & Div	6.25	5.21	0	Arm's length
Vishal Salvi	CEO	Remuneration & Div	2.19	1.02	0	Arm's length
Ankit Maheshwari	CFO	Remuneration & Div	1.15	0.85	0	Routine
Anupama Katkar	KMP Relative	Remuneration & Div	3.60	1.57	0	Above profit share
Chhaya Katkar	KMP Relative	Dividend	1.14	0.95	0	Routine
Quick Heal Foundation	Promoter Entity	CSR Contribution	0.87	1.82	0	Routine
Data Security Council of India	Director Interest	Services Received	0.73	0.99	0	Routine
Others	KMP/ Independent	Fees & Remuneration	0.83	1.05	0.25	Routine
Total	—	—	**21.31**	**18.72**	**0.25**	—

449 The table does not show that total compensation to KMP and relatives now exceeds the company's total net profit. There were no write-offs or provisions recorded against related party balances during the year. The company maintains that all transactions are at arm's length, though the adequacy of profit to support executive pay is a noted strain.

C. Shareholding

Promoter holding remains dominant, with a slight reduction due to ESOP exercises by employees.

Category	Mar 2025 (%)	Mar 2024 (%)	Change (pp)
Promoters	71.82	72.82	-1.00
FIIs / FPIs	2.69	3.49	-0.80
DIIs (Mutual Funds & AIFs)	2.63	0.85	1.78
Public / Others	22.86	22.84	0.02

There is no promoter pledge. The 1 pp reduction in promoter stake is a result of the expansion of the equity base via ESOP conversions.

D. Board composition

The board is chaired by the founder, Kailash Katkar, who serves alongside his brother, Sanjay Katkar (JMD). Mr. Shailesh Lakhani (Non-executive Director representing Sequoia) resigned effective March 31, 2025. Mr. Kamal Kumar Agarwal was appointed as an Independent Director in July 2024 to strengthen the board's financial expertise. Notably, the secretarial auditor observed that one Independent Director exceeded the maximum permitted number of committee memberships/chairmanships during the year.

E. KMP compensation

Remuneration rose significantly in a year where operating performance deteriorated into a loss.

Name	Role	FY25 (□Cr)	FY24 (□Cr)	Change
Kailash Katkar	Managing Director	1.62	1.36	19.1%
Sanjay Katkar	Joint MD	1.57	1.31	19.8%
Vishal Salvi	CEO	2.17	1.02	112.7%
Ankit Maheshwari	CFO	1.14	0.85	34.1%
Others (CS & Relatives)	KMPs	2.21	2.31	-4.3%
Total	**KMP Only**	**8.71**	**6.85**	**27.2%**
Pay as % of EBITDA	—	**-124.4%**	**38.1%**	—

479 The company reported a negative EBITDA (operating loss) of -□7 Cr for FY25. Total KMP compensation is a significant finding as pay rose by 27% while the business swung from an operating profit of □18 Cr to a loss. Furthermore, the MD and JMD remuneration exceeded statutory limits by □1.48 Cr due to the inadequacy of profits.

F. Capital allocation & capex

Quick Heal generated □206 Cr in operating cash (CFO) over the last five years, which comfortably funded its □41 Cr in cumulative capex and □79 Cr in dividends. The company remains debt-free and maintains a substantial cash/investment buffer of □172.01 Cr in mutual funds.

However, returns have deteriorated sharply; ROCE collapsed from 6% to 0.70% this year. While the company funded □14 Cr of capex from internal accruals in FY25, the asset base expansion has not yet translated into growth, with revenue declining 4%. The decision to skip the dividend this year is a clear shift toward cash preservation as free cash flow turned negative (-□36 Cr) due to poor working capital management, specifically a 27% spike in receivables despite falling sales.

G. Accounting policy stance: revenue and depreciation

Policy	What the company does	Standard or industry norm	Stance
Revenue recognition	Point in time for licenses; net of incentives.	Industry standard is often over-time for subscriptions.	Conservative
Depreciation lives	Buildings: 60 years; Computers: 63.16% WDV.	Schedule II: Buildings 30-60y; Computers 3y SLM.	Mixed
R&D costs	100% expensed as incurred (□135.95 Cr).	Ind AS 38 allows capitalization of development.	Conservative
Credit-loss policy	ECL matrix based on net outstanding.	Expected Credit Loss (ECL) model.	Aggressive

Overall accounting stance: Conservative -- because the company expenses its substantial R&D (48% of revenue) immediately rather than capitalizing it, and uses aggressive WDV rates for IT equipment, though the drop in credit-loss provisioning amidst rising debtor days is a significant quality-of-earnings concern.

4.1 Credibility: said versus delivered

What they said last year	What happened	Verdict
Focus on "Horizon 2" (EDR, XDR) and "Horizon 3" (Gen-AI) products	Launched Seqrite Intelligent Assistant (SIA) and AntiFraud.AI	Delivered
Rectify lack of global analyst recognition via US collaborations	No evidence in this report	Not addressed
Target government sector via "Make in India" On-Prem EDR	Enterprise/Gov revenue grew 3.6%	Partially Met
Professionalize leadership and execution	CEO stayed; KMP pay rose 27% while OPM fell	Delivered
Strategic pivot to Enterprise SaaS metrics	Deferred revenue (contract liabilities) rose 7x to ₹14.28 Cr	Delivered

3 further claims too vague to check: scale via sharper go-to-market efforts, scale AntiFraud.AI for mobile-first generation, transform into platform-based provider.

This year's claims against the numbers

- "Performance this year was below expectations" is supported by **Revenue growth %** of -4.11% and an operating loss. Verdict: Supported.
- "Maintaining a debt-free balance sheet" is supported by **Debt / equity** at 0.00 despite the liquidating investment buffer. Verdict: Supported.
- "Entering a new phase of transformation" is contradicted by **ROCE %** collapsing to 0.0% and underlying core EBITDA turning negative. Verdict: Contradicted.

Credibility: Medium -- Management has delivered on the technical product roadmap and SaaS visibility (deferred revenue), but financial health is deteriorating rapidly with KMP pay rising 27% while the core business swings to a loss.

What has not changed

- Zero-debt status persists for the fifth year running, providing the primary liquidity buffer against operational losses.
- Dependence on non-operating income to report positive PAT persists across the five-year window.
- High R&D intensity (above 40% of sales) continues for the third consecutive year as part of the structural pivot burn.
- Promoter remuneration consistently exceeds statutory limits due to inadequate profits, a pattern in its third year running.

5. Scorecard

Dimension	Rating	Vs last year	What decided it
Business quality	2	Down	EBITDA margin of **-2.5%** fell below its five-year range and pre-tax return on net fixed assets was **0.8%**, below the risk-free rate.
Financial health	3	Down	The company remains debt-free but dividends were funded by liquidating □**30 Cr** of investments rather than through free cash flow.
Earnings quality	2	Same	Other income was **2,100%** of pre-tax profit and a □**38.83 Cr** receivables build indicates deteriorating collection quality or potential revenue inflation.
Management & governance	2	Same	KMP remuneration of □**8.71 Cr** exceeded total net profit and statutory limits, while the auditor flagged missing audit trails in accounting software.
Capital allocation	2	—	Dividends were paid while free cash flow was negative □**36 Cr** and return on capital collapsed to **0%**.