Quick Heal Technologies Ltd — Jan 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Weak Miss / Marginal YoY Growth **One-line:** Q3 confirms a structural growth stall; while PAT appears positive, the core business is loss-making at the EBIT level, with "profitability" propped up by non-operating income and tax credits rather than operational execution.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Weak Miss (Sequential)	Revenue (□71.5 Cr) declined 14.4% QoQ; EBITDA collapsed from □9.2 Cr to □0.5 Cr.	□
Earnings Quality	Low (Non-core driven)	EBIT is negative (-□3.1 Cr); PAT is entirely supported by Other Income (□9.0 Cr) and Tax credits.	□
Guidance Confidence	Weak	9M FY26 Revenue (□212.3 Cr) is lower than 9M FY25 (□214.4 Cr), contradicting "growth" narratives.	□
Management Credibility	Neutral	Successfully launched new products (DRPS/RRaaS), but failing to translate R&D into top-line expansion.	□
Business Quality Signal	Deteriorating	Gross margins dipped 140bps YoY; high R&D intensity (41% of rev) is failing to generate operating leverage.	□
Key Q&A Exchange	Not applicable	N/A — no concall conducted or available.	□
The Street's Primary Anxiety	Stagnation & ROI	Can the "Enterprise Pivot" ever offset the Consumer drag? Stock is down ~60% from 52-week highs.	□
Capital Cycle Stage	Investment	Massive R&D spend continues (□29.4 Cr/quarter) despite stagnant revenues.	□
Margin Trajectory	Deteriorating	EBITDA margin collapsed from 11.1% in Q2 to 0.6% in Q3.	□
Pricing Power	Stable	95.9% Gross Margin confirms high-value software status, though slightly lower YoY.	□
FCF Conversion & Quality	Distorted	PAT is positive but EBIT is negative, suggesting poor cash generation from core operations.	□
Competitive Moat Signals	Stable	Maintaining 30% market share in Consumer segment; adding new Enterprise capabilities.	□
Balance Sheet Strength	Strong	Zero debt; Equity/Promoter holding remains high (72%).	□
Working Capital Efficiency	Not in document	No Balance Sheet provided in Q3 PPT to track receivable recovery.	□
Mgmt Guidance Track Record	Mixed	Failed to sustain the "seasonal recovery" momentum seen in Q2.	□
Key Vulnerability	Negative EBIT	Core operations are not self-sustaining at current revenue scales.	□
Management Tone	Cautious (Implied)	Focus on "maintaining share" in Consumer and "penetration" in Enterprise.	□

Sentiment: □Negative

Key Takeaways (Positives & Negatives): * **Positives:** Quick Heal maintains elite Gross Margins (95.9%) and a dominant 30% share in the Indian Consumer AV market. The Enterprise arm (Seqrite) continues to innovate, launching Digital Risk Protection (DRPS) and Repo-Restoration as a Service (RRaaS), while expanding its marketing presence in government and data privacy conferences. * **Negatives:** The financial performance is alarming. Core operations (EBIT) resulted in a □3.1 Cr loss this quarter. Revenue is effectively stagnant YoY (+1.3%) and has declined significantly QoQ (-14.4%). For a software company spending 41% of its revenue on R&D, the lack of top-line growth suggests a failure in product monetization or a structural decline in the legacy consumer business that new products cannot yet offset. * **The Street's Concern:** Investors are questioning the "Enterprise Pivot" timeline. 9M FY26 revenues are trailing the previous year, implying FY26 may be a year of zero or negative growth. * **Forward-looking Watchpoint:** The appointment of a professional CEO (still vacant as per PPT) and the conversion of DPDP (Data Privacy) pilots into meaningful revenue are the only catalysts that can reverse the current valuation slide.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column absent.

Metric	Current Qtr (Q3FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	71.5	↑ 1.3%	↓ 14.4%	↓	Seasonal peak in Q2 not sustained.
EBIT Margin (%)	-4.3%	↑ 590 bps	↓ 1150 bps	↓	Swung back to negative after one profitable qtr.
PAT (□Cr)	6.6	↑ 6500%	↓ 16.5%	↓	PAT driven by □9 Cr Other Income & Tax credit.
Gross Margin (%)	95.9%	↓ 140 bps	↓ 100 bps	↓	Slight compression in premium pricing/ mix.
EBITDA (□Cr)	0.5	Swung	↓ 94.6%	↓	Barely above break-even; no op. leverage.
EBITDA Margin %	0.6%	↑ 590 bps	↓ 1050 bps	↓	Highly volatile due to fixed R&D base.
R&D Spend (□Cr)	29.4	↓ 13.0%	↓ 10.6%	↑	Slight rationalization of spend vs prior year.
Other Income (□ Cr)	9.0	↑ 83.7%	↑ 104.5%	↑	Primary driver of the bottom line.
PBT (□Cr)	5.8	Swung	↓ 43.7%	↓	Core EBIT loss offset by Other Income.
Tax (□Cr)	-0.9	Swung	Swung	↑	Negative tax (credit) boosted PAT.

2B. SEGMENT BREAKDOWN

Segment	Status	Key Development	Trend	vs Co. Avg	Key Development
Consumer	Market Leader	Launching AntiFraud.AI to tackle financial fraud.	→	Cash Cow	Focus on maintaining 30% market share.
Enterprise	Pivot Focus	Launched DRPS (Digital Risk Protection) & RRaaS.	↑	Growth	High participation in AISS 2025 & Bharat Privacy.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	9M Revenue: ₹212.3 Cr	To hit 10% annual growth, Q4 needs ₹107 Cr; historical Q4 is ~₹60-80 Cr.	Miss (9M trailing YoY)	High
Guidance	Margins	Maintain elite Gross Margins	Achieved 95.9% (In-line with 96-97% historical range).	Delivered	Low
Strategy	Enterprise Pivot	Penetrate Data Privacy & International Expansion.	Requires significant breakout in Seqrite billing; not yet visible in consolidated rev.	In Progress	Medium
Strategy	Leadership	CEO Search (as per prior context)	Still not announced in Q3 PPT; search appears prolonged (>180 days).	Delayed	High
Macro	Market Share	Maintain >30% Consumer share in India.	Maintaining share but in a potentially stagnant/declining market.	Delivered	Medium

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY26)	This Quarter (Q3 FY26)	Direction
Operational Profitability	EBITDA was ₹9.2 Cr (11.1% margin).	EBITDA collapsed to ₹0.5 Cr (0.6% margin).	↓ Deteriorating
Core EBIT	EBIT was positive (₹6.0 Cr).	EBIT swung to a Loss of -₹3.1 Cr.	↓ Deteriorating
Revenue Momentum	Sequential recovery (₹83.5 Cr).	Sequential decline (₹71.5 Cr).	↓ Deteriorating
Earnings Composition	Profit driven by operations.	Profit entirely driven by ₹9 Cr Other Income/ Tax.	↓ Deteriorating
R&D Intensity	39.4% of Revenue.	41.1% of Revenue.	↓ Deteriorating
Product Portfolio	DPDP focus.	Launched DRPS and RRaaS (Seqrite).	↑ Improving
Market Valuation	Trading at higher levels.	Price at ₹266.05 (near 52-week low of ₹252).	↓ Deteriorating

- **Thesis Impact:** The thesis that Quick Heal is a "growth pivot" story is currently failing to manifest in the numbers. 9M FY26 performance confirms that the company is struggling to find a top-line catalyst despite heavy R&D spend. The core business is currently not profitable on its own merits, relying on its cash pile (Other Income) to stay in the black.

STOP HERE.