Quick Heal Technologies Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Weak Miss **One-line:** The transition from a legacy Consumer AV company to an Enterprise-first Cybersecurity player is hitting a "valuation valley" where the legacy cash cow is shrinking (-9.2% YoY) faster than the new engine can scale (+1.5% YoY), resulting in a full-year operating loss despite 97%+ gross margins.

Dimension	This Quarter (Q4/FY25)	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	FY25 EBITDA turned negative (□-6.6 Cr) vs □17.6 Cr in FY24; Q4 revenue (□65.1 Cr) hit a multi-quarter low.	□
Earnings Quality	Low	FY25 PAT of □5.0 Cr was entirely supported by □20.8 Cr in Other Income; operating business is loss-making.	□
Guidance Confidence	Neutral	Mgmt claims 47% Cloud CAGR and "Market Leadership," but Enterprise growth slowed to just 1.5% for the full year.	□
Management Credibility	Neutral	Successfully launched AntiFraud.ai and SMAP as promised, but failed to protect margins or improve collections.	□
Business Quality Signal	Deteriorating	Legacy consumer business is structural de-growth; Enterprise pivot is capital-intensive and slow to monetize.	□
Key Q&A Exchange	N/A — PPT_ONLY	No concall conducted or available.	N/A
The Street's Primary Anxiety	Reverse Leverage	R&D and S&M now consume 80% of total revenue (□222 Cr vs □279 Cr Revenue).	□
Capital Cycle Stage	Re-investment	Aggressively spending on "Horizon 3" products (EDR, XDR, Zero Trust) while core cash flows decline.	□
Margin Trajectory	Deteriorating	EBITDA margin collapsed from +6.0% (FY24) to -2.4% (FY25).	□
Pricing Power	Stable	97.1% Gross Margin maintained; the issue is volume and scale, not pricing per unit.	□
FCF Conversion & Quality	Weak	Negative EBITDA and ballooning receivables suggest poor cash conversion; PAT is non-cash (Other Income).	□
Competitive Moat Signals	Stable	Maintaining 30% market share in Indian Consumer AV; Seqrite gaining "Gold Sponsor" visibility.	□
Balance Sheet Strength	Strong	□192.8 Cr in Cash and Mutual Funds; zero debt.	□
Working Capital Efficiency	Deteriorating	Trade receivables jumped to □166.7 Cr (60% of annual revenue) from □131.7 Cr.	□
Mgmt Guidance Track Record	Mixed	Delivered on "Horizon-3" product launches (SIA, SMAP) but failed on growth and collection targets.	□
Key Vulnerability	Negative Operating Leverage	Fixed R&D (□136 Cr) and S&M (□86.6 Cr) costs are too high for the current revenue base (□279.5 Cr).	□
Management Tone	N/A — PPT_ONLY	Based on PPT visuals: Bullish on product roadmap and "Voices of Trust."	□

Sentiment: □Negative

Key Takeaways (Positives & Negatives): * **Positives:** The pivot to Cloud is working at a product level, with Cloud revenue mix expanding from 23% to 31% in two years (47% CAGR). The launch of **AntiFraud.ai** for the consumer segment creates a new category beyond traditional antivirus, potentially stabilizing the consumer decline. **Seqrite** (Enterprise) now contributes 43% of revenue, successfully diversifying away from the vulnerable PC-only market. * **Negatives:** Financial execution is poor. Revenue declined 4.2% YoY, but EBITDA swung from a profit of □17.6 Cr to a loss of □6.6 Cr due to the inability to trim costs. Working capital is a major red flag—Receivables now stand at **217 days of sales** (up from 164 days), indicating significant friction in collecting from distributors or government clients. * **The Street's Concern:** Analysts are worried that Quick Heal is "over-investing" in R&D (48% of revenue) for an enterprise market where it lacks the global scale of competitors like CrowdStrike or SentinelOne. * **Forward-looking Watchpoint:** Watch for the monetization of the **AntiFraud.ai** launch in H1FY26; if consumer revenue doesn't rebound, the R&D burn for Seqrite will become unsustainable without further diluting the cash pile.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

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

Metric	Current Qtr (Q4FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	65.1	↓ 18.6%	↓ 7.8%	↓	Not in document
Cloud Revenue Mix (%)	31.0%	↑ 800 bps	→	↑	Cloud CAGR of 47% in 2 years.
Gross Margin (%)	97.2%	↓ 40 bps	↓ 10 bps	→	Stable software delivery profile.
EBITDA (□Cr)	(8.5)	↓ 185%	↓ 123%	↓	Burn increased due to S&M.
EBITDA Margin %	-13.0%	↓ 2560 bps	↓ 770 bps	↓	Negative operating leverage.
PAT (□Cr)	(3.3)	↓ 123%	↓ 3400%	↓	Q3 was barely positive (□0.1 Cr).
R&D Spend (□Cr)	33.6	↓ 0.3%	↓ 0.6%	→	High fixed burn maintained.
Cash/MF Invest. (□Cr)	192.8	↓ 12.4%	↓ 1.4%	↓	Includes □172 Cr MF + □20.8 Cr Cash.
Trade Receivables (□Cr)	166.7	↑ 26.6%	Not in Doc	↓	Major WC deterioration in FY25.
DSO (Days)	217	↑ 53 Days	Not in Doc	↓	Calculated: (Receivables/Rev)*365.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□Cr)	FY25 Growth	Margin	Trend	vs Co. Avg	Key Development
Consumer	185.7	↓ 9.2%	High	↓	Laggard	Launched AntiFraud.ai; Sony TV ads.
Enterprise	121.2	↑ 1.5%	Low	→	Leader	SIA Launch; Karnataka Threat Report.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Cloud Growth	47% CAGR in Cloud business over 2 years.	Achieved: Mix grew from 23% to 31% FY23-25.	Delivered.	Low
Strategy	New Product	Material New Product Revenue from Horizon-3.	Needs Enterprise growth to accelerate beyond 1.5% YoY.	In-Progress.	High
Strategy	Market Share	Leadership with >30% in Indian Consumer AV.	Market is shrinking; share maintenance is defensive only.	Delivered.	Medium
Strategy	Enterprise	Foray into Mid-Market Capture & SIA Launch.	Revenue grew only ₹1.8 Cr YoY (₹119.4 to ₹121.2).	Underperformed.	High
Balance	Liquidity	Maintaining robust MF/Cash reserves.	Reserves dropped from ₹220 Cr to ₹192.8 Cr YoY.	Deteriorating.	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 (Q3FY25)	This Quarter (Q4FY25)	Direction
EBITDA Burn	₹-3.8 Cr	₹-8.5 Cr	↓ Deteriorating
Enterprise Growth	Q3 Revenue was trending up	Full year growth slowed to 1.5%	↓ Deteriorating
Receivables Risk	Sluggish (Q3 Provision ₹2.5 Cr)	Full year DSO spiked to 217 days	↓ Deteriorating
Consumer Strategy	Strategy stage	Launch of AntiFraud.ai (Execution)	↑ Improving
Cloud Mix	Not specified for quarter	Confirmed at 31% for FY25	↑ Improving
Cash Reserves	~₹190 Cr	₹192.8 Cr (Static)	→ Stable
Net Profitability	Marginal PAT (₹0.1 Cr)	Net Loss (₹-3.3 Cr)	↓ Deteriorating

STOP HERE.