

Quick Heal

Security Simplified

“Quick Health Technologies Limited
Q1 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Quick Heal Technologies Limited Q1 FY2019 Earnings conference call. This conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kailash Katkar, MD & CEO from Quick Heal Technologies Limited. Thank you and over to you Sir!

Kailash Katkar: Thank you. Good afternoon all. I am Kailash Katkar and along with me I have Mr. Sanjay Katkar-Joint Managing Director & CTO, Mr. Vijay Mhaskar-Chief Operating Officer, Mr. Nitin Kulkarni-Chief Finance Officer, Mr. Raghav Mulay -Company Secretary and our IR Advisor SGA. I welcome you all for participating in the conference.

Q1 is always slow. If you check past history you will be able to find four-quarter trends seasonality; however, we have made conscious efforts after demonetization to reduce these trends seasonality and you will see that the results have started coming now. The retail segment saw a huge growth in the quarter. This is because last year Q1 had a GST impact, but still if you compare the quarter with many years in the past, it is a big change. The Seqrite continue to be our flagship offering for enterprise and government business. However, during the quarter the revenue from this business has remained flat mainly because of the government segment's poor performance. The FY2019 has begun on a positive note and we expect to do well in coming quarters in every segment. With this I will ask Sanjay to share our R&D updates.

Sanjay Katkar: Thanks Kailash. Good evening everyone. In today's age and time, things have evolved to an extent where all the services are available at a click of a button, so this provides a breathing space in our otherwise fast paced life. However, the digital data being produced while availing these services needs to be secured and there is an increased realization of the same among users as well. So we have been proactively upgrading as well as deploying and developing new solutions to counter the evolving security landscape. As of now at Quick Heal security labs we have detected over 180 million Windows malware during the quarter and the month of May recorded the highest number of detections of approximately 74 million malware and in this the Trojan Horse continue to be the most dominant malware and its detection grew by 4% compared to the January to March quarter.

There were about 631,000 threats detected during the same period on the android, which includes malware, potentially unwanted applications and Adware. However, we have observed a particular trend in android threat landscape, which includes rise in cryptocurrency mining

malware and banking provisions that have been targeting the banking and social media apps on the phone. Hence, at Quick Heal Security Labs we have been constantly working on upgradation of our retail as well as enterprise products. It is our constant endeavour to protect user data and keep it secured at all times, so we are confident of sustaining our leadership position and strive to be the most trusted brand across various platforms and consumers.

We have been making sure that, we participate in all the major international certification and constantly keep tracking our products performance as against the competition. This exercise helped us to technologically maintain and stay at par with competition. At Quick Heal, our focus has been always to identify new threats and devising a new solution and features across customers segment and across platforms through our focused research and development efforts. So we are having a dedicated research and development happening towards enterprise products as well and we have received resolution for the same. Seqrite received best enterprise IT security brand award at the 11th NCL and Innovation Product Award 2018 and Quick Heal Total Security achieved one of the best protection rate in AV competitive recently. Also, international magazine 'Virus Bulletin' featured our research report titled Internal Blu - a prominent threat actor of 2017-2018 in their June addition.

So with this, I will now ask Vijay to share his thoughts on the operations of the company.

Vijay Mhaskar:

Thanks Sanjay. Good afternoon everybody. Let me give you some brief on the business front. As Kailash mentioned because of cyclic nature, Q1 is usually a low quarter for Quick Heal, but our attempt was to make sure we sustain the momentum that we had last fiscal year and on board more partners as well as more customers in Q1 and I think we were successful on many of the fronts.

In the retail segment, we continue to onboard more retail outlets and observed a good percentage of them to be very active and selling our Quick Heal products, so we want to continue this Momentum. We also did talk last time about customer retention and there was a lot of influence on customer retention by dealers, so in Q1 we had special drive towards increasing our dealers attention towards renewal business and we want to really take our retention further. Currently it is at about 36%. We want to take it further and having more attention from the dealers on the renewable business will help us achieve that goal.

Our sales automation is another initiative that is really working out well. It gives us a good visibility of the stocks at various levels whether it is the primary distributor or the secondary distributor and that helps us to make decisions about what are the stocking levels in each of the region and what billing and what moment we should do for liquidation and activation. Our focus on liquidation and activation continue to be there and that is actually strengthening the distribution network for us.

We also are increasing our investments into getting more demands, so you will see continued sales and marketing efforts be it above the line or below the line and that is helping us to create more customer demand.

Now moving onto the enterprise and government segment if you look at just the purely corporate of the enterprise business then that has grown. We have added more customers that is about 1,400 plus in Q1. All together about 80,000 new users were added in the last quarter. Definitely it shows that stability of our product and services is definitely growing. The enterprise business consists of large enterprise as well as SMB. We have a special attention of on boarding the larger enterprise accounts. In Q1, we added 24 new accounts with more than 500 users so that gives us the confidence that we can increase now our market share beyond just a small and medium segments to the larger enterprises.

Coming on to the government side, definitely we had a slow quarter in Q1. It has continued from Q4. I would say the main reason being the government portals GEM, which is used for government fulfilling orders and that has a number of hiccups. One is the stability of GEM, which was the big hindrance and also the ambiguity of the process that one vendor and the partner should follow. The ambiguity is getting clarified and we are working very closely with the government agencies. We have much better clarity now and we have a different pricing strategy for GEM, which is being executed, so I think we have identified the issues working very closely with the government and we should see better traction for our government business in the coming quarters.

In addition, we are also focusing on the partner ecosystem for GEM because that is another thing, which is very critical for ensuring we fulfill our orders in a very streamlined fashion, so that is something ongoing and Q2 should be a good change from the Q1 from that perspective. As Sanjay mentioned about focus on the product front, we continue to add to our portfolio more products. We launched secure web gateways products in Q1, which is primarily targeted for mid to large enterprises, so unified threat management UTM product is also in the offering right now and secure web gateway actually compliment to each other. UTM is more suited for SME and SMB segment while SWG or secured web gateway is suited more for the mid to large segment.

From the enterprise segment perspective, we have end point security, data loss prevention and MDM encryption. We believe this portfolio is pretty strong and should help us to gain more market share in SME and middle segment. There has been a lot of discussion about data protection in recent few weeks and we think that is the good tailwind that we have to sell more DLP and encryption.

Finally coming on the retail side, we have launched new mobile solutions with three variants i.e One user one year, three user one year, and one user three years. So basically there will be three variants targeting the retail market. This product is being sold through the retail channel, so with

these offerings we are very confident that we should be able to get more customer as well as the partner mind share. So overall good Q1 from the business and the product perspective, the whole Quick Heal team is really excited about the future possibilities. Let me hand it over to Nitin to give out the financial overview.

Nitin Kulkarni:

Thank you Vijay. Good evening everyone. I will take you through the consolidated financial performance of the company for the quarter ended June 30, 2018.

Revenue for the quarter grew by 75% to Rs.531 million as compared to Rs. 303 million in Q1 of FY2018. The growth was driven by retail segment, which grew by 150% yoy. Enterprise and government business remained flattish due to lower than expected growth from our government business mainly because of GEM adaption as highlighted by Vijay earlier.

The percentage of retail and enterprise revenue was at 75% and 25% respectively. In terms of license sold, retail segment saw growth of 252% and enterprise and government segment degrew by 16%. During the quarter, we had made efforts to reduce seasonality in the business and stabilize the business across all quarters. Also, we continued to maintain strict control on the operating overheads during the quarter. Generally, we play soft on advertisement and sales promotion related activities in Q1, but this expenditure will catch up in the subsequent quarters. The renewal ratios across the products continue to be in a healthy range and we will continue to make tactical investments in advertisements for brand promotion and in our R&D to keep upgrading the product and provide solutions for ever expanding threat landscape. The EBITDA grew by 156% to Rs.89 million from loss of Rs.161 million in Q1 of earlier year and EBITDA margin improved by more than 6900 basis points to 16.81%. As explained above, this improvement was mainly driven by 75% revenue in topline and control of operating overheads and greater absorption of fixed overheads.

The PAT growth has been more than 150% to Rs.61 million from loss of Rs.113 million in Q1 of last year. The cash PAT, which is PAT plus the depreciation for the quarter, was at Rs120 million. Before I take you through Consolidated Balance Sheet, I will touch up on some of the critical points on standalone financials. In standalone financials, revenue for the Q1 FY2019 has been at Rs.528 million as compared to Rs.297 million i.e. a growth of 78% on YoY basis. The EBITDA for Q1 FY2019 has been Rs.93 million as compared to loss of Rs.158 million at the end of Q1 of FY2018. The EBITDA margin for Q1 FY2019 at standalone levels stood at 17.6%. The PAT for Q1 FY2019 stood at Rs.64 million compared to a loss of Rs.111 million in the earlier year of Q1.

Now I will come to the key ratios and key points of Consolidated balance sheet. As of June 30, 2018, we have cash and cash equivalents along with investments in mutual funds, tax-free bond, and fixed deposit of Rs.4,848.52 million as compared with Rs.4,664.52 million at the end of March 2018, a net addition of Rs.184 million during the quarter. The cash balance includes IPO

money of Rs.1319 million invested in fixed deposit. The utilization of proceeds is as per the objects as stated in the IPO document.

On the working capital side as of June 30, 2018 our receivable days have increased to 124 days. Earlier we were working with our channel partners on cash and carry model, however during the quarter we had extended credit limits to some of our partners keeping in mind the overall business scenario. We are continuously focusing on the collections on these debtors and expect the receivable days to revert to its mean in the subsequent quarters. With this, we will now open the floor for question and answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Faisal Hawa from H. G. Hawa & Company. Please go ahead.

Faisal Hawa: My question is how do we see the R&D expenses of the firm going forward in FY2019 and in FY2020 and would you be able to share some figures as to how much of the R&D was incurred say two years back ? Also, how much of it is now resulting in revenue for us in this financial year? And second question is that how are we faring against the international security solutions providers like Israeli companies and various other most niche companies because their growth overall is much better than ours in many segments? **Nitin Kulkarni:** This is Nitin. If you look on an annual basis, we expect R&D expenses to be in the range of 18% to 22% of revenue. As far as other question on R&D expenditure incurred last year and revenue against that, so generally the product development cycle is about six to nine months and R&D expenditure, which was incurred in earlier year gets us revenue in the subsequent year, so it will be very difficult to keep a correlation of what expenditure was incurred and against that what is the revenue. But whatever revenue is getting generated is definitely because of the past R&D efforts taken in the earlier year.

Sanjay Katkar: For a new product to release, at first it takes at least six months to nine months for a product to get stabilized and the training and know how to get established among the partners and the sales to begin and there after it takes a couple of quarters to further stabilize on the customer front and matching their expectations. So usually any new product to go into market it takes at least four to five quarters to start good revenue stream to show up on the revenue cycle.

Vijay Mhaskar: What Sanjay said is absolute and that is how things work.. It is investment that is kind of lagging in that space, so whatever we had invested two years back those products we have launched now. And what we are working on right now, it will get launched in another year or so. Hence, from the perspective of future guidance what R&D investment we are doing right now is definitely at a good level. We would want to increase because we want to add more products both into retail and enterprise. From the comparison perspective the Israeli company, I would say the Seqrite domain is vast and there are a lot of differences and so cannot really compare a company from a

different domain. But if you compare independent software vendors ISV on a large houses then usually the R&D expenditure is from about 14% to 18% to the revenue and we are in the ballpark of about 16% to 18% sometimes over 19%. So from the investment, we are definitely on a higher side, which is a good thing because those investments actually are going to help us to build a product portfolio and help us to get more market share. From investment perspective, definitely we are on the edge of the front side. Does that help you?

Faisal Hawa: I hope the company has some internal method where you track, which R&D expenses result in what kind of revenue because this is like one of our biggest expenditure items. To have mapped across to revenue is very important I feel.

Vijay Mhaskar: We have a software development lifecycle and the process within the company, which tracks each project and we have business case for each of them where we get its revenue too. So we have product managers that follow process within the company. That is not something we share outside to the market.

Nitin Kulkarni: So just to add to that what Vijay said that we do have a tracking mechanism. These things are internally tracked in the company, but this is mainly made for internal MIS consumption and we do not share this information.

Faisal Hawa: Thank you so much.

Moderator: Thank you. The next question is from the line of David Parimal from Credential Investments. Please go ahead.

David Parimal: Good afternoon Sir. Sir I have two questions. I wanted to know what percentage of your growth in retail came from renewals and first time sales in this quarter?

Nitin Kulkarni: From the growth of retail perspective, this is really from the billing perspective stock and sell model. So we have similar trends going on at this point. We really do not have bifurcation of the new sales versus the renewals there. What we do track though is when the customer is activating the product, but from the billing perspective we do not have a split between new sales versus renewal sales.

David Parimal: Was there an increase in the renewal rates, which was 35% ? Has there been a momentum in the renewal percentage terms?

Nitin Kulkarni: The last number that we are tracking is about 36% right now, but we are driving to increase that.

David Parimal: Sir in the enterprise segment besides the non-government what was the customer addition from the private side? As, you gave a number of 24 customers that you added, so how much was from non-government and government if you can highlight on that?

- Vijay Mhaskar:** Those 24 were really corporate accounts and education accounts.
- David Parimal:** Why do we have such a slow growth rate in enterprise? And what is the reason for that if you can highlight besides the non-government part? But with respect to the private side what is stopping us from the growth rate?
- Vijay Mhaskar:** From enterprise vertical perspective, it has grown, and one could argue that the growth should be faster yes and that is primarily by adding more customers and more solutions and acquiring more larger accounts. So that is the focus and that is the drive. The real impact came because of the government, so that is why you see degrowth or flattish growth because of the government degrowth.
- David Parimal:** What steps are we taking to grow besides the government? What are the steps have we been taking to grow the private set of the business in terms of strategy?
- Vijay Mhaskar:** In Government vertical, we are definitely focusing on GEM, to address and make sure we operate GEM in a fair fashion. Hence, I think government should grow by itself. In Enterprise, the real focus is to get more partners and on getting more solutions to the customer, so that is the strategy. We have 31,000 customers right now and if you could add more products to their kitty, I think that definitely would get more revenue, so adding more value to the customer is the focus.
- David Parimal:** Sir can you add on the value part of the working? Is there a bottleneck in terms of products that we have or we do not have?
- Vijay Mhaskar:** No. I will give you an example. Suppose that a customer is using end point security, we could sell data loss prevention DLP. We could sell mobile device management, so that is more value to the customer that will result into more revenue, so having the same account and same customer, we could add more value and that will fetch us more revenue.
- David Parimal:** Thank you. I will join back in the queue.
- Moderator:** Thank you. The next question is from the line of Anuj Gupta from Perfect Research. Please go ahead.
- Anuj Gupta:** Good evening Sir. I have seen in the investor presentation mobile segment is shown as the future opportunity, but most consumers do not feel the need to install antivirus software, so how are you addressing the problem and with which OEMs have we tied up for pre-installment of software and what has been the progress in the sales?
- Sanjay Katkar:** On the mobile front, you have rightly pointed awareness levels are not up the mark. So we are trying to increase the security software awareness among the consumers. We are trying to push the software through various different avenues like online as well as trying to reach out through retail shops. We are not opting for OEM model because we had a not so good experience earlier

because OEM cost was more than actually it gives revenues. For OEM, we have to take each handset owner its handset for bundling the software into them and the conversion ratio from free to paid is hardly there like 1% to 2%. Hence, we are not opting for the OEM part]. What we are trying to do is creating a separate variants of the security depending on the features and trying to bring down the price for users so that they can feel it is like a new product and not that model we have been following since the last two quarters and it has created the variants, which we feel should start showing some movement. We have started seeing traction on that front, but again up to the mark of the number of handsets that are being used currently. This is the challenging front for us in mobile and we are trying our best to make sure that this clicks up. At the same time, we really feel that the awareness levels on the phone for the security is completely missing here and that is where we are trying to push that. It is like if you compare this to the PC era of 1980s, it is similar to that. Earlier when in the 1980s when PC started seeing viruses, people were hardly buying antivirus for PCs. This period was there for at least five to six years and it has gradually caught up as the virus problem becomes more and more complex on PCs. We have started to see lot of serious threats on phone as I said in my speech that lot of cryptocurrency mining, Malwares are targeting phones. Using the phone power for cryptocurrency mining makes phones very slow. at the time Ransomware has been started on phone, so these activities we feel will definitely create some level of awareness and at the same time digitization and moving transactions on phone is definitely going to help increase the awareness so that is where we are looking forward for it.

Anuj Gupta:

Sir for personal computing space where all the operating systems are bundled with security solutions that are free of cost for the consumers like Windows Defenders, Windows Security Essential, so it is like diminishing the requirement of the paying software like we have and also just would want to know about the decline in the sales of licenses by 16% in the enterprise segment and the reason for that?

Kailash Katkar:

I think that reason was just mentioned by Vijay Mhaskar. Your second question is already answered before this actually.

Sanjay Katkar:

About the security software being bundled in operating system, this has been happening since Quick Heal entered into antivirus business. We had seen that Microsoft had launched DOS antivirus when they were selling DOS and then gradually they came out with Windows 95, they bundled different antivirus. In fact, they acquire an antivirus company every seven to eight years and then they keep on bundling the solutions and but the thing is their purpose is to make sure that their OS at least has some basic security if the user is not going for paid security. But the fact is that the threat we see and more and more threats that are coming are more complex and it really needs a very high and multilayer protection which a basic security software does not provide and that is where we feel that the need for paid security is never going to aim. This has been my experience over the last two decades and this will stay as is in the future as well. So Microsoft providing software or even other operating system like even Google provides some

level of security to Android users from the Google Store, but there are threats that keep navigating all those measures and still enter your PC or a phone and mix up with the data and steal the data. So the point here I am trying to clear is that the paid service is the only service that user should be looking forward for because that is the only way he can have full protection from the advances that we are seeing nowadays actually.

Anuj Gupta: The all India licenses part was given to the government right?

Sanjay Katkar: Yes, right.

Anuj Gupta: Thank you Sir.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.

Amish Kanani: Congrats on a relatively good numbers for the quarter. Sir the question is as you mentioned we are trying to change the seasonality of the business where Q1 is generally very soft and generally do a loss, how much of this is due to the correction of seasonality? Also when we compare this YOY number vis-à-vis demonetisation quarter, last year we saw virtual stoppage of dealers buying our products from us probably because of those GST rate clarification not coming in time. Right? And in that context what was worrying is our business from government enterprise on a YOY basis as it has shown a degrowth, so just if you can share some thoughts around what is the seasonality, what is the GST impact and how much is or why the government enterprise is not growing?

Sanjay Katkar: I think for last two years I have always been telling all the investors about Quick Heal seasonality business. It is not just only with the Quick Heal, but all the software retail products, which are sold on shelf, so this is not something companies had or like my hand, it is driven by the market, it is not something that we control it, it is market which controls this seasonality part of it and like you know every quarter end, every distribution they themselves have some target. They themselves has some set budget for doing business and all these things, so we have to just follow the market trends and this thing. I have just tried to control or balance the seasonality part of it and that is what we are trying to do it, but that is not going to change the trend of seasonality of antivirus industry, it will just be a bit balance, not fully balanced.

Amish Kanani: Sir the point was that, is it that it has come at the cost of preponing our second quarter sales, is that?

Sanjay Katkar: No, it is not that way, it is just more about aggressiveness, and most important thing is like when I say that it is a pull and push business when you try to push the stock to the distributor then there is another risk about the payment recovery. So we wanted to make sure that these stockist or the distributor should at least have for next three months stock with him, so for distributor he is

going to lock his money over there. Now if you want that you should stock a bit more like four months stock, in that case the distributor is going to demand for credit because his money is going to get locked and when you start giving credit then there is a big risk to collect the money, so we have to balance both the part of it, so based on that we take this decision.

Amish Kanani: So you are saying large part you may not have it is not come at the cost of loss of sale in say Q2 or Q4, which is generally?

Sanjay Katkar: No.

Amish Kanani: And about government enterprises Sir?

Sanjay Katkar: I think government, Vijay had already mentioned about it, but still Vijay you can add further.

Vijay Mhaskar: So enterprise government, as I said the enterprises we have seen the growth, we have added more customers and users and we want to activate that more and through by adding more partners, SI system integrators and also adding more partners. As of now, that is happening incrementally. Government is pure execution issue and some of that is because of the new portal that is introduced by the government and the new process, so there is some learning curve there. I think we are over that now and we should be back on track. As far as product and solution services relevance to the government sector, we are pretty much there, so you can see one good penetration of our product in the government, so all the production solutions are very relevant, we feel once we have over the hump of this GEM issue we should be able to get back into that growth trajectory.

Amish Kanani: What is the average realization that we are now getting, the question is we cannot do simple leverage i.e. if I take the revenue divided by realization sold and get some average, but the question is Sir are we able to get the inflation adjusted price increase and/or is there a competition is so fierce that we have to ? There is a deflation in our average realization in terms of product realization Sir and given that we have increased the sales as it come under cost of decline in per unit realization, if you can give some directional, it would be helpful?

Vijay Mhaskar: If you look at from the software business perspective, the realization for the same feature and functionality drops down because of commoditization. so the reality if you do not move ahead with product enhancement and adding more product then you would actually get impacted because of realization, so that is what exactly we would do and that is what we are countering again. So there is definitely a trend because of the pricing pressure and the competition going on that will have a lesser realization per unit and what we are countering that with is adding more products and more value to the customers. If you just stay flat on product the trend would be, realization would drop and we are countering that trend is actually by adding more product and more features in the product, so I would say we are at this point flattish on the realization, but

because we have a three or four variants of the product in each of the segment depending on which product gets sold more in that quarter the average realization changes. But we are observing the trend over the time and what we feel is as you add more products or realization per customer is actually coming up, so that would be the push to increase the value to increase the realization by adding more feature and more products.

Amish Kanani: Sir is this true also for retail segment or you are saying because we are migrating to enterprise and government where probably the realization you are seeing at a portfolio level ?
Vijay Mhaskar: It is actually both, that, the trend of commoditization happens across the software product business.

Amish Kanani: Okay and one last question from my side, there was this Ind-AS 115 where you know it says that you have to recognize the revenue only when there is some understanding that there is a sale at the end customer level. I do not know how we define our sales, so I wanted to ask if we have adopted that and is it resulting in neutrality?

Nitin Kulkarni: Yes we have done the detail evaluation of Ind-AS 115 and as far as we are concerned there is no major impact on us as far as Ind-AS 115 is concerned.

Amish Kanani: At the moment we feel it is closed?

Nitin Kulkarni: Yes correct that is right.

Amish Kanani: Okay. Thanks a lot Sir and all the best.

Moderator: Thank you. The next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.

Viraj Mithani: Good evening Sir. I just have two questions, one is on the enterprise and the government side, what is the number of licenses that fell this quarter, any reason for that?

Vijay Mhaskar: As updated earlier basically we are not able to fulfill through the GEM some of the orders and that is exactly what happened. we have seen this in Q4 and Q1 both because of the stability of GeM as well as the way the process worked and we worked very closely with the government agencies and with the GeM agencies and I think now we have a fair good understanding of how that should work and so we should be able to execute more orders in coming quarters.

Viraj Mithani: We will get stabilize in coming quarters right, that is what we anticipate that it will increase?

Vijay Mhaskar: Yes.

- Viraj Mithani:** One question Sir, what is our vision on this enterprise, the mix which you have given out, which is 19% right now to retails and enterprise government, so what is the vision to go, can you give me some roadmap how we will be going there, like what percentage will be there?
- Nitin Kulkarni:** The aspirational goal for us is within three to four years, we should have about 40% contribution coming from the enterprise business, so that is what we are targeting towards and that means both retail and enterprise have to grow, but obviously enterprise will grow faster.
- Viraj Mithani:** Do you think that is achievable in the next four years?
- Vijay Mhaskar:** Yes.
- Viraj Mithani:** That is it Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Aditya Kondawar from Samco Securities. Please go ahead.
- Aditya Kondawar:** Yes, actually already got the answer, I was going to ask you the retail renewal, so you had 25% growth right?
- Nitin Kulkarni:** We cannot hear you properly. Can you be a little louder?
- Aditya Kondawar:** My question was on the retail licenses renewal?
- Nitin Kulkarni:** Can you please repeat your question?
- Nitin Kulkarni:** What you want to know about renewals?
- Aditya Kondawar:** I wanted to know the renewal numbers for the retail licenses?
- Nitin Kulkarni:** So it is about 36%.
- Aditya Kondawar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dikshit Doshi from White Stone Financial Advisors. Please go ahead.
- Dikshit Doshi:** Good evening. When we say we were not able to participate in the GeM tender, so if you can expect that there was some problem with the platform? Or the tenders were there on the platform and we were not able to participate and our competitors were?

- Sanjay Katkar:** So, there are challenges with the platform. How the product gets put on that platform, what categories gets put up and how the price should be moderated, all those issues were there. Clear guidance on that is what we worked with agencies, GeM agencies and this was the challenge across. So now, we have been able to work with them closely and get the process defined. So that we can operate in much better fashion.
- Dikshit Doshi:** So, it is not the case where we were not able to participate and our competitors participated in one the tender. That was not the case?
- Sanjay Katkar:** That was not the case.
- Dikshit Doshi:** Sir just wanted to know, according to you, what would be the market size for the enterprise security software currently in India putting all our competitors together?
- Sanjay Katkar:** The enterprise security software itself is a huge with multiple categories. All the way up to close to about Gartner reports about 3000 Crores market. Of that, if you look at the segments that we work in, so first segment is end point security that is close to about 400 to 500 Crores, the data lost prevention is about Rs.100 Crores, unified set management is about another 400, 500 Crores. So, I would say, of the 3000 Crores overall security market, we are operating close to about 1000 plus Crores at this point. So, that is the overall market size.
- Dikshit Doshi:** You think this market can grow by high double-digits?
- Vijay Mhaskar:** So the CAGR that Gartner is projecting is about 9% to 10% overall market and the areas that we are playing definitely that would be projected to grow 9% to 10%.
- Dikshit Doshi:** Because there were some problem with the government order in this quarter, if we exclude the government order in the last quarter, so what was the growth just the corporate business like-to-like if we compare?
- Nitin Kulkarni:** Usually, we do not give the splits of the enterprise and government .
- Dikshit Doshi:** Sir in the earlier concall it was mentioned that we are moving to the cash and carry model and in the concall today you mentioned that you had to give some credit to some of the distributors. So going forward what you think our model will be, it will be largely cash and carry only or it will be credit oriented?
- Nitin Kulkarni:** These are the things, which are completely market driven. So even though we would like to stick to cash and carry, but it will be mostly combination of some cash and carry and we will give some credit to some of the distributors, this all depends on market.
- Dikshit Doshi:** That was my last question.



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Moderator: Thank you. The next question is from the line of Dikshit Doshi from White Stone Financial Advisors. Please go ahead.

Dikshit Doshi: Just one question, McAfee in India would be largely present in retail or in enterprise?

Nitin Kulkarni: Enterprise.

Dikshit Doshi: Thank you.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Kailash Katkar for his closing comments.

Kailash Katkar: Let me thank every one of you for joining the call. Keep in touch. Contact our advisory, SGA for any queries or information. Thank you bye.

Moderator: Thank you. Ladies and gentlemen on behalf of Quick Heal Technologies Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.