



“Quick Heal Technologies Limited  
9M FY2019 Earnings Conference Call”

February 14, 2019



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*Quick Heal Technologies Limited  
February 14, 2019*

**Moderator:** Ladies and gentlemen, good day and welcome to the Quick Heal Technologies Limited 9M FY2019 Earnings conference call. This conference may contain forward-looking statements about the Company, which are based on the 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 the risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in 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 and CEO from Quick Heal Technologies Limited. Thank you and over to you Sir!

**Kailash Katkar:** Good afternoon friends. I am Kailash Katkar, Managing Director and CEO and along with me I have Mr. Vijay Mhaskar - Chief Operating Officer, Mr. Nitin Kulkarni – Chief Finance Officer and SGA as our Investor Relations Advisors. We welcome you all to participate in our earning conference call to discuss on our performance for the nine-month period ended December 31, 2018.

I will start with a brief update on the business performance. We have been able to maintain the steady momentum in the business which has helped us to achieve year till date growth of 15% in revenue. The retail segment registered double digit growth due to our consistent engagement with the channel ecosystem. On the enterprise side, we started taking efforts to offer customized solution to our customers. This segment grew by 7% which has been lower than our expectations; however, we are confident of the growth prospect of the enterprise business.

Further we are delighted to announce that Seqrite has won the Best Cybersecurity Brand Award at the National Digital Innovation and Cybersecurity Summit hosted by the Government of Haryana. The award is testimony of our commitment to innovate and deliver the most relevant cybersecurity solutions to our customers. With this I will ask Mr. Vijay to share more detail on the company operations.

**Vijay Mhaskar:** Thanks Kailash. Good evening everybody. I will cover the business overview before that let me cover a little bit on the technology side from threat landscape. So at a large scale ransomware and crypto jacking dominated the threat landscape in 2018. Our continuous monitoring and analysis of the threat landscape revealed that during 2018, we detected over 917 million Malwares targeting individual results, over 19,000 Ransomware and 15,000 cryptojacking Malwares were detected on a daily basis. On the enterprise side, Seqrite detected and blocked close to 50 million cyber threats in second half of 2018 targeting multiple industries.

For larger organization, we always assume that cyber attacks are handled and there is a myth that SMEs are not focused on, so cybercriminals have valid belief that SMEs do not have adequate



*Security Simplified*

*Quick Heal Technologies Limited  
February 14, 2019*

security measures and they are becoming bigger and bigger targets because of that. So the technique used by cybercriminals to attack the bigger enterprises is being used by the cybercriminals to attack the SMEs. The awareness of cybersecurity in SMEs is low and that exactly what we are focusing on. Our wide range of security products, endpoint security including network security, mobility management and data protection solutions are primarily targeted towards SME market. These offerings are in line with our commitment to provide comprehensive security to enterprises across multiple entry points. So that was a brief on the threat landscape. Let me give you a quick overview on the business side. I will not speak too much on the numbers., my colleague here, Nitin would be focusing on the actual numbers, but let me give you some colour on the nature of the business across verticals from the Q3 and nine-month perspective.

Q3 being a festival quarter for most of India, it slows the business to some extent and this year was no exception, so the seasonality aspect that we have discussed before was also seen in Q3. On the retail side we continued to work closely to strengthen the three-tier distribution network. Our strength is 24,000 plus dealers that we have, who are working very closely with Quick Heal. We aspire to grow the retailer base that actually will give us a growth potential in the retail business.

The focus on liquidation and activation and strengthening of distribution network is moving in the right direction and our sales and marketing team has been driving the customer demand up through the various marketing campaigns. You would have heard and seen some of the campaigns already in some of the medium and more will come in the future. As we move along we want to get more of our customers to use a premium brand and that is Total Security, so that is really our focus as customers upgrade from low price category product at the renewal time, we promote Total Security brand to make sure we have a larger customer base on the Total Security.

We will keep upgrading our products also to make sure that is best in class. Last couple of quarters, we have been talking about home network security, so we launched this product in the channel now and the product obviously is in the new category. It is a first time in India, a product of this type is being launched. So we are really excited about that. It is going to take sometime because awareness of this category is going to take some time, but we are hopeful with this product we actually complete the portfolio, so if you look at home security, we have been protecting laptop, desktop, mobile and the network security, now any device connected or Wifi at home or small office can get the complete security cover. So in true sense, we have really delivered the home security to the customers.

Now moving onto the enterprise and government segment as Kailash said, the expectations were higher. As evident, the number of customer acquisitions has moved in the right direction, but the average realization per unit is ARPU is lower than what we expected and that is primarily because of the three reasons. First one, we have as you know multiple product variants in



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Quick Heal Technologies Limited  
February 14, 2019

enterprise and government segment. In Q3 particularly we have seen in low price variant had higher contribution, so the ARPU moved on the lower side. The competition obviously is there and because of that there is a lot of pricing pressure so that is the second reason and third the cross sell and up sell and that is something we need to drive more focus. At the renewal time to make sure that we will increase the ARPU.

So going forward that is exactly our strategy, we will generate demand with few marketing efforts as well as internal and partner lead generation system. We will position and attach bigger portfolio to every customer acquisition and also at renewal time push for cross sell and up sell, we try to get more ARPU per customer. On the government side, the business is going upwards, the GeM is stable now and along with that our partner ecosystem for GeM I think it is stabilizing. We will drive to acquire more strategic accounts because again as you said on the enterprise side, we need to really focus on the government vertical to get more and bigger strategic accounts and that will definitely get better ARPU also. On government sales, we are still lacking focus on all the product portfolio that we have, primarily we are focusing on two, three products right now, but as the partner ecosystem and our sales and marketing here get in place, we will be selling more of the products that we have to government account and that will help us to get again per customer, per account a bigger revenue share.

Note the election is on the horizon, so the code of conduct is expected in Q4, so we understand that there will be some impact we are mitigating that by focusing on the state government and PSU business, but nonetheless there would be some impact. Overall good quarter from the customer acquisition perspective, the broader portfolio at our disposal we expect better returns for our retail initiative. With that let me hand it over to Nitin to focus on the number.

**Nitin Kulkarni:**

Thank you Vijay. Good evening everyone. I will first take you through the consolidated financial performance of the company for the nine month ended December 31, 2018. Revenue for nine month FY2019 grew by 15% to Rs. 2,289 million as compared to Rs. 1,996 million in nine month of FY2018. Both the segments have shown growth, the retail segment which grew by 15% from Rs.1,680 million in nine months FY2018 to Rs. 1,924 million in nine months FY2019. The enterprise segment grew by 7% from Rs. 456 million in nine months FY2018 to Rs. 490 million FY2019. The enterprise segment had muted performance in Q1 FY2019 and has now started gaining pace. Therefore we remain optimistic of its performance in the coming future. In terms of licenses sold, retail segments saw growth of 19% and enterprise and government segment saw growth of 10%. Both segments had a lower realization per unit due to change in product mix; additionally enterprise segment also faced pricing pressure in terms of competition which Vijay also alluded to earlier. We have had healthy renewal ratios about 40% in retail and 80% in Enterprise segment. We are taking efforts to improve this further and are confident of even higher renewal ratio in coming quarters. The EBITDA grew by 63% to Rs. 893 million from Rs. 549 million in nine month FY2018 and EBITDA margin improved by 1150-basis points, to 39%. The PAT growth has been 89% to Rs.641 million in nine month of FY2019 from Rs.338 million



Security Simplified

Quick Heal Technologies Limited  
February 14, 2019

in nine month of FY2018. PAT margins improved by 1,104-basis points to 27.99%. The cash PAT which is PAT plus depreciation for nine month is Rs. 820 million. For nine months FY2019, the sales and marketing costs have been down by about 11% as compared to nine months of FY2018. However, the cost on advertisement and sales promotion is expected to catch up in Q4 of this year. For nine month FY2019, depreciation has been lower by 10% as compared to nine months of previous year. This is mainly due to no major additions in the fixed asset during the year and we followed written down value method of depreciation. Other income from nine month stood at Rs.242 million compared to Rs.165 million in nine months of last year, this is mainly as a result of increased in treasury size.

Now I will concentrate on consolidated balance sheet. As of December 31, 2018, we have cash and cash equivalents along with investments and mutual fund, tax-free bonds and fixed deposit of Rs.5,114.31 million as compared with Rs.4948.54 million at the end of September 2018, net addition of Rs.166 million during the quarter. Cash balance includes IPO money of Rs.1,179 million, invested in fixed deposits. The utilization of proceeds is as per the objects as stated therein IPO. On the working capital side as of December 2018, our receivable stood at 115 days which is lower by 8 days compared to September 2018. During the quarter we have focused on receivables and working towards bringing this down further. Overall working capital cycle stood at 77 days compared to 87 days at the end of September 2018.

Now I would like to touch upon the consolidated Q3 financial, Revenue for Q3 2019 has been Rs. 667 million as compared to Rs.642 million in Q3 FY2019 a growth of 4% on a Y-o-Y basis. EBITDA for Q3 FY2019 has been Rs.207 million as compared to Rs.115 million at the end of Q3 FY2019. The EBITDA margin for Q3FY19 stood at 31%. PAT for Q3 FY2019 stood at Rs.159 million compared to Rs.67 million in the previous year.

Now I would like to comment on the standalone financial. Revenue for nine month FY2019 has been Rs. 2,275 million compared to Rs. 1,978 million in nine month FY2018 showing a growth of 15% on a Y-o-Y basis. EBITDA for nine month FY2019 has been Rs. 905 million compared to Rs.576 million at the end of nine month of FY2018. Margin for nine month 2019 stood at 39.8%. PAT for nine months FY2019 stood at Rs. 603 million compared to Rs. 362 million in nine months of FY2018.

Coming to standalone quarterly financials. Revenue for Q3 2019 has been Rs. 659 million compared to Rs. 636 million in Q3 2018 showing a growth of 4% on a Y-o-Y basis. EBITDA for Q3 2019 has been Rs. 209 million compared to Rs. 131 million at the end of Q3 2018, margin for Q3 2019 stood at 31.8%. PAT to Q3 stood at Rs. 161 million compared to Rs. 80 million in Q3 2018. With this we will now open the floor for question and answers. Thank you.



*Quick Heal Technologies Limited  
February 14, 2019*

- 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 Hrudhyam Varma from Augmen Catalyst. Please go ahead.
- Hrudhyam Varma:** Hi Sir, I just want to know you mention that ARPU is lower for B2B right?
- Vijay Mhaskar:** Can you please come again?
- Hrudhyam Varma:** Sir the ARPU that you mentioned is lower, so that is on the enterprise side right?
- Vijay Mhaskar:** Correct.
- Hrudhyam Varma:** So Sir, is it lower I mean, so can you just give a ballpark figure in terms of percentage or...?
- Vijay Mhaskar :** No. I do not have the exact numbers right now, but relatively it is lower, and we can calculate from the numbers here.
- Hrudhyam Varma:** Okay and just want one another thing, are you trying to diversify in some other geography right now, have you thought of anything like that?
- Vijay Mhaskar** So we have been working for the last two years into other geographies including Japan, South Africa, MENA, and Europe that continent. Majority of focus continues to be in India.
- Hrudhyam Varma:** Okay, so no plans right now to enter in geographic right?
- Vijay Mhaskar** No.
- Hrudhyam Varma:** Okay and Sir you mentioned that we are doing more of advertisement and sales, the cost of advertisement will catch up in Q4, so what kind of advertisement are you doing, so can you just given outlook on that?
- Nitin Kulkarni:** When we do a campaign, it is a comprehensive campaign includes everything, which actually include social, ATL, which includes radio, TV, newsprint so based on what campaign it is we decide what medium to use and how long to use.
- Hrudhyam Varma:** Okay and Sir what would be the current ARPU right now, can you disclose that figure or is it you do not disclose the figure?
- kailash Katkar:** The ARPU is not something, which is decided. ARPU totally depends upon market driven, so whenever we go to sell product into the market and based on the competition pitch on their pricing, we have to keep our pricing flexible, and so it is not something driver, ARPU is not a driver actually.



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Quick Heal Technologies Limited  
February 14, 2019

- Hrudhyam Varma:** Okay and Sir also can you just give a number if possible, how many new, did you add any 500+ or 25+ or 100+ licenses in this quarter?
- Vijay Mhaskar** Yes, we added about 20 accounts with more than 500 user licenses.
- Hrudhyam Varma:** 20 accounts with more than 500 plus user licenses right?
- Vijay Mhaskar** Correct.
- Hrudhyam Varma:** So are these numbers showing that revenue or will the revenue starts coming in the next quarter?
- Nitin Kulkarni:** The numbers are included.
- Hrudhyam Varma:** Okay. Thank you Sir. That is it from my side.
- Nitin Kulkarni:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.
- Ravi Naredi:** Congratulation for fantastic result to both of you. Sir it is good you had given December 2018 balance sheet in spite of no need to give and this result, how much total we may impact due to election in April and May in Q4 and Q1 of next year?
- Vijay Mhaskar** We cannot give guidance of quarter 4, I just gave you indication that this event is happening and it usually has impact on the government verticals, but I cannot quantify exact impact of it.
- Ravi Naredi:** Just say for presumably 5%, 10%, 15%, can you quantify something like that?
- Vijay Mhaskar** It would be very difficult for us to quantify any amount at this stage.
- Ravi Naredi:** Okay and in Q4, we will expect same type growth which we have achieved in nine months?
- Nitin Kulkarni:** See generally if you look at the trend seasonally Q4 is a good quarter. Let us hope.
- Vijay Mhaskar:** We are hoping for a good Q4.
- Ravi Naredi:** Okay, any margin expansions until that there in like coming year or coming quarter?
- Nitin Kulkarni:** We will be making lot of investment in R&D as well as sales and marketing for our enterprise products as well as retail. Definitely it will have some impact on the margin, but as a result of



Security Simplified

Quick Heal Technologies Limited  
February 14, 2019

increasing in the revenue that should get offset to some extent. So we will try and maintain the margin. It will be very difficult at this stage to put a higher number to that.

**Ravi Naredi:** Okay any plan of cash, Rs.500 Crore cash lying with us, any concrete plan to utilize that cash?

**Nitin Kulkarni:** See definitely we are looking at few inorganic opportunities , but as you know that even there are lot of variables and it is very difficult to put any kind of exact timelines to it, but there are plans and we are working on that.

**Ravi Naredi:** Okay. Thank you. All the best Sir.

**Nitin Kulkarni:** Thank you.

**Moderator:** Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

**Devanshu Bansal:** Yes. Thanks for the opportunity. Sir our retail growth has been strong at 15%, but enterprise growth has remained sluggish while we were expecting otherwise at the start of the year, also volumes have been good on both the side what we have taken a hit on the pricing front. So your comments on both these segments and how do we see growth coming in future in both these segments?

**Vijay Mhaskar:** So as you observed right now so we feel definitely the efforts of expanding and spending the distribution network, which is paying off and we will continue to do that, again there is a lot of competitive pressure, so there would be ARPU pressure on retail too. Enterprise market is completely open and lot of players in the market. I think the right thing there would be to acquire the customer and able to position the complete portfolio, so once we position the complete portfolio, it is not just one product, it is a two or three products that is where we really get the ARPU to the level that we want, so that is what our focus, both at the renewal and acquisition time. Try to sell the complete portfolio. At this point, we have close to 32000 enterprise customers, so we definitely have that potential and fortunately able to cross sell and up sell to these customers and that would be the focus going forward to acquire the customers and at the renewal time, get more product sold with the customers.

**Devanshu Bansal:** Yes right Sir. Can we put may be in qualitative, quantitative terms, can we continue the growth in retail segment which we have witnessed in nine months going ahead and can we multifold our growth in enterprise segment, which you are expecting at this start of FY2019?

**Nitin Kulkarni:** So we have been saying that if you look at retail segment, we will have higher single digit growth in retail segment and enterprise segment we are targeting about 20% to 25% growth year on year.





*Quick Heal Technologies Limited*  
*February 14, 2019*

**Devanshu Bansal:** Okay and one more from me and how is the traction for the products as far as I can remember we launched six products on the enterprise side, so how is the traction for those products?

**Kailash Kalkar:** See in enterprise end product we launched typically are to get traction, MDM, mobile device management is definitely getting good traction very good awareness in the customers now that while giving MDM, encryption is something and it is something I think we will get traction in the next few quarters because as a data protection replacement is coming up on getting GDPR is very more prominent with enterprises and that should get the traction, so I would say we have the right products. The products are launched about two years back are getting traction now. The product that we launched last year should get traction in the next couple of quarters.

**Devanshu Bansal:** And one more Sir we see a lot of investment coming on development of products, so how is it going to impact? we have seen a tremendous improvement in our margins, a 1,000 bps Y-o-Y improvement is tremendous, so how do we see the continuation of these margin levels going ahead?

**Nitin Kulkarni:** So, as I said we will definitely be making investments on R&D and sales and marketing so our endeavor is definitely to keep up the margin, not to go below 35%, but we will try and maintain at that level that is what I can tell you at this point of time.

**Devanshu Bansal:** Okay Sir Thanks a lot and that is it from my side.

**Moderator:** Thank you. We will move onto the next question that is from the line of Mangesh Barge from Capital One. Please go ahead.

**Mangesh Barge:** Yes. Thanks for the opportunity. So, my question is what is the biggest opportunity you are looking down the line one or two years and what is the biggest challenges, which you think that there might be a risk from the business coming for one or two years?

**Vijay Mhaskar:** So absolutely good question, we will appreciate that. We feel enterprises are biggest opportunity and product portfolio that we are building. I think it is really taken the right path there. Government is definitely a challenge for us right now, in the sense although there is Make in India drives that we do not really see the translation that into the day-to-day of government working. So it is more on the papers than anything else and when you see penetrating in the government is definitely something that we should do better and that is the challenge for us.

**Mangesh Barge:** And just another question like for taking the stand or making the business to the government, as you are saying that there is a scheme and lot of emphasis on the Make in India and the digitalization,, so there might be an issue scope for the company like you, but what is the pain point or why you are not able to bring some traction in the government, it is because of the long cycle time of what exactly the pain point while doing the business with the government?



Security Simplified

Quick Heal Technologies Limited  
February 14, 2019

**Kailash Katkar:** See when it comes for product or the product requirement for the government, the machine is already ready with the product and we provision whatever the government is looking for our, whatever government might use, but when you look at enterprise sales, it is very less at least you will know that you have a sales team and marketing team and you can set up a target and then your prices actually go targets and all this thing, but government getting a right people on board, who can sell into the government sector and as you mention, the cycle is very long and very complicated cycle to really break the ice in the government actually.

**Mangesh Barge:** Okay and do you have any plan to tie up with the regional state levels governments, other parties or Municipal Corporation?

**Kailash Kalkar:** We already have a government separate team, let me tell you we have a separate vertical in sales and marketing for government and we have a goods sales team over there and this year I never expected that we will be underperforming in the government verticals. It is not something that we do not have a product or solution for something, we have everything, but there are some government decision making policies and all these things, which you cannot predict actually.

**Mangesh Barge:** So we can expect like some traction at least from the government side as you are recruiting from sales and marketing guys over there because what I had seen like next four to five years, government sector will be you know considering digitalization and the penetration even for the rural area with a tablets and all. The requirement for your product in that vertical is also very huge maybe you can know better than me, but I think there is a huge market for you and maybe there is opportunity for you?

**Kailash Kalkar:** When I look whatever news comes for about the government, IT and prefecture, which is really growing across India even whenever I visit to my town place in small village, I could see the internet penetration happening over there also. So I could see that internet is spreading, so that is definitely going to grow the business. My retail business was also growing in that sense because everywhere the internet is coming even enterprise business will also grow, but what I told you about government, I could see that there is a big potential, there is a big opportunity in government, but I cannot commit on this public forum or something like this that I am going to crack that thing because I really do not know how to crack that business. I am trying my level best.

**Mangesh Barge:** Okay that is an honest answer and thanks, Sir just last question from my side. Who is your biggest competitor for the enterprises as of now?

**Kailash Kalkar:** I do not think we can talk about the competitor names here, but you would know the entire tier I is what we are competing against all the MNCs tier I is what we are competing against and most of them all are MNCs.



*Quick Heal Technologies Limited  
February 14, 2019*

- Mangesh Barge:** Okay. Thanks. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Vivek Kumar from Blue Fin Capital. Please go ahead.
- Vivek Kumar:** Sir, can you explain us what are the challenges you are facing in your enterprise segment like, is the product being acceptable, with you are aiming earning at 20% growth, it may happen, may not happens so because I am an investor how do I understand that this 20% or 15% whatever it is, from the product side what challenges are you facing vis-à-vis the competitor's products and if at all we succeed why do we think what right we have to win in that segment in that sense at least have a reasonable market share?
- Vijay Mhaskar:** So enterprise in the production sectors we definitely have 32000 customers and more than 0.5 million ends points of the production so that I am proposing on this call and even this whole community on this call, they should be using Quick Heal and Seqrite brands instead of MNC, so the product is definitely acceptable. So Vivek, were you able to get my answer.
- Vivek Kumar:** No Sir. I could not hear anything frankly speaking.
- Vijay Mhaskar:** So What I was explaining on the enterprise side is the definitely the products are certified at the world class level. Two agencies that certify the product from Germany, they are actually rating us, the best in the class. So product acceptability, product quality, product features, I think it is absolutely world class, will beat down any of the players in the market . We have close to 32000 customers and about a million and half endpoints of the product is actually an evidence that there definitely the product is acceptable. I think the challenge is obviously the number of players in the market and we need to add more value with the customer to increase the realization and that exactly is the focus. As we acquire more customers, we should be able to sell more products to those customers and increase the total value to the customer and obviously total revenue to us. Now I also mentioned that many of the financial firms are still inclined towards using the MNC products, which is not really required and particularly in the BFSI segment, they can slowly switch Seqrite brand and we have been doing lot of awareness campaigns and reach out, but I can use this forum to reach out all of you to make sure to evaluate the product, start using it if you want evaluation copy, we can give you that. We can give any of the presentation that you want, but we need your support to make sure we increase the penetration further particular in the BFSI segment..
- Vivek Kumar:** So is it like customer's mindset and all the product qualities that is making us challenge for penetrating like if I understand or the pricing the same if the MNC and all we offer the same price so people do not worry about choosing because they always will go with MNC because the price is same, what kind of challenges?



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Quick Heal Technologies Limited  
February 14, 2019

- Nitin Kulkarni:** So if you look at the product customer renewal ratio are close to 80-85% that gives another evidence that the customer already adopted the product. They are already happy and satisfied and the number of customers that you are acquiring every quarter is also evidence that more customers are coming in. It is just that there is a mindset of customers sometimes those MNCs is what they want and that we need to change that mindset that you should look at the product features and the quality. Some of the features that we have had been custom-made for Indian customers based on the requirement from the Indian customers and that exactly is what we are able to get the traction on. So I would say more awareness required, but again a forum like this if the participants create more words that would definitely help us.
- Vivek Kumar:** Sir sorry to ask this question so whatever customers are we acquiring are they the new guys or are we able to take market share from the MNCs or the competitor if I can use the word competitors more than market share?
- Vijay Mhaskar:** Actually we are acquiring market share from MNCs, we are adding more customers close to 1000 plus customers that we are adding every quarter almost 22 customers that we add every day, so that is the new customers and 80% renewals, so that is the track record for the last few years right now, so that definitely gives you confidence, that the product is right and concept right and the features are right.
- Vivek Kumar:** Sir but are we able to convince customers to shift from MNCs at least what we were like...?
- Vijay Mhaskar:** Of course, Vivek whenever it comes to SME or enterprise, no one is without protection; everyone is using some kind of Protection. When you go to retail, you will find that a lot of people more than 50% people are not using any antivirus software, but whenever you go to SME or enterprise everyone is using some kind of protection, so whatever we are grabbing new customer, they are converting from MNC customers to Quick Heal customers.
- Vivek Kumar:** So you are confident that 20% growth over a three to four years, I am not asking the Q-on-Q is not a big difficult thing to achieve, can I understand that or is it only that as we go forward we will know?
- Kailash Katkar:** That obviously is the goal for us and because we have the right product portfolio and hence we believe we should be able to grow at that kind of pace.
- Vivek Kumar:** So you think is it easy achievable growth or it is more of vision kind of thing where it is what you want to do, but there are enough challenges, so I am just trying to understand, how easy is that because you will be in the business on the ground, so I am just trying to understand how easy or how difficult is that 20% growth?
- Kailash Katkar:** I will just try to give you some ground reality. See if you compare with retail, retail is a stock and sale market, so whenever we sell product, the product is available on shelf, so they are on



Security Simplified

Quick Heal Technologies Limited  
February 14, 2019

shelf for at least two to three months' time, but enterprise is a live sale like unless and until we do not get network information to our system the license key does not get generated and unless and until license key is not generated the invoice will not be generated, so it is a live sale whenever it comes to enterprise. Now you must have seen the enterprise sale is down compared to our retail product and all these things may or may be this Q3 was having lot of festival time, so decision-making people were not in their phase or they must be traveling on holiday or something that is the reason the sale in Q3 was less, but I believe that this will pickup in Q4, so enterprise sale is a live sale, it is not a stock in sale so we cannot go and push the product to keep it on shelf or something like that see it does not happen that way.

**Vivek Kumar:** What my question, is the 20% achievable or it is more of vision kind of thing, so I am just seeing how difficult because you will be going the challenges that you are facing on the ground, so I am just asking from that perspective like that 20% figure is the difficult thing or it is the top thing or it is like doable thing?

**Kailash Katkar:** It is a difficult thing. It is not that easy achievable.

**Vivek Kumar:** Got it. Thank you.

**Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

**Aman Vij:** Good afternoon Sir. Could you give me the number of customers we added on the enterprise side in this quarter?

**Vijay Mhaskar:** Aman Vij, the exact number right now I do not know, but about more than 1000 customers that we added.

**Aman Vij:** This is gross; the net customer addition will be how much?

**Vijay Mhaskar:** We do not have that detail figures or information with us because every minute or every 5 minutes there is a customer getting added, so we do not track that much actually

**Aman Vij:** The reason for asking was, we were showing 32,000 customers in Q2 as well and this time also we are showing 32,000 only so may be the net is not much?

**Vijay Mhaskar:** Yes, I think could be what 700-800 customers.

**Aman Vij:** How many customers will be added on the enterprise cloud version?

**Vijay Mhaskar:** I do not have that number at this point, exact numbers.



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Quick Heal Technologies Limited  
February 14, 2019

- Aman Vij:** No issues, on the enterprise side only, the number of licenses sold grew quite well 30% to 35%, so the growth was more on the government or the non-government side?
- Nitin Kulkarni:** Non-government side.
- Aman Vij:** That grew well?
- Nitin Kulkarni:** Yes.
- Aman Vij:** And the pricing side on the ARPU side, it was one of the lowest in last few quarters, so the pricing pressure is more on the non-government side or the government side?
- Nitin Kulkarni:** That detail I do not have.
- Aman Vij:** You are talking about competition, so that?
- Nitin Kulkarni:** So, competition is everywhere, it is a competition in government sector as well as in the enterprise sector, same MNCs.
- Vijay Mhaskar:** So ideally pressure is on both in government as well as non-government, to answer your question.
- Aman Vij:** I understand it depends on product, which product is being sold, has there been some kind of price cuts also taken by the MNCs as well?
- Vijay Mhaskar:** When it comes to an enterprise, there is no MOP, there is no list price, when it comes to retail product at least there is MRP, so automatically there is a MOP also market driven price is also there, but when it comes to enterprise there is no MOP, it gets decided on every deal.
- Aman Vij:** People opting for lower end suddenly out of the blue they are opting for lower-end antivirus in enterprise versus a Seqrite version, so what could be the reason according to you?
- Vijay Mhaskar:** So, I am not counting the retail box, which is getting sold into the enterprise customers because whatever retail box gets sold, it is not necessary that it is going to the consumer place, it might be going to some of the enterprise customers also because they are looking for less cost products so they might have gone for the retail boxes, which I am not counting and not able to track that how many boxes have gone to enterprise, but whenever we find that okay so and so customer is using Quick Heal, but he is not using enterprise version, but he is using retail version then we try to convince them and convert that product to the enterprise version by charging them small amount, so this continues happening actually. See Aman what happens is when we get the deal, there is a discussion about the requirements from the customer and then right product variant is positioned, so it is not that we have a separate sales for every variant. It is just first getting the customer on



Security Simplified

Quick Heal Technologies Limited  
February 14, 2019

board and we discussed what the customer requirements are then we positioned the right variant there.

**Aman Vij:** And even on retail side our realization ARPU is one of the lowest in the last few quarters?

**Vijay Mhaskar:** Right, and again we have three variants there, so that depends on which variant gets more traction based on that the ARPU will be decided.

**Aman Vij:** But any price cuts you have taken this time?

**Vijay Mhaskar:** No, price cuts.

**Aman Vij:** So just customers preference changing maybe?

**Vijay Mhaskar :** Yes.

**Aman Vij:** And on the retail side we grew 15% in nine months, is that an industry trend or we are outgrowing industry for the nine months?

**Vijay Mhaskar:** No, there is no industries trend, if you look at last year Q1, it was a GST impact that is the reason last year Q1 did not have some good traction of the retail sale and that is the reason if you compare with the last year, and you will see it is a 15% growth.

**Aman Vij:** So, nine months if I was comparing of say FY2017 non-GST comparing that the growth is low single digit only, so that is right comparison, not this one?

**Vijay Mhaskar:** Yes, that is the right comparison.

**Aman Vij:** And on the Trade payable side, what is this payable to in antivirus, why do we have Trade payables?

**Nitin Kulkarni:** These are mostly creditors in normal course of business.

**Aman Vij:** But, we are developing the software in-house so who are we...?

**Nitin Kulkarni:** So it includes everything there are liabilities and it also includes salary payable. All this is covered under Trade payables. **Moderator:** Thank you. We will move on to the next question that is from the line of Parimal Mithani from Credential Investments. Please go ahead.

**Parimal Mithani:** Thank you for the opportunity, Sir. In terms of the enterprise, can you give me a breakup in terms of government and non-government, in terms of customer wise, you have 32000 customers?

- Kailash Katkar:** No, we cannot give.
- Parimal Mithani:** Sir, second thing, in terms of cash on the balance sheet, which has been lying, what is because IPO has completed almost three years at the end of this February and as per the documents what guidance have you been given on concall we have not been able to multiply if any acquisition or small acquisition, they have not been truthful, so what is going ahead Sir?
- Nitin Kulkarni r:** Parimal, as I said earlier also, so we are definitely looking at few inorganic opportunities there is a long process for this , we have to find the target, which aligns and compliments our business, we have to do the due diligence and then we have to put it to Board for their approval and then take it forward, so it is a long process. Please note that in this process some of the targets get shortlisted some of the deals are rejected as well, so it is very difficult to give the exact kind of timelines, but definitely we are working on this and it is **on our** radar so giving any kind of timelines at this point of time would be very difficult.
- Parimal Mithani:** In terms of enterprise, will be able to meet your target on a year from which you have committed in?
- Kailash Katkar:** Can you please repeat your question?
- Parimal Mithani:** In terms of guidance that you have given in terms of enterprise growth because it seems the enterprise growth has not been coming since last 18 months, which the management has been guiding?
- Kailash Katkar:** I knew that I am guiding on enterprise growth and I am hoping to achieve that thing, but even I cannot predict and I cannot say that I will able to achieve that growth.
- Moderator:** Thank you. The next question is from the line of Prathamesh Joshi, an Individual Investor. Please go ahead.
- Prathamesh Joshi:** Thank you for the opportunity. I just had a question when it comes to IoT or gaming consoles I am yet to find any concrete antivirus program, so is the company planning to launch any such things because I feel that it would give us a good niche?
- Vijay Mhaska:** Prathamesh, it is a good idea. We have launched one IoT security right now, so any of the home networking solution that we have, any of the IoT device is connect on Wifi to that we will get the cover. As you know in IoT there is no standardization, so providing a cover to industrial IoT or consumer IoT is always a challenging, but that is the area we are definitely looking at. We had done entry right now with HNS, the Home Networking Solutions and we will be definitely looking at that space more, as more standardization happens we will be attaining that space more.
- Prathamesh Joshi:** Alright, okay. Thank you Sir.





*Quick Heal Technologies Limited  
February 14, 2019*

- Moderator:** Thank you. The next question is from the line of Gautam Gupta from Nine Rivers Capital. Please go ahead.
- Gautam Gupta:** Good afternoon Sir. Thank you for the opportunity. I was looking at the investor presentation. Now in Q3 we have added you mentioned about 1000 enterprise customers, we have also sold about 328000 enterprise licenses in Q3, but if I look at enterprise revenues quarter-on-quarter this seems to have fallen from Rs 191 million to Rs 155 million, so just trying to reconcile the two because we have added customers, we have sold more licenses, so either have we had to discount to our older customers or maybe we had some cancellation this quarter?
- Vijay Mhaskar** It is basically the product mix. Two, three things I talked about, one is the product mix that we sell, if the lower product gets sold then that contribution increase and that puts the ARPU down.
- Gautam Gupta:** I understand.
- Vijay Mhaskar:** And the second thing is obviously there is a pressure in the market on the price.
- Vijay Mhaskar:** Any further question on that?
- Gautam Gupta:** Firstly what I wanted to know is on enterprise Q3 versus Q2 that revenue has fallen by about Rs 36 million, so have we had to discount some of our existing customers on enterprise?
- Vijay Mhaskar** There is both renewal and new acquisition goes on each quarter and at that point depends on the deal the price gets derived it is not a list pricing, so based on how much discounting is done because the competition will have to match the pricing and also what product mix we sell at that time. It is for new acquisition that the two factors will be contributing.
- Gautam Gupta:** Thanks very much.
- Moderator:** Thank you. We will move onto the next question that is from the line of Saurabh Jain from Astute Investment Management. Please go ahead.
- Saurabh Jain:** Good evening Sir. Just a few questions. I just wanted to know the pricing pressure that you talked about relating to the enterprise segment, do you think that is most structural or it is more temporary?
- Vijay Mhaskar:** I would say that would exist in any vertical, any sector where there are multiple vendors and the product categories established for multiple years, so just virtue of that, so I would not say it is just security or just the endpoint security. As the product category matured, the number of vendors come then commoditization happens and price pressure comes on. The right solution to that is increasing the product portfolio and increasing the product value to the customer that is your realization per user.



*Quick Heal Technologies Limited  
February 14, 2019*

- Saurabh Jain:** Great and you alluded to three reasons at the beginning of your speech and how important is the part of competition in reducing the pricing?
- Vijay Mhaskar:** Absolutely important thing.
- Saurabh Jain:** When is the major reason actually that the price is?
- Vijay Mhaskar:** I would say one of the three reasons.
- Saurabh Jain:** Okay. The second question is that earlier a few quarters back that you used to have this breakup of quarter wise revenue run rate for us because our business was quite seasonal and which said that 35% to 40% of the revenue would come in the fourth quarter at the same time after that you had mentioned that you are trying to reduce the seasonality of the business, so would you still say that you hold to that kind of breakup of the quarter wise revenue?
- Vijay Mhaskar:** It does not happen.
- Vijay Mhaskar:** There will be seasonality as Nitin earlier said that Q4 would be definitely higher quarter for us compared to other quarters, but exact percentage really depends on that particular quarter, number of things happened in the quarter, so I would say half of the quarter is over yet another half to go we will see, but usually Q4 is a good quarter for us.
- Saurabh Jain:** Right and the retail growth we have seen of 15% for the year to date, has it been more renewal led or lot of new customers coming on board?
- Nitin Kulkarni:** As Kailash explained, so this 15% was in comparison to previous year, which had a GST quarter, so if you look at really from FY2017 perspective, it is a single digit growth and that is what we have been saying the retail would be about a higher single digit growth.
- Saurabh Jain:** Are you seeing the renewal also improving in general?
- Kailash Katkar:** Yes.
- Moderator:** Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.
- Aman Vij:** I wanted the number for new users we have added this quarter?
- Vijay Mhaskar:** So you mean on the...
- Aman Vij:** Total enterprise.



*Quick Heal Technologies Limited  
February 14, 2019*

- Vijay Mhaskar:** We do not give those splits Aman.
- Aman Vij:** Last quarter we added 1.3 lakh users.
- Vijay Mhaskar:** I do not have those numbers right now sorry.
- Aman Vij:** Okay, no issues. On the GeM and the pricing pressure, is there some of the pricing led because of government newer platform, which is GeM?
- Vijay Mhaskar:** No, GeM is just a medium, it is like Amazon, and so this is really about multiple vendors kind of picks the product line and this is a competition to get the deal and then the price drops.
- Aman Vij:** Okay and the final question is how many user node, what is our capability as of now in terms of number of users per node, the number which you were talking about and can you update us how?
- Vijay Mhaskar:** 5000 is what we released earlier last year and that will continue to grow, so by this year we will reach to about 10000 and next year about 20000.
- Aman Vij:** So this year you mean in the next quarter by end of next year?
- Vijay Mhaskar:** Not coming quarter, in a couple of quarters we will reach to about 10000 in Q2.
- Aman Vij:** Okay. Thank you.
- Moderator:** Thank you. We will move onto the next question that is from the line of Parimal Mithani from Credential Investments. Please go ahead.
- Parimal Mithani:** In terms of the retail growth, I wanted to know the volume growth in terms of which price bucket because you have different price bucket, was at the lower end because of the realization came down on your retail side?
- Kailash Katkar:** Correct.
- Parimal Mithani:** So this is the one, which you are using in the entry point right?
- Kailash Katkar:** Correct.
- Parimal Mithani:** Okay Sir. Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Kailash Katkar for his closing comments.



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*Quick Heal Technologies Limited  
February 14, 2019*

**Kailash Katkar:** I take this opportunity to thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information kindly get in touch with us at SGA. Thank you once again.

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