

**Quick Heal Technologies Limited**  
**Q4 FY24 Earnings Conference Call**  
**April 26, 2024**

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**Moderator:** Ladies and gentlemen, good day and welcome to Quick Heal Technologies Limited Q4 & FY24 Earnings Conference Call.

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 an operator by pressing “\*” then “0” on your touchtone phone.

I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you, ma’am.

**Purvangi Jain:** Good evening, everyone and a very warm welcome to you all. My name is Purvangi Jain from Valorem Advisors.

We represent the Investor relations of Quick Heal Technologies Limited. On behalf of the Company, I would like to thank you all for participating in the Company's earnings call for the fourth quarter of the financial year 2024.

Before we begin, a quick cautionary statement. Some of the statements made in today's earnings conference call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's conference call is purely to educate and bring awareness about the Company's fundamental business and financial quarter under review.

Now, I would like to introduce you to the management participating with us in today's Earnings Call and hand it over to them for their opening remarks. We have with us Mr. Vishal Salvi – Chief Executive Officer and Mr. Ankit Maheshwari – Chief Financial Officer.

Without any further delay, I request Mr. Vishal Salvi to give his opening remarks. Thank you and over to you, sir.

**Vishal Salvi:**

Thank you so much Purvangi and good evening, ladies and gentlemen, I am Vishal Salvi here, CEO of Quick Heal Technologies.

Welcome to our year end FY24 Earnings Calls where we will cover an update on industry landscape, our performance, key milestones, and the road ahead. I'm excited to host you on my first annual earnings call. And eager to share the progress that we have made in this year FY24.

We have posted a good result of 5% growth in revenue and a remarkable increase in EBITDA to 9X as compared to our last year's financial year. I'm pleased with the consistent progress we have made in the past three quarters in the areas of defining our business strategy, firming up our roadmap, strengthening our leadership team, brand building, and repositioning our brand and onboarding of key partners towards our alliance strategy. Talking about our consumer business we are the market leaders in the country by very strong footprint of the distribution channel across the country, our digital marketing activity and strong product. We are also looking at developing innovative adjacent offerings to cater to evolving cyber security risk for the consumers.

Primarily on the enterprise side of our business. We have solidified our sales machinery through onboarding our enterprise sales leader and key channel alliances like M.Tech to capture the market at scale. We are gradually moving up the value chain of our customers to capture the mid and the large enterprise market. We are looking at expanding our current serviceable operatable market from 1800 crores to 4000 crores in the next three years by virtue of organic growth, or expansion into new and mid and large customer segments, our new products launched and the government and regulatory enforcement like the Data Protection Act.

We started investing in our horizon- 2 solutions which included EDR, XDR, Zero Trust, data privacy solutions, etc. more than three years ago and these products have started to gain market traction starting from this year. We are happy to state that our Board has approved further investments in new solutions and products to further strengthen our portfolio. Our major focus within Horizon 3 solutions would be towards monetizing our rich threat intelligence, Gen AI adoption, adjacent (Inaudible) 4:50 offerings in consumer segments and expanding the use cases and solutions under data privacy and Zero trust family (Inaudible) 5:02.

We are deeply committed for collaborative research and strategic partnerships in the field of cyber security innovation. And hence, we are pleased to announce partnerships with IIM Nagpur and National Forensic Science University for joint cyber security research and projects. We are happy to announce collaboration with US government on their NIST Cyber Security Center for Excellence for data classification project, and recently joined the artificial intelligence safety consortium showcasing India's cyber security maturity at a global scale.

With three decades of domain expertise, and our Make in India success story, unparalleled threat intelligence from security labs, strong team, robust partner and distribution network and local presence. We are trying to seize market, opportunities and deliver maximum value to our stakeholders. We are proud to be a leading cyber security product Company for India contributing towards the goal of Atmanirbhar Bharat, which is so critical for the sovereignty of the country especially in the cyber security domain. We are well poised to harvest this market opportunity with a clear vision and strategy, a solid team and the right culture and strategic partnership and relentless focus on execution. With this, I would like to invite Ankit, our CFO to walk you through the financial performance.

**Ankit Maheshwari:**

Thank you Vishal and good evening, everyone. FY24 is a key year in the journey of the Company. While building a strong foundation for years to come, we also delivered profitable growth. The consolidated revenues for the year stood at Rs.292 crores, which grew by 5% on a year-on-year basis. While the headwinds in the consumer business still persists, we have taken significant steps to bring it back on track. We are happy to report that we have on boarded over 200 enterprise clients for our new products in FY24. With our strategic focus on innovation, we are continuing to spend on our R&D and also parallelly strengthen our sales and marketing team. With our efforts on cost control and management, I'm pleased report that our total expenditure for the year remained flattish, and it stood at Rs.266 crores. As a result, our EBITDA stood at 18 crores, and the FY24 margin expanded to 6% as against less than 1% in the previous year.

Speaking about the quarter for FY24, revenues stood at 80 crores and EBITDA at 10 crores. The Q4 revenue is flattish, due to some of the government deals getting deferred to quarter two of FY25 because of general elections, code of conduct. We have proposed a dividend of Rs.3 per share in line with our dividend distribution policy subject to approval by the shareholders. We are a zero debt Company and our balance sheet is strong with a cash and cash equivalent of Rs.226 crores which has increased by 32 crores after paying a dividend of 13 crores in August last year. As a socially responsible Company, we continue to give back to the society and did impact our over 13 lakh lives in FY24 through our CSR initiatives, focusing on youth development, cyber security awareness throughout the year. With this, I would like to open the call for question-and-answer session.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vimal Gohil from Alchemy Capital Management. Please go ahead.

**Vimal Gohil:**

Sir, my first question was on the enterprise business where while you alluded that this was a bit slow, what gives us the confidence that the couple of government deals that we spoke about will come in the next two quarters, if you could just help us with some of the what is the degree of confidence there. And what's the traction that we are getting in the private SMEs, that's question number one. The second question is on the higher operating expenses that we have experienced in this particular quarter, if I observe the OPEX has gone up from about 12 odd

crores to 14 crores quarter-on-quarter what rate do you see this sustaining at going forward.  
Thanks.

**Vishal Salvi:**

Thank you Vimal for that question. See, basically, the way the deal cycles are and when you look at government deals specifically on your question, you would be working on such deals anything between six months to nine months cycle. And, of course we had some of those deals in that process and that's when we had the general elections, the decision can swing and once it gets into the zone of code of conduct, they get deferred. So, we feel very confident that all the things which have got deferred, are still in the play as far as that deal cycle is concerned, and they will get resurrected the moment the code of conduct is over. So, to answer your question, we feel confident that we will be able to get those deals in our favor as we would do for any other deals without the code of conduct. As far as the question on SMB traction is concerned, look we are already market leader as far as SMB market is concerned for cyber security. And, and that is our sweet spot because, we have a very strong network of partners which we leverage for that, and it is well established for many decades of partnerships that we have, and we have been leveraging that so, we just want to make sure that we continue to consolidate and continue to grow in that space. So, that is really where we are as far as SMB business is concerned. Now the question of the operating expenditure, I will hand it over to Ankit, and he will give you some color on that.

**Ankit Maheshwari:**

Thank you, Vishal. So, overall expenses are in line if you see it is in the range of 68 crores for both the quarters, quarter three and quarter four. However, there is a general administration expenses which have gone up by about one and a half crores. This is primarily due to accounting standard provisions, we have to make a provision for bad debts of about one and a half crores in this quarter. So, you are seeing that increase on account of that, there are no bad debts in the current year as such. However, since the accounting standard says that we have to make provisions as per the ECL methodology, we have made some provisions. Hope this helps Vimal.

**Vimal Gohil:**

Right. And sir just one more question on margins, how do you given the fact that you are experiencing very good growth across the government deals will come back, SMEs are seeing good traction. Where do you see your margins for FY25, what's the sweet spot that you are considering here?

**Ankit Maheshwari:**

So, we are in an investment phase, so it will be difficult to give a particular number at this point of time, but of course as the revenue will grow, the expenses will not go in the same proportion. So, you will see significant improvement here, but difficult to give a particular number.

**Moderator:**

Thank you. The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead. The current participant line has been disconnected. The next question is from Jatinder Agarwal from Relax Capital. Please go ahead.

**Jatinder Agarwal:** So, I have two questions. So, when I look at one of your presentations where you exactly mentioned that we are increasing the addressable market from 1500 odd crores to 4000 odd crores and this is happening over FY27, is this what the Board approval for in terms of the new expenses to build those products?

**Vishal Salvi:** So, Jatinder basically, one of the levers for us to go into the new SOM or extend our SOM is that approval from the Board. But that is not the only reason why our SOM will grow there are other levers as well.

**Jatinder Agarwal:** Okay. So, from the existing product basket, that is the 1800 crore market that you are addressing, correct me if I'm wrong?

**Vishal Salvi:** Yes, you are right.

**Jatinder Agarwal:** And from the new products that you will develop going forward on which it seems like a horizon of three years that will increase your addressable market?

**Vishal Salvi:** You are right Jatinder and if I have to just give you some additional color to that. So, you are right one is of course the fact that we will continue to invest and add adjacency in terms of our product mix. And that's the reason why we are going to additionally invest and build new solutions that we talked about. But apart from that, we are also looking at our market segmentation and existing our go to market to target the new segments like mid-market and maybe some large enterprises. So, that is another way of looking at it. The third is the organic growth, the fact that the threat landscape is growing, the challenges are there so there is a general demand for cyber so there is an organic growth. And the fourth lever is basically, the push coming from regulations, from government on expectations and making corporate more accountable to cyber security and privacy. So, all of this and therefore when we are looking at investments and new products we are also looking at trying to build solutions which will address that new requirements which will come up.

**Jatinder Agarwal:** That is helpful and my second question is related to the DPDP Act whatever for data privacy, what is the TAM, so is that TAM already included in 1800 or that is additional over and above 1800?

**Vishal Salvi:** So, see the DPDP is not included in 1800 because it is yet to be really unforeseeable. So, it is something which is going to create a new TAM for us. So, if we look at FY25 Jatinder, you can expect that we would start, India specifically will start looking at a new TAM because the DPDP will be enforceable. And so corporates will start looking at strengthening their privacy and therefore, the underlying layer of cyber security. That's the way you should look at it.

**Jatinder Agarwal:** And any idea on how big this TAM is?

**Vishal Salvi:** So, it's very difficult to give you an exact number, we have a rough estimate, but it's not something that we want to make public. But, what I can tell you is that, it is going to be applicable for every organization in the country. And there are severe penalties if people do not comply or have cyber security or privacy breaches against that law.

**Jatinder Agarwal:** So, just to continue this, one is that we are enterprise revenues of 120 crores. So, as of date, there are no revenues from this product in 120 crores, correct. Is it correct understanding?

**Vishal Salvi:** Yes, that's correct.

**Jatinder Agarwal:** And could you give some broad idea in terms of who are the competitors in this space?

**Vishal Salvi:** So, that's a great question. See, basically, this is a completely new segment. And so, if we look at all our other products, we would have a standard competition, which is there, but for this is a completely niche area. And so you typically have a competition which is a single product kind of vendor. But in India, we have very one or two very small players, if at all there are global competition which is like one trust, which is a global Company. But yes, as far as Make in India is concerned, we have very less number of people who are operating in this space.

**Moderator:** Thank you. The next question is from the line of Aditya Sen from RoboCapital. Please go ahead.

**Aditya Sen:** About the research and development expenses, do we have a broad outline, broad plan as to how much are we going to expense in the coming four quarters and for FY26?

**Ankit Maheshwari:** Yes, so Aditya we have a plan, but as you can see we have been investing on R&D in last couple of years and every year we have seen an increase. However, yesterday only we have taken approval from the Board to invest on new products. So, with all that, this number will go up dramatically. However, we will not be able to give you a particular number here. The only confidence you can give is that, in the proportion in which the revenue will go up, it's going to be in the lesser to that percentage.

**Vishal Salvi:** Also to say that, we will, we have said this in past and we want to say it again that we are continuously going to be in investment space because cyber security opportunities are many and we want to make sure that we start investing and adding more adjacency to our product portfolio. And with the fact that given the way we are looking at it and given the confidence of our Board as well, we feel more confident that we will now be able to continue to invest. If you look at it for example, if you take back our investments in the last six, seven years horizon on the enterprise products has yielded us to get to a 37% market revenue mix as far as our overall portfolio is concerned. So, that is giving confidence to us to the Board that we want to continue to invest and grow that because we have to as we are working on horizon two, we would also work on Horizon 3. So, while we do that and based on what Ankit is saying is that, we will still continue to make sure that we continue to have a balance between our revenue and margins.

And we will not lose focus on the margins. But definitely we will move towards, growth and investments.

**Moderator:** Thank you. The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

**Mihir Manohar:** Sir largely wanted to understand we have onboarded M.Tech as one of our national distributors. And you also mentioned that you are looking to address the market at scale here, can you throw some light and what kind of customers, what kind of user base, number of users customer could be M.Tech be targeting. What skill are we looking at with M.Tech, that will be helpful. Second thing was on this you got with the first and only Indian cyber security Company working with US artificial intelligence safety consortium. So, how to understand the importance of this and how to understand the commercial relevance. And third question was on this investment that you are talking about. Is there any threshold EBITDA that we have kept in mind, certain threshold EBITDA that we want to target, despite those investments, that will be helpful.

**Vishal Salvi:** Thank you Mihir. So, look, the M.Tech partnership is extremely strategic for us. And as you know, M.Tech is the leading national distributor in the country for technology and more specifically for cyber security, and has got multiple cyber security products under their portfolio. And for them to choose Quick Heal and Seqrite as their partner is giving us confidence about how we can actually position ourselves in the mid-market and to enterprises. So, that's number one. Number two, when we have looked at this strategic partnership, we have agreed on our joint go to market where we will be enabling and training the M.Tech team and their services arm to empower them, to use Seqrite solutions for their customers. And make sure that they are able to go and penetrate their customers through our products. Number three, they already have access to a lot of customers, and they see a definite fit in terms of the value proposition that we bring to their services and portfolio through our product portfolio. So, this three pronged approach is going to help us in terms of driving the deployment of Seqrite solutions to their customers and their connects. So, that's the thinking as far as the strategy is concerned. And we are deeply thankful to this partnership for M.Tech leadership and also look forward to a good partnership together with them from this year on.

On the question related to AI consortium, see basically apart from running the business we are deeply committed to being innovative, innovation is in the heart of our strategy. And innovation can only happen with working with partners, academics, government bodies, standards, and participate with them on deep research and exchange of thoughts and ideas. So, this AI consortium is one more example of that where we will participate and share our experience of working on large, massive scale signals coming from different devices that we manage on threats, our understanding of high some of the AIML models work around that, and then how we can work closely with these different government international bodies, so that we can share our thought leadership and we can learn from them to make our products more

robust and successful. So, that's the whole idea of this partnership. And as far as the threshold for EBITDA is concerned, like I said, what we are really focused on is to create a very strong Make in India cyber security product portfolio and really make a very strong foothold into Indian and global enterprises as far as our products are concerned. So, that is our aim and if it means investing more in R&D to deliver that we will do that. And so we would not really, we don't really set some thresholds on EBITDA. But then we want to make sure that we don't take it for granted. So, that's really how we look at our strategy. As far as managing EBITDA is concerned.

- Mihir Manohar:** Sure. Separate amount that for this particularly new investments that we are looking at?
- Vishal Salvi:** Yes, so there was a proposal that we have made in terms of what we wanted to achieve. And, and that proposal had a specific objective, and we have an in-principle approval. And now, it's all about how we want to execute on what we want to achieve.
- Mihir Manohar:** Sure. And just one last extension to the M.Tech part, we expect that M.Tech will take us to Fortune 100 companies of India?
- Vishal Salvi:** See, it's again something which we cannot define in terms of timelines and we take it one year at a time. So, we have defined our goals, joint goals together in terms of what we want to achieve for FY25, and our immediate aim is to make sure that we are able to deliver that and once we kind of come close to delivering that then of course we will define the ambition of what we want to do in subsequent years.
- Moderator:** The next question is from the line of Jatinder Agarwal from Relax Capital. Please go ahead.
- Jatinder Agarwal:** Just a follow up on this M.Tech. Obviously, my understanding is at zero level. So, could you explain, what is the type of corporate clients that M.Tech would target for you. So, like, we are already in SMBs, so is it to enhance the SMB coverage or is it actually to a different set of clients which will probably be larger in mid and large corporate. Thank you.
- Vishal Salvi:** Thank you for that question Jatinder. So, think of M.Tech as our national distributor. So, basically, we will use them for all our business when it comes to big market and large enterprises. And, M.Tech is a large national distributor that has their own clients and services arm through which they support multiple OEMs like us, and now we are part of their portfolio. So, they will for the problems that their customers have related to the solutions that we have, they will be actually taking our solutions to them. So, that's really how it is. So, it is going to be a new segment of customers that we have not targeted so far and they will help us to get access to that segment of customers which is beyond SMB right now you can say Jatinder.
- Jatinder Agarwal:** Okay. And most of their existing tie ups would be with international cyber security companies is it?

**Vishal Salvi:** That's right, because if you look at it, most of the cyber security product companies in the world are anyway mostly from Silicon Valley. And so, I would say that we would be the really first Indian cyber security player who would be part of their portfolio.

**Moderator:** The next question is from the line of Sampath Nayak from Tiger Assets. Please go ahead.

**Sampath Nayak:** Sir my question is on regarding our alliance with Jio Book. So, like are we exclusive AV providers for Jio Book or we are one of the AV providers?

**Vishal Salvi:** Sampath we are exclusive AV providers for Jio Book.

**Sampath Nayak:** Sir so what kind of revenue or TAM do you expect with the alliance with Jio Book?

**Vishal Salvi:** We don't disclose deal-by-deal or partnership-by-partnership revenues, we don't disclose those figures. But this partnership is more strategic in terms of how both the brands can come together and how we can help safeguard their infrastructure.

**Sampath Nayak:** Okay. Sir my second question is on what would be the future revenue contribution from enterprise segments maybe in two to three years, where do we see our contribution from enterprise?

**Vishal Salvi:** So, if you have been looking at our presentation and our growth as far as enterprise is concerned, you would see that a couple of years back when we were at 20% we have now reached a stage where we are at 37%. So, there is a gradual increase as a revenue split between consumer and enterprise and this is what you can expect, it will continue to rise and grow in years to come. So, you know that basically the enterprise cyber security segment is growing at a much faster CAGR as compared to the consumer. So, by just looking at those trends you can expect that this is how it will grow and eventually the enterprise business would become much larger than our consumer business.

**Sampath Nayak:** Sir can you give a number on the growth, like CAGR growth of enterprise versus consumer segment Industry level?

**Vishal Salvi:** Yes, so basically industry growth, as far as enterprise is concerned is between 11% to 12% on a CAGR basis. And, while obviously this year we have grown at a similar rate. But generally, we would expect that we will go a little higher than the industry rate as far as enterprise is concerned. But as far as the consumer is concerned obviously there are a lot of headwinds. And so, it is something which is while the industry is degrowing, through various efforts and interventions we have either maintained or grown marginally as far as the consumer business, and we believe we will continue to do that marginal growth from our perspective on the consumer business.

**Moderator:** Thank you. The next question is from the line of Rusmik Oza from 9 Rays EquiResearch. Please go ahead.

**Rusmik Oza:** Enterprise now accounts to 37% and you said that industry is growing at 11%, does it mean that 37% should grow at say double digit between 11% to 15% and does it again lead to around same 5%, 6% growth for FY25 or are you aiming or targeting to reach at least double digit revenue growth in FY25 that's my first question, sir.

**Vishal Salvi:** We don't give guidance and we would not be able to exactly pinpoint and tell you exactly, what we think that is going to go this year. But, I have given you an indication that we will definitely grow faster, as compared to the industry. And we feel very confident about that. That is something which I can tell you. But we don't right now give guidance around what is that rate going to be?

**Rusmik Oza:** Okay, that's helpful sir. And my second question sir, last two quarters our run rate of EBITDA has been improved it's now between 12.6% in Q3 and now 14.2 or something. Do we see this going up beyond this 13%, 14% In FY25, or some goalposts around this number could be helpful sir.

**Vishal Salvi:** So, like Ankit mentioned, we feel confident that overall our EBITDA will show gradual sign of increase and that's because our, the way we see it, our rate of growth of our revenue and business is going to be higher than our rate of growth of our expenses and basis that, we believe that we will continue to have a marginal growth in our EBITDA on a year-on-year basis.

**Rusmik Oza:** Okay. Does it imply that it'll be better than what we have done in the last two quarters, just a broad implication?

**Ankit Maheshwari:** So, giving guidance to a particular quarter is difficult, but there is a seasonality also involved in the business. So, if you have seen Q1 was negative 30%, all that is actually we should refer only the annualized number, and this is what was referred by Vishal earlier.

**Moderator:** Thank you. The next question is from the line of Rishab Shah from Individual Investors. Please go ahead.

**Rishab Shah:** I wanted to ask, if you are looking for any inorganic opportunities in next three to five years and if yes, like what will be the portfolio that you might be looking for?

**Vishal Salvi:** Yes, thank you for that question Rishab. See we are always open for looking at inorganic opportunities and internally we have broadly thought about if at all we would look at it then what are those areas or segments that we will work on. So, something like for example, something on cloud security, something on building a DLP or a DLP engine into our solutions. So, these are some of the areas where it could be a good sort of complementary addition to

our existing portfolio. So, we are always open and in case there is something which comes up the way and it fits into our strategy, then we will be obviously looking at how, with more interest to see whether it makes sense for us to go ahead for that.

**Moderator:** Thank you. The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

**Mihir Manohar:** Sir, I wanted to understand, we have mentioned this evolution of the overall market, currently the 1800 crore of market for us and that we are trying to increase to 4000 crores over the next three years because of which we have approved certain investments. Could you throw light on which are these areas in each of the year say for 25, 26 and 27 and what will be your right to win, because making investments is one thing but just to understand what will be our right to winning those areas because, there would be some other players who would already be there.

**Vishal Salvi:** So, the areas that we are broadly looking at investments are in the space of ZDNA or Zero Trust Technologies, and adding additional features and functionality into our product portfolio as far as Zero Trust Solutions are concerned. The second area is about looking at data privacy, and, all the full lifecycle of that. So, we did mention to you earlier also that we have built a solution, but we don't want to stop there, and we want to look at it up the value chain, down the value chain to make sure that the product meets all the requirements that the customers may look for when DPDP Act is applicable. The third area is in the space of any adjacencies that we would want to look at as far as our consumer business is concerned, look we have actually done multiple amount of innovations in the last three decades as far as our consumer product portfolio is concerned we believe it's one of the best in the world. And we have got multiple validations of that work that we have done and the product that we have. So, what we are looking at is a thing that, what can we do and what more can we do to address the evolving threat that the consumer is facing beyond just how we look at antivirus. And so, those are some of the areas where we would be researching and finding out what needs to be done. And the fourth area is basically, we have so much of signals and data that we get into our lab, we have one of the largest labs in the country. And we do a lot of processing of that threats, information's, indicators of compromise, attacks and other things. So, how do we sort of process it and monetize it through a product through tech intelligence services, malware reverse engineering solutions, and so on and so forth. So, there is again, a lot of research work required to really put together all of these together and bring it as a package solution to customers. So, these are four broad areas that we are looking at. And on top of that, we have to also ensure that everything has been powered by AI and Gen AI, as an interface. So, we have been using ML and AI models and data science for many years now. And our platform is called GoDeep.AI. So, we want to really now come out with a GoDeep.AI 2.0, which will be powering all the technologies into the future. So, those are some of the places where we are looking at doing these investments Mihir. And as far as our right to win is concern, look, one of the biggest advantage that we have is that, we are the largest cyber security product Company in the country, by a very large margin as compared to anybody else in India. And so we want to make

sure that we double down on that. So, Make in India is our one very strong element of right to win. But, the fact that the CEO of the product management team is sitting here in India, and you can reach out to them and give them deep feedback around what you want in your solutions. And we are here to develop and customize them so that we are actually solving and getting the job done, actually is another advantage for us. The largest cyber security lab in the India is again, a big right to win for us. The approach that we are taking in terms of integrated and platform approach is our right to win. The fact that we have withstood this whole industry of cyber security for 30 years is our right to win, to give confidence to our customers that we are here to stay and here to solve your problems. And of course, the fact that we are able to see so many signals, we have so many endpoints, we have good visibility and data in terms of what's happening around. And so if anything is happening anywhere in the threat space, we will be the first one to know. And that's really how the cyber security products system works. And so all of these Mihir are basically things that we have, which gives us the right to win here.

**Mihir Manohar:** Sure sir, that's helpful. Just last thing, what is the amount that we have approved for this new investments, or is it going to be a part of regular investments let say?

**Vishal Salvi:** Yes, so Mihir we are not disclosing that, in terms of the actual. But, what I can, I answered this question earlier as well in the call that, we are going to, we have a in principle approval, and now we will get into execution. And we will do the right things which are required now, to make sure that we are able to strengthen our portfolio. So, this is the vision that we have. And now we will get into the executional phase. But we don't disclose these amounts, and we don't make it public.

**Moderator:** Thank you. The next question is from line of Jatinder Agarwal from Relax Capital. Please go ahead.

**Jatinder Agarwal:** Just a very stupid question on accounting. So, like in consumer business, it is all annuities, right. One year, three year whatever. But in the enterprise business, is there a thing that you also get lump sum pay outs or something or is it only annuity again in the enterprise business?

**Ankit Maheshwari:** So, it is same, we have got one year, three-year clients for enterprise as well.

**Jatinder Agarwal:** So, there are no lump sum payments that come, so let's assume you do a project for the government of India or any corporate, you don't get paid in lump sum for the specific task or whatever?

**Ankit Maheshwari:** So, got paid lump sum Jatinder. It's a product and we got paid in lump sum, if it is an antivirus or EPS we got paid lump sum upfront for a one year, three-year contract.

**Vishal Salvi:** So, let me explain you Jatinder basically, because we are a product Company that's the way the consumer products work, it works the same way in enterprise also, so nothing different.

**Jatinder Agarwal:** So, hypothetically let's assume like the G20, or the Chandrayaan, whatever it is a project which the government or the government related entity have executed. So, will you have a three-year contract or just one year is what I am trying to understand?

**Vishal Salvi:** So, Jatinder basically your question is on product or service, because when you talk about contract and three-year contract, it can be a product contract, or it could be a service. So, when it comes to product, it is upfront. And the majority of the work that we do is all on products, we are an OEM Company.

**Jatinder Agarwal:** Right. So, but there will be a services component, so like what you are saying is, there will be a services component, but that will be specific for that event or that project?

**Vishal Salvi:** Exactly. So, now let me answer your services question. So, we obviously are building our capabilities on services, because large projects, large deals would require you to also provide services and stitch all of this together, the majority of that will be our products. And we have hired head of delivery to build those capabilities. So, services is basically as we deliver so as we execute and deliver the outcome and milestone. So, you can have two types of service models one could be TNM model where as you consume based on timesheets you are able to charge and other is based on milestones. So, as you deliver a particular milestone as a part of services you will charge.

**Jatinder Agarwal:** And these are not a material part of your current revenue line?

**Vishal Salvi:** They are not.

**Jatinder Agarwal:** And over what time will this build up, three to five years?

**Vishal Salvi:** Yes, that is the vision that we have, that over a period of three to five years we have a vision to build the services component as well.

**Jatinder Agarwal:** So, when I look at the industry breakup like when we discussed last time you said it is broadly split as 50 in terms of solutions and 50 in terms of services. So, this is like a new business segment that will get added over a period of time?

**Vishal Salvi:** It will get added to India, like I said it's a vision for us. Right now, for our Company the majority of our business is product. But we see a huge opportunity in terms of working on large deals where we could add services element as well. And so, we are building the capability, similarly we have mentioned about we launched our managed detection and response service and that's also a service we have had few customers already on boarded on that. So, that's also a service part where as you deliver the service you charge the customer.

**Moderator:** Thank you. The next question is from the line of Tej Patel from Niveshaay. Please go ahead.

**Tej Patel:**

Pardon me, I am new to understand this industry as a whole. So, pardon me if there are some repetitive questions from this call or previous calls. So, sir basic understanding what I get sir, like we are into a space probably which is very highly competitive, there are international players and as well as some national players into it. So, just wanted to get an idea into how do we cloud our space into such a competitive space given this various companies are having their own inbuilt antivirus system like Windows Defender then how do we see growth in the retail segment given this various hardware companies having their own software, I mean various open system having their own antivirus system plus and more was on the distribution side and how do we make sure because, correct me if I'm wrong, we do not have an exclusive, no distributor has an exclusive distribution rights for our Company only, they might be selling antiviruses for different companies too. So, how do we make sure that our products get pushed, vis-à-vis other companies and a lot of companies a lot of the PCs companies reputable companies are providing antivirus software for other companies as a free product let say for one year or so. So, I just wanted to understand how are we positioning ourselves in this competitive space, especially the retail side, that is the first question.

**Vishal Salvi:**

Tej that's a good question. See, if you look at it, we are in the business for last three decades. And there are many antivirus companies which have come and gone and also there has been a significant amount of consolidation which has happened, wherein there are very few players which has left in the market which have the credibility that we have. So, you need to understand that, in the antivirus business specifically there is a very significant entry barrier. Because you need the malware research lab and capability to ensure that you are able to look at the avalanche of these threats which are coming on a daily basis, and you are able to process it, and you are able to protect all your customers. So, it's not something that anybody can come, start a startup and actually create it. So, there is a huge entry barrier, and given the fact that we have the legacy for last so many years, it is something which is making sure that we are well established in that. So, that's number one. Number two is that, if you look at the paid antivirus, so India right now has a 22% penetration as far as paid antivirus is concerned, but if you look at mature markets, that penetration goes up to 40%, 48%, 50%. So, we have opportunity, we believe that India has a latent opportunity whereas India becomes more aspirational, as India becomes more digital, there is going to be uptake. And we hope that, that uptake will happen in terms of people actually buying paid antivirus. So, that's the other piece, which is there. And, the third thing which is there is that, we have a very strong distribution network of partners. And a lot of the things that we do is basically based on what our partners are actually able to maintain the relationship with our customers. And a distribution channel is something which cannot be built overnight. So, if there is anybody who has built a software and is giving it free, but unless there is a distribution network and way to go and sell to the customer, nobody can have built that access to that channel overnight. And Quick Heal obviously can pride by talking about the partner network that we have, through which we deliver our software. So, that's the third element which is there, there are many other examples, but in a way, we and that's why I said right that while there is a de-growth, which is happening, especially when it comes to

India, we have been able to maintain a positive momentum. And we are growing in that space. And of course, we have reached the stage where we have at 35% market share, and year-on-year that market share is growing. So, that gives us the confidence that we will be able to address those headwinds by our strategy and our GTM. I hope that answers your question Tej.

**Tej Patel:** Yes, sir, greatly answers my questions. So, what will be the margin difference between the retail business and the enterprise business?

**Vishal Salvi:** So, I will obviously Ankit to get into more details, but let me sort of give you a color. So, it's basically finally a product and if you look at it, the consumer business of course is deeply commoditized business, and the enterprise business is deeply more customized, more bespoke and addressing a particular problem. And so, it's you go by deal by deal and look at deal by deal profitability. So, therefore, from that point of view it is chalk and cheese. Of course, we don't right now disclose these numbers, specifically in terms of what is the margin that we get from consumer, and what is the margin that we get for enterprise but it is, obviously very easy for you to guess that given that our consumer business is more mature, more establish, we would obviously be getting more margins from there, as compared to the newer business model of enterprise where we are new entrants, and you want to make an entry and so we would more focus on growth rather than margins there. And so, it's a volume game, so when we do enterprise deal, it's many customers, many users, many endpoints in one go. So, you actually get better off in terms of the overall contribution margin. Hope that helps.

**Tej Patel:** Yes, got it sir. Sir one question was on the distribution side, so correct me if I am wrong.

**Moderator:** The next question is from the line of Nitesh from Chris Capital. Please go ahead.

**Nitesh:** So, reading a few news articles also, there are MNC cyber security players have also set up servers in India to comply with the DPDP Act, and also tap the growing cyber security market in India. So, just wanted to understand when there are these MNCs also coming into India focusing on India and also complying with the regulations and the upcoming DPDP Act. How does our product portfolio kind of stand up to these MNCs, wanted to understand why a large enterprise would choose a quick heal over these MNC players like CrowdStrike, or any of these Palo Alto Networks. That's my first question.

**Vishal Salvi:** Thank you Nitesh. If you are specifically talking about DPDP then, whether it's Palo Alto or CrowdStrike, they would not be really our competition, because they don't have a data privacy and data protection kind of solution. Over there, like I said, the competition with someone like a one trust. So, that's number one. Number two is, when we look at the data privacy solution, you are right there are certain customers who may want to not go on to cloud and want to actually maintain and control that personal identifiable information on prem, when we are building our solutions, our solutions will work on both cloud as well as on prem. So, it will meet the requirements of both, both the requirements which are there. As far as the way ability

products to stand and face the competition. Look, we have done it right, we are the market leaders in the consumer segment in Quick Heal where we are competing with MNCs like Norton or a McAfee, and we are beating them big time as far as India is concerned. So, we have proven that we have products which are able to compete with global players. And we remain confident that we'll be able to do that for solutions that we are creating for enterprise business as well.

**Nitesh:** And our product stack up well with one trust, the example you mentioned?

**Vishal Salvi:** Yes.

**Nitesh:** Okay. And also, one of our catalysts in enterprise segment is to grow the SME category. So, just wanted to also get a sense from you, in the SME categories, are these SMEs who are adopting cyber security solutions for the first time or are we gaining market share from other players like Sophos, ESET, eScan players in this field?

**Vishal Salvi:** It's a bit of both, because we are able to also go to in SMB some customers who are adopting this solution for the first time, especially the newer solutions that we have developed. But as far as other solutions like antivirus is concerned, then it becomes a replacement.

**Nitesh:** Okay. And I might have missed this. So, in our strategic partnership with M.Tech you mentioned that we are the only Indian cyber security partner right?

**Vishal Salvi:** Yes, right now our partnership and our focus is India. But, in future we would want to M.Tech is obviously a global Company, Singapore headquartered. So, once we have made some progress and success in India, we could look at global aspirations as well.

**Nitesh:** So, for M.Tech, are we the only cyber security solutions partner India or they have other others also tied up such as Quick Heal for cyber security solutions?

**Vishal Salvi:** So, our tie up with M.Tech is for the Seqrite brand, the enterprise security brand of Quick Heal and we are not exclusive, because they have multiple solutions but then when it comes to our portfolio we would be unique. There may be one or two other products that may be similar but their focus of course will be to work on our product portfolio and promote that to their customers.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to management from Quick Heal Technologies Limited for closing comments. Thank you.

**Vishal Salvi:** Thank you, everyone for a very engaging session and deep questions from all of you. I hope we have been able to give the right responses to your questions and your requirements have been addressed. And now I will hand it back to the moderator to do the closing.

**Ankit Maheshwari:** Thank you.

**Moderator:**

Thank you. Ladies and gentlemen, on behalf of Quick Heal Technologies Limited that concludes this conference. Thank you and you may now disconnect your lines. Thank you.