

Quick Heal Technologies Limited
Q3 FY '24 Earnings Conference Call
January 25, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Quick Heal Technologies Limited Q3 FY '24 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. Please note that this conference is being recorded.

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

Purvangi Jain: Good afternoon, 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 third 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 and welcome to our Q3 FY '24 earnings call.

In the ever-evolving threat landscape of cyber security driven by the constant technological innovation, unprecedented digital adoption and rapidly expanding attack surface, cyber security has become a very mainstream business problem today.

As India's pioneering cyber security company with three decades of deep understanding and expertise in managing the global threat landscape, we see it as a responsibility to help solve this complex problem. Staying true to our core purpose, we are focused on innovating to simplify and secure the digital experience for individuals, businesses and government organizations.

We are pleased to report another quarter of strong performance of consistent profitable growth. Our business mix continues to improve and evolve and as we pivot gradually to holistic cyber security players. As the only Indian full-stack cyber security alternative, we are witnessing steady demand for our products across both consumer and enterprise segments.

In the past six months that I have come on board, we have been able to define our strategy, our go-to-market, realignment of our sales organization structure and hiring of key senior talent from the industry. During this period, I had the opportunity to spend time with our teams across the country and I am extremely pleased with the depth and the quality of the talent that we have in our organization and our leadership. This is giving me immense confidence as we embark on our aspirations to be true to our purpose.

We continue to be heavily focused on our R&D and our product management and as we look ahead, we remain committed to enhancing our product portfolio, expand our market reach and create a lasting value for all our stakeholders.

As you already know, we recently launched Quick Heal Version 24 with many innovative features and I am proud to state that Quick Heal Version 24 became the first Indian cyber security product to be certified by AV Labs Cybersecurity Foundation, Poland offering for safest browsing and banking experience. We also scored 100% across the categories of testing and performed far better against some of the leading global products in that list of technologies which were there.

Speaking of enterprise side, in an age where organizations globally are looking to consolidate security vendors, our solutions from SEQRITE are aligned with cyber security mesh architecture making it the only Indian player to offer integrated, modular, scalable, sentient and easy to deploy and operate solutions.

We are strengthening our enterprise engagement by forging new partnerships with global system integrators, some of the leading consulting firms, national distributors and value-added resellers.

We continue to focus on our brand building and hence throughout this quarter, we actively participated in major cyber security events with industry bodies such as DSCI, All India Security Conference, c0c0n, ISMG and Economic Times, CISO, Data Protection and Privacy Summit. Our momentum remains strong, poised for growth in mid and large enterprise segments with 59 new clients for the new products in Q3 alone.

I am extremely proud to state that we have unveiled our first Indian cyber threat report in collaboration with the Data Security Council of India in December 2023. The report is backed by deep insights from our SEQRITE Labs and offers actionable insights to help Indian businesses of all sizes to understand the trends, their adversaries, their modus operandi, so as to help all enterprises build a robust, secure infrastructure.

I am deeply excited to share that we have recently signed an MoU with IIM Nagpur for joint cyber security research to help identify newer ways of finding solutions to address the new age cyber security threats. We remain confident that this partnership will create an immense value for the Indian digital ecosystem, be it governments or enterprises.

During the past quarter, we have further fortified our organizational leadership with new talent onboarding including our Chief Product Officer and our Head of Delivery, adding total 45 years of collective cyber security experience from the large global organizations. We continue to focus on strengthening our leadership by hiring more senior talent from the industry.

To conclude, we are well poised to seize the opportunity that the industry presents, have an extremely passionate team hungry to create value and deeply focus on consistent and profitable growth.

I would like to now invite my colleague, Ankit Maheshwari – CFO, to walk you through the financial in detail.

Ankit Maheshwari:

Thank you, Vishal, and good evening everyone. Talking about numbers, the consolidated revenue for the quarter stood at Rs. 82 crores, which grew by 5% on a quarter-on-quarter basis and 23% on a year-on-year basis.

Our consumer business has started to steadily gain momentum and get back on track. As Vishal mentioned, we have onboarded 59 enterprise clients for our new products in Q3 FY '24. Our newly introduced products are gaining market traction, instilling us with confidence.

We are excited by the 5% revenue growth in this quarter as Q3 traditionally has been a sluggish quarter for us in the past years with an average drop of about 25% over Q2 revenue.

Our total expenditure grew by 4% on a quarter-on-quarter basis and stands at about Rs. 70 crores. The increase in the expense is mostly on account of the increments rolled out to the

employees during the quarter. This was effective October only. EBITDA for the quarter stood at 14% amounting to Rs. 12 crores while PAT stood at 12% amounting to Rs. 10 crores.

We will continue to focus on investments towards people and technology, while at the same time be prudent about cost management aligning with our commitment towards profitable growth.

Our balance sheet is strong with our cash and cash equivalent of more than 195 crore and we are a zero-debt company. In this quarter itself, we have added about 13 crores into our treasury.

It is also a pleasure to share that our CSR responsibility initiative has caused a milestone of impacting 50 lakh lives in Q2. In Q3, we covered six states with 1,000 plus volunteers impacting over 7 lakh lives.

With this, I would like to open the call for question-and-answer session.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Mihir Manohar from Carnelian AMC. Please go ahead.

Mihir Manohar:

Congratulations on a good set of numbers in second straight quarter of profit after the three quarters of losses that we had. Sir, largely wanted to understand on the tie-ups part. I mean, at the start of your comment, you mentioned some of the consulting companies are also looking forward. If you can throw some more light over there, that will be helpful.

Our second area was on the enterprise side. Just wanted to understand have you identified any areas, let's say BFSI or retail, which will be targeted areas for the enterprise where we are looking for growth?

And the third question was on the DPDP Act and you know how is the situation over there and what traction are we getting over there?

Vishal Salvi:

Thank you so much, Mihir, for your compliments and I think your questions are good. See, the first one about the tie-ups, right? So, as I mentioned in my initial commentary, you know, we are actually having that as a very important part of our strategy and over there, what we are trying to do is to replicate whatever we have done in our B2C or the consumer business into enterprise and all the learning.

So, we are talking to consulting firms, talking to global system integrators, talking to national distributors and value-added retailers and there is already a good pipeline of conversations that we are doing and they are also, you know, interested in taking us to some of their

customers. So, already a pipeline has got generated. At the same time, these are still very initial days of our strategy being unfolded.

So, what we have also done is realigned our sales organization to have a dedicated senior leader in our organization to just focus on alliance business and also we have strengthened that team by getting more people under him to drive that focus.

So, extremely happy with what we have done so far and also focused on, you know, making sure that we have the right people and dedicated on that agenda. So, what we will do is, as and when we start closing and start making closure of deals as well as signing the MSA, we will start reporting those in our subsequent quarters. So, that is really where we are as far as that is concerned.

On the approach on focusing on different businesses, see, traditionally, we are right now looking at focusing on our SMB and the mid-market business. We have already had a very strong run as far as enterprise business is concerned on the SMB segment. We believe that we are one of the top leaders in that segment already now.

Now, the way we look at that particular segment is about looking at all the industries. Whether you are talking about hospitality, we talk about healthcare, we talk about manufacturing, we talk about BFSI, all of these are very important segments for us as well as looking at also government. So, we are having a good mix of our existing book of business from all of these industries.

But I think, if I have to look at purely from a cyber security point of view, the healthcare industry and the manufacturing industries, those which are not that well-regulated are the ones who are having a more bigger focus and investments in cyber security because traditionally they have not been investing in security. And they are also the ones where there is a lot more work to be done. And so from our biased point of view, we tend to then try and create a razor sharp focus on these areas because they need the maximum help from solutions like ours. So, that's really how we are looking at from a market and from an industry's point of view.

As far as the DPDP is concerned, we are obviously waiting for the final enforcements coming from the government. We are closely watching that. We have to wait and see whether it will happen before the elections are announced or it happens closely after that. Either way, I think it is inevitable and it is expected to come very soon. And we are already seeing a significant traction of multiple POCs which have already been initiated for our solutions in data protection.

And so, I think we are very buoyant about the outlook that is going to get generated from because of the DPDP. And also, I think it is good for the country because it is going to overall shape and improve overall cyber security and privacy awareness as well as infrastructure within the country.

Mihir Manohar: Just an extension to the earlier one, you mentioned that there are some good pipelines of conversations. Sir, you mentioned there are some good pipelines of conversations which are happening along with some of the consulting firms. Among the pipeline, is there any company with revenue of more than \$5 billion or any company with total employee size of 5,000?

Vishal Salvi: Yeah, I think, see, some of the companies that we are talking about have a very large enterprise and large businesses. I will not be able to right now disclose with you exactly how many are in that category. But as you would imagine, typically a big four would be talking to large enterprises. So, we are talking to companies in large enterprises and not only mid-market and SMBs in this space. Because I think DPDP Act obviously is one area where the country and the companies across the country would require compliance, right? Because this is the first time that a privacy law is going to come in the country. So, I think the interest is coming from all sides.

Moderator: We will move on to the next question that is from the line of Hardik Agarwal from Param Capital. Please go ahead.

Hardik Agarwal: Sir, just a couple of questions on my side. So, if I was to look at the performance, the numbers of the company in March 2014, for instance, versus now, I imagine the number of digital assets have grown substantially. But would love to understand what might have caused the growth of the company to not be as strong during this period. And similarly, over the next three to five years, where do you envision growth to happen? I know previously you had shared there was a shift towards a strategy towards full enterprise focus versus consumers. Maybe you can elaborate a bit on that as well. That would be great.

Vishal Salvi: Thank you so much, Hardik, for your compliments. And see, let me state here that the company has been investing significantly on multiple digital assets for almost now six to seven years, right? Our enterprise business is now around seven to eight years old. And as a result of that, we have acquired a significant set of enterprise customers in the SMB and the mid-market space, right, through our early adoption of those digital assets. And now, as you rightly said, we have beyond the endpoint security, we have branched into extended detection and response, managed detection and response, zero-trust user access, and then looking at additional new technologies for data protection, mobility security, and so on and so forth.

So, what we have been building for the last so many years is diversifying our portfolio and transforming into a full-stack cybersecurity product solution provider from India. And so, you know, lot of these, as you can imagine, are solutions which take a significant amount of time to mature in the market, but we are very confident that this strategy is really going to unfold in future to scale the business. And that's the reason why we have been investing so far.

All those investments have translated into all of these solutions now being released in the market for some of them is there. I mean, the EPS has been there for more than 8, 8.5 years,

but the rest have been there for the last 2.5 years or so. And so, we will start, but it's early days for these solutions and we will start seeing momentum as we pick the business and start getting them into mainstream, right?

So, I think our objective is to remain a full-stack cyber security provider just to make sure that we are true to our mission of simplifying security architecture for our customers. And so the idea is to really be a one-stop shop when the customer comes to us and give them an integrated full-stack solutions, right?

Now I don't want to comment on our past performance because we are really talking about this quarter right now and I think what we are doing is making sure that we remain focused on both the businesses, both consumer as well as enterprise business and trying to execute on our strategy which we have defined very clearly to our teams. And I think that is what is helping us to deliver on the consistent profitability that we are looking at. And like I said, because these are still early days, our scale is going to come in future, and we are sowing the seeds for that right now. And so a significant amount of investment from our core technologies are going into the new technologies and that's really how we are executing our strategy.

As far as the product mix is concerned or business mix is concerned between consumer and enterprise, I think we had mentioned about the consistent increase in our enterprise business that is going to happen and I think we will be sharing that as a KPI for many years now and I am happy to say that even this quarter, we are reporting a marginal increase in our enterprise business over the consumer business and that is really how we are going to track that KPI because we believe that the future growth for the company is going to come from enterprise.

Moderator:

Thank you. The next question is from the line of Abhishek Bhandari from Nomura. Please go ahead.

Abhishek Bhandari:

Sir, I had one question around your team building. We saw two senior leadership positions this quarter. Maybe if you could elaborate what are the positions which are left to be filled and what is the progress on those?

Vishal Salvi:

Thank you Abhishek for your question. We are happy to have Lalit Mohan join as Chief Product Officer. He comes with a very strong background from BFSI as well as IT services industry and a very relevant experience on managing cyber security as well as working on product management, personally having a doctorate in cyber threat intelligence. So, very happy for Lalit to be on board as well as Ajit Zanjad who has joined us as Head of Delivery and again he comes with solid experience from IT services and product management companies across various sectors. So, I think both of them are good additions to our leadership team.

Look, I think, even earlier I mentioned this that we are going to continually look at adding more talent and more senior leadership talent into our organization to help us in our aspirations that we have set for ourselves.

I had also mentioned that we will bolster and strengthen our sales organization, our other businesses that are there and we continue to do that. We have already hired multiple talents in the mid leadership areas in sales organization who are already on board and started executing and we will continue to look out for more such opportunities in future.

So, I think this is going to be a constant for us, Abhishek, and we will continue to invest in people and talent as we look at positioning our company for future.

Moderator:

Thank you. The next question is on the line of Vimal Gohil from Alchemy Capital Management Private Limited. Please go ahead.

Vimal Gohil:

Congratulations on a very good quarter, especially on the enterprise front. Sir, my question is regarding repeat business. So, you know, if you just help us understand what are the repeat business trends currently and increasing your repeat business, what does it mean for profitability? The second question is how do we look to sort of scale up the enterprise business from here on? What's the outlook like? And when can we touch, let's say, a 500 crore kind of a top line? Because that's easily achievable given the size of the market itself.

And lastly, I just wanted to, the question is for the CFO. The incentive seems to have sort of bumped up this quarter. What was the reason behind that? So, these are my three questions.

Vishal Salvi:

Thank you so much for your question. See, I think any business, right, renewals is a very important part of your strategy and it's no different for us. I think both in the consumer side as well as the enterprise side, we are always constantly focused on our renewals. As you would know and imagine that, you know, the enterprise business is much more predictable when it comes to renewals and I think we are on par with the industry. Our renewal rates are somewhere between 65% to 75% and we are always trying to strive towards increasing that over a period of time. We are having a constant focus around that and see how we can actually have our sustainable business going on.

As far as the retail side is concerned, it is much more challenging because of the distributed model that we have in our business model. So, claiming and knowing customers is not always easy, but I believe we have one of the best renewal rates in the market and the industry and we continue to have multiple options of automation and various other insights that we use to claim as well as renew our customer base as we go along. So, both the points are very, very critical and important for us and we remain focused on that.

As far as the outlook is concerned, look, we don't give guidance apart from the fact that we have mentioned that we will focus on consistent and profitable growth and all of us are really making sure that we will strive towards doing that.

But at the same time, like I mentioned, you can see from the amount of investment that we are doing, a lot of our core business is currently fueling our new business and that part we will never stop. We will continue to do that because we believe that as we go into the future, lot of our core business will transform into the new way solutions that we are investing in. And so the investment will not stop and that's the reason why you should look at us from that point of view, you know, that looking at how we are investing for future.

But at the same time, if you look at in terms of the outlook, I think cyber security as an industry and as a business problem is very well defined. Digital innovation, digital aspirations of country as well as businesses will need a very strong and robust cyber security foundation. We are the only full-stack cyber security alternative for India. And we have a very strong Make in India story. So, we are extremely bullish and optimistic about our prospects in the future, where we not only serve the enterprises, but we will also serve some of the government requirements and aspirations.

On the third question, before I will hand it over to Ankit, look, I think, you know, people part is a very important part in our strategy and making sure that their engagement levels and their involvement in the organization and participation is very critical. And that's the reason why we have chosen to give those incentives. And that's the reason why you've seen that impact that Ankit talked about. But Ankit, you want to add?

Ankit Maheshwari: So, Vishal, he was referring to the Sales incentive not the employee incentive. So, Vishal, it's a combination of demand and supply. In the consumer market, there are still headwinds which are there and competition is very, very aggressive and they have launched many schemes. So, counter those schemes, we have to equally be aggressive and hence, you see that our incentive cost has gone up in this quarter. But indirectly, this has actually helped us in getting the top line as well.

Vimal Gohil: And Ankit, this would be more on the enterprise side or the consumer side, the incentive? The 12 crore incentive that has gone, it would be more on the enterprise side, right?

Ankit Maheshwari: Yeah, more towards the retail side, consumer side.

Moderator: Thank you. The next question is on the line of Dikshant from DB Wealth. Please go ahead.

Dikshant: Hi, Vishal. Firstly, congratulations on the new leadership hires that you have done and congratulations on the six months. Really liking the way that you have been guiding us in the last couple of ConCalls. I have two questions. One is, I think as a picture, right? Like who is the

ideal client that we are targeting right now? And what kind of timeline that we can look at on closing that one client? Any hypothetical client? We do not need to talk about specifics, but yeah.

Vishal Salvi:

Hey, thank you so much, Dikshant. See, I think the ideal client for the current space we are in, I mean, there are two, three different categories, but let me start with the first one, which is a company, think about a company which is around, you know, 1,000 to 5,000 employee organizations with a revenue anything between 100 to 1,000 crores and basically somebody who has not yet really looked at cyber security as a major issue because of perhaps lack of regulation or also because so far they have not really been hit by any cyber security major issues.

Okay. And what this client would perhaps be going through right now is the struggle of why am I now getting worried about ransomware attacks? And why did some of my computers got impacted? Why is my neighbor or my fellow competitors deeply impacted because of a cyber security incident or a breach? And now I need to really worry about it. And now that the Data Protection Act and cyber security requirements are coming big time from even the regulations and government and with significant penalties, if I don't comply, I need to now start suddenly worrying about cyber security. What do I do? Where do I go?

The big daddies or the big companies do not have a focus, nor this type of client can afford the kind of infrastructure or the solutions that they have. And so these are the ones who are typically unserved, underserved are the ones whom we focus on and these are the ones who typically we find a win-win situation, right? Because we have solutions for them.

The typical sales cycle for these types of clients would range between three months to a six months period. If the need is well generated and identified, then it typically happens within three months. But if it is something to be seeded and then managed to the whole life cycle, then it takes anything between four to six months. So, that's typically how we look at ourselves.

Apart from this, we are also looking at the Make in India government initiatives and looking at, you know, as India is adopting more and more digital, in fact, the India digital stack is now becoming a benchmark for the globe. And as India's digital aspirations grow, government will adopt more and more technology and that will require cyber security. And we have a very strong play there. So, I think there also we have a very good opportunity, which is definitely there.

And the third thing which is there is, you know, this example of DPDP Act, right, where the motion gets created because of only regulation and that is across industries, that is across different segments of clients. And over there, we would be, you know, because we have a solution which addresses the problem of data discovery and classification, we will be able to position ourselves and generate leads and then convergence around that. So, I mean, I have

given you three examples. There are a few others as well. But broadly, this is really how we look at our go-to-market.

Dikshant:

Vishal, just a follow up on this particular thing. Vishal, I see that we onboarded Mr. Lalit for our Chief Product Officer and his profile goes way ahead of like, you know, the sort of beautiful business that we are creating. I just want to double tap on our PMF right now. So, just help us with the sort of PMF you are looking at, let's say, apart from the act by the government, which will obviously be a catalyst for us, what kind of PMF are we looking at? If you can give us an example with a subset, if it's BFS or a BFSI PMF for another FinTech business, what kind of businesses are we targeting and what kind of PMF we have with it would really be helpful for us.

Vishal Salvi:

So, see, I think when you look at our go-to-market, right, so typically you will find that different, there is going to be nuances when you go by industry to industry. Okay. And then there are certain things which are common. For example, when you look at our Enterprise Endpoint Security Solution, it is a more fundamental core technology that is required for every possible company that you can think of. In fact, that's a core technology which no company can do without, right, which will address your problem of anti-ransomware, anti-virus and so on and so forth. So, that will be across.

But, for example, we have a solution called Threat Intelligence. And when you look at Threat Intelligence and Management and looking at commercial, because we have the largest repository of malware and, you know, different bad IP actors and other things. So, all of that information, we call this Indicators of Compromise, Indicators of Attack, Indicators of Behavior. This becomes a commercial feed, and all of that information is extremely, extremely useful for a BFSI large bank. And because we are seeing unique Indian signals, they would want to use that as a technology to be consumed in their Security Operations Center.

So, when it comes to large banks, we would use that particular product or solution as a tip of the spear to go and create value for those kinds of customers. So, there are basically, you know, these nuanced actions that we will have to do by industries. And based on that, we have given a quota to our sales team as to what is it that we can realistically achieve by each quarter against those solutions and then we go and adopt it.

Another example I can give you is government is investing significantly in empowering the citizens and teaching them and other things and for that they are giving tablets for financial inclusion and for education. And those tablets require protection so that you can only do certain activities. So, we have a solution called MDM, Mobile Device Management, which is addressing that problem. And so we can actually and we are engaging with those initiatives of the government where our solutions can be used to secure those tablets. So, that's really how we look at our go-to-market by industries and by specific initiatives. I hope that answers your question.

Dikshant: Thank you so much, Vishal, for your generous time. That answer is more than enough.

Moderator: Thank you. The next question is from the line of Faisal Hawa, from H.G Hawa and Co. Please go ahead.

Faisal Hawa: What is the kind of R&D expenditure we are targeting for the next financial year? And as you may be knowing, sir, most of the hackers, the Black Hat hackers are actually amongst very young people, and they are all over the globe. So, are we doing any kind of hackathons to really attract more young talent as ethical hackers and to really get more talent, which may not actually study in the colleges, but most of the ethical hackers are more mavericks who do things on their own. So, any thoughts on hiring these kinds of people to or involving them in large platforms like Bugcrowd is or HackerOne is, creating some kind of a ecosystem like that, to really get a flavor of how things are going?

Vishal Salvi: Yeah, I think I will try and answer both the questions. So, when you look at it in terms of the R&D, like I mentioned, our core is currently fueling the news and that is something which will double down and continue to do on an ongoing basis. We are also constantly looking out for additional areas of Horizon 3 kind of innovative ideas on what are the new things that we would want to do. And if we identify any new initiative, we have the necessary amount of ability to invest and we will always be looking out for those avenues for further investment so that we can continue to improve and add more solutions into our bouquet of services which are already there. Right?

At the same time, if you look at it in terms of the amount of the type of people that we have, they are very deeply core technology people in our malware labs and the kind of knowledge and understanding that they have about advanced malware and research is phenomenal. We have also constantly encouraged them to go and participate in cybersecurity conferences. So, they regularly go and present their papers. We sponsor them to go overseas and talk about what they are seeing and what they are doing. We encourage them and constantly go and basically talk about new ideas and actually present in academic papers. Right? So, that is something which we encourage.

We are also just concluding our innovation hackathon, which we do every year, where we invite people to participate and come out with new ideas and new initiatives so that they are encouraged to talk about how they can solve the cyber security issue and problem. So, basically, it takes a village, right, for you to be able to solve this problem and we are making sure that we will constantly encourage our employees to be innovative and reward those ideas. And in fact, a lot of the ideas that we have implemented actually come from these ideas coming from our team.

So, in a way, we have democratized innovation and not do innovation outside of that. In fact, the whole genesis of Quick Heal for the last three decades has been that it has been an

innovative company and that is the reason why we have been relevant so far and have market leadership in some of the core technologies that we have.

We also have vulnerability disclosure programs, which help in actually getting our community to come and participate and share inputs to us. We also participate in the Nullcon events which are there, which are basically hackers coming together. So, a lot of our teams go there and participate and interact with each other, right? So, it is a community. It's a closely well-knit community and we definitely are in that and we continue to participate in that.

Faisal Hawa:

And sir, once the privacy laws and the various cyber security laws come in, what kind of a total addressable opportunity do you see in India in dollar terms? That's one. And sir, any chances that we could be a successful company even abroad, at least in Third World Countries or in GCC, your MENA region?

Vishal Salvi:

You see, I think when it comes to DPDP Act, right, I think I have actually even talked about it and blogged about it. Basically, we should not think about DPDP as only a privacy issue. Because if you look at a provision like GDPR which came in the Euro for privacy, it actually helped in improving the overall cyber security infrastructure of that whole ecosystem. So, privacy requires an upgrade of cyber security. So, while we do have a solution which addresses the data protection and classification problem, we also have a full stack of cyber security solutions which will help you to overall improve and keep yourself upgraded to comply to the DPDP act. So, for you to be able to comply, you not only need to do privacy, you also need to do cyber security.

So, from that point of view, I think it creates a very good sweet spot for us and it increases our addressable market or rather I would say that it accelerates our growth once the act comes into play. And so I would not like to give a number to it right now, but then it obviously amplifies and gives a great potential for us to grow in that space, right? So, I think that's really how we are looking at. What was the second part of your question?

Faisal Hawa:

Second part is what chances do we have of really being able to sell our products abroad, at least in the countries which are in GCC or in Africa which are not very developed countries?

Vishal Salvi:

Yeah, I think we are already selling in Africa, in APAC, but I think right now our approach for that has been very tactical. And we want to, as I mentioned, a lot of our solutions are new in the market and they are right now just getting well entrenched and a lot of POCs are in the pipeline and already started seeing traction, for example, ZTNA has been procured by many customers now. So, we want to make sure that we go through that one or two rounds of maturity and then start really making investment for our global footprint. So, that's really our approach. So, you can anticipate that in the near future, we should be looking at a more structured and strategic approach towards our international business.

Faisal Hawa: Thank you so much for answering so well and I really appreciate your help.

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

Mihir Manohar: Sir, I just wanted to understand on the AV Labs, I mean, the certification that Quick Heal Version 24 got. And you also mentioned that the certification also provides that we are far better against the leading global products. So, I just wanted to understand how is the importance, how is the relevance of this certification? Does it increase our international appeal in the consumer segment? So, if you can throw some light to understand how to understand the importance of the certification, that will be helpful.

Moderator: Ladies and gentlemen, the lines of the management have got disconnected. Please stay connected while we reconnect the management. Ladies and gentlemen, thank you for patiently holding. We now have the lines of the management reconnected. Over to you, sir.

Vishal Salvi: Yeah, I think Mihir, you can go ahead now.

Mihir Manohar: Sir, just wanted to understand this AV Lab certification. So, you mentioned that we have become the first Indian cybersecurity company to get the certification. And our product is far better than others, the leading global products which are there. So, just wanted to understand how important is this certification? How to understand the importance of this? Does it increase our global appeal or how to understand this?

Vishal Salvi: Mihir, I think this is a very good question and extremely proud that, you know, there are some seven parameters and all the parameters we clicked in the tick, you know, all of those seven. There are some top eight or ten companies in that list and there are three or four only who have actually scored full marks. But we are going to be publishing this result, you know, and making it public on our website. So, you know, you can have a look at it.

But the reason it is significant is because it actually demonstrates our investment in safe banking and the amount of features and functionalities that we provide to our Quick Heal end-point consumer products where we give them assurance that when they are actually doing banking, they actually can be safe and secure. And this test actually addresses that issue because there are basically man-in-the-middle, man-in-the-browser attacks which is what plagues most of the online banking transactions. And so our safe banking experience, it helps you to address that.

Mihir Manohar: This is for the consumer side, right?

Vishal Salvi: Yeah, this is for the consumer side. You are right.

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

Aditya Sen: Good to see that the retail segment is also recovering now. It's doing good since past two consecutive quarters. I just wanted to understand that, are we aiming to take it back to the previous highs of roughly 250, 280 crores of revenue that we used to do in the FY '16-'17 era? Do we have a certain plan or is it going to remain in the certain range, the range in which it is now?

Vishal Salvi: See, I think if you see this business, right, there have been significant headwinds for this business for the last few years, right? And that headwind is all about, you know, there has been a de-growth in the adoption of paid antivirus across the globe and also specifically in the Indian market as well. In spite of that, we have continued to grow and also maintain our leadership position in the market that we are there.

So, I would not right now say that those headwinds have disappeared. I think those challenges continue. There is a lot of misinformation being spread in the market between free as well as paid AVs and we are trying to address the issue of awareness.

In fact, in last time, last call I had mentioned about the mature market being 50% penetrated as far as paid AV is concerned. India is still 20%. So, we have a challenge of awareness in the current consumers. We are doing our bit to make sure that awareness grows. And we would like to believe that we would want to go to those levels. But we want to take it one step at a time. We continue to navigate and come up with various strategies so that we maintain our market leading position and we maintain all the innovative ideas that we have been. I mean, AV24 was fast breaking, right? It came out with so many different features, which were first of the kind in the industry, and we will continue to do that. Right?

So, I think the key thing is about trying to bring in more predictability and consistency in that business. That is really what we are trying to do to our interventions and at the same time try and grow and also create awareness and create a demand for our solutions.

Aditya Sen: Thank you for this. And given that the research and development cycle is near to maturing, I am not saying it is completely matured. But given that fact, should we expect EBITDA to start increasing from not now but let's say H2 FY '25? And if yes, then in what range should we expect by the end of FY '25 or end of FY '26?

Vishal Salvi: Yeah, firstly I will not be able to give you guidance specifically on the numbers of the range. But what I can say is that our trajectory or rate of growth of our R&D expenses will be far, far lower as compared to our trajectory or growth of our top line. And that is really what our strategy is. To increase the gap between the two and if we start doing that, then EBITDA will automatically start having a positive trend. So, that is really how we are looking at it. And what you said is right, that because of our sustained investment for the past four, five years, we do have a steady state as far as our development effort is concerned. So, now we should not expect too

much of more growth in that space. It will be more steady. So, any growth which happens in business will actually to help in the EBITDA.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to the management for their closing comments.

Vishal Salvi: Thank you so much everyone for great questions. And I hope you have got proper addressal to all the queries that you had, and you have a good understanding of where we stand. Thank you so much for your participation and wish you a Happy Republic Day tomorrow.

Moderator: Thank you members of the management team. On behalf of Quick Heal Technologies that concludes this conference for today. Thank for joining us and you may now disconnect your lines.