

Quick Heal Technologies Limited.

3<sup>rd</sup> Feb, 2016

**Issue Summary:**

Price band (Rs):	311-321
Market Lot:	45 Equity Shares
Face Value (Rs):	10
Opens:	8 <sup>th</sup> Feb, 2016
Closes	10 <sup>th</sup> Feb, 2016
Issue Size	250cr
Listing:	BSE, NSE

**Issue Break Up:**

**OFS**

Offer for Sale:	68.15lac sh.
Promoter & Group:	59%
Investor:	41%

**OFFER**

QIB portion:	50%
NIB portion:	15%
Retail portion:	35%

<b>Book Running Lead Managers</b>	
➤	ICICI Securities.
➤	Jefferies.
➤	J.P. Morgan
<b>Registrar</b>	
➤	LINK INTIME INDIA PRIVATE LTD.

**Company & Business Profile**

The company is one of the leading providers of security software products and solutions in India with a market share of over 30% in the retail segment according to the Zinnov Industry Report. Company's end customers include home users, small offices and home offices (SOHO), SMBs, enterprises, educational institutions, as well as government agencies and departments. Their proprietary antivirus technology, which is based on an innovative behavior and threat detection system, work to detect security threats including virus and malware attacks in real time to protect of their product users' IT assets across platforms, including Windows, Mac, Android, iOS and Linux, and across devices, including desktops, laptops, mobile/ Smartphone's and tablets, while aiming to ensure resource availability, business continuity and an uninterrupted digital experience. Company's portfolio include solution under the widely recognized brand names "Quick Heal" and "Seqrite" for desktop and laptop security, mobile/ Smartphone security, endpoint security, gateway security, network security, cloud –based mobile device management (MDM) systems, data loss prevention (DLP) systems and family safety software. Since company incorporation, more than 24.5 million licenses of their products have been installed and as of December 31, 2015, company had over 7.13 million active licenses spread across more than 80 countries.

**Objects of the Issue**

The Offer consists of a Fresh Issue by Quick Heal Technologies aggregating to Rs 250 Crs, and an Offer for Sale of up to 6,814,736 Equity Shares.

**Objects of the Fresh Issue:**

1. Advertisement and sales promotions;
2. Capital expenditure for research and development;
3. Purchase, development and renovation of office premises in Kolkata, Pune and New Delhi; and
4. General corporate purposes

**OUTLOOK:**

Company is looking to expand business in new geographical location and innovative features into products in near future.

- Sales to home users of their "Quick Heal" branded products;
- Ability to retain existing users and acquire new customers;
- Ability to produce successful solutions or enhancements to solutions;
- Ability to maintain successful relationships with their channel partners and attract new partners;
- The growth of their international operations; and
- The quality of their support services



**Risk Factors:** As per Red Herring Prospectus

**Internal Risks**

- If company does not successfully anticipate market needs or develop and introduce new solutions that meet users' needs on a timely basis, they may not be able to compete effectively and companies revenue, reputation, financial conditions, results of operations and cash flows may be adversely affected.
- Company face intense competition and competition may have a negative impact on their business prospects, future performance and financial condition.
- Depend heavily on sales to home users of their "Quick Heal" branded products and any factor adversely affecting sales of their solutions to home users will negatively impact their profitability, results of operations and cash flows.
- Business and operations have experienced rapid growth in recent periods, and if company do not effectively manage any future growth or are unable to improve our systems and processes, integrate new systems or train new employees, their operating results may be adversely affected.
- Company R&D efforts and investments may not produce successful results or solutions or enhancements to our solutions that result in significant revenue or other benefits in the near future, or at all.
- fail to maintain successful relationships with their channel partners, or attract new channel partners, especially international operations, business and growth prospects may be harmed.

**External Risk;**

- Company may be affected by competition law in India and any adverse application or interpretation of the Competition Act could adversely affect our business.
- Public companies in India, including Quick Heal Company, shall be required to prepare financial statements under Indian Accounting Standards. In addition, all income-tax assesseees in India, including Quick Heal Technologies, will be required to follow the Income Computation and Disclosure Standards.
- Under Indian law, foreign investors are subject to investment restrictions that limit company's ability to attract foreign investors, which may adversely impact the trading price of the Equity Shares.
- Fluctuations in the exchange rate of the Indian Rupee and other currencies could have a material adverse effect on the value of the Equity Shares, independent of financial results.

**Valuation**

At the price band of Rs311-321, the issue is priced at 33-35x price earnings (PE) ratio for FY2015. The valuations look high. However, Quick Heal Technologies Ltd. is a cash rich company with zero debt & good cash flows. Also it has strong brand image & management expects to fund its expansions through fresh issue. Also the company will be the only player in listed place in security software products & solutions business in India.



Quick Heal Technologies Ltd. Balance Sheet - Standalone - [INR-Crore]					
DESCRIPTION	Mar-15	Mar-14	Mar-13	Mar-12	Mar-11
EQUITY AND LIABILITIES					
<i>Share Capital</i>	61.07	61.07	7.63	7.63	7.62
<i>Total Reserves</i>	276.43	275.07	278.02	202.71	135.74
<i>Share Warrants &amp; Outstanding</i>	0.14	0.01	0.00	0.00	0.12
Shareholder's Funds	337.63	336.15	285.65	210.34	143.48
Total Non-Current Liabilities	-4.85	-3.93	0.52	0.41	0.26
Total Current Liabilities	96.05	46.87	28.33	18.83	17.05
Total Liabilities	428.83	379.09	314.50	229.59	160.79
ASSETS					
<i>Net Block</i>	110.96	81.70	38.39	18.86	14.74
<i>Long Term Loans &amp; Advances</i>	17.59	15.78	10.67	9.05	31.21
Total Non-Current Assets	83.18	59.50	29.95	23.88	1.99
<i>Cash and Bank</i>	7.34	8.17	10.03	7.55	13.48
Total Current Assets	209.76	213.93	225.46	170.25	99.38
Total Assets	428.83	379.09	314.50	229.59	160.79

Source: - Company data, Arianth Research



Quick Heal Technologies Ltd. Profit And Loss - Standalone -[INR-Crore]					
DESCRIPTION	Mar-15	Mar-14	Mar-13	Mar-12	Mar-11
Net Sales	284.07	243.90	204.88	178.98	130.73
Stock Adjustments	-1.14	-1.83	-1.12		
Raw Material Consumed	15.80	12.81	10.62	8.51	7.00
Power & Fuel Cost	1.94	1.13	0.78	0.57	0.39
Employee Cost	62.56	42.52	28.16	20.68	15.61
Cost of Software developments	20.83	15.12	8.51	6.51	2.01
Operating Expenses	5.31	3.77	2.80	2.23	3.09
General and Administration Expenses	16.05	11.68	8.13	6.93	8.66
Selling and Marketing Expenses	65.17	48.49	38.32	35.34	36.16
Miscellaneous Expenses	3.26	2.73	2.90	2.53	1.65
Total Expenditure	189.76	136.42	99.08	83.29	74.57
Operating Profit (Excl OI)	94.31	107.48	105.80	95.69	56.16
Other Income	8.18	9.85	9.75	5.68	2.39
Operating Profit	102.49	117.33	115.55	101.37	58.54
Interest					0.16
PBDT	102.49	117.33	115.55	101.37	58.38
Depreciation	20.18	10.80	4.44	2.13	1.43
Profit Before Taxation & Exceptional Items	82.31	106.53	111.11	99.24	56.96
Exceptional Income / Expenses		-17.33			
Profit Before Tax	82.31	89.20	111.11	99.24	56.96
Provision for Tax	26.01	27.65	33.57	31.04	18.38
Profit After Tax	56.30	61.55	77.54	68.20	38.58
Earnings Per Share	9.22	10.08	101.57	89.33	50.61

Source: - Company data, Arian Research



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### Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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