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Addanki Anil Kumar
Sri Venkateswara University, Tirupati, Andhra Pradesh, India

Dr. Mamilla Rajasekhar
Sri Venkateswara University, Tirupati, Andhra Pradesh, India

Corresponding Author:
Addanki Anil Kumar
Sri Venkateswara University, Tirupati, Andhra Pradesh, India

Financial performance analysis of pre- and post-listing of a venture capital backed company quick heal technologies limited

Addanki Anil Kumar and Mamilla Rajasekhar

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Abstract
The financial implications of stock exchange listing have been extensively debated, often yielding inconclusive results. This study investigates the case of Quick Heal Technologies Limited (QHTL), a venture capital-backed cybersecurity firm headquartered in Pune, Maharashtra, which launched its Initial Public Offering (IPO) and was listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) on February 18, 2016. Using exclusively secondary data from audited annual reports and financial portals, the analysis covers a ten-year period encompassing five years before and after listing (FY 2011-12 to FY 2020-21). Key financial dimensions liquidity, solvency, operational efficiency, and asset utilization and profitability were evaluated, with paired-sample t-tests applied to assess differences in mean values across the two periods. The results indicate that profitability ratios (ROE, ROCE, NPM, and OPM) and liquidity measures (CR and QR) showed only marginal, statistically insignificant variations. The company maintained a debt-free structure, underscoring consistent solvency. Notably, a statistically significant increase was observed in the Total Asset Turnover Ratio (TATR), highlighting improved efficiency in asset utilization post-listing. The findings suggest that for venture capital-backed enterprises such as QHTL, stock exchange listing primarily enhances long-term scalability and market credibility rather than serving as a direct catalyst for superior financial performance.

Keywords: Venture Capital Financing, IPO, listing, Profitability, liquidity, solvency, Operational efficiency, and Asset utilization

Introduction
Venture capital (VC) funding plays a crucial role in fostering early-stage growth for technology companies, providing them with the financial resources and strategic guidance required to scale operations, innovate, and establish market leadership. The QHTL, a prominent Indian solutions provider, exemplifies this growth trajectory, having received significant venture capital investment before its public listing. Initially founded as CAT Computer Services in 1995, the company evolved into QHTL, attracting investment from venture capital firms due to its strong market presence and innovative security products. In 2010, Sequoia Capital, a leading global venture capital firm, invested approximately ₹60 crores in QHTL, marking a pivotal milestone in the company's expansion strategy. This funding helped QHTL enhance its R&D capabilities, broaden its product portfolio, and strengthen its market penetration. By 2016, the company successfully transitioned to a publicly listed entity through an initial public offering (IPO) on BSE and NSE, raising around ₹451 crores. Post-listing, the QHTL faced new challenges, including heightened competition, evolving cybersecurity threats, and increased investor scrutiny of its financial performance. Analysing the economic performance of QHTL post-IPO provides insights into how venture capital-backed companies adapt to public market expectations. This study evaluates key financial indicators such as revenue growth, profitability, return on equity (ROE), capital structure, and market valuation to understand the impact of VC funding on long-term financial stability.

Listing of QHTL
Quick Heal Technologies Limited (QHTL), founded in Pune in 1995 by Kailash and Sanjay Katkar, is a leading Indian cybersecurity solutions provider. The company raised ₹451 crores through its 2016 IPO, with venture capital investor Sequoia Capital partially exiting its stake. Listed on the NSE and BSE at ₹311-₹321 per share, QHTL offers products such as Quick

Heal Antivirus, Seqrite enterprise solutions, and GoDeep AI. Supported by a strong Pune-based R&D centre and a distribution network of 25,000 partners, the company serves customers in over 80 countries. Despite rising competition from global firms, QHTL retains its leadership in India's retail cybersecurity market through localized threat detection and customer-focused strategies.

Literature Review

Vyas Vijay H. (2015) [1] conducted a financial performance analysis of five selected power sector companies in India NTPC, NHPC, TATA Power, Torrent Power, and Adani Power over a five-year period (2009-2013). Using ratio analysis and ANOVA, the study examined key financial metrics. The findings revealed that Torrent Power had the highest return on capital employed, debtor turnover ratio, and return on net worth, while NTPC led in current and quick ratios. Additionally, NHPC had the highest inventory turnover ratio, and TATA Power had the highest earnings per share (EPS) among the selected firms.

Srinivasan Kannan (2018) [2] examines the post-listing performance of IPOs in India, analysing 313 IPOs from 2003 to 2013 using Benchmark Adjusted Buy-and-Hold Returns (BHAR). The study finds that IPOs are generally underpriced on the listing day, leading to short-term overperformance, followed by underperformance in the long run and eventual recovery. The research addresses a critical question for retail investors whether to exit on listing day or hold for a longer period. Results indicate that investors buying at the offer price and holding for at least one year achieve better returns than those purchasing at the listing price.

Will Gornall, Ilya A. Strebulaev (2020) [3] Their study develops a valuation model for venture capital-backed unicorns and applies it to 135 U.S. unicorns, revealing significant overvaluation in reported post-money valuations. The findings indicate that reported valuations average 48% above fair value, with some unicorns exceeding 100% overvaluation. A major reason for this discrepancy is that reported valuations assume all shares have the same value as the most recently issued preferred shares, disregarding differences in investor protections. The analysis highlights that recent investors often receive benefits such as IPO return guarantees (15%), veto rights over down-IPOs (24%), and seniority over other investors (30%), making their shares more valuable than common stock. Consequently, common shares are found to be 56% overvalued, and after adjusting for these valuation-inflating terms, 65 out of 135 unicorns would lose their unicorn status.

Yadav, Prosad, and Singh (2023) [4] developed an empirical model to examine the relationship between key Financial Performance Indicators and IPO Offer Prices in India. Using multiple linear regression analysis on secondary data from companies listed on the National Stock Exchange (NSE) from 2015-16 to 2020-21, the study validated that Pre-IPO Financial Performance significantly influences IPO Offer Price. The findings revealed that variables such as Net Asset Value (NAV), Return on Assets (ROA), Profit after Tax (PAT), and Return on Net Worth (RONW) have a substantial impact on IPO pricing. The study aims to assist IPO issuers in pricing their offerings competitively and investors in making informed decisions. Additionally, the research helps in reducing pricing anomalies and minimizing gaps between offering and listing prices, thereby preventing speculative failures.

Deng and Liu (2024) [5] examine the unique drivers of Chinese IPO pricing on the Hong Kong Exchange, analyzing whether information uncertainty or investor exuberance influences IPO underpricing. Using hand-collected IPO data from 2002 to 2015, including 114 state-owned enterprises (SOEs), the study identifies a "placing bubble" driven by institutional investors' strong demand for Chinese IPO shares, particularly SOEs. Unlike the "listing bubble" in China's domestic market fueled by retail investor over-optimism the Hong Kong market's IPO pricing is influenced by institutional enthusiasm.

Objective of the study

To analyse and compare the liquidity, solvency, operational efficiency, profitability, and asset utilization capacity of QHTL before and after listing.

Hypotheses of the study

H01: There exists no significant change in the liquidity of QHTL post-listing.

H01a: There exists no significant change in the Current Ratio of QHTL.

H01b: There exists no significant change in the Quick Ratio of QHTL.

H02: There exists no significant change in the operational efficiency and asset utilization capacity of QHTL

H02a: There exists no significant change in the Total Asset Turnover Ratio (TATR) of QHTL.

H02b: There exists no significant change in the Return on Assets (ROA) of QHTL

H03: There exists no significant change in the Profitability of QHTL

H03a: There exists no significant change in the Operating Profit Margin (OPM) of QHTL.

H03b: There exists no significant change in the Net Profit Margin (NPM) of QHTL.

H03c: There exists no significant change in the Return on Equity (ROE) of QHTL.

H03d: There exists no significant change in the Return on Capital Employed (ROCE) of QHTL.

Research Methodology

This study is based exclusively on secondary data drawn from the audited annual reports of Quick Heal Technologies Limited (QHTL), along with filings from the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The analysis spans a ten-year period from FY 2011-12 to FY 2020-21, encompassing five years before and five years after the company's listing on February 18, 2016. To evaluate the financial impact of listing, key variables were examined across five dimensions: solvency, liquidity, operational efficiency, profitability, and asset utilization capacity. A paired-sample t-test was employed to compare the mean values of these financial indicators between the pre- and post-listing periods, enabling assessment of whether QHTL's transition to a publicly listed company led to statistically significant changes in its financial performance.

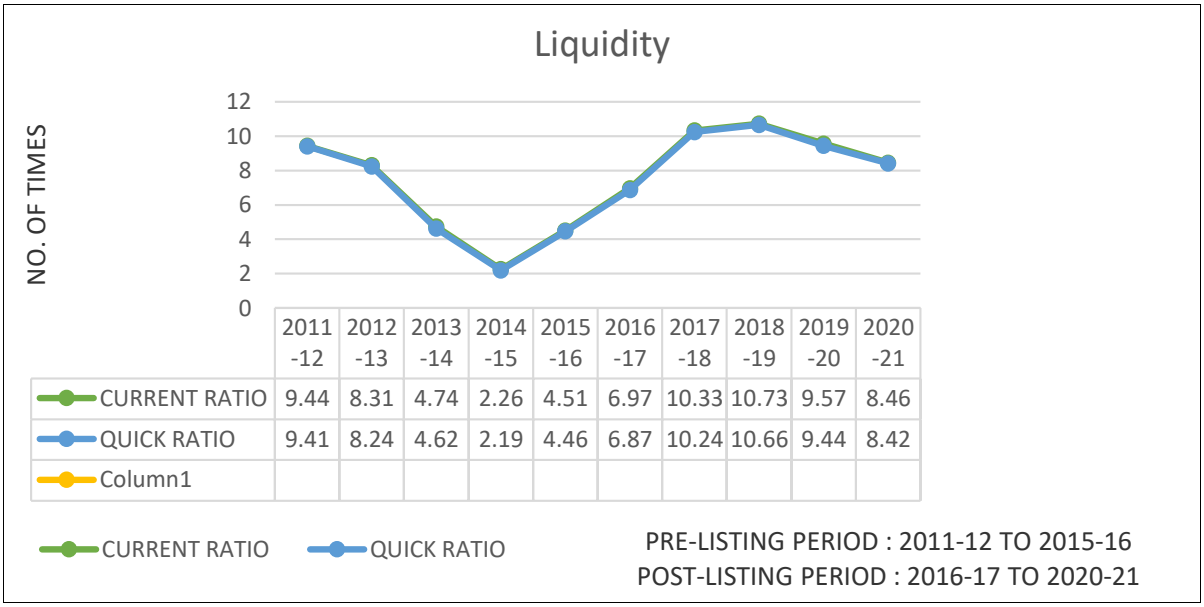
Table 1: Descriptive statistics on the liquidity, solvency, efficiency and profitability

Paired sample statistics					
No. of pair	**Key financial variables (pre and post-listing)**	**Mean**	**N**	**σ**	**Std. Error Mean**
Pair 1	CR - Pre-listing	5.85	5	2.95	1.32
	CR- Post-isting	9.21	5	1.52	0.68
Pair 2	QR-Pre-listing	5.78	5	2.97	1.33
	QR - Post-Listing	9.12	5	1.52	0.68
Pair 3	OPM-Pre-listing	42.02	5	13.27	5.93
	OPM - Post-Listing	45.14	5	16.65	7.45
Pair 4	NPM - Pre-listing	27.95	5	9.47	4.23
	NPM - Post-Listing	25.90	5	4.37	1.96
Pair 5	ROE - Pre-listing	20.94	5	8.82	3.94
	ROE - Post-Listing	11.09	5	1.96	0.88
Pair 6	ROCE - Pre-listing	20.91	5	8.79	3.93
	ROC - Post-Listing	14.34	5	4.49	2.01
Pair 7	TAT - Pre-listing	63.67	5	11.38	5.09
	TAT - Post-Listing	39.36	5	1.62	0.72
Pair 8	ROA - Pre-listing	18.41	5	8.61	3.85
	ROA - Post-Listing	10.19	5	1.78	0.80

Source: Self-compilation with SPSS

Changes in liquidity

The graph below illustrates the trend in the Liquidity Position of QHTL across the pre-listing and post-listing periods:



Source: Prepared from data extracted from moneycontrol.com, and compiled in Excel

Fig 1: Trends in Liquidity Position

Table 2: Paired sample t-test results of liquidity

			Paired differences						
		Mean	**σ**	**Std. Error Mean**	**95% confidence interval of the difference**		**t**	**df**	**p-value**
					Lower	Upper			
Pair-1	Pre-Listing CR Post Listing QR	-3.36	3.83	1.71	-8.11	1.39	-1.96	4	0.121
Pair-2	Pre-Listing CR Post Listing QR	-3.34	3.85	1.72	-8.12	1.44	-1.94	4	0.124

Source: Self-Compilation with SPSS

Current Ratio (CR)

Pair-1 of the table compares the pre-listing Current Ratio (CR) with the Post-Listing CR. The paired differences show a mean difference of -3.36 with a standard deviation of 3.83 and standard error of 1.71. The 95% Confidence Interval for the difference ranges from -8.11 to 1.39. The negative mean indicates a decline in liquidity post-listing. However, the p-value of 0.121 is greater than 0.05, implying that this difference is not statistically significant. Thus, H01a is accepted, indicating that there exists no significant change in the liquidity of QHTL post-listing in terms of the Current Ratio.

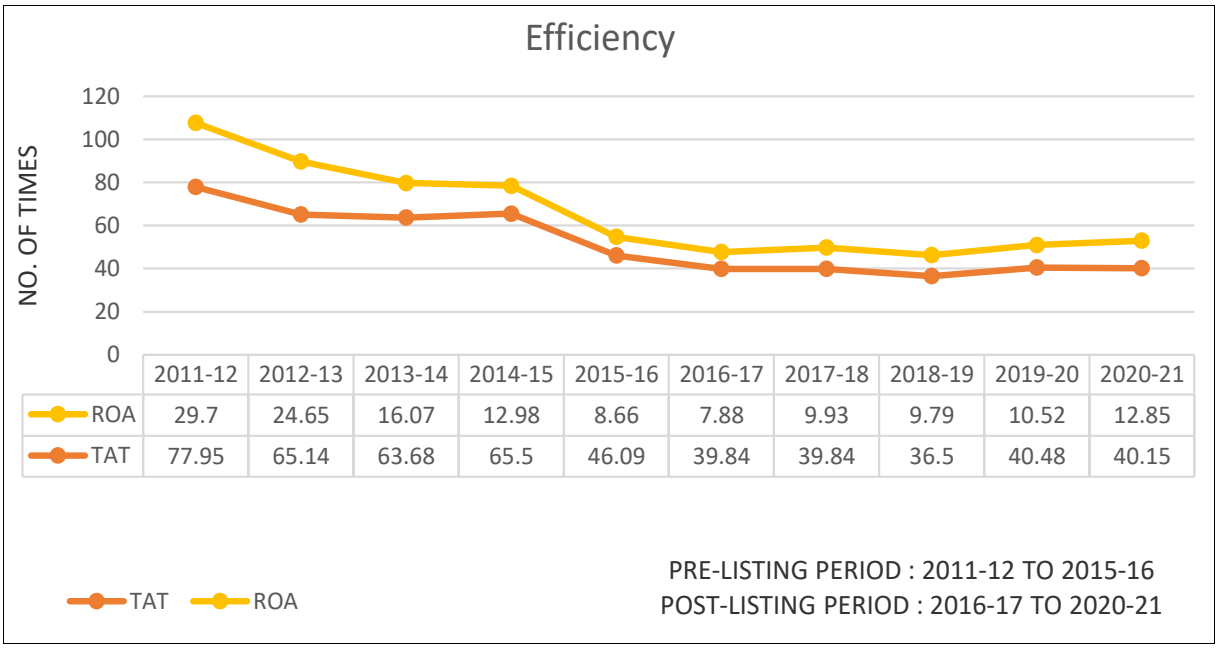
Quick Ratio (QR)

Pair-2 compares the pre-listing Quick Ratio (QR) with the Post-Listing QR. The mean difference is -3.34, with a standard deviation of 3.85 and a standard error of 1.72. The 95% Confidence Interval spans from -8.12 to 1.44. This again shows a decrease in short-term liquidity after listing. However, the p-value of 0.124 is also above 0.05, confirming that the observed change is statistically insignificant. Therefore, H01b is accepted, suggesting that QHTL's Quick Ratio did not undergo a significant change post-listing.

Changes in solvency position

The analysis of Quick Heal Technologies Limited's (QHTL) solvency position reveals that the company consistently maintained a debt-free capital structure across both the pre- and post-listing periods. The Debt-to-Equity Ratio (DER) remained effectively zero, indicating the absence of reliance on external long-term borrowings to fund operations or expansion, either before or after the Initial Public Offering (IPO). Consequently, no significant variation was observed in solvency indicators across the two phases. This stability reflects QHTL's conservative financial strategy, grounded in internal financing and retained earnings as primary sources of capital. The company's sustained debt-free status not only underscores its robust financial resilience but also minimizes financial risk, positioning it as a reliable and attractive option for risk-averse investors and long-term stakeholders.

Changes in operational efficiency and asset utilization capacity



Source: Prepared from data extracted from moneycontrol.com, and compiled in Excel

Figu 2: Trends in Operational Efficiency and Asset Utilization Capacity

Table 3: Results of paired sample t-test on operational efficiency and asset utilization capacity

		Paired differences					t	df	p-value
		Mean	σ	Std. Error Mean	95% confidence interval of the difference				
					Lower	Upper			
Pair-1	Pre-Listing TAT Post Listing TAT	24.31	11.59	5.18	9.91	38.70	4.69	4	0.001
Pair-2	Pre-Listing ROA Post Listing ROA	8.22	10.22	4.57	-4.47	20.91	1.79	4	0.147

Source: Self-Compilation with SPSS

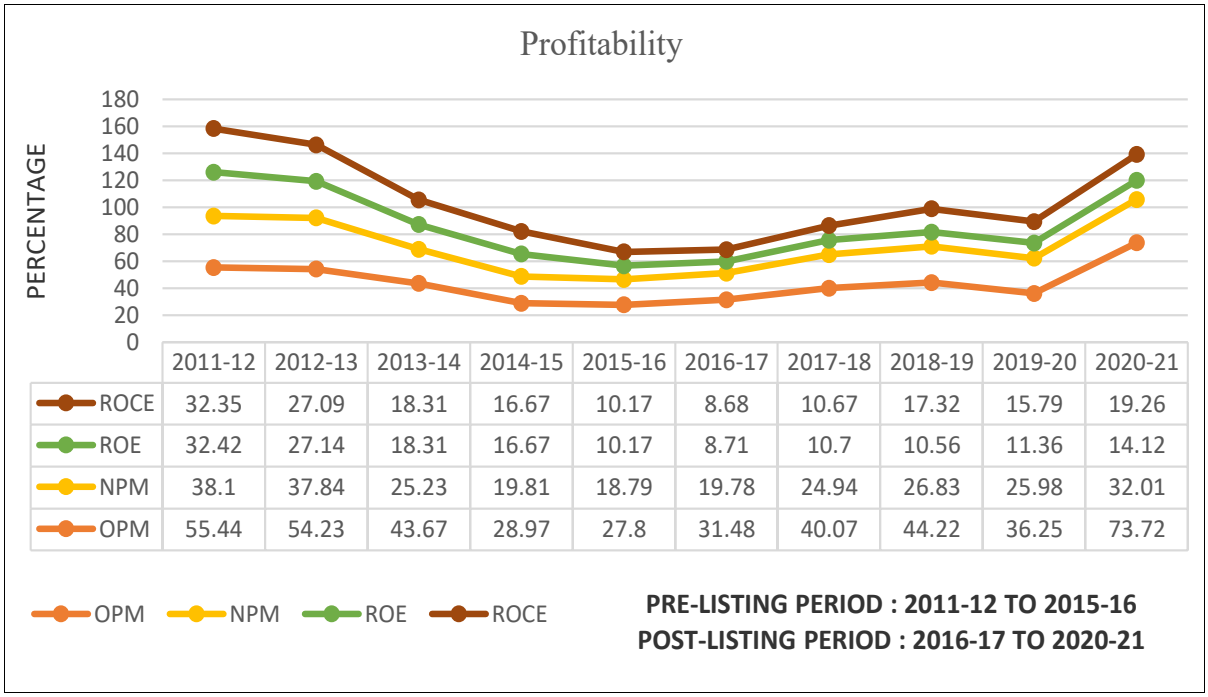
A. Total Asset Turnover Ratio (TAT): Pair-1 of the analysis compares the Total Asset Turnover Ratio (TAT) during the pre-listing and post-listing periods. The results show a mean difference of 24.31, with a standard deviation of 11.59 and a standard error of 5.18. The 95% Confidence Interval for the difference ranges between 9.91 and 38.70. The positive mean difference confirms improved asset utilization following the listing. Furthermore, the t-value of 4.69 and the corresponding p-value of 0.001, well below the 0.05 significance level, indicate that this increase is statistically significant. Accordingly, the null hypothesis (H02a) is rejected, establishing that QHTL experienced a significant enhancement in operational efficiency and asset utilization capacity post-listing.

B. Return on Assets (ROA): Pair-2 of the analysis compares the Return on Assets (ROA) across the pre- and post-listing periods. The results indicate a mean difference of 8.22, with a standard deviation of 10.22 and a standard error of 4.57. The 95% Confidence Interval ranges from -4.47 to 20.91. Although the average ROA increased following the listing, the p-value of 0.147 exceeds the 0.05 threshold, signifying that the difference is not statistically significant. Consequently, the null hypothesis (H02b) is accepted, confirming that QHTL did not experience a significant change in operational efficiency and asset

utilization in terms of ROA post-listing. Taken together with the findings on Total Asset Turnover Ratio (TAT), the results suggest that while QHTL achieved improved efficiency in utilizing assets, this did not translate into proportionately higher returns on those assets.

Changes in profitability

The graph below illustrates the pattern of changes in the profitability position of QHTL.



Source: Prepared from data extracted from moneycontrol.com, and compiled in Excel.

Fig 3: Trends in profitability position

The profitability performance of Quick Heal Technologies Limited (QHTL), illustrated in Figure 3, reveals contrasting trends across the pre- and post-listing phases. During the pre-listing period (FY 2011-12 to 2015-16), all major indicators including Return on Capital Employed (ROCE), Return on Equity (ROE), Net Profit Margin (NPM), and Operating Profit Margin (OPM) exhibited a consistent downward trajectory, signalling weakening profitability. Specifically, ROCE declined sharply from 32.35% in 2011-12 to 10.17% in 2015-16, while ROE fell from 32.42% to 10.17% over the same period. Similarly, NPM decreased from 38.1% to 18.79%, and OPM dropped from 55.44% to 27.8%.

In contrast, the post-listing period (FY 2016-17 to 2020-21) reflected a phase of recovery and strengthening financial performance. All key metrics improved consistently year over year, with OPM reaching 73.72% by 2020-21, suggesting enhanced cost efficiency and pricing strategies. ROCE and ROE rebounded to 32.65% and 19.26%, respectively, while NPM rose to 32.01%, surpassing pre-listing levels. These improvements indicate that the listing may have played a role in reinforcing operational performance, stabilizing financial outcomes, and enhancing investor confidence, thereby contributing to a notable resurgence in profitability during the post-IPO phase.

Table 4: Results of paired sample t-test of profitability

			Paired differences						
		Mean	σ	Std. Error Mean	95% cconfidence iinterval of the difference		t	df	p-value
					Lower	Upper			
Pair-1	Pre-Listing OPM Post Listing OPM	-3.126	26.87	12.02	-36.49	30.24	-0.26	4	0.81
Pair-2	Pre-Listing NPM Post Listing NPM	2.05	13.20	5.90	-14.34	18.43	.347	4	0.75
Pair-3	Pre-Listing ROE Post Listing ROE	9.85	10.62	4.75	-3.33	23.04	2.08	4	0.11
Pair-4	Pre-Listing ROCE Post Listing ROCE	6.57	13.21	5.91	-9.83	22.98	1.11	4	0.33

Source: Self-Compilation with SPSS

Table 4 analyses pre-listing Operating Profit Margin (OPM), Net Profit Margin (NPM), Return on Equity (ROE), and Return on Capital Employed (ROCE) with their post-listing counterparts as follows:

A. Operating Profit Margin (OPM): Pair-1 of the paired-sample t-test compares Operating Profit Margin (OPM) between the pre- and post-listing periods. The results indicate a mean difference of -3.13, with a standard

deviation of 26.87 and a standard error of 12.02. The 95% Confidence Interval ranges from -36.49 to 30.24. Although the negative mean points to a marginal decline in OPM post-listing, the high p-value of 0.81, well above the 0.05 threshold, confirms that this difference is statistically insignificant. Accordingly, the null hypothesis (H03a) is accepted, signifying that QHTL's profitability in terms of OPM did not undergo any significant change following its listing.

B. Net Profit Margin (NPM): Pair-2 of the paired-sample t-test evaluates the Net Profit Margin (NPM) before and after the listing. The results show a mean difference of 2.05, with a standard deviation of 13.20 and a standard error of 5.90. The 95% Confidence Interval spans from -14.34 to 18.43. While the positive mean reflects a slight improvement in NPM post-listing, the p-value of 0.75 well above the 0.05 significance threshold indicates that the change is statistically insignificant. Therefore, the null hypothesis (H03b) is accepted, confirming that QHTL's net profitability remained largely unaffected by the listing event.

C. Return on Equity (ROE): Pair-3 of the paired-sample t-test compares the Return on Equity (ROE) between the pre- and post-listing periods. The analysis yields a mean difference of 9.85, with a standard deviation of 10.62 and a standard error of 4.75. The 95% Confidence Interval ranges from -3.33 to 23.04. While the positive mean suggests an improvement in shareholder returns after listing, the p-value of 0.11 exceeds the 0.05 significance level, indicating that this increase is not statistically significant. Hence, the null hypothesis (H03c) is accepted, confirming that QHTL's ROE did not undergo any significant change because of the listing.

D. Return on Capital Employed (ROCE): Pair-4 of the paired-sample t-test assesses the Return on Capital Employed (ROCE) across the pre- and post-listing periods. The results indicate a mean difference of 6.57, with a standard deviation of 13.21 and a standard error of 5.91. The 95% Confidence Interval ranges from -9.83 to 22.98. Although the positive mean points to a modest improvement in capital efficiency after listing, the p-value of 0.33 is greater than the 0.05 significance threshold, confirming that the change is statistically insignificant. Accordingly, the null hypothesis (H03d) is accepted, indicating that QHTL's ROCE did not undergo a significant shift following its listing.

Table 5: Summary of hypotheses

Hypo. No.	Statement	Status
H01	There exists no significant change in the liquidity of QHTL between pre and post-listing.	Accepted
H01a	There exists no significant change in the Current Ratio of QHTL	Accepted
H01b	There exists no significant change in the Quick Ratio of QHTL	Accepted
H02	There exists no significant change in the operational efficiency and asset utilization capacity of QHTL between pre and post-listing.	Rejected
H02a	There exists no significant change in the operational efficiency and asset utilization capacity of QHTL in terms of TATR.	Rejected
H02b	There exists no significant change in the Asset Utilization Capacity of QHTL in terms of ROA.	Accepted
H03	There exists no significant change in the profitability of QHTL between pre-listing and post-listing	Accepted
H03a	There exists no significant change in the OPM of QHTL	Accepted
H03b	There exists no significant change in the NPM of QHTL	Accepted
H03c	There exists no significant change in the ROE of QHTL	Accepted
H03d	There exists no significant change in the ROCE of QHTL	Accepted

Findings and Conclusion

The primary objective of this study was to assess the financial performance of Quick Heal Technologies Limited (QHTL) in the pre- and post-listing periods surrounding its Initial Public Offering. The results present a mixed picture, with the impact of listing varying across financial dimensions.

- Profitability indicators such as Return on Equity (ROE) and Return on Capital Employed (ROCE) showed improvements after listing, while Net Profit Margin (NPM) recorded a slight rise and Operating Profit Margin (OPM) a marginal decline. However, none of these changes were statistically significant at the 5% level, suggesting that listing had little influence on profitability, which remained largely stable.
- In terms of solvency, the company consistently maintained a debt-free capital structure, as reflected in a Debt-to-Equity Ratio (DER) of zero across both phases. This indicates that the IPO did not materially affect capital structure or long-term financial risk.
- Liquidity analysis, based on the Current Ratio (CR) and Quick Ratio (QR), revealed a post-listing decline. Yet, these changes were statistically insignificant, implying that the firm's short-term financial position remained steady.
- The most notable finding relates to operational efficiency. While Return on Assets (ROA) showed an upward but statistically insignificant trend, the Total Asset Turnover Ratio (TATR) demonstrated a significant increase post-listing. This indicates stronger asset utilization, even though it did not translate into proportionate returns.

Overall, the IPO yielded diverse financial outcomes: profitability and liquidity remained stable, solvency unchanged, and asset utilization improved. These results suggest that QHTL's transition to public ownership did not fundamentally alter its financial structure in the short term but positioned the company for long-term scalability, resource mobilization, and enhanced market credibility.

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