

CMP: Rs 115

Stock Info	
BSE	540775
NSE	KHADIM
Bloomberg	KHDM IN
Reuters	KHAD.BO
Sector	Footwear
Face Value (Rs)	10
Equity Capital (Rs mn)	180
Mkt Cap (Rs mn)	2,066
52w H/L (Rs)	227/ 65
Avg Yearly Vol (in 000')	104

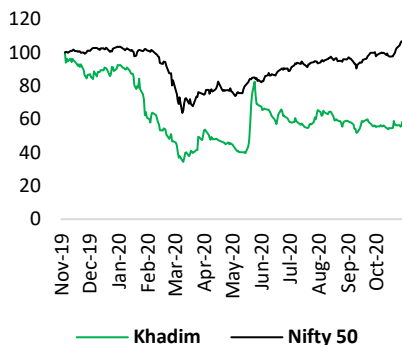
Shareholding Pattern %

(As on September, 2020)

Promoters	60.87
FII	0.04
DII	19.53
Public & Others	19.56

Stock Performance (%)	3m	6m	12m
Khadim	-6.1	37.4	-43.9
Nifty 50	12.9	45.7	8.2

Khadim Vs Nifty 50



Khadim India's performance remained weak during Q2FY21, however, on a sequential basis operating performance of the company has improved slightly. Company has reported sales de-growth of 45% YoY to Rs 1218 mn, largely due to limited scale of operation. On a sequential basis, sales jumped by 102%. Gross profit of the company declined by 54% YoY/+124% QoQ to Rs 386 mn. Gross margin for the quarter increased to 31.7% as compared to 28.5% QoQ. Lower sales, decline in gross margin on a YoY basis, led to EBITDA loss during the quarter. EBITDA loss during the quarter narrowed to Rs 116 mn from Rs 143 mn QoQ. Other income for the quarter increased sharply by 240% YoY/93% QoQ to Rs 70 mn, on account of Rs 21 mn benefit from lease rent waiver/reduction. Company has reported loss of Rs 212 mn. On a sequential basis, loss of the company narrowed from Rs 278 mn to Rs 212 mn.

Q2FY21 Segment Wise Performance:

On Segmental basis, Retail business de-grew by 56% YoY to Rs 625 mn while on QoQ basis it grew sharply by 192%. Contribution of retail business in the total revenue stood at 51%. Distribution business of the company was better than Retail and it has reported growth of 14% YoY/37% QoQ to Rs 513 mn. Distribution business revenue share stood at 42%.

Key Takeaways from Conference Call:

- Gross margin in the retail business contracted by 500bps QoQ to 39.4%, largely due to higher demand and sales of low price products leading to lower ASP (Average selling price), Discounts offers to increase billing value. Management expects, In next few months it will get back to normal level.
- Since Q2FY21, good recovery seen during festive season at ~70%. Company is looking to improve footfall in the stores to increase the billing value and ASP.
- Company targets sales of Rs 500-600 cr in FY21 and break-even on EBITDA front at this level of topline.
- As highlighted in last quarter call, Company continues to focus on E-commerce sales. E-commerce sales of the company stood at 2.5-3% in H1FY21 as compared to <1% in H1FY20.
- Company has taken several cost optimization measures. Other expenses have fallen by 29% YoY because of reduction in power & fuel cost, rent and personal cost. On QoQ basis other expenses increased sharply as lot of reduction was there in Q1FY21 in infra cost, some fixed cost, advertising expense and fuel expenses.
- Demand of Hawaii and PVC products continued to remain high.

Outlook: We saw recovery in Khadim India's Q2FY21 performance over Q1FY21, but margin in both retail and distribution remained on lower side. Company is focusing to increase its ASP by trying to come up with innovative schemes, premiumization of products, E-commerce sales and strong brand recall. Currently, stock is trading at attractive valuation (at 9.8x FY19 PE) and we believe weak performance of the company is priced in.

Quarterly Result Snapshot

Particulars (in mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Sales	1217.5	2228.2	-45%	604.0	102%
COGS	831.6	1383.7	-40%	431.9	93%
Gross Profit	385.9	844.5	-54%	172.1	124%
Gross Margin (%)	31.7%	37.9%	-621bps	28.5%	320bps
Employee Cost	149.1	190.5	-22%	153.3	-3%
Other Expenses	352.7	499.7	-29%	161.5	118%
EBITDA	-116.0	154.3	NA	-142.7	NA
EBITDA Margin (%)	-9.5%	6.9%	NA	-23.6%	NA
Depreciation	102.5	104.4	-2%	102.4	0%
Interest	68.7	69.6	-1%	64.6	6%
Other Income	69.8	20.6	240%	36.3	93%
PBT	-217.4	0.9	NA	-273.4	NA
Tax	-5.9	16.3	NA	4.1	NA
PAT	-211.5	-15.4	NA	-277.6	NA

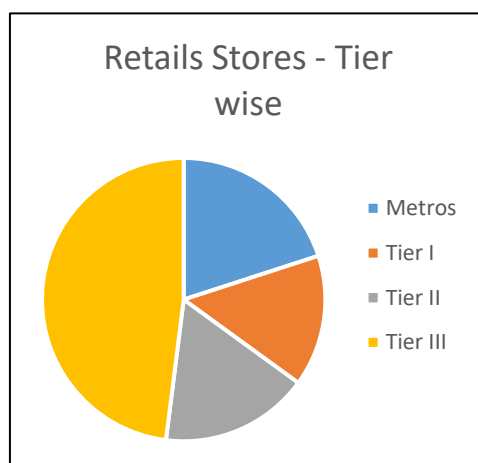
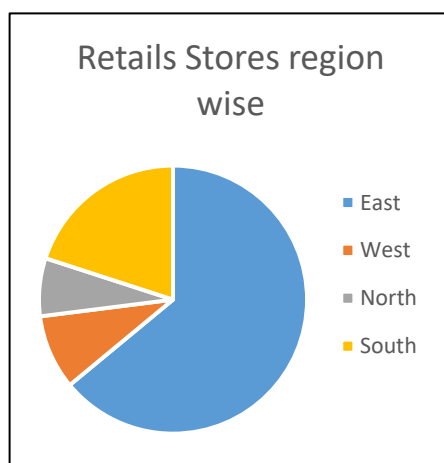
Segment Wise Performance

Revenue Share (in mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Retail Business	625	1422	-56%	214	192%
% Revenue	51.4	63.8		35.4	
Distribution	513	452	14%	375	37%
% Revenue	42.2	20.3		62.1	
Others	79	354	-78%	15	432%
% Revenue	6.5	15.9		2.5	
Total Revenue	1218	2228	-45%	604	102%

Segment wise Gross Margin	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Retail Business	39.4%	44.3%	-490bps	44.4%	-500bps
Distribution	29.6%	27.0%	260bps	30.7%	-110bps

Stores Network

As on Sept' 2020	
Retail Stores	785
- COCO	216
- Franchise	569
Distributors	615



Key Financial

Income Statement

Y/E March (Rs Mn)	FY18	FY19	FY20
Revenues	7,487	7,992	7,719
Change (%)	22.6%	6.7%	-3.4%
Cost of Goods Sold	4,653	4,965	4,912
Employee costs	652	721	733
Other expenses	1,425	1,737	1,769
Total operating Expense	6,730	7,422	7,414
EBITDA	757	570	305
Other Income	93	63	67
Depreciation	156	184	419
Interest	124	116	293
PBT	570	332	-341
Extra-ordinary	0	0	0
PBT after ext-ord.	570	332	-341
Tax	191	120	-28
Rate (%)	33.5%	36.2%	8.3%
PAT	379	212	-313
Change (%)	23.7%	-44.1%	NA

Source: Company, Arianth Research

Key Ratios

Y/E March (Rs Mn)	FY18	FY19	FY20
Per share (Rs)			
EPS	21.1	11.8	-17.4
CEPS	29.8	22.0	5.9
BVPS	149.4	160.1	129.9
Valuation (x)			
P/E	5.7	10.1	-6.9
P/CEPS	4.0	5.4	20.1
P/BV	0.8	0.7	0.9
Return Ratios (%)			
Gross Margin	37.9%	37.9%	36.4%
EBIDTA Margin	10.1%	7.1%	3.9%
PAT Margin	5.1%	2.7%	-4.1%
ROE	14.1%	7.4%	-13.4%
ROCE	17.6%	9.6%	-3.3%
Leverage Ratio (%)			
Total D/E	0.3	0.4	0.5
Turnover Ratios			
Asset Turnover (x)	1.5	1.5	1.1
Inventory Days	99	114	126
Receivable Days	62	61	56
Payable days	102	97	118

Source: Company, Arianth Research

Balance Sheet

Y/E March (Rs Mn)	FY18	FY19	FY20
Sources of Funds			
Share Capital	180	180	180
Reserves & Surplus	2,505	2,697	2,155
Net Worth	2,685	2,877	2,335
Long term debt	0	0	0
Short term debt	685	1,090	1,161
Total Debt	685	1,090	1,161
Non Current Liabilities	63	58	1,713
Current liabilities	1,464	1,472	1,777
Total Liabilities	4,897	5,498	6,985
Application of Funds			
Net Block	1,246	1,308	1,300
Other Non-Current Assets	27	26	1,478
Net fixed assets	1,273	1,334	2,777
Deferred/Income tax assets	3	26	151
Other Non-Current Assets	426	420	291
Current Assets	2,691	2,977	2,966
Other Current Assets	504	741	799
Total Assets	4,897	5,498	6,985

Cash Flow Statement

Y/E March (Rs Mn)	FY18	FY19	FY20
Cash Flow From Operating Activities	141	-107	571
Cash Flow From Investing Activities	-59	-154	-151
Free cash flow (FCF)	-76	-356	407
Cash flow from financing activities	397	-171	-258
Net inc /(dec) in cash	478	-432	162
Opening balance of cash	-828	-350	-782
Closing balance of cash	-350	-782	-620

Source: Company, Arianth Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880