

CMP: INR 135

Rating: Not Rated

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)	2,431
52w H/L (Rs)	178/ 60
Avg Yearly Vol (in 000')	128

Shareholding Pattern %

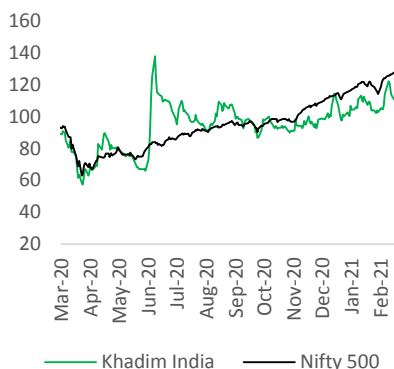
(As on December, 2020)

Promoters	60.98
FII	0.04
DII	15.53
Public & Others	23.45

Stock Performance (%)

	3m	6m	12m
Khadim	16.7	1.3	8.6
Nifty 500	21.1	37.2	26.9

Khadim Vs Nifty 500



After a loss from the last 5 consecutive quarters, Khadim India's earnings came back in black with net profit of INR 44 mn in Q3FY21. Company has reported muted growth in topline on YoY basis while it grew by 43% on a sequential basis at INR 1,741 mn. EBITDA during the quarter increased by 4x YoY at INR 152 mn, largely due to cut in other OPEX and staff cost. EBITDA margin for the quarter improved sharply from 2% to 8.7% YoY. On QoQ basis company backed in EBITDA gain. Gross margin during the quarter increased from 32% to 37% on a sequential basis largely due to increased sales of fashionable products as compared to basic products. Company aims to improve gross margin going ahead by continuous focus on high margin products. Company has reported a profit of INR 44mn as against loss of INR 132 mn YoY and loss of INR 212 mn in Q2FY21.

Q3FY21 Segment Wise Performance:

On Segmental basis, Retail business de-growth moderated to 8% YoY (as against 56% YoY in Q2FY21) to INR 1,075 mn while on QoQ basis it grew by 72%. Contribution of retail business in the total revenue stood at 62% vs. 51% QoQ. Distribution business performed well during the quarter with revenue growth of 31% YoY/20% QoQ to INR 615 mn. Retail business gross margin improved sharply from 39.4% to 46.9% QoQ due to product mix change and price hike. Distribution business gross margin increased by 70bps QoQ at 30%.

Key Takeaways from Conference Call:

- Gross margin improved both in retail and distribution business, largely due to product mix improvement (improved customer sentiment towards more fashionable products) and price hike.
- Receivables as on Q3FY21: INR 98 cr and Inventory at INR 152 cr.
- With increasing demand as sales pick up back to pre covid levels, Khadim production capacity utilisation stands at 72%.
- Long term strategy: A) Increasing SSSG as a retail strategy: Company's main focus is on increasing same store sales growth (SSSG) by increasing volume growth (+1/2%) and ASP increase of 3-4%). B) Company's endeavor is to increase the both gross and EBITDA margin on YoY basis (by focusing on high margin fashionable product). C) Increasing distribution business network very aggressively.
- Company is seeing improvement on customer footfall.
- Company has closed 13 stores and there is no intention to open any COCO store in the next year.

Outlook: We saw recovery in Khadim India's Q3FY21 performance over Q2FY21 with an improvement in gross margin. Company's long term outlook on business front like increasing SSSG, ASP hike and margin focus are some of the key long term triggers in the stock. Its efforts towards premiumisation of product mix coupled with controlled OPEX and gross margin improvement would further enhance profitability going ahead. Currently, Khadim is trading at attractive valuation of 23.1x FY22E bloomberg consensus estimates (~56% discount to Bata and ~67% discount to Relaxo).

Risk: Any sharp fall in gross margin.

Quarterly Result Snapshot

Particulars (in mn)	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Sales	1740.8	1747.6	0%	1217.5	43%
COGS	1097.5	1048.9	5%	831.6	32%
Gross Profit	643.4	698.8	-8%	385.9	67%
Gross Margin (%)	37.0%	40.0%	-303bps	31.7%	526bps
Employee Cost	155.6	180.4	-14%	149.1	4%
Other Expenses	336.2	483.5	-30%	352.7	-5%
EBITDA	151.6	34.9	334%	-116.0	-231%
EBITDA Margin (%)	8.7%	2.0%	671bps	-9.5%	NA
Depreciation	95.2	108.4	-12%	102.5	-7%
Interest	60.9	80.6	-24%	68.7	-11%
Other Income	39.5	14.4	173%	69.8	-43%
PBT	35.0	-139.6	-125%	-217.4	-116%
Tax	-9.4	-7.7	23%	-5.9	60%
PAT	44.4	-132.0	-134%	-211.5	-121%

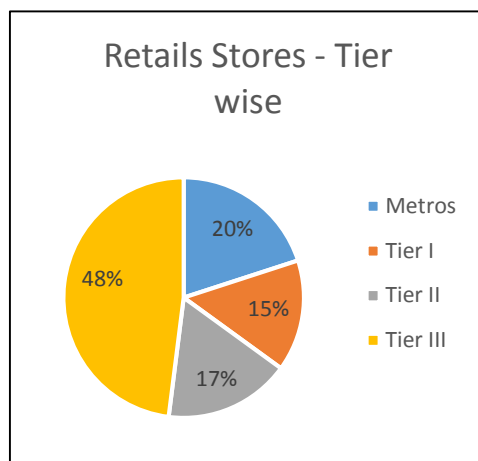
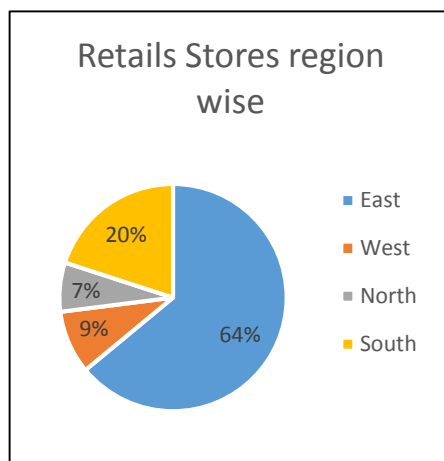
Segment Wise Performance

Revenue Share (in mn)	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Retail Business	1075	1168	-8%	625	72%
% Revenue	61.8	66.8		51.3	
Distribution	615	468	31%	513	20%
% Revenue	35.3	26.8		42.1	
Others	51	112	-54%	79	-36%
% Revenue	2.9	6.4		6.5	
Total Revenue	1741	1748	0%	1217	43%

Segment wise Gross Margin	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Retail Business	46.9%	47.5%	-60bps	39.4%	750bps
Distribution	30.3%	31.5%	-120bps	29.6%	70bps

Stores Network

As on Dec' 2020	
Retail Stores	774
- COCO	215
- Franchise	559
Distributors	628



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

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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% to -12%
SELL	<-12%

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