

**BUY**

Current Price	784
Target Price	1000
Upside/Downside	27%
52 Week Range	645/862

Key Share Data

Market Cap (Rs.bn)	14
Market Cap (US\$ Mn)	204
No of o/s shares (Mn)	17.96
Face Value	1
Monthly Avg.vol (BSE+NSE) Nos'000	27
BSE Code	540775
NSE Code	KHADIM
Bloomberg	KHDM:IN

Price performance

% Shareholding	Mar-18	Dec-17
Promoters	59.70	59.70
Institutions	28.29	22.44
Others	12.01	17.86
Total	100	100

Khadim's Ltd Background: An Indian footwear brand, which is expanding across India through Retail (~68% of Revenue) and distribution (~25% of Revenue) model. The company is the second largest footwear retailer in India in terms of number of exclusive retail stores (753 stores in FY18) operating under the 'Khadim's' brand, with the largest presence in East India with 497 stores, in addition to being one of the top three players in South India.

Rs 630 Bn opportunity growing at ~16% CAGR: Indian footwear Industry is at Rs.630 Bn (as of FY17) of which organized players contributes ~25% at Rs. 160Bn; with topline of Rs 7.5bn in FY18 Khadim's is ~5% of the organized market. Going forward the industry is expected to grow at 16% CAGR over FY16-FY20.

Retail business (68% of Revenues) expected to grow at 13-14% CAGR: 54% of retail business comes from COCO (company owned, and company operated) model and 46% from Franchise model.

Between FY14 to FY18 Retail business has grown at a CAGR of 9.3% to Rs 5107mn supported by 4.5% CAGR in volume at 12.4mn pairs in FY18 and 12% CAGR in number of stores. Khadim's retail business has 1400 SKU's (under 9 sub brands and mother-brand).

Going Forward Retail business is expected to grow at 13-14% CAGR supported by 70-75 store additions annually and ~6-7% SSG growth.

Distribution Business which is another (25% of Revenues) to grow at ~28-30%, this will also improve margins since capacity utilization will rise: Distribution business is at Rs. 1860 Mn growing at CAGR of 37% over FY14. With 300 SKU's company was able to sell 22mn pairs in FY18 which has grown 42% CAGR over FY14 (0.54mn pairs). Going forward as well this business is expected to grow at 28-30% on a lower base.

Other Business is at 7%: Other business mainly consist of Institutional sales and E-commerce, where the company will be restricting to 10% of total sales for institutional sales.

Margin Expansion: In-case of Retail business focus would be on premiumization, between FY14 to FY18 ASP has grown at 5% CAGR and going forward as well the trend would continue. FY18 had discount period of 6 months which is expected to reduce to 4 months in FY19. In case of distribution business rise in utilization would aid margins going forward.

CAPEX: Company would incur a CAPEX of Rs.280-300mn, as follows:

- Rs. 100-120mn will be for factory CAPEX
- Rs. 60mn. for new outlets
- Rs. 100-120 Mn for Refurbishment, general corporate and warehouse expenses.

Valuation and Outlook:

Khadim's ROE and ROCE in FY18 stood at 14% and 20%. Debt at Rs 680 Mn and D: E at 0.25. Going forward on an overall basis the company is expected to grow at a CAGR of 17-18% topline, EBIDTA margins (10.1% in FY18) would improve by 50bps on account of premiumization in Retail business and better utilization in Distribution business which would aid bottom-line to grow at 25% CAGR.

30X FY19e EPS of Rs. 26, 23X FY20e EPS of Rs. 33.

Key Financials

Year	Net Sales	Growth	EBIDTA	OPM%	PAT	Growth	EPS	PE(x)	RoE	RoCE
FY17	6,212.5	16.2%	657.7	10.59	307.6	22.0%	17.8	44.4	17%	18%
FY18	7,487.1	20.5%	756.8	10.11	379.0	23.2%	21.1	37.4	14%	20%
FY19E	8,759.7	17.0%	928.2	10.60	475.6	25.5%	26.5	29.8	15%	22%
FY20E	10,281.7	17.4%	1,138.1	11.07	603.5	26.9%	33.6	23.5	16%	23%

Comparative Analysis

Rs.Mns	CMP	FY18Sales	CAGR FY15-18	OPM	ROE	ROCE	EPS FY19e	EPS FY20e	P/E FY19e	P/E FY20e
Khadims	784	7,487	17%	10%	14%	20%	26.47	33.59	30	23
Bata	830	26,342	7%	13%	15%	20%	20.3	23.10	41	36
Relaxo	703	19,644	10%	15%	21%	28%	16.1	19.20	44	37



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia (022) 67141442
Associate: Nidhi Babaria (022) 67141450

Visit Note @ Dalal and Broacha

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia (022) 67141442
Associate: Nidhi Babaria (022) 67141450

Visit Note @ Dalal and Broacha

have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms.Abhilasha Satale	abhilasha.satale@dalal-broacha.com	02267141435	Mid-Caps
Mr. Mayank Babla	Mayank.babla@dalal-broacha.com	022 67141412	IT Sector
Mr. AvinashKumar	avinash.kumar@dalal-broacha.com	022 67141441	Capital Goods
Ms. Richa.Singh	richa.singh@dalal-broacha.com	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com