

Khadim India Ltd : Good Issue

IPO Note : Second largest footwear retailer in India in terms of number of exclusive retail stores under the 'Khadim's' brand : Ranking***



Issue details

Price band (Rs)	Rs.745-750
IPO Opening Date	02/11/17
IPO Closing Date	06/11/17
Issue Size	Rs. 543 Cr.

Recommendation

Total revenue grew at a CAGR of **10.10%** from Rs.425.71 Cr for the FY 2013 to Rs.525.54 Cr for FY 2017. It suffered a severe setback for FY 15 on account of change in marketing mode with higher discounts. It has reported net profit of Rs. 7.11 crore on a turnover of Rs. 179.76 crore for Q1 of current fiscal. If we annualize latest earnings and attribute it on fully diluted equity post issue, then asking price is at a P/E of around **64.21** against industry average P/E of 62. Thus issue appears fully priced. Company has bright prospects ahead as India's footwear business is expected to grow at a **CAGR of 15%** by 2020 as population and income growth will continue. With GST implementation, organized footwear segment is expected to grow with faster speed. Although it appears highly priced offer compared to Bata, Liberty and Relaxo which is trading around **66.21 P/E, 66.46 and 53.82 PE**. Looking to its brand image and sector growth, moderate investment may be considered for medium to long term.

Highlights

- Khadim India Ltd. (KIL) is one of the leading footwear brands in India, with a two-pronged focus on retail and distribution of footwear.
- It is the second largest footwear retailer in India in terms of number of exclusive retail stores operating under the 'Khadim's' brand, with the largest presence in East India and one of the top three players in South India.
- As at June 30, 2017 and March 31, 2017, it operated 853 and 829 'Khadim's' branded exclusive retail stores across 23 states and one union territory in India, respectively, through retail business vertical. Further, it had a network of 377 and 357 distributors in the three month period ended June 30, 2017 and fiscal 2017, respectively, in distribution business vertical.
- KIL is addressing around 85% of the total market potential in mid, economy and mass segments.

Company Introduction

Incorporated in 1981, Khadim India Limited is Kolkata based second largest footwear retailer in India. Company operates exclusive retail stores under the 'Khadims' brand with major presence in East India. Khadim India operates through two business verticals, retail and distribution.

The retail business operates through its exclusive retail stores catering to middle and upper middle income consumers in large cities. Company has over 829 'Khadims' branded exclusive retail stores. Out of this, 167 are company owned and operated stores and remaining are franchisee operated stores. Company's retail business constitutes over 70% of its net revenue. Over 85% of products sold through its retail stores are manufactured by outsourced vendors.

The distribution business operates through a wide network of distributors catering to lower and middle income consumers. Company have a network of 357 distributors. The distribution

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Financial Summary (Rs. In Crore)

Particulars	Qtr. Ended June 2017	FY2017	FY 2016	FY2015
Total Income	179.76	525.54	538.83	465.7
Net Profit	7.01	30.75	25.24	-18.65
EPS (Rs)	2.92*	12.81	10.51	-

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

business constituted over 20% of its net revenue. A large portion products sold through distributors are manufactured by the company at its own manufacturing facilities and through contract manufacturing facilities. Company have two owned manufacturing facilities and two outsourced manufacturing facilities.

Company Promoters:

1. Siddhartha Roy Burman; and
2. Knightsville Private Limited.

The object of the issue

The Offer comprises a Fresh Issue by the Company and an Offer for Sale by the Selling Shareholders.

The Offer for Sale

The Selling Shareholders will receive the proceeds of the Offer for Sale. Company will not receive any proceeds from this.

The Fresh Issue

The Net Proceeds from the Fresh Issue are proposed to be utilised towards the following objects:

1. Prepayment or scheduled repayment of all or a portion of term loans and working capital facilities availed by the Company; and
2. General corporate purposes.

IPO Issue Proceed

To part finance its pre/repayment plans of term loans and general corpus fund needs, KIL is coming out with a maiden IPO of 65.74 lakh equity shares by offer for sale and fresh equity issue worth Rs. 50 crore. Issue is made via book building route with a price band of Rs. 745-750 per share to mobilize Rs. 539.77 crore to Rs. 543.06 crore (based on lower and upper price bands). Issue opens for subscription on 02.11.17 and will close on 06.11.17. Minimum application is to be made for 20 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post issue its current paid up equity capital of Rs. 17.30 crore will stand enhanced to Rs. 24.00 crore.

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