

IDFC Securities invites you to the

Q4FY20 Earnings call of

Khadim India

Tuesday, 21st July 2020 at 11:30 hrs IST

Khadim India's management will be represented by:

Mr Siddhartha Roy Burman - CMD

Ms. Namrata Chotrani - CEO

Mr Indrajit Chowdhury - CFO

Diamond Passcode link: [Click here](#)

Universal Access: +91 22 6280 1384
+91 22 7115 8285

The numbers listed above are universally accessible from all networks and all countries.

Local Access Number: +91-7045671221

Toll Free Number:

Hong Kong	800964448
Singapore	8001012045
UK	08081011573
USA	18667462133

Toll Number:

HongKong	85230186877
Singapore	6531575746
UK	442034785524
USA	13233868721

Please dial-in at least 5-10 minutes prior to the conference schedule to ensure that you are connected to the call in time.

For further information please contact

Mehul Desai / Rohit Dokania

IDFC Securities Ltd

Tel: 91-22-4202 2640 / 2567

Email: mekul.desai@idfc.com / rohit.dokania@idfc.com



KHADIM INDIA LIMITED
Q4 FY20 RESULTS PRESENTATION
JULY 2020

***Khadi*m's®**

DISCLAIMER

This presentation and the following discussion may contain “forward looking statements” by Khadim India Limited (“Khadim” or the Company) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of Khadim about the business, industry and markets in which Khadim operates.

These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond Khadim’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of Khadim.

In particular, such statements should not be regarded as a projection of future performance of Khadim. It should be noted that the actual performance or achievements of Khadim may vary significantly from such statements.

DISCUSSION SUMMARY

- BUSINESS OVERVIEW
- Q4& FY20 RESULTS
- BUSINESS STRATEGY & OUTLOOK
- FINANCIAL & OPERATIONAL SUMMARY
- MANAGEMENT TEAM & SHAREHOLDING PATTERN



BUSINESS OVERVIEW



BRITISH WALKERS



LAZARD



QUICK SNAPSHOT

1 Leading Footwear Brand in India

- 2nd largest footwear retailer in India *
- Largest presence in East India
- One of the top 3 players in South India
- Largest footwear retail franchise network in India
- Emerging brand in West and North India

2 Extensive Reach & Presence

- Retail presence across 23 states & 1 union territory
- 795 'Khadim's' branded retail stores (Mar-20)
- Wide network of 572 distributors selling to MBOs across India (Mar-20)

5 Strong Design Capabilities

- Understanding latest domestic & global fashion trends
- Strong design capabilities have helped create and grow sub-brands, drive premiumisation and target and retain aspirational customers
- This has led to higher ASP and gross margin

Khadim's[®]

**'Affordable Fashion'
for the entire family
for every occasion**

3 Two-pronged Market Strategy

- Two distinct business models – retail & distribution, each with its own customer base, product range, sales channels
- Ability to capitalize on the growth potential of both the markets and de-risk dependence on any one business

4 Asset Light Model for Growth

Retail business

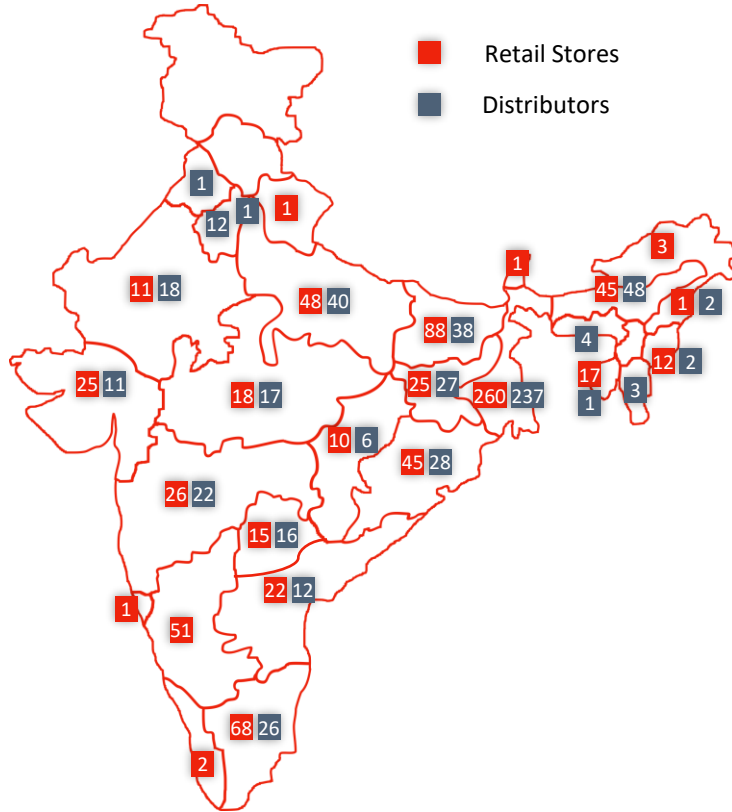
- 72% of retail presence through franchise route
- Outsource 91% of product requirement (FY20)

Distribution business

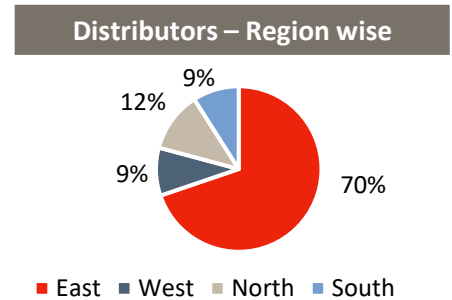
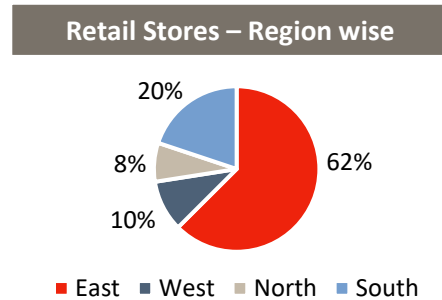
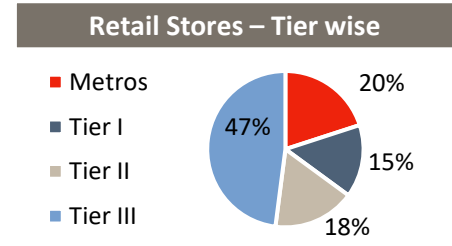
- Highly scalable model on the front end
- Mix of in-house and contract manufacturing

EXTENSIVE GEOGRAPHICAL REACH & PENETRATION

Presence in 23 States & 1 Union Territory



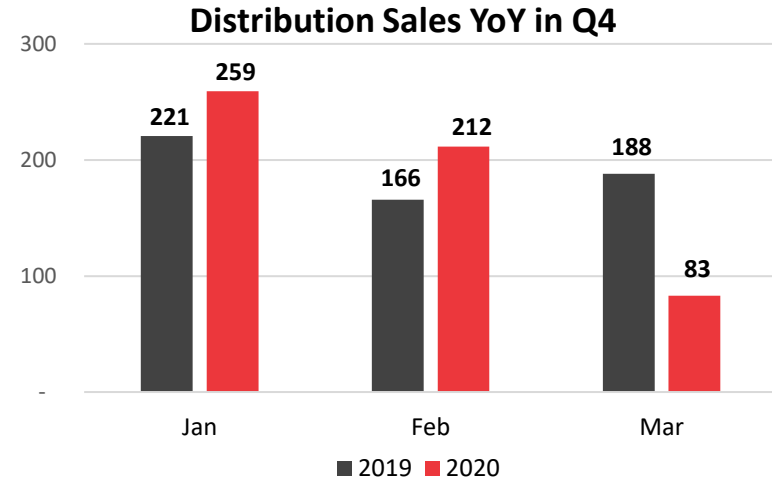
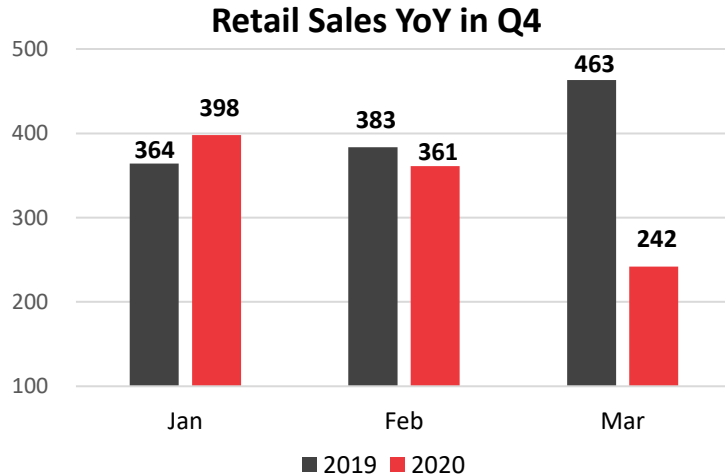
Brand Network	Mar '20
Retail Stores	795
- COCO	223
- Franchises	572
Distributors	572



MESSAGE FROM THE CHAIRMAN

- The sales & manufacturing operations were on complete hold from March 22 – May 14 during nationwide lockdown. Activities have resumed partially, and we are following strict safety & hygiene protocols in our operations.
- We have taken all necessary steps to adhere to the guidelines for social distancing and other safety measures provided by Ministry of Home Affairs along with the various directives issued by relevant Government authorities.
- Pre-lockdown, in Q4, we had taken several strategic decisions to drive growth & streamline sales:
 - We successfully implemented TOC across 230 stores, and the system is running efficiently across our nationwide store network. This will be further beneficial for us in managing costs & improving logistics post reopening by customising store assortment, utilising inventory in an optimal manner to maximise sell-through & aligning stock targets with actual demand
 - We have significantly updated our product portfolio – New line of products with fresh & appealing designs targeted towards youth segment is ready to hit the market. We plan to take our motto of “Affordable Fashion for all” to a new level
 - Key changes in Distribution segment with new & experienced Business Head to accelerate the already growing segment, enhanced with expanded sales team and increased tie-ups in pipeline
 - To further improve our online presence, we revamped company website with a modern & user-friendly interface showcasing our products attractively.
 - Omnichannel sales network is being enhanced by linking our website with stores in different geographies. Increased focus to grow our e-commerce sales
 - We have actively improved engagements with customers by launching new social media campaigns & increasing online marketing activities

COVID-19 IMPACT & SALES TRAJECTORY



Our sales in both Retail & Distribution segments had recorded year-on-year growth cumulatively in the first two months. However, since the lockdown was implemented in March, we recorded lower sales

PHASED REOPENING - SOCIAL MEDIA ENGAGEMENT

Khadim's
In step with every Indian



Our stores are
now open!

#StepInSafely

Khadim's
In step with every Indian



We practice
social distancing
for your safety

#StepInSafely

Khadim's
In step with every Indian



We are disinfecting
every item in our store
with utmost care

#StepInSafely

THE VIRUS AND THE WORRIES STAY OUTSIDE,
WHEN YOUR SHOES STAY SANITIZED!

PRESENTING **100% WASHABLE WEAR**
THAT CAN BE **SANITIZED QUICKLY**



[@khadimindia](https://www.instagram.com/khadimindia)



[@khadimsindia](https://twitter.com/khadimsindia)

Khadim's

Q4 & FY20
RESULTS UPDATE



SHARON

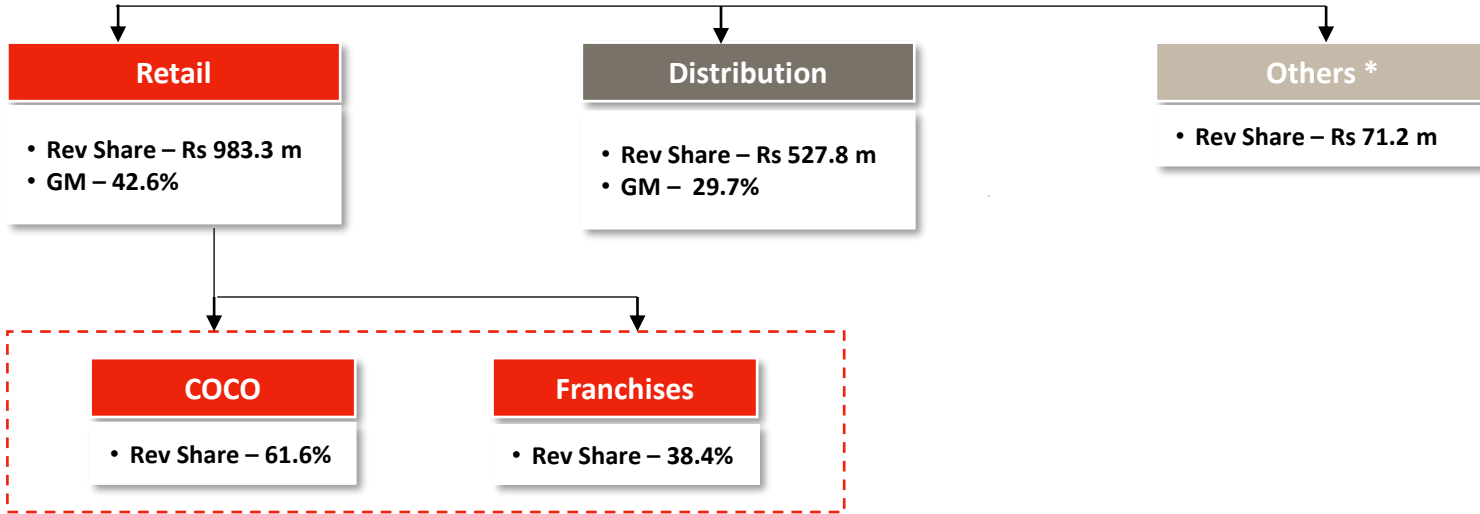


CLEO



Khadim's[®]

Q4 FY20 Revenues
Rs Mn



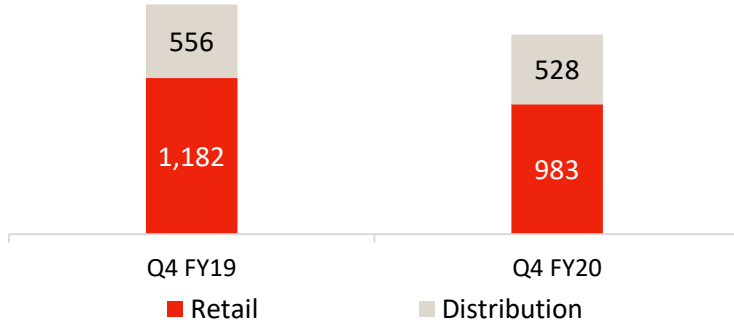
Asset Light Model for Frontend Expansion and Scalability

- **Retail Business** – Expand into new markets through COCO stores and further augment the presence through franchise stores. 72% of retail presence is through franchise route
- **Distribution Business** – Highly scalable model to capitalise on retail brand recall and target new markets

* Others include institutional sales, e-commerce sales, export sales and sale of packing materials

Q4& FY20 RESULTS: SEGMENT ANALYSIS

Q4FY20 YoY ANALYSIS – REVENUE BREAKUP



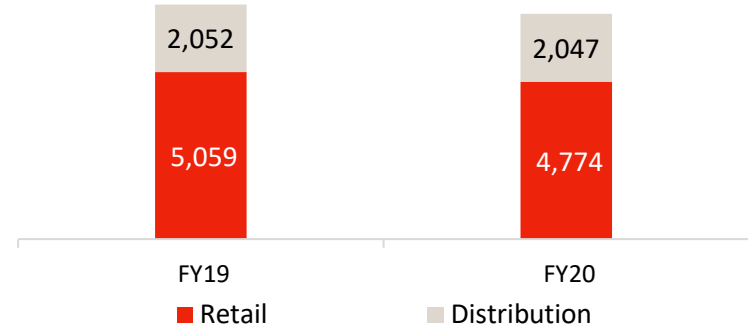
Segment Share % *	Q4FY19	Q4FY20
Retail	57.2%	62.1%
Distribution	26.9%	33.4%

Gross Margin %	Q4FY19	Q4FY20
Retail	42.8%	42.6%
Distribution	29.9%	29.7%

EBITDA Margin %	Q4FY19	Q4FY20
Retail	5.7%	-5.1%
Distribution	4.5%	-5.6%

*All figures as per IND-AS, In Rs Mn

FY20 YoY ANALYSIS – REVENUE BREAKUP



Segment Share % *	FY19	FY20
Retail	63.3%	61.8%
Distribution	25.7%	26.5%

Gross Margin %	FY19	FY20
Retail	45.9%	45.1%
Distribution	28.7%	29.4%

EBITDA Margin %	FY19	FY20
Retail	8.1%	3.8%
Distribution	5.9%	3.9%

CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars (In Rs Mn)	Q4FY20	Q4FY19	YoY %	Q3 FY20	QoQ %	FY20	FY19	YoY %
Revenue	1,582.2	2,066.7	-23.4%	1,747.6	-9.5%	7,718.7	7,991.8	-3.4%
COGS	1,108.3	1,385.1	-20.0%	1,048.9	5.7%	4,912.2	4,964.6	-1.1%
Gross Profit	473.9	681.6	-30.5%	698.8	-32.2%	2806.5	3027.2	-7.3%
Gross Margin %	30.0%	33.0%	-303 bps	40.0%	-1003 bps	36.4%	37.9%	-152 bps
Employee Expenses	183.3	183.4	0.0%	180.4	1.6%	732.7	720.6	1.7%
Other Expenses	374.9	405.4	-7.5%	483.5	-22.4%	1769.1	1737.3	1.8%
EBITDA	-84.3	92.9	-190.8%	34.9	-341.4%	304.6	569.4	-46.5%
EBITDA Margin %	-5.3%	4.5%	-982 bps	2.0%	-733 bps	3.9%	7.1%	-318 bps
Depreciation	107.9	46.3	133.0%	108.4	-0.5%	419.4	184.3	127.5%
Finance Cost	77.7	33.7	130.4%	80.6	-3.6%	292.8	116.4	151.5%
Other Income	15.4	8.7	76.8%	14.4	6.8%	66.7	63.4	5.3%
PBT	-254.4	21.6	-	-139.6	-	-340.8	332.0	-
Tax Expense	-55.7	9.6	-	-7.7	-	-28.1	120.3	-
PAT	-198.8	12.0	-	-132.0	-	-312.7	211.7	-
PAT Margin %	-12.6%	0.6%	-1315 bps	-7.6%	-501 bps	-4.1%	2.6%	-670 bps

BALANCE SHEET

Particulars (In Rs Mn)	Mar-20	Mar-19
Equity		
Equity Share capital	179.7	179.7
Other Equity	2,154.8	2,697.0
Non-Current Liabilities		
Lease liabilities	1,489.1	-
Provisions	5.1	15.4
Deferred Tax Liabilities (Net)	-	39.1
Other Non-Current Liabilities	2.9	3.9
Current Liabilities		
Financial Liabilities		
Borrowings	1,160.5	1,090.4
Lease Liabilities	216.1	-
Trade Payables	1,582.2	1,320.1
Other Financial Liabilities	132.0	113.1
Other Current Liabilities	57.7	32.6
Provisions	2.8	4.9
Income Tax Liabilities (net)	1.8	1.8
Total Equity & Liabilities	6,984.7	5,498.0

Particulars (In Rs Mn)	Mar-20	Mar-19
Non-Current Assets		
Property, Plant and Equipment	1,299.7	1,308.3
Capital work - in - progress	5.5	17.1
Right of Use Assets	1,467.6	-
Intangible assets	3.7	8.2
Intangible assets under development	0.9	0.3
Financial Assets:		
Investments	-	-
Others	174.9	169.5
Deferred tax assets (net)	101.2	-
Income Tax Assets (net)	49.7	26.2
Other non-current assets	116.3	250.3
Current Assets		
Inventories	1,696.5	1,550.0
Financial Assets:		
Trade Receivables	1,189.8	1,341.2
Cash & Bank Balances	79.9	85.7
Others	89.5	110.1
Other Current Assets	709.6	631.2
Total Assets	6,984.7	5,498.0

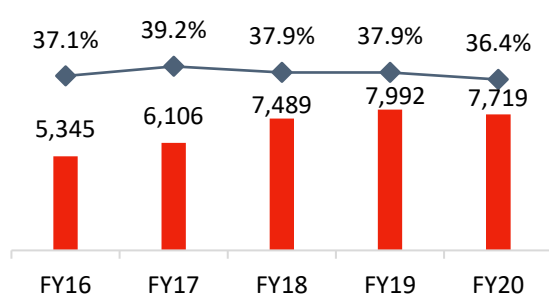
FINANCIAL & OPERATIONAL
SUMMARY



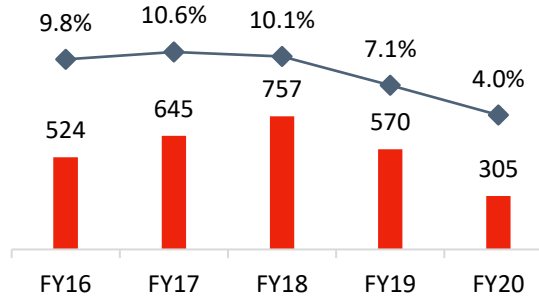
FINANCIAL SUMMARY*

In Rs Mn

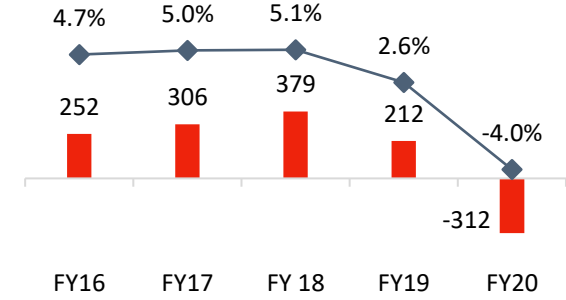
Revenues & Gross Margin



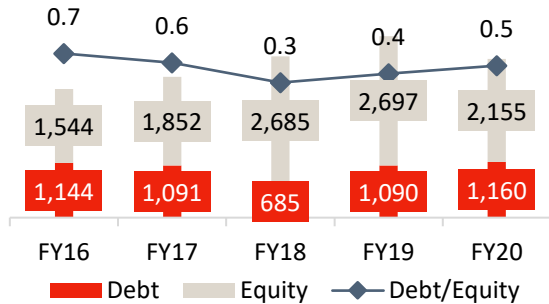
EBITDA & EBITDA Margin



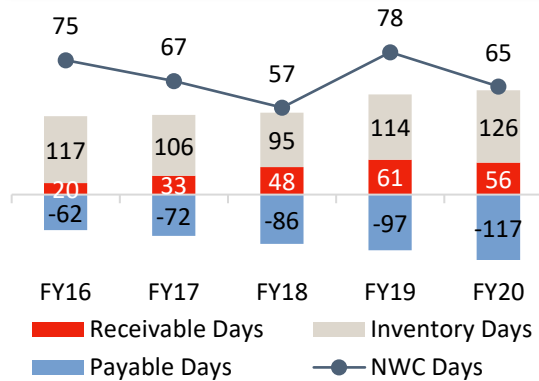
PAT & PAT Margin



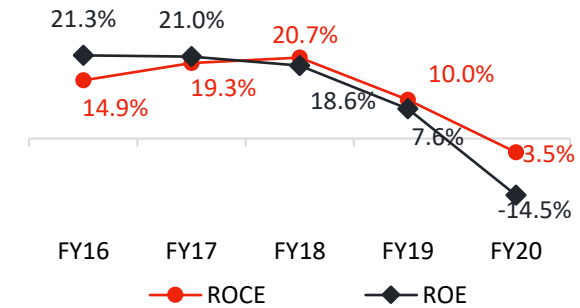
Leverage Analysis



Working Capital Analysis



Return Ratios *



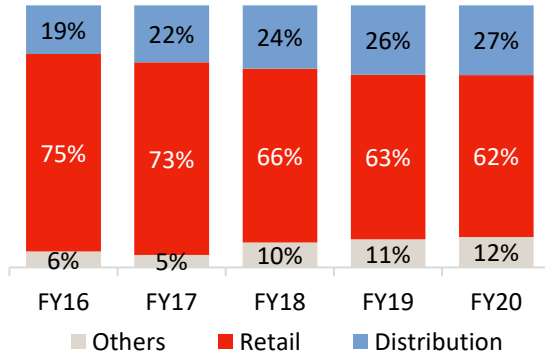
FY17 onwards, numbers are as per IND-AS, while those in previous years are as per I-GAAP. Sales scheme and commissions were included in sales in I-GAAP, these are deducted in IND-AS and net sales are reported

* Return ratios are calculated excluding amalgamation reserve of Rs. 230mn

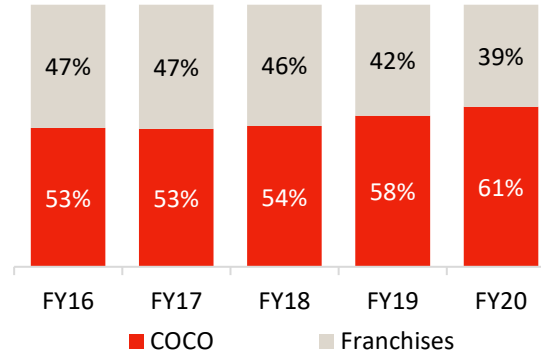
FINANCIAL SUMMARY

In Rs Mn (I-GAAP)

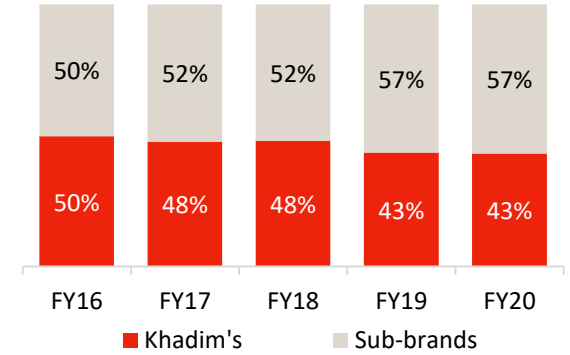
Revenues – Segment wise



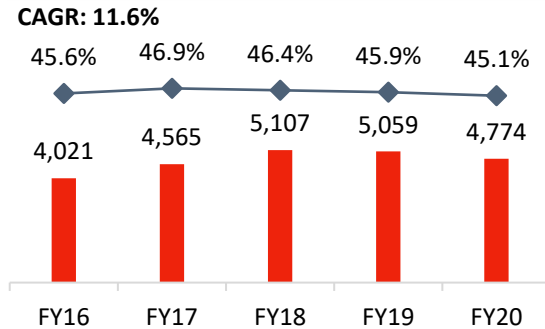
Retail Revenues – COCO vs Franchises



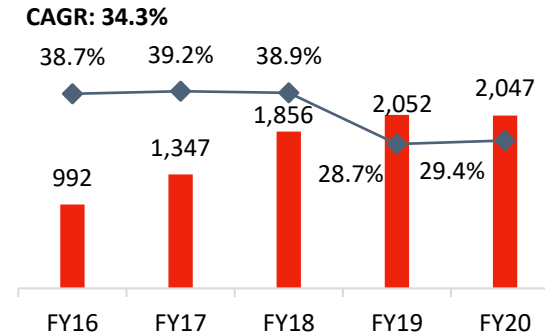
Retail Revenues – Khadim's vs Sub-brands



Retail Revenues & Gross Margin



Distribution Revenues & Gross Margin



BUSINESS STRATEGY
& OUTLOOK



TWO-PRONGED BUSINESS MODEL & GROWTH STRATEGY

	Retail Business	Distribution Business
Reach	795 'Khadim's exclusive branded outlets	572 distributors supplying to MBOs across India
Target Segment	Middle & upper middle income consumers in metros (incl. mini metros), Tier I – III cities	Lower & middle income consumers in Tier I – III cities, who shop in MBOs
Price & Product Range	Rs 74 – Rs 3,699 Leather / non-leather sandals, slippers, boots, ballerinas, stilettos, moccasins, sports shoes and accessories*	Rs 64 – Rs 999 EVA, basic and premium Hawaii, PVC, PVC DIP and PU and Stuck On products
Sourcing	91% outsourced (FY20) – smaller quantities of premium high quality products	Own manufacturing and contract manufacturing facilities



Expand Store Network pan-India with focus on Premiumisation, Asset Light Model & optimum capacity utilisation

Retail Business

- Expanding retail footprint in markets across South India, West India and in Uttar Pradesh in North India
- Focus on entering into new markets through COCOs and further augment presence in such markets through franchisees

Distribution Business

- Focus on penetration in existing markets in Eastern and Southern India and capitalise on retail brand recall and target markets in West and North India
- Increase utilisation of existing installed capacity and invest in machines and moulds at existing manufacturing facilities

*Accessories includes socks, shoe polishes, brushes, leather belts, wallets, laptop bags etc.

POSITIVE INDUSTRY OUTLOOK

Favourable macro and demographic tailwinds

Market Size

- Young demographics - 78% of the population is below 45 years of age
- India is the second largest consumer of footwear in the world
- India is also the second largest producer of footwear in the world, accounting for 9% of global footwear market

Increasing working women

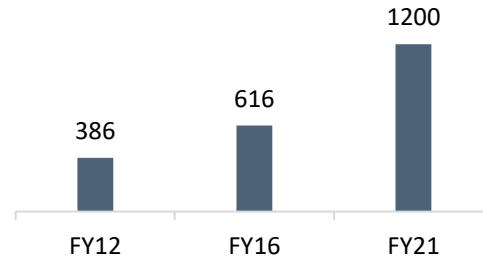
- Increasing number of working women driving the growth of women's footwear market

Income Growth

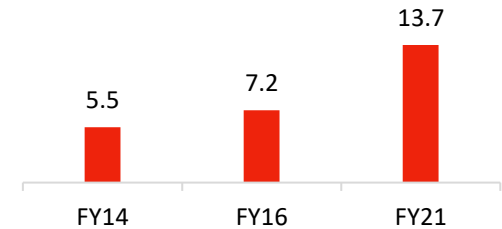
- Increasing disposable income of consumer and higher spending on lifestyle products, leading to shift from unbranded to branded play

Domestic footwear retail to grow at a faster pace compared to the overall retail industry

Overall retail market in US \$ Bn

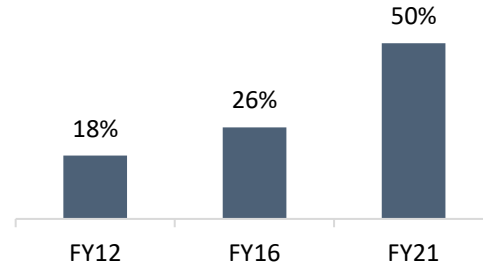


Domestic footwear market at retail price in US \$ Bn

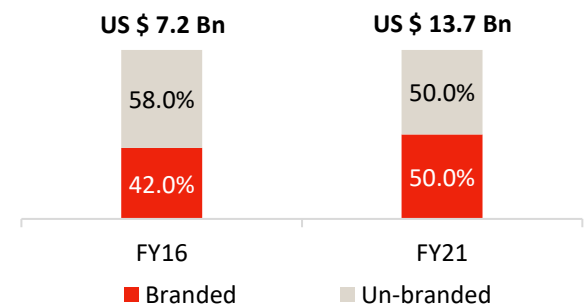


Continued shift towards organised retail with increasing preference for branded products

Organised footwear as % of footwear industry



Share of Footwear Market



Source: Industry Reports, IBEF

WIDE PRODUCT RANGE ACROSS VARIOUS CATEGORIES & PRICE POINTS

'Affordable Fashion' brand catering to the entire family for all occasions



Khadim's®

- Men / Women / Kids
- Fashionable & casual footwear for value conscious customers



- Menswear
- Formal shoes & sandals using premium quality leather



- Menswear
- Semi-formal & casual shoes / sandals, using premium quality leather and faux leather



- Menswear
- Outdoor boots / sandals using premium quality faux leather



- Men & Women wear
- Sports / activity sneakers / floater / sandals in mesh / synthetic / canvas uppers



- Womenswear
- Fashionable yet functional sandals using premium quality faux leather



- Womenswear
- Light & trendy sandals using premium quality faux leather



- Men & Women wear
- Closed & open shoes / sandals using premium quality soft leather and faux leather



- Womenswear
- Comfortable and fashionable footwear for pre-teen and teenage girls



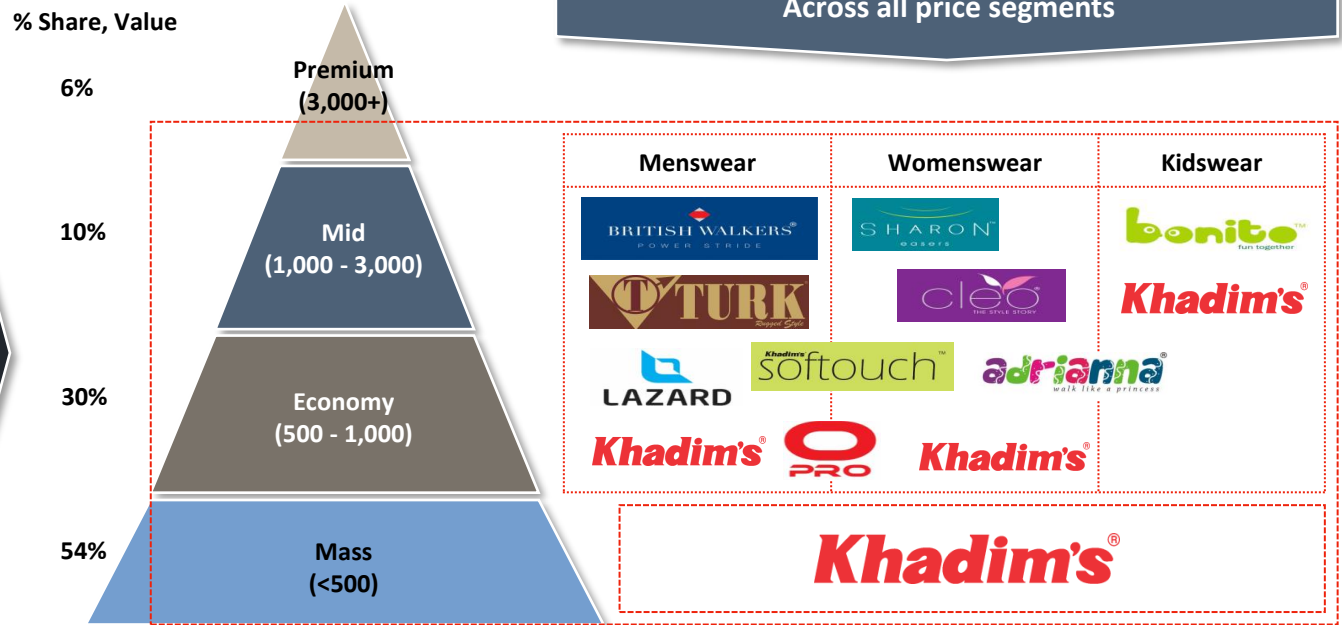
- Kidswear
- Range of fun and colourful shoes for toddlers and children

Khadim's®

DISTINCT BRAND POSITIONING FOR VARIOUS MARKET SEGMENTS

Khadim's brand presence and product range makes it capable to address ~85% of the total Indian footwear market potential

Footwear Market Segmentation
(MRP at retail stores in Rs)



Distinct brand positioning to target customers
Across all price segments

Khadim's is well positioned to tap the industry growth potential across both retail and distribution segments

Note: FY20 Revenues – Menswear XX%, Womenswear XX%, Kids wear 15%

PROMOTER & BOARD OF DIRECTORS



Siddhartha Roy Burman, Chairman & Managing Director

- Associated with the Company since its incorporation. He has 34 years of experience in the footwear industry
- Responsible for the overall strategic decision making and provides leadership to all operations

Dr Indra Nath Chatterjee, Non-Executive, Independent Director

- 42 years of experience in multi-national companies
- Earlier worked with Hinduja Group, Jindal Drilling & Industries, ONGC, Tata Motors, Indian Airlines, Calcutta Business School, IFFCO- Tokio General Insurance Co.

Alok Chauthmal Churiwala, Non-Executive, Independent Director

- Over 20 years experience in capital markets, IIM-A & ISB alumnus
- Former Vice Chairman of BSE Broker Forum, Board member of ICSA (Int. Council for Securities Assoc.) & advisory Board of ICCL (Indian Clearing Corporation Ltd)

Prof. (Dr.) Surabhi Banerjee, Non-Executive, Independent Director

- 37 years of experience as an academician
- Earlier associated with Netaji Subhas Open University as the vice chancellor, with Gour Banga University as the vice-chancellor, and with the Central University of Orissa as vice-chancellor

Ritoban Roy Burman, Non-Executive Director

- He is a graduate in Mass Communication from St. Xavier's College, Kolkata.
- He joined Khadim India Limited in 2013 as Manager-Marketing and worked till 30th November 2017. He has gained good exposure in various aspects of footwear marketing during his tenure with the Company.

Rittick Roy Burman, Non-Executive Director

- Bachelor's degree in commerce from University of Calcutta
- Management Graduate from University of California
- He has taken charge of driving long-term strategy, new initiatives and merchandising

EXPERIENCED MANAGEMENT TEAM



Namrata Chotrani, CEO

- She was associated with KPMG & Fairwinds Asset Managers Limited (since 2012) and has a total experience of over nine years in tax, private equity and mergers.
- She was previously on board of the company representing Fairwinds

Tapas Ghosh, GM - Business Development & Systems

- 21+ years of experience in accounts, strategic planning, IT, business development and sales
- He is responsible for the COO and EBO sales in the company
- Earlier worked with K.M. Khadim & Co



Indrajit Chowdhury, CFO

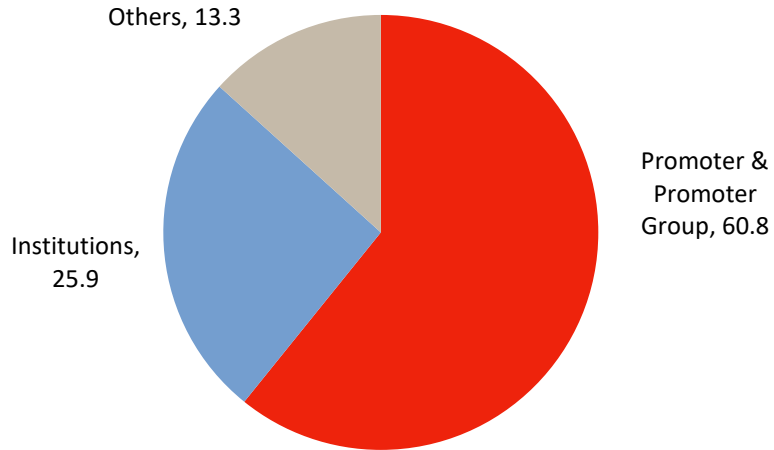
- 15+ yrs of experience in finance& accounts, taxation and strategic planning
- Responsible for all commercial & strategic planning and has assisted in providing the corporate structure of the company as it stands today
- Earlier associated with P. G. Shah and Co

Aranya Ray, GM - Supply Chain Management

- 17 years of experience in supply chain operations, buying and merchandising
- He is responsible for supply chain, logistics, procurement and merchandising in the company
- Earlier worked with ICI India Limited and ITC Limited

SHAREHOLDING STRUCTURE

% Shareholding – June '20



Key Institutional Investors

% Holding

IDFC MUTUAL FUND	5.4%
UTI MF	5.2%
MIRAE ASSET MUTUAL FUND	3.7%
SUNDARAM MUTUAL FUND	4.3%

Source: BSE

KEY MILESTONES

1981

- Acquired and took over the business of M/s S.N. Industries as a going concern with all its assets and liabilities
- Incorporated as a private limited company

1993

- Commenced retail business through COOs for footwear products

1999

- Commenced retail operations in South India through with two outlets in Chennai and one each in Bengaluru and Secunderabad

2002

- Commenced manufacturing operations for footwear and leather products at Kasba Industrial Estate, West Bengal

2005

- Accredited with ISO 9001:2000 certification for with respect to the manufacturing facility at Kasba Industrial Estate, West Bengal

2019

- Implemented TOC across top COCO & EBO stores
- Engaged 3 brand ambassadors
- Launched new website & increased online sales

2017

- Listed on NSE & BSE with an IPO of Rs 5,431 Mn –
 - Fresh issue of Rs 500 Mn
 - Offer for sale of Rs 4,931 Mn

2016

- Accredited with ISO 9001:2015 certification with respect to Kasba facility

2015

- Expanded retail business to include the 'shop-in-shop' retailing model

2014

- Commenced e-commerce retailing operations through Company's e-commerce website, while also utilizing online market place(s)

2013

- Investment by FairwindsTrustees Services (Reliance Alternative Inv Fund)
- Accredited with ISO 9001: 2008 certification with respect to Kasba facility

2010

- Commenced distribution operations at central distribution centre at Bantala, West Bengal



Thank
you!

Khadim's[®]

Namrata Chotrani

CEO

Contact No: +91 33 40090501

Email: namrata.chotrani@khadims.com

Indrajit Chowdhury

CFO

Contact No : + 91 33 40090505

Email – indrajit.chowdhury@khadims.com

DICKENSON

Vikash Verma/ Nachiket Kale

IR Consultant

Contact: + 91 9664009029/ 9920940808

Email – khadim@dickensonworld.com