Safari Industries (India) (SII IN)

Rating: BUY | CMP: Rs832 | TP: Rs1,264

Bag it for a Safari ride

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Company Initiation

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	3,280	7,236	9,183	11,242
EBITDA (Rs. m)	(60)	579	1,056	1,439
Margin (%)	*(1.8)*	*8.0*	*11.5*	*12.8*
PAT (Rs. m)	(209)	308	592	856
EPS (Rs.)	(9.3)	13.8	25.0	36.1
Gr. (%)	*NA*	*NA*	*81.5*	*44.5*
DPS (Rs.)	-	-	1.2	1.8
Yield (%)	-	-	*0.2*	*0.2*
RoE (%)	*NA*	*10.5*	*17.6*	*21.1*
RoCE (%)	*NA*	*10.7*	*18.5*	*22.9*
EV/Sales (x)	5.8	2.7	2.2	1.8
EV/EBITDA (x)	NA	33.7	19.5	14.2
PE (x)	NA	60.4	33.3	23.0
P/BV (x)	6.7	6.0	5.4	4.4

Key Data	SAFA.BO | SII IN
52-W High / Low	Rs. 1,051 / Rs. 535
Sensex / Nifty	56,247 / 16,794
Market Cap	Rs. 19 bn/ $ 247 m
Shares Outstanding	22m
3M Avg. Daily Value	Rs. 18.41m

Shareholding Pattern (%)

Promoter's	49.89
Foreign	16.28
Domestic Institution	6.14
Public & Others	27.69
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.7)	(2.0)	30.5
Relative	(3.8)	0.3	13.9

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Bag it for a Safari ride

We initiate coverage on Safari Industries (Safari) with a BUY rating given 1) it is one of India's fastest growing luggage brand having 23% market share as of FY21 2) planned hard luggage (HL) capacity expansion of Rs500mn at Halol will reduce reliance on outsourcing, and structurally elevate GM profile and 3) full benefit of distribution network expansion (up from >5,950 in July-18 to >9,300 in Aug-21) and SKU extension (up from 100+ in July-18 to 800+ in Aug-21) is yet to play out, as sales volumes were impacted by COVID in last 18-24 months. Additionally, mass positioning places Safari in an advantageous situation to ride on revenge travel theme post-COVID, as it stands to benefit from up-trading (unorganized to organized shift) as well as down-trading (temporary shift from economy to mass brands due to decline in propensity to spend). Given strong growth prospects, improvement in RoE/RoCE to 21.1%/22.9% by FY24E, strengthening cash conversion cycle and healthy BS (0.1x D/E in FY24E) we value the stock at 35x FY24E EPS and arrive at a TP of Rs1,264 per share. Initiate BUY. Near term pressure on GM due to RM cost inflation is a key risk to our call.

Organized luggage industry to emerge stronger post-COVID: COVID led disruption eliminated the tail of unorganized market (share of unorganized players has fallen from ~60-65% to ~50%), as liquidity and cost management became a challenging task for smaller players. Also, rising ocean freight disrupted the supply chain making unorganized players vulnerable, while RM cost inflation has dented profit margins. We believe organized players are better placed to tackle this situation and would emerge stronger post-COVID.

One of India's fastest growing luggage brands*:* Safari is one of the fastest growing luggage brands (pre-COVID sales/EBITDA CAGR of 26%/43% respectively over the last 5 years) with market share of 23% as of FY21. Given mass positioning, Safari is in a sweet spot to gain from up-trading as well as down-trading post COVID. Hence, we expect sales/PAT CAGR of 25%/67% over FY22-24E.

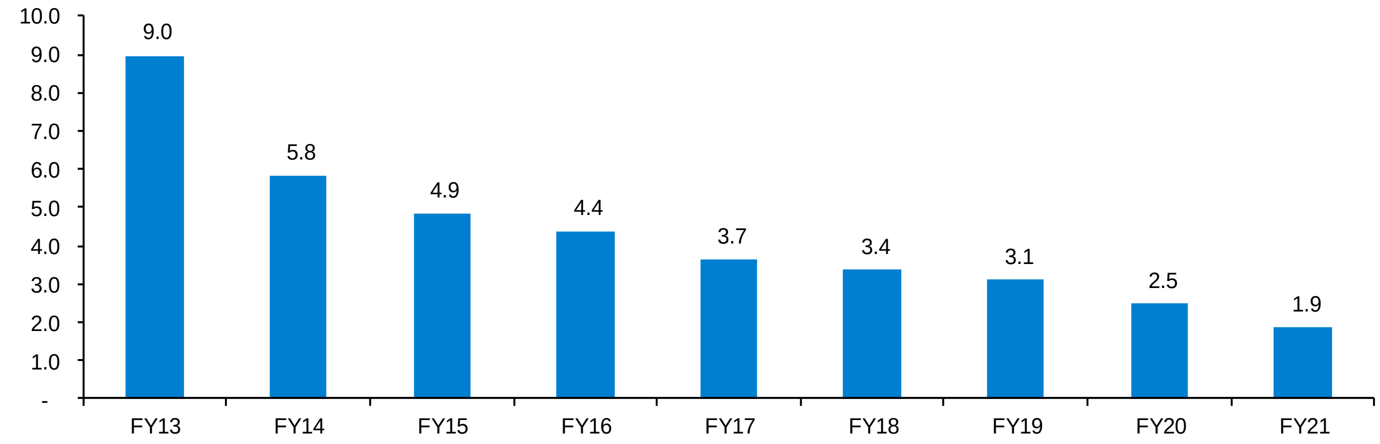
PolyPropylene (PP) based HL expansion to boost growth & elevate GM: Safari has lined up a capex plan of Rs500mn to expand HL capacity at Halol. Capacity expansion will not only boost growth, but also reduce reliance on outsourcing and elevate GM profile as 1) manufacturing profit will now accrue within the company in addition to trading profit and 2) PP prices are comparatively lower than PolyCarbonate (PC). Thus, we expect GM of 42.5%/44.0% in FY23E/FY24E.

Full benefit of channel & SKU expansion yet to play out*:* Safari's distribution network has expanded rapidly with number of touch points increasing from >5,950 in July-18 to >9,300 in Aug-21. Even SKU count has increased from 100+ in July-18 to 800+ in Aug-21. We believe full benefit of channel and SKU expansion is yet to fully play out, as volumes were impacted by COVID in last 18-24 months.

Premium valuation justified amid 67% PAT CAGR: We value the stock at 35x FY24 EPS given 1) 67% PAT CAGR over FY22-24E 2) healthy BS (D/E of 0.1x in FY24E) 3) improvement in cash conversion cycle to 109 days in FY24E 4) improvement in RoE/RoCE to 21.1%/22.9% by FY24E and 5) structural elevation in GM post capacity expansion at Halol, Gujarat. Initiate with a 'BUY' and TP of Rs 1,264.

Story in charts

Exhibit 1: VIP's sales lead over Safari has narrowed from 9x in FY13 to 1.9x in FY21



Source: Company, PL

Exhibit 2: Luggage market segmentation

Segment classification	Approximate price point	Competitive intensity	Peer standing
Premium	Upwards of Rs7,000	Moderate	Samsonite is the market leader
Economy	Rs4,000-7,000	Moderate	VIP is the market leader
Mass/Value	Less than Rs4,000	High as this segment represents conversion opportunity from unorganized to organized post GST	Safari is the market leader

Source: Company, Industry, PL

Exhibit 3: Safari has 23% market share and 2nd largest distribution network in luggage industry

Particulars	VIP	Safari	Samsonite India
Market share (FY21)	43%	23%	35%
Product portfolio	Luggage, backpacks and handbags	Luggage and backpacks	Luggage, backpacks and handbags
Key brands	VIP, Skybags, and Aristocrat	Safari	Samsonite, American Tourister, High Sierra, Tumi, and Kamiliant
EBOs	~400	~40-50	~475 in May 2020 (100 were to be shut due to pandemic; current count is not available)
SKUs	1,000+	800+	NA
Touch points	~10,800	9,300+	4,000+
Export share	<2% (FY21)	Negligible but have started a separate division as enquiries are strong	~15%
Bangladesh exposure	Own manufacturing	Outsourcing	Outsourcing
Plant location	Nashik; Maharashtra	Halol; Gujarat	Nashik; Maharashtra
Backpacks revenue share*	~15-20%	~10-15%	NA
Brand Ambassador	Yes	No	Yes
Revenue (FY21- Rs mn)	6,186	3,280	5,007^
3 Yr Avg - GM	50.8%	43.9%	47.1%
3 Yr Avg - EBITDA margin	14.5%	9.8%	16.3%
3 Yr Avg - PAT margin	7.9%	4.8%	10.5%
3 Yr Avg - A&P spends	5.8%	3.4%	5.2%
3 Yr Avg RoE	27.4%	14.7%	35.5%
3 Yr Avg RoCE	34.4%	17.0%	52.5%
3 Yr Avg FCFF (Rs mn)	619	(204)	647
Cash conversion cycle (FY21)	175 days	149 days	73 days^
D/E (FY21)	0.3	0.0	0.4^

Source: Company, Ace Equity, PL   Note: All 3-years average figures are from FY18-20 to enable better comparison as FY21 was marred by COVID. As Samsonite is CY company, 3-years average is from CY17-19.

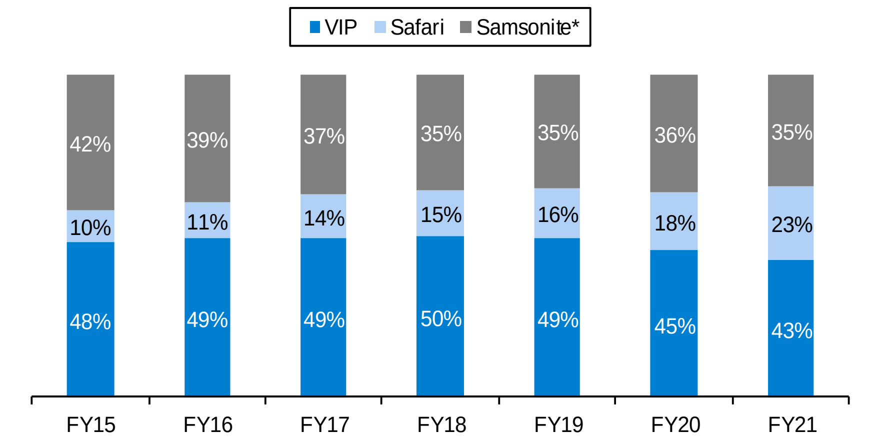
**Management does not share exact figure and it is an indicative range. ^As of CY20*

Company Overview

Safari is fastest growing luggage brand

Safari is one of the fastest growing luggage brands in India (pre-COVID sales/EBITDA CAGR of 26%/43% respectively over the last 5 years) with market share of 23% as of FY21 (up from 10% in FY15). Expansion of distribution channel, introduction of new SKUs and entry into new product categories has resulted in consistent rise of market share over last few years.

Exhibit 4: Safari's market share is up 2x in 7 years



Source: Company, PL **Samsonite is CY company*

Safari has a diverse product portfolio comprising of 800+ SKUs across HL, SL, backpacks and school bags. The distribution network is well entrenched with 9,300+ customer touch points covering CSD, modern trade, MBO, EBO, E-com and institutional segments.

Safari's manufacturing plant is located at Halol in Gujarat, wherein capacity expansion is lined up by incurring capex of Rs500mn. While HL (~41% of sales in FY21) is manufactured in-house, SL is outsourced from China (imports were negligible during the pandemic), Bangladesh and India.

Exhibit 5: Safari has presence across segments; HL is ~33% of sales

Group	Product Category	Revenue Contribution*	Remarks
Soft Luggage	RDFL Upright Children's Accessories Backpacks	~67%	> Focus on vibrant youthful designs in 4 wheel uprights > Phasing out of traditional 2 wheel uprights > Focusing on rolling duffels as against traditional duffels > Branded offering in a largely unorganized market > Innovating in backpacks by adding thoughtful features
Hard Luggage	Polycarbonate & ABS	~33%	> Focus on innovative designs to suit new-age customers > Phased out traditional PP based framed hard luggage

Source: Company, PL **Past 3-year average*

Apart from marquee brand Safari, the portfolio also includes other brands like Genius, Genie, Magnum, Activa, Orthofit, DBH, Egonauts and GScape. In terms of price hierarchy, Safari's products fall at bottom end of pyramid, as they are more of a value for money (mass products) unlike VIP and Samsonite which have presence in economy and premium segments as well.

Exhibit 6: Safari has mass market positioning relative to VIP and Samsonite which operate across segments

Company	Brands	5 year average EBITDA margin*	Our inference on margin profile	5 year revenue CAGR*	Our inference on revenue growth
VIP	Carlton, Caprese, VIP, Skybags, Aristocrat, Alfa	12.6%	Has presence across both mass & premium segments (margin is higher than Safari but lower than Samsonite)	10.4%	Has lost market share by ~500 bps since FY15; growth is marginally below industry
Samsonite#	Samsonite, Samsonite Red, American Tourister, High Sierra, Hartman Luggage, Tumi, Speck, Kamiliant, Lipault, Gregory, Saxoline (Chile only brand)	15.9%	Is a premium player (highest margin)	8.5%	Has lost market share by ~700 bps since FY15; growth is below industry
Safari	Safari, Genius, Magnum, Egonauts, Gscape, Activa, Orthofit, DBH, and Genie	8.6%	Is a mass player (lowest margin)	26.0%	Market share is up by 2x since FY15; growth is above industry average

Source: Company, PL

*#Samsonite follows CY, and data is till CY19 as our comparison is for pre-COVID period. *Pre-COVID 5-years comparison*

Exhibit 7: Launched Safari backpacks in FY17 and expanded capacity at Halol in FY18 & FY20

Financial Year	Event
FY74-11	Launched Safari in 1974 and started with limited SKUs catering to adult customers
FY12	Product rationalization & strategy realignment - elimination of non performing SKUs
FY13	Mr Sudhir Jatia acquired majority stake (77%) in May 2012
FY14	Forayed into PC manufacturing Introduction of SKUs in CSD segment
FY15	Launched PC luggage and new product categories ex:- laptop bags Begun E-com sales Opened China office
FY16	Identified school bags as a focus area and intensified focus on backpacks Acquisition of Genius, Magnum, Activa, Orthofit, DBH, Egonauts, Gscape and Genie
FY17	Launched backpacks under SAFARI brand Launch of backpacks under Genius and Genie brands for schools
FY18	PC capacity expansion at Halol in March 2018
FY19	First TV campaign of Safari backpacks in March 2019
FY20	India outsourcing of soft luggage & backpacks PC luggage manufacturing capacity expansion, renovation and construction of modern warehouse at Halol Plant
FY21	Consolidated warehousing operations pan India Established India & Bangladesh sourcing

Source: Company, PL

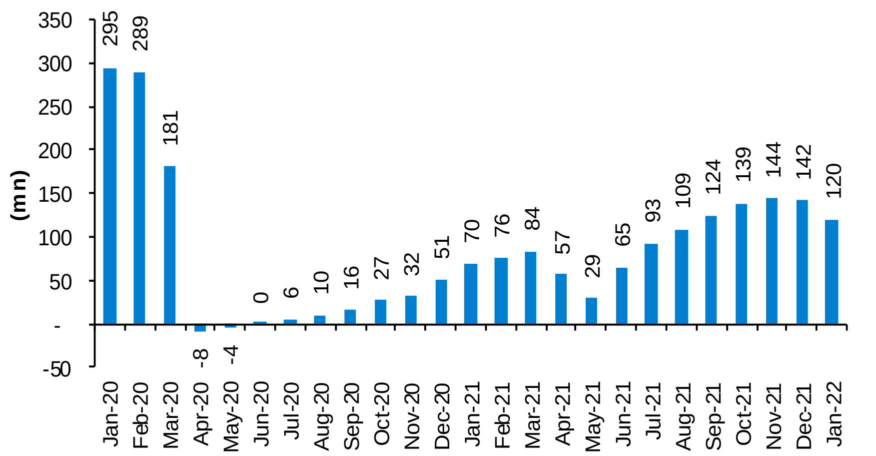
Investment Thesis

Fading Omicron wave to propel revenge travel

With gradual lifting of travel restrictions in India, rail and air traffic saw stark improvement over last few months. Non-suburban rail traffic/domestic air traffic is up by 4x/3x respectively, ever since the trough witnessed in May-21 during 2nd wave. Sharp recovery in passenger traffic indicates that after being confined to homes for months due to fear of COVID and subsequent lockdowns, inertia towards travel is finally getting over.

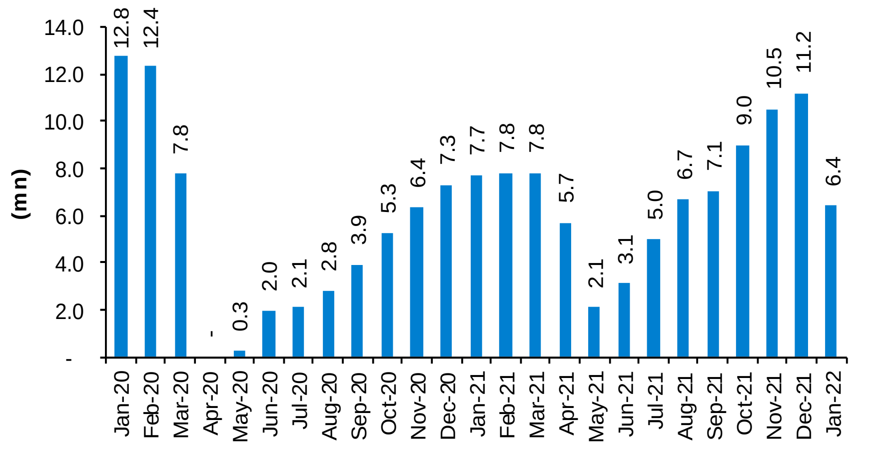
While Omicron may have created temporary apprehensions on travel, given less severe nature of the virus (fatality rate is much lower) we anticipate life of 3rd wave to be short as compared to earlier waves. Consequently, the impact on travel is expected to be limited this time around.

Exhibit 8: Rail non-suburban traffic up by 4x since trough of May-21



Source: Indian Railways, PL

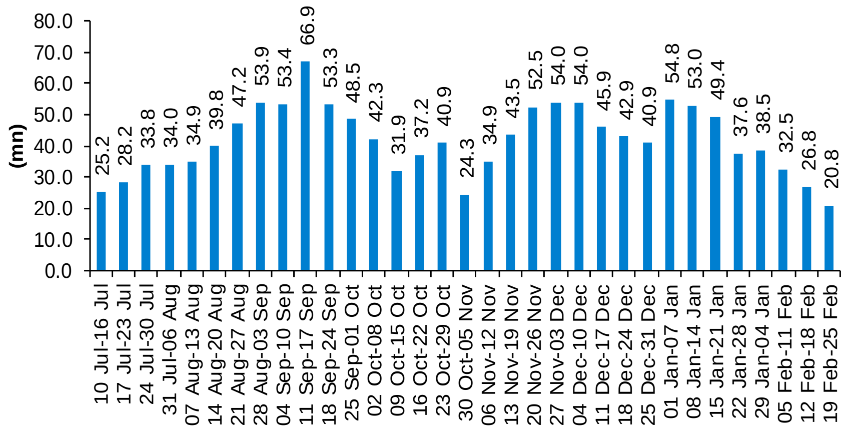
Exhibit 9: Domestic airline traffic up by 3x since trough of May-21



Source: DGCA, PL

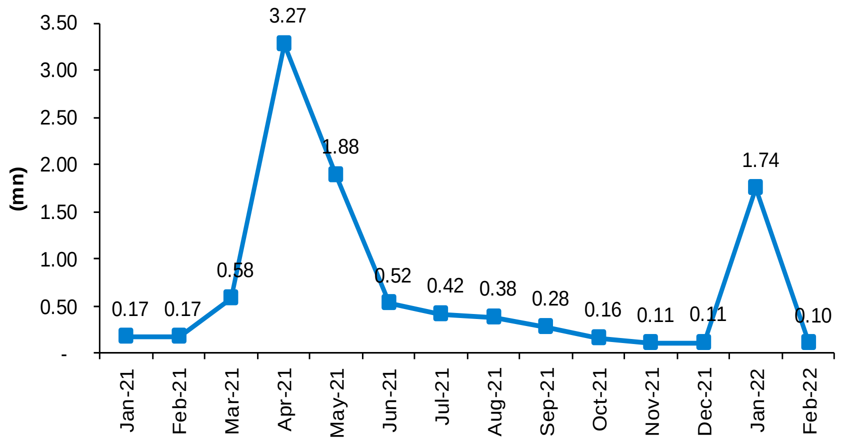
Pick up in vaccination drive is another positive sign for travel industry. As of Jan end, ~95% of the adult Indian population was given atleast one dose while more than 75% was fully vaccinated. Additionally, while number of active cases rose sharply with onset of 3rd wave, the figure is much lower than peak of 3.2mn witnessed in April-21.

Exhibit 10: Total vaccination doses administered weekly



Source: COWIN, PL

Exhibit 11: 3rd wave shorter than expected, active cases peaked in Jan 22



Source: Worldometers, PL

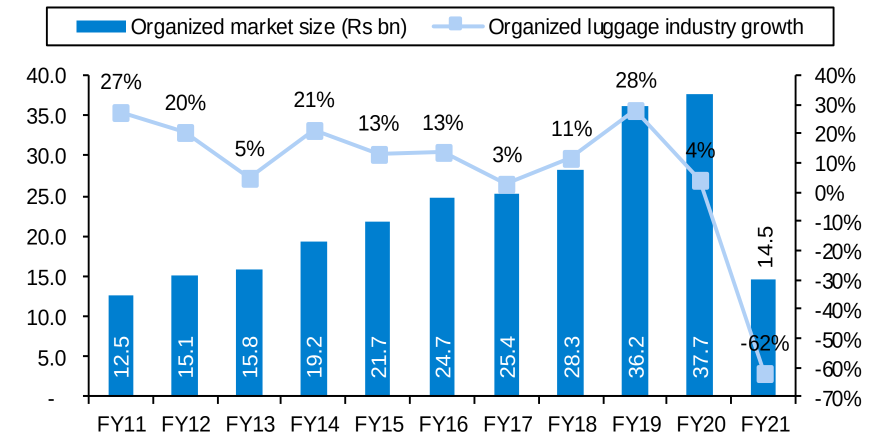
Luggage sector is an indirect beneficiary of sharp improvement in traffic trends and vaccination drive. We believe a mass player like Safari is much better placed to ride on revenge travel theme post-COVID, as it stands to benefit from up-trading (unorganized to organized shift) as well as down-trading (temporary shift from economy to mass brands due to decline in propensity to spend).

Organized luggage industry to emerge stronger post-COVID

The Indian luggage industry with a market size of ~Rs90-95bn (pre-COVID wholesale level figure) is dominated by unorganized players (~60-65% share pre-COVID, now declined to ~50%).

The organized luggage sector (VIP, Samsonite & Safari used as a proxy for the sector) has grown at a CAGR of 12% over FY15-20. In FY21, the sector saw a steep decline of 62%, as it was marred by COVID. Safari has grown at 26% CAGR, while VIP and Samsonite have registered growth of 10% and 9% over the pre-COVID 5-year period.

Exhibit 12: Pre-COVID 5-years industry CAGR stands at 12%



Source: Company, PL

In India, the luggage industry is mostly dominated by unorganized players. However, over last 1-2 years penetration of organized players has improved amid improving lifestyle, rising brand consciousness, better product quality and attractive price points. We expect further increase in penetration levels and market share of organized players as:

COVID led disruption has eliminated tail of unorganized market: Pre-COVID, share of unorganized players in the luggage industry was ~60-65% which declined to ~50% post-COVID, as liquidity and cost management became a challenging task for smaller players. However, given unorganized players have a very lean indirect cost structure (~5-10%) as compared to organized players (~40-45%) they may not cease to exist completely. Nonetheless, COVID led disruption has eliminated some weaker unorganized players as: -

- Liquidity management became a challenge.
- Rising ocean freight cost led to supply disruption (organized players can manage this issue better as they import in bulk) and stock shortage.
- Inability to fully pass RM cost inflation, given price sensitivity issues.

Replacement warranties to aid share of organized players: Organized players have started offering replacement warranties which adds to the attractiveness, making it a preferred choice for buyers.

Our channel checks reveal Samsonite is offering 3-years warranty, while VIP and Safari are offering 5-years warranty for most products. In case of backpacks, warranty period is 1-year. Further, most brands are offering replacement warranty for manufacturing defects. We believe offering warranties will go a long way in increasing the sales of organized players.

Exhibit 13: Luggage offers higher warranty than backpacks

Category	Warranty	Brands
Luggage	5 years	Both VIP and Safari are offering 5 years warranty while Samsonite offers 3 years (10 years for some products) warranty on most products.
Backpacks	1 year	All 3 brands are offering 1 year warranty

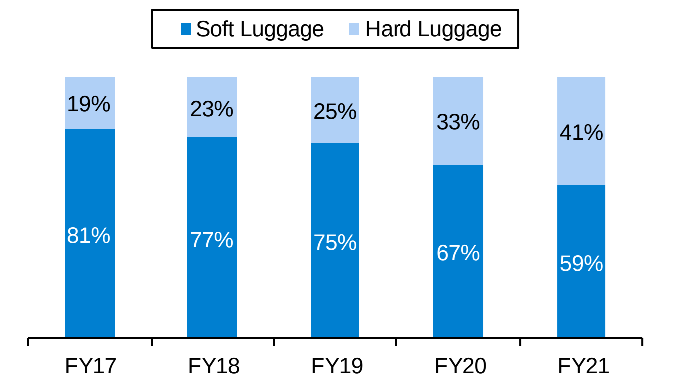
Source: Company, PL

GST led gains have started accruing: Typically, branded luggage sells at a 100% premium. However, premium for an entry level (mass segment) branded offering is just 15-20%. GST implementation has brought unorganized players within the tax net (GST rate is 18%) and reduced pricing gap, making organized players more competitive. Given ~50% of luggage market is unorganized, we believe GST implementation has potential to further expand organized market in a big way.

Emergence of HL as a preferred category to reduce China dependence

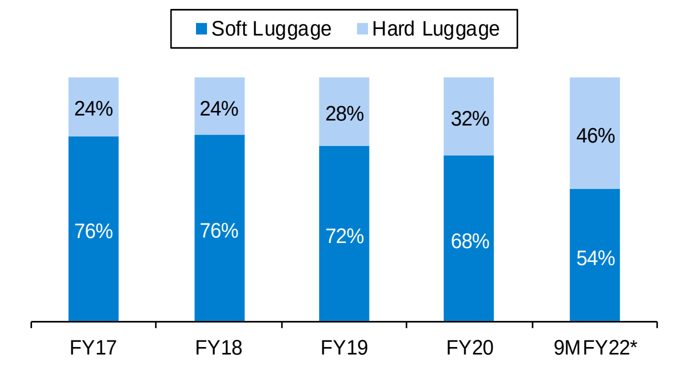
Over last few years, HL has evolved as a preferred category for consumers, as apart from offering durability it is also a cheaper alternative to SL. Further, HL category also offers light weight options (comparable to SL) with more variety and designs (especially in the PC category) making it a viable alternative to SL. Consequently, share of HL has been on an increasing trend since last 2 years.

Exhibit 14: HL forms 41% of sales mix for Safari



Source: Company, PL

Exhibit 15: HL forms 46% of sales mix for VIP



Source: Company, PL *Note: Data for FY21 is NA*

Share of HL is expected to increase further as both Safari and VIP have lined up capex of Rs500mn/Rs300-350mn to expand HL capacity at Halol/Nashik respectively. Increasing preference of HL is expected to: -

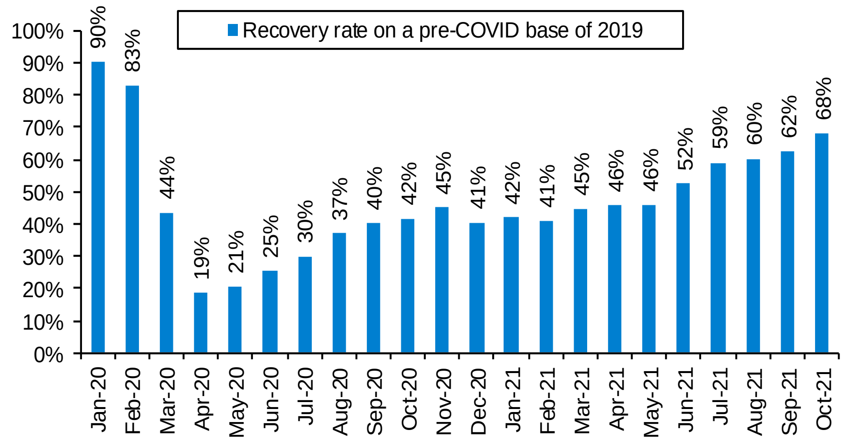
- Reduce reliance on China, as a sourcing destination.
- Reduce freight cost and currency volatility.
- Improve margin profile as manufacturing margin will now accrue within the company.
- Result in better control over sourcing (PP/PC of particular blend and quality can be purchased, can pre-stock raw material if prices are down etc). In the current scenario, where finished goods are imported there is limited control over sourcing, as Chinese have better bargaining power due to scale.

For Safari, of the 59% SL that is outsourced, an equal amount (~33% each) is sourced from 1) China 2) Bangladesh and 3) India. The sourcing mix is expected to change as China reliance (33% of 59% which is ~19%) is expected to come down drastically amid rising share of own manufacturing.

Mass positioning to enable faster recovery to pre-COVID base

In FY21, Safari's top-line declined 52% YoY to Rs3,280mn, due to COVID impact. However, with travel restrictions gradually easing out, sales recovery of luggage companies is displaying stark improvement. For instance, Samsonite Global's revenue for Oct-2021 was just 32% lower than the comparable pre-COVID month (Oct-2019). After adjusting for Speck (divested in July 2021), revenue for Oct-21 was only 29% lower than the comparable pre-COVID month (Oct-2019). This implies recovery rate of 68%/71% with and without Speck respectively.

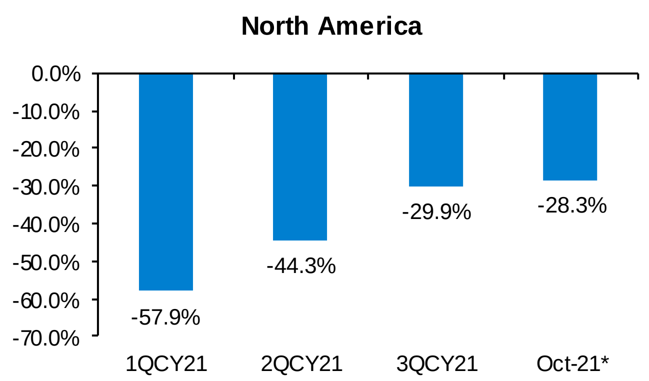
Exhibit 16: Samsonite's Oct-21 sales is at 68% of pre-COVID levels

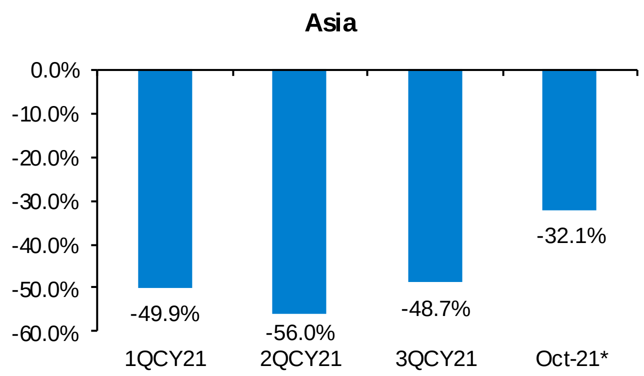


Source: Company, PL

Apart from Oct-21, Samsonite Global's sales recovery trend across regions over the last few quarters have also shown strong signs of improvement. As seen in exhibit 17 and 18, revenue in most regions is lower by just 28-32% for Oct-21, while in case of Latin America it has already surpassed the pre-COVID figure for comparable period.

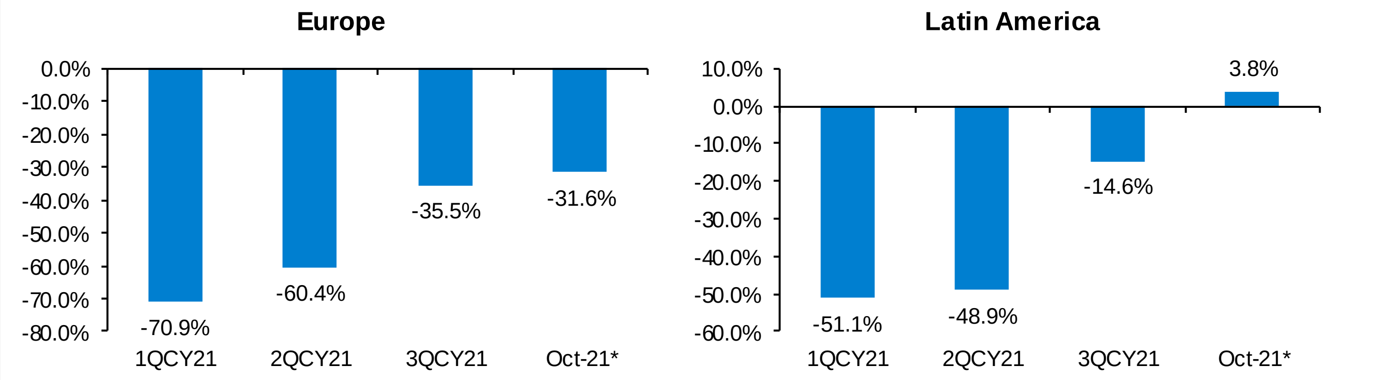
Exhibit 17: Samsonite Global's sales recovery trend in North America & Asia over pre-COVID base of 2019





Source: Company, PL **Preliminary and subject to change.*

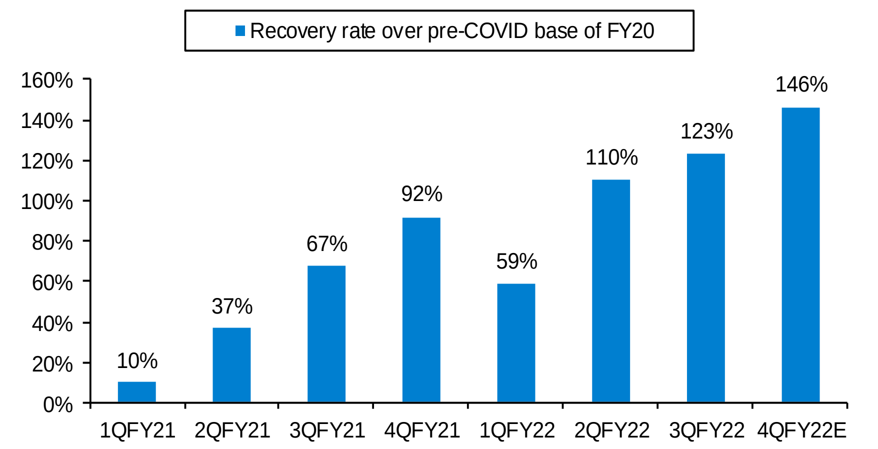
Exhibit 18: Samsonite Global's sales recovery trend in Europe and LatAm over pre-COVID base of 2019



Source: Company, PL **Preliminary and subject to change.*

If a premium brand like Samsonite can register such sharp recovery across regions we expect rub-off effect on mass player like Safari as it stands to benefit from up-trading (unorganized to organized shift) as well as down-trading (temporary shift from economy to mass brands due to decline in propensity to spend). In fact, Safari's revenue for 2QFY22/3QFY22 was higher by 10%/23% over comparable pre-COVID base and we expect sales peak of Rs6,859mn achieved in FY20 to be breached in FY22E itself. In comparison, we expect VIP to breach FY20 sales in FY23E as it has presence in economy and premium segments where recovery process is slightly slower.

Exhibit 19: Safari's 2Q/3Q sales is 10%/23% above pre-COVID base of FY20



Source: Company, PL

Safari's business has undergone a paradigm shift over last decade

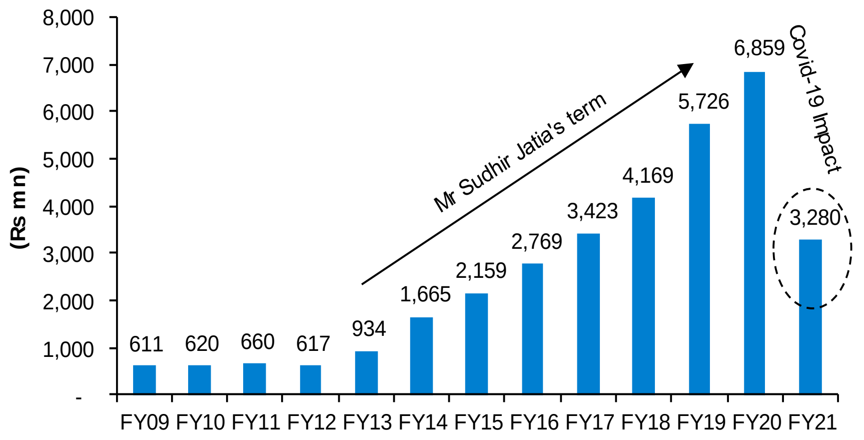
Safari's DNA underwent a paradigm shift after Mr Sudhir Jatia (CMD) bought majority stake (77%) in May 2012. Mr Jatia is an industry veteran with more than 28 years of experience in the luggage industry. An ex-MD of VIP Industries (served from Feb 2007 to April 2010) he instituted various changes like: -

- Rationalizing product portfolio & eliminating non-performing SKUs.
- Introduction of SKUs in CSD segment & foray into PC manufacturing.

- Entry in new product categories (ex- laptop bags, back packs etc).
- Expanding distribution channel from CSD to hyper market, MBO, EBO and E-com.
- Setting up of offices in China, as Safari imports SL from the dragon nation.
- Acquiring brands like Genius, Magnum, Egonauts, Gscape and Genie.
- Investing heavily in promotions (past 3 years average A&P spend pre-takeover stood at 1.0% of sales vis-à-vis 2.7% of sales over next 5 years post-takeover).

Post takeover, the above measures undertaken have led to a pre-COVID CAGR of 33% and 54% in sales and EBITDA respectively over FY13-20. Apart from changes instituted by the management 1) structural tailwind coming in from gain in market share post introduction of GST, 2) emergence of new product categories and 3) strong demand emanating for back packs, were key factors driving growth.

Exhibit 20: Pre-COVID sales CAGR of 33% post take-over by Mr Sudhir Jatia



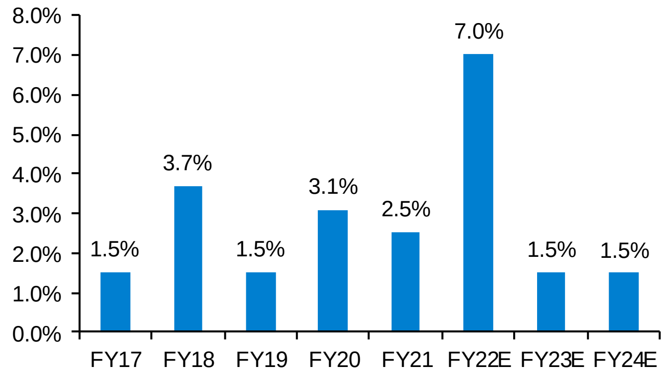
Source: Company, PL

HL capacity expansion to boost growth & margin profile

Safari has lined up an expansion plan of Rs500mn (~Rs225mn towards land & building and ~Rs275mn towards P&M) to expand HL capacity at Halol. At 100% capacity utilization, outlay of Rs500mn can generate gross revenue (inclusive of GST) of Rs2-2.5bn. The target is to finish expansion by May 2022 and production is expected to begin by June 2022. Capex will be funded by debt of ~Rs300mn (can be a bit lower too) and internal accruals of Rs200mn. While Safari has sufficient liquidity on BS, it intends to borrow and fund capex as average cost of borrowing is ~5.5%-6%, while yield on term deposits for idle cash is ~6-6.5%.

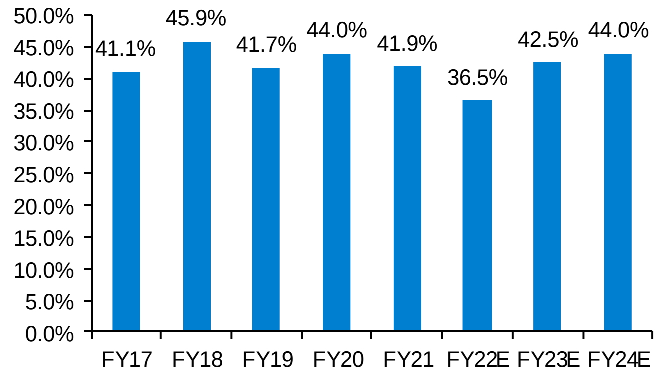
Capacity expansion is expected to reduce reliance on outsourcing and boost margins as manufacturing profit will now accrue within the company in addition to trading profit. Further, PP based HL expansion will act as another margin lever as PP prices have been relatively stable unlike PC prices. Consequently, we expect GM of 42.5% and 44.0% in FY23E and FY24E.

Exhibit 21: Expansion to drive capex intensity to 7% in FY22



Source: Company, PL

Exhibit 22: GM to rise to 44% in FY24E



Source: Company, PL

Distribution network expansion to aid growth

Apart from traditional dealer/distribution channel there are numerous other sales channels in the luggage industry like canteen store department (CSD), modern trade, EBOs, MBOs, E-com etc. Every channel has a different operating characteristic (ex: E-com is a highly discounted channel, CSD credit is longer and EBO is a high cost channel where in-store merchandiser is required). Even the product assortment varies, in order to avoid channel conflict. Diversity in distribution channel creates a huge barrier for new entrants.

Safari has a well-entrenched distribution network comprising of CSD, modern trade, EBOs, MBOs, and E-com. As of Aug-21, the company had presence across 3,900 MBOs, 1,400 modern trade outlets and 4,000 CSDs. It also has 40-50 EBOs and plans to expand the network.

Exhibit 23: Safari's distribution network up by ~56% since Jul-18

Particulars	Jul-18	Jun-20	Aug-21
MBO's	> 3,000	> 3,400	> 3,900
Modern Trade	> 750	> 1,400	> 1,400
CSD's & CPC's	> 2,200	> 4,000	> 4,000
Total	**> 5,950**	**> 8,800**	**> 9,300**

Source: Company, PL

As seen from the above table, Safari’s distribution network has expanded rapidly over last few years and overall touchpoints at >9,300 are only marginally lower than VIP (~10,800 touch points). Increase in modern trade and MBO touch points is particularly commendable given competition for shelf space is stiff in this category, due to presence of other brands like VIP and Samsonite.

Over years, Safari’s channel mix has undergone a change with share of CSD coming down from 50% odd to ~15-20%. Further, contribution of E-com has increased amid pandemic.

Exhibit 24: Modern & general trade dominates the distribution network

Particulars	Revenue contribution by distribution channel	
	VIP	Safari
Modern & General trade	~55%	~40-45%
Other channels (CSD, E-com, EBO's etc)	~45%	~55-60%

Source: Company, PL

Note: Management does not share exact breakdown and figures are indicative in nature.

Going ahead, modern trade and e-com are likely to be the fastest growing categories while share of CSD is likely to decline amid quantitative restriction on consumer purchases and lower allocations by ministry at-large amid pilferage. Safari has crafted a channel specific strategy to further expand distribution network with sole focus of increasing touch points which will aid growth.

Exhibit 25: Safari's channel expansion strategy focuses on increasing touch points while balancing volume & value growth

E-Commerce	Modern Trade	CDSs & CPCs	Multi Brand Outlets	EBOs & Institutional	OE & Exports
Build strong presence in existing horizontal e-commerce platforms	Increase counters at existing Safari offerings	Add sales promoters to increase throughput	Ramping up dealer and distributor network	**EBOs** Rollout new EBOs Focus on stores in high footfall areas	**OE** Focus on potential key accounts Focus on limited product categories
			Expand MBO footprint		
Drive consumer acquisition & brand recognition through digital advertising	Adding sales promoters to high performing stores	Promotion via superior in-store (SIS) & branding	Convert select MBOs into EBOs via asset light arrangements	**Institutional** Focus on large accounts	**Exports** Penetrate markets with large India diaspora Build a strong base of key accounts

Source: Company, PL

Safari to benefit from SKU expansion & focused product strategy

Safari has a well-diversified product portfolio comprising of multiple brands like Safari, Genius, Magnum, Activa, Orthofit, Egonauts, DB&H, Gscape and Genie. Product offerings are comprehensive in nature that cater to all customer segments (school children, teenagers and adults) and occasions (daily use, leisure, work, business/family travel).

Safari is a mass player unlike VIP and Samsonite which have presence in premium & economy segments. In mass category, Safari typically competes with brands like Aristocrat & Alfa (VIP's offering) and Kamiliant (Samsonite's offering).

Given bulky nature of the product (increases retailing cost) and low inventory turn (luggage is bought infrequently over 4-5 years) SKU management becomes a challenging task. Lower SKUs will limit the choice for customer while having higher SKUs can result in dead stock increasing storage & inventory costs.

In terms of SKUs, Safari has done incredibly well since July 2018 and currently has more than 800 SKUs. Comparatively, VIP has an SKU count of 1,000+ which is higher than Safari, as it has presence in handbags segment (wide design and variety increase the count).

Exhibit 26: SKU's rose by 8x since July-18

Particulars	Jul-18	Jun-20	Aug-21
SKU's (across SL, HL, Backpacks and School Bags)	100+	800+	800+

Source: Company, PL

Safari has added a lot more designs (increases the SKU count) especially in the backpacks segment, hence there is an increase in number of SKUs. Further, full benefit of SKU expansion is yet to play out, as sales volume was impacted by COVID since the last 18-24 months. Apart from SKU expansion, Safari has also outlined a focused product strategy plan across categories like HL, SL, backpacks and school bags to drive growth from here on.

Exhibit 27: Focused product strategy plan to drive growth

Category	Growth Strategy
Soft Luggage	**Growth in SL is driven by** > 4-wheeler (fastest growing within SL) > Short- duration travel products (e.g. rolling duffels) Focus on stronger design aesthetics with youthful constructions and colors
Hard Luggage	**PC was the growth driver within HL but focus has shifted to PP** > Growth rate expected to be higher than soft luggage 4-wheelers owing to innovative product designs & consumer preference > Already leading growth in industry with in-house design & manufacturing, which has helped in taking new designs faster to the market
Backpacks	Fastest growing product category across all existing categories To lead consumer acquisition in the youth segment
School bags	Given recent addition to product portfolio, growth is expected via: > Dedicated sales & marketing efforts > Minimal existing competition from branded players

Source: Company, PL

New launches to aid growth in backpacks

Having launched backpacks (~10-15% of topline) under Safari brand in FY17, the category has witnessed strong growth backed by aggressive pricing, good product assortment and attractive price points in sub-Rs1,000 bucket. We expect backpacks as a category to grow at a CAGR of 32% over FY22-FY24E as: -

- Backpacks are more light weight and in-demand as they are stylish, comfortable and hassle-free. Further their demand is linked to 2W, organized workforce and student strength which has risen over last few years. Hence, we see the trend continuing, until any new substitute emerges.

- Penetration is less than luggage plus it is a repeat item (new backpack is bought once every 2-3 years as compared to luggage which is bought every 4-5 years).

- Backpack market is mostly led by local and unorganized segment. Nevertheless, branded segment has huge scope, led by increased distribution and consumer up-gradation.

- Majority of new SKU additions have been in backpack category.

Exhibit 28: Safari's new backpack collection is attractive

Source: Amazon India, PL

Channel checks indicate attractive backpacks collection and decent shelf space for Safari

We visited a few MBOs, EBOs, hypermarkets, and general trade outlets to assess the ongoing demand trends. Key findings from our visits indicate:-

- Trade margins range between 20-40%.
- Backpacks collection for Safari has seen stark improvement with attractive SKUs and better designs.
- Price of HL is slightly cheaper than SL of comparable size.
- SL had collection labels of 2020 and the stock appeared dated given ongoing supply chain issues from China.
- Shelf space for Safari has seen improvement in hypermarkets (more or less equal presence of all 3 brands).
- VIP EBO was offering 1-night free stay in a 5-star hotel on purchase of merchandise worth Rs6,000.

Exhibit 29: Channel check - Feedback from our visit to EBOs, MBOs & hyper markets

Particulars	Our observation	Comments
Visit to hyper markets	Safari's shelf space was more or less equal when compared to other two giants	Hyper market is a discounted channel for sale of mass products. As Safari has strong mass portfolio, it has more or less equal shelf space as VIP & Samsonite.
	Huge discounts visible	NA
	Low end brands visible	Aristocrat, Safari and Kamiliant have high visibility.
Visit to SwissGear, VictorInox, and IT luggage EBOs	Most products of VictorInox were priced above Rs8K and some had warranty of 11 years	VictorInox is a premium brand which offers extended warranties
	Price point of SwissGear was comparable with VIP/Safari/Samsonite that offered 5 years warranty	NA
	Collection of IT luggage was appealing with a tilt towards HL	NA
Visit to VIP EBOs	Premium products on display	NA
	Fringe benefits available	VIP EBO was offering 1 night free stay in a 5-star hotel on purchase of merchandise worth Rs6,000
	Carlton has seen price cuts	Consequent to the price cuts lifetime warranty has been replaced with 5 year warranty in certain SKUs
	Skybags collection was appealing	Our interaction with the PoS personnel suggests that brand pull of this product is high
Visit to newly opened Safari EBO in Dadar	Midsize EBO	Very compact in nature
	HL had higher shelf space than SL	Indicates tilt towards HL
	SL was expensive by Rs700-1,000 than HL	RM inflation in HL is lower than SL
Visit to MBOs	Trade margins are in the range of 20-40%. Margin hierarchy is as follows:- 1) Unbranded 2) Safari 3) VIP 4) Samsonite	Unbranded offer high margins, while brands command low margins
	Warranty for backpacks is 1 year across brands. For luggage it is 5 years for VIP & Safari and 3 years for Samsonite	NA

Source: PL

Competitive landscape of the luggage industry

While VIP is a leader in organized luggage industry having market share of 43% as of FY21, Safari (pre-COVID sales CAGR of 26% over the last 5 years) has emerged as strong competitor over last few years (market share has increased to 23% in FY21 from 10% in FY15). At premium end of the market, Samsonite is a formidable player while Safari has strong presence in mass/value segment. On the other hand, VIP has a well-diversified portfolio to compete against both Samsonite and Safari at premium and mass end of the brand hierarchy.

Since FY21 was impacted by COVID, our peer comparison analysis is based on pre-COVID period (last 4 years financials). As Samsonite is CY ending company, we have synced time period which is comparable to FY ending of VIP and Safari for enabling like to like comparison. As an example, FY20 of VIP/Safari is comparable with CY19 of Samsonite.

Safari has outpaced VIP and Samsonite on growth front

Safari is the biggest beneficiary of GST transition since upscaling happened in mass segment. It has also outpaced VIP and Samsonite on growth front. While Safari's top-line has grown at 26% CAGR over FY17-20, VIP/Samsonite's top-line witnessed a CAGR of 11%/13% over same period.

VIP & Samsonite have better GM than Safari

Since Safari is a mass player having products with price point lower than VIP and Samsonite, it has an inferior GM profile. While Safari's average GM over FY17-20 was 43.2%, VIP/Samsonite reported higher GM of 49.6%/46.7% respectively.

Samsonite has lower rent expenses due to franchise model

Rent expense is a function of EBOs. VIP has ~400 stores (~350 at end of 2QFY22 and ~45 have been opened recently), Safari has ~40-50, while Samsonite had ~475 as of May 2020 (100 were to be shut due to pandemic; current count is not available).

Samsonite has lowest rent expense amongst peers, since most stores are on franchise model. However, VIPs rent expense is marginally higher than Safari, as it has higher number of EBOs in Tier-1 markets where rent expenses are higher.

Safari's brand-ex to remain in the range of 4-4.5%

Branding (both VIP and Samsonite have brand ambassadors) is extremely critical to achieve scale, given luggage has now become a style statement rather than just a utility product.

VIP and Samsonite have invested heavily in brand building and their A&P spends have been in the range of 5-7% of sales, pre-COVID. While Safari has no immediate plans to rope in a brand ambassador, A&P spends increased to 4.4% of sales in FY20 and are likely to remain in the range of 4-4.5% going ahead.

Safari's cash conversion cycle has seen improvement

Safari's cash conversion cycle improved to 131 days in FY20 (pre-COVID base) as inventory days reduced amid rising share of own manufacturing (transit time from China results in higher inventory days). It is expected to improve further amid lowering reliance on China and increased share of own manufacturing. Also, falling share of CSD has led to improvement in receivable cycle.

In comparison, VIP and Samsonite have better cash conversion cycle as they enjoy strong brand parentage (improves bargaining power with dealers/distributors) and scale/size advantage (lends bargaining power against Chinese vendors). VIP's cash conversion cycle got stretched in FY19, due to inventory pile-up and delay in payment from CSD.

Exhibit 30: VIP leads in terms of size; Samsonite has higher margins but Safari is catching up fast

Particulars	Safari					VIP					Samsonite				
	FY17#	**FY18#**	**FY19#**	**FY20***	**FY21***	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**CY16**	**CY17**	**CY18**	**CY19**	**CY20**
Sales	3,423	4,169	5,726	6,859	3,280	12,515	14,096	17,847	17,144	6,186	9,412	9,986	12,612	13,681	5,007
YoY Growth	23.6%	21.8%	37.3%	19.8%	-52.2%	2.9%	12.6%	26.6%	-3.9%	-63.9%	-3.4%	6.1%	26.3%	8.5%	-63.4%
Gross margins	**41.1%**	**45.9%**	**41.7%**	**44.0%**	**41.9%**	**46.0%**	**50.2%**	**49.3%**	**53.0%**	**40.8%**	**45.4%**	**47.9%**	**47.2%**	**46.2%**	**40.2%**
Rent expenses (as a % of sales)	2.8%	2.6%	2.4%	0.6%	0.8%	3.8%	3.5%	3.3%	0.2%	1.0%	1.6%	1.5%	1.2%	2.2%	1.0%
A&P spend (as a % of sales)	2.3%	2.4%	3.3%	4.4%	2.8%	6.1%	6.4%	5.6%	5.3%	3.4%	5.1%	5.9%	5.6%	4.1%	3.3%
Employee expenses (as a % of sales)	11.7%	12.7%	11.4%	11.2%	18.3%	11.2%	11.3%	11.3%	12.3%	22.2%	8.6%	10.3%	10.3%	10.0%	20.6%
Freight & Octroi (as a % of sales)	6.7%	6.3%	5.2%	6.0%	7.5%	4.8%	4.9%	5.6%	5.9%	7.4%	6.8%	3.3%	3.4%	3.8%	4.7%
EBITDA margins	**7.0%**	**9.9%**	**9.1%**	**10.5%**	**-1.8%**	**10.6%**	**13.7%**	**12.6%**	**17.2%**	**-10.6%**	**13.7%**	**16.1%**	**17.2%**	**15.6%**	**-31.4%**
PAT margins	**2.9%**	**5.1%**	**4.7%**	**4.5%**	**-6.4%**	**6.8%**	**9.0%**	**8.1%**	**6.5%**	**-15.8%**	**8.5%**	**10.5%**	**10.7%**	**10.3%**	**-29.7%**
Working capital management															
Debtor days	62	86	90	78	101	35	46	61	158	88	56	73	67	79	13
Inventory days	100	107	118	85	127	82	82	108	95	178	61	68	66	60	128
Payable days	50	36	43	33	78	42	55	65	62	91	49	71	63	44	68
Cash conversion cycle	**112**	**157**	**165**	**131**	**149**	**75**	**73**	**104**	**191**	**175**	**68**	**70**	**71**	**95**	**73**
BS & CF variables															
RoE	11.4%	15.5%	14.5%	14.2%	-8.2%	22.1%	28.3%	27.1%	26.9%	-17.3%	25.3%	35.6%	39.2%	31.6%	-58.8%
RoCE	12.9%	19.2%	16.5%	15.3%	-8.0%	30.3%	40.3%	36.0%	26.8%	-16.4%	36.3%	51.0%	60.1%	46.3%	-53.1%
D/E	0.4	0.3	0.5	0.3	0.0	-	-	0.1	0.1	0.3	-	-	-	-	0.4
OCF (Rs mn)	241	(480)	(389)	713	1,111	1,265	859	(559)	2,921	170	797	889	1,002	427	308
Dividend payout ratio	8.2%	5.0%	4.1%	0.0%	0.0%	39.8%	33.4%	31.1%	40.5%	NM	44.4%	101.6%	52.4%	30.4%	NM

Source: Company, Ace Equity, PL **Consolidated figures; # Standalone figures*

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Financial projections

Rising brand salience (change in perception from commodity to a brand), strong distribution network (>9,300 touch points), GST implementation (narrowed pricing gap with unorganized players and resulted in up-trading), increase in the number of SKUs (800+ SKUs) and product premiumisation is likely to drive sales/PAT at a CAGR of 25%/67%% over FY22-24E.

Sales to grow at a CAGR of 25% over FY22-24E

We expect revenues to grow at a CAGR of 25% over FY22-24E given: -

- Safari is much better placed to ride on the recovery post-COVID, since it is a mass player and stands to benefit from up-trading (unorganized to organized shift due to GST implementation) as well as down-trading (temporary shift from economy to mass brands due to decline in propensity to spend).
- Expansion in distribution network (number of touch points have increased from >5,950+ in July-18 to >9,300+ in Aug-21)
- Increase in number of SKUs from 100+ in July-18 to 800+ in Aug-21
- Backpack as a category is expected to grow at a CAGR of 32% over FY22-24E amid new product launches (majority of the new SKU addition is in backpack category). Low penetration and lower replacement cycle act as additional lever for growth.

Exhibit 31: Sales to grow at a CAGR of 25% over FY22-24E

Particulars (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Luggage	6,001	2,870	6,314	7,892	9,628
YoY growth		*-52.2%*	*120.0%*	*25.0%*	*22.0%*
As a % of sales	*87.5%*	*87.5%*	*87.3%*	*85.9%*	*85.6%*
Backpacks	857	410	922	1,291	1,614
YoY growth		*-52.2%*	*125.0%*	*40.0%*	*25.0%*
As a % of sales	*12.5%*	*12.5%*	*12.7%*	*14.1%*	*14.4%*
Total sales	**6,859**	**3,280**	**7,236**	**9,183**	**11,242**
YoY growth		*-52.2%*	*120.6%*	*26.9%*	*22.4%*

Source: Company, PL

Note: The company does not share exact breakdown category wise. Contribution of backpacks has been in the range of ~10-15% over last 3 years. We use our judgment (mid-point) in arriving at approximate figures for FY20 & FY21.

PP led HL capacity expansion to elevate GM profile

Safari's GM is lowest amongst peers as it is a mass player. Over last 5 years (FY17-21), Safari's average GM has been 42.9%. VIP/Samsonite India's GM stood at 47.9%/45.4% over the same period and was higher than Safari as these brands have presence in economy/premium segments as well.

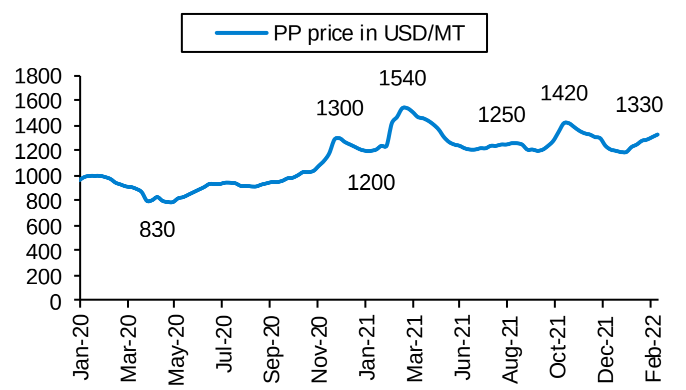
Key factors that influence GM include: -

- Product mix: - Contribution of HL vs SL and share of premium, economy and mass products.
- RM prices (inflationary/deflationary):- Prices of crude, ABS, PP, PC, nylon and polyester.
- Rupee/Dollar exchange rate and wage inflation in China (this factor has started losing relevance as dependency on China has come down).
- Ability to take price hike.

Since Safari is a mass player ability to take price hike is constrained (mass end of the curve is highly price sensitive) and there is limited scope of improvement in product mix (no presence in premium segment). Nonetheless, we expect GM to improve from 41.9% in FY21 to 44.0% in FY24E as: -

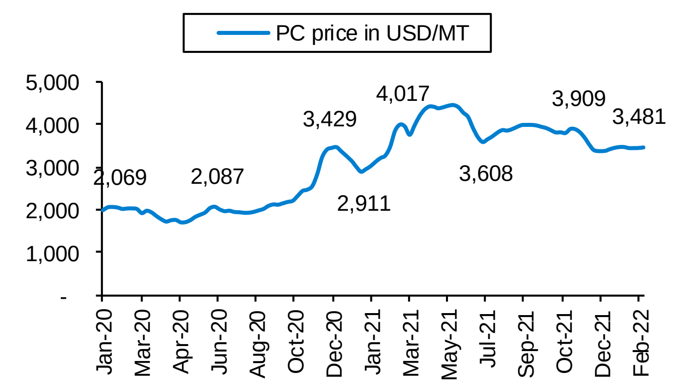
- Capacity expansion will result in accrual of manufacturing margin within the company versus just trading margin when goods were outsourced earlier.
- New expansion is for PP based HL. PP prices have been relatively stable as compared to PC prices which have seen sharp appreciation in recent past.
- Rising share of own manufacturing will result in better control over sourcing. In the current scenario, where finished goods are imported there is limited control over sourcing as Chinese have better bargaining power due to scale.
- Increased sourcing from Bangladesh over a period of time.

Exhibit 32: PP prices are up 38% since Jan-20



Source: Bloomberg, PL Note: PP prices are of SEA index

Exhibit 33: PC prices are up 73% since Jan-20



Source: Bloomberg, PL Note: PC prices are of Chinese index

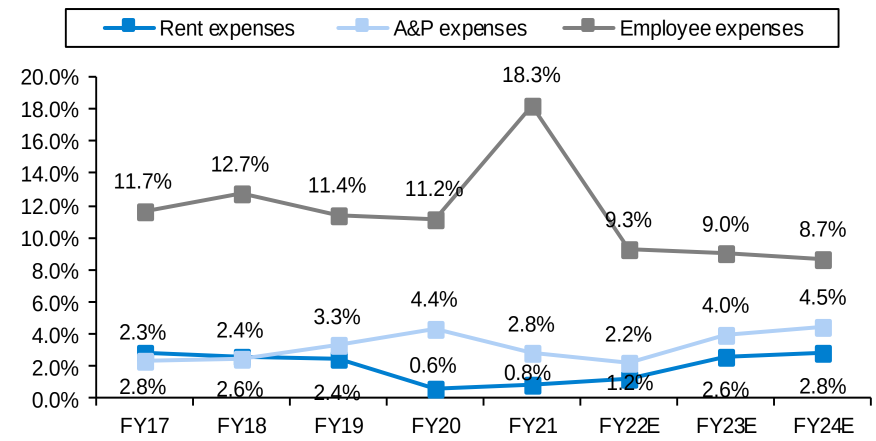
Cost optimization measures to aid in EBITDA margin expansion

We expect EBITDA margin to increase from 10.5% in FY20 (EBITDA loss of Rs60mn in FY21 due to COVID) to 12.8% in FY24E as: -

- Supply chain optimization measures like reduction in number of branches from 18 to about ~12-13 and warehouse consolidation (5-6 small warehouses have been shut and a new big warehouse has been put up in Bhiwandi and Kolkatta) is likely to result in fixed cost reduction and improve operating leverage.

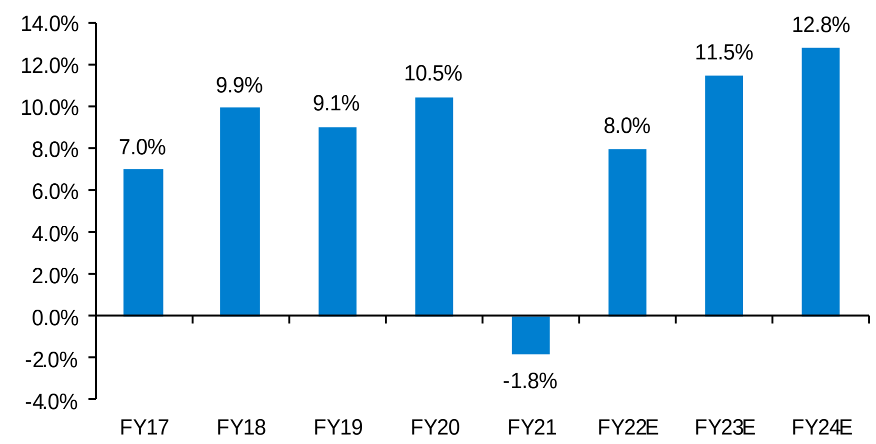
- Employee cost was reduced to the tune of 10-15% during COVID and is sustainable in nature.
- Rent cost is unlikely to increase in-line with EBO expansion strategy as some of the new stores will operate under franchise model (current count is ~40-50).

Exhibit 34: Rent, A&P & employee expenses to be at 3%/5%/9% in FY24E



Source: Company, PL

Exhibit 35: EBITDA margin to expand to 12.8% in FY24E



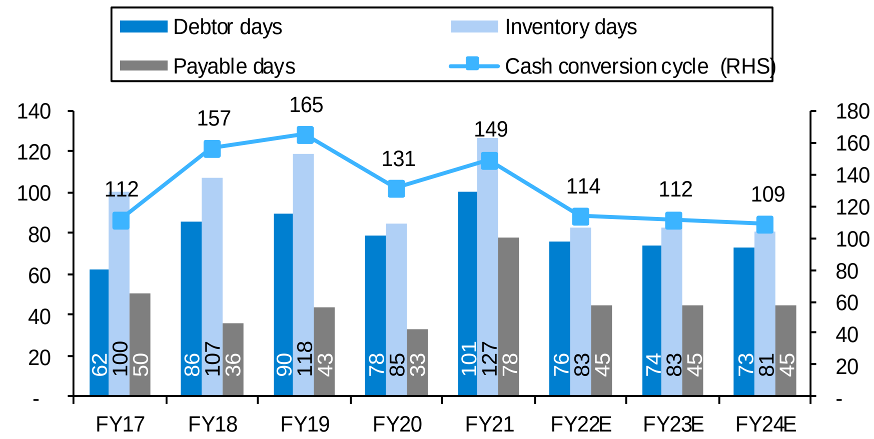
Source: Company, PL

Cash conversion cycle to improve to 109 days in FY24E

Safari's cash conversion cycle has improved over last 3 years from 157 days in FY18 to 131 days in FY20 (we exclude FY21 for comparison purposes as it was marred by COVID and does not give right picture). Reduction in receivable days (falling share of CSD which has longer credit period) and inventory days (reduced reliance on China amid rising share of own manufacturing) led to an improvement in cash conversion cycle.

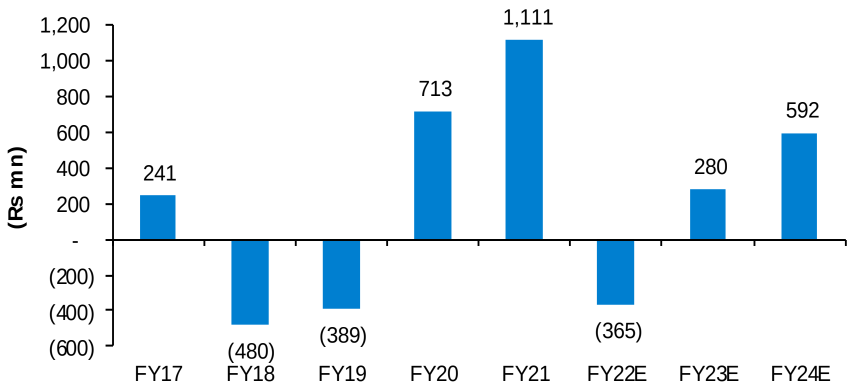
We expect cash conversion to be at 109 days in FY24E, as fall in receivable days is sustainable in nature given falling share of CSD and EBO expansion plans (credit terms are generally better than modern trade). Reduced dependence on China (higher transit time from China resulted in higher inventory days) amid rising share of own manufacturing is likely to reduce inventory to 81 days in FY24E. Consequently, we expect OCF of Rs280mn/Rs592mn in FY23E/FY24E respectively.

Exhibit 36: Cash conversion cycle to improve to 109 days in FY24E



Source: Company, PL

Exhibit 37: OCF to improve to Rs592mn in FY24E



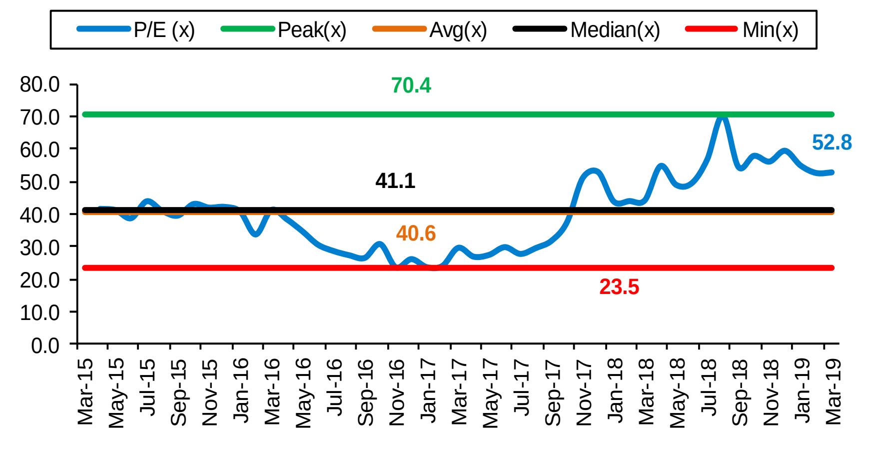
Source: Company, PL

Except for FY22E whereby an outlay of Rs500mn is lined up to expand capacity, capex needs are likely to be minimal in future. Consequently, while FCFF is likely to be negative in FY22E we expect positive FCFF of Rs140mn/Rs424mn in FY23E/FY24E resulting in higher dividend pay-outs. Though we expect NIL pay out in FY22E due to high capex, we expect average pay-out ratio closer to ~5% in FY23E & FY24E.

Premium valuations to sustain amid strong growth prospects

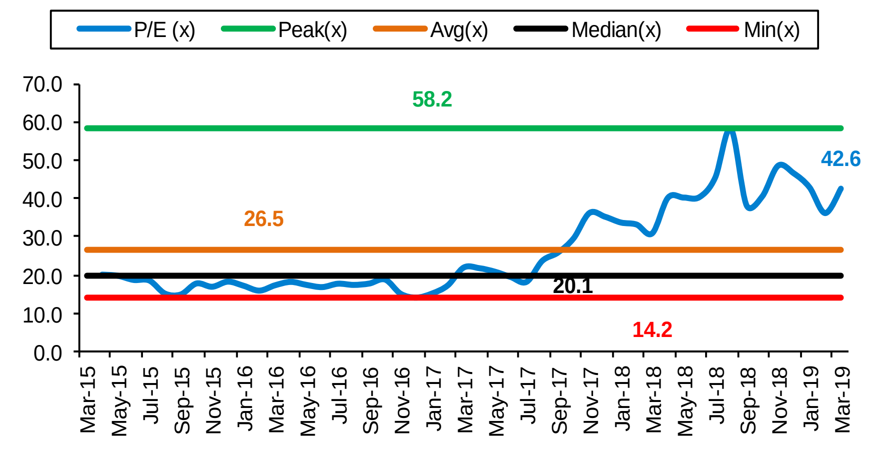
Since FY15, Safari/VIP have traded at an average pre-COVID P/E multiple of 41x/27x respectively. Safari has traded at a premium over VIP in the past, given superior growth trajectory. Over FY10-20, Safari's sales/PAT have grown at a CAGR of 27%/32%, while VIP's sales/PAT have grown at a CAGR of 10%/13%. In fact, Safari has been the fastest growing company in organized luggage space and has witnessed an improvement in market share from 10% in FY15 to 23% in FY21.

Exhibit 38: Safari has traded at pre-COVID P/E multiple of 41x since Mar-15



Source: Company, PL

Exhibit 39: VIP has traded at pre-COVID P/E multiple of 27x since Mar-15



Source: Company, PL

We expect growth momentum to sustain and expect sales/PAT CAGR of 25%/67% over FY22-24E as: -

- Being a mass player Safari is biggest beneficiary of the migration happening from unorganized to organized sector post GST implementation.
- Full benefit of channel and SKU expansion is yet to play out as sales volume was impacted by COVID since last 18-24 months.

- Mass end of the luggage curve is expected to grow at strong pace and Safari stands to benefit from up-trading as well as down-trading.
- Capacity expansion of Rs500mn would reduce reliance on China and elevate the GM profile.
- Share of backpacks, a high growth category, is expected to rise amid launch of new SKUs.

Consequently, we value the stock at 35x FY24 EPS. Our target multiple is at 15% discount to Safari's past trading history and we believe scope of valuation re-rating exists as: -

- Unorganized players have been at a huge structural disadvantage post GST which is not captured in past regime.
- Dominance of China is on a declining trend, given increasing preference towards HL. This is likely to 1) reduce currency volatility & freight cost and 2) improve margin profile which is not captured in the past history.

We arrive at a TP of Rs1,264 valuing the stock at 35x FY24 EPS of Rs36.1. Initiate with a BUY.

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	**3,280**	**7,236**	**9,183**	**11,242**
YoY gr. (%)	*(52.2)*	*120.6*	*26.9*	*22.4*
Cost of Goods Sold	1,907	4,595	5,280	6,296
Gross Profit	1,373	2,641	3,903	4,947
Margin (%)	*41.9*	*36.5*	*42.5*	*44.0*
Employee Cost	599	673	826	978
Other Expenses	834	1,389	2,020	2,530
EBITDA	**(60)**	**579**	**1,056**	**1,439**
YoY gr. (%)	*NA*	*NA*	*82.4*	*36.3*
Margin (%)	*(1.8)*	*8.0*	*11.5*	*12.8*
Depreciation and Amortization	204	195	257	292
EBIT	**(264)**	**384**	**799**	**1,147**
Margin (%)	*NA*	*5.3*	*8.7*	*10.2*
Net Interest	58	52	55	56
Other Income	33	80	46	51
Profit Before Tax	**(288)**	**411**	**790**	**1,141**
Margin (%)	*NA*	*5.7*	*8.6*	*10.2*
Total Tax	(79)	103	197	285
Effective tax rate (%)	*27.5*	*25.0*	*25.0*	*25.0*
Profit after tax	**(209)**	**308**	**592**	**856**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**(209)**	**308**	**592**	**856**
YoY gr. (%)	*NA*	*NA*	*92.2*	*44.5*
Margin (%)	*NA*	*4.3*	*6.5*	*7.6*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**(209)**	**308**	**592**	**856**
YoY gr. (%)	*NA*	*NA*	*92.2*	*44.5*
Margin (%)	*NA*	*4.3*	*6.5*	*7.6*
Other Comprehensive Income	(12)	(8)	-	-
Total Comprehensive Income	(221)	301	592	856
Equity Shares O/s (m)	**22**	**22**	**24**	**24**
EPS (Rs)	**(9.3)**	**13.8**	**25.0**	**36.1**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	**1,012**	**1,674**	**1,959**	**2,272**
Tangibles	938	1,595	1,875	2,183
Intangibles	74	79	84	89
Acc: Dep / Amortization	**345**	**541**	**798**	**1,090**
Tangibles	277	472	729	1,021
Intangibles	69	69	69	69
Net fixed assets	**667**	**1,133**	**1,161**	**1,182**
Tangibles	662	1,123	1,145	1,162
Intangibles	5	10	15	20
Capital Work In Progress	1	1	1	1
Goodwill	-	-	-	-
Non-Current Investments	346	87	83	101
Net Deferred tax assets	111	109	138	157
Other Non-Current Assets	50	72	92	101
Current Assets				
Investments	-	-	-	-
Inventories	1,140	1,645	2,088	2,495
Trade receivables	903	1,507	1,862	2,248
Cash & Bank Balance	45	45	106	177
Other Current Assets	96	109	156	225
Total Assets	**3,969**	**5,069**	**5,916**	**7,026**
Equity				
Equity Share Capital	45	45	47	47
Other Equity	2,745	3,046	3,609	4,422
Total Networth	**2,790**	**3,091**	**3,656**	**4,469**
Non-Current Liabilities				
Long Term borrowings	249	549	549	549
Provisions	2	7	9	11
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	116	386	386	386
Trade payables	700	892	1,132	1,386
Other current liabilities	112	145	184	225
Total Equity & Liabilities	**3,969**	**5,069**	**5,916**	**7,026**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	(288)	411	790	1,141
Add. Depreciation	204	195	257	292
Add. Interest	58	52	55	56
Less Financial Other Income	33	80	46	51
Add. Other	54	-	-	-
Op. profit before WC changes	28	658	1,102	1,490
Net Changes-WC	1,071	(920)	(625)	(612)
Direct tax	12	(103)	(197)	(285)
Net cash from Op. activities	**1,111**	**(365)**	**280**	**592**
Capital expenditures	(83)	(507)	(140)	(169)
Interest / Dividend Income	1	-	-	-
Others	(919)	338	(19)	(276)
Net Cash from Invt. activities	**(1,001)**	**(168)**	**(158)**	**(445)**
Issue of share cap. / premium	5	-	3	-
Debt changes	25	570	-	-
Dividend paid	-	-	(30)	(43)
Interest paid	(58)	(52)	(55)	(56)
Others	(76)	16	21	23
Net cash from Fin. activities	**(104)**	**533**	**(61)**	**(76)**
Net change in cash	**6**	**0**	**61**	**71**
Free Cash Flow	1,028	(871)	140	424

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	(9.3)	13.8	25.0	36.1
CEPS	(0.2)	22.5	35.8	48.4
BVPS	124.6	138.1	154.2	188.5
FCF	45.9	(38.9)	5.9	17.9
DPS	-	-	1.2	1.8
Return Ratio(%)				
RoCE	NA	10.7	18.5	22.9
ROIC	NA	11.4	17.9	20.5
RoE	NA	10.5	17.6	21.1
Balance Sheet				
Net Debt : Equity (x)	0.1	0.3	0.2	0.2
Net Working Capital (Days)	149	114	112	109
Valuation(x)				
PER	NA	60.4	33.3	23.0
P/B	6.7	6.0	5.4	4.4
P/CEPS	NA	37.0	23.2	17.2
EV/EBITDA	NA	33.7	19.5	14.2
EV/Sales	5.8	2.7	2.2	1.8
Dividend Yield (%)	-	-	0.2	0.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	**1,329**	**1,202**	**1,886**	**2,040**
YoY gr. (%)	*(8.0)*	*497.3*	*199.6*	*82.1*
Raw Material Expenses	734	731	1,177	1,358
Gross Profit	595	471	709	682
Margin (%)	*44.8*	*39.2*	*37.6*	*33.4*
EBITDA	**134**	**70**	**181**	**132**
YoY gr. (%)	*1.2*	*NA*	*NA*	*146.1*
Margin (%)	*10.1*	*5.9*	*9.6*	*6.5*
Depreciation / Depletion	47	45	47	50
EBIT	**86**	**26**	**133**	**82**
Margin (%)	*6.5*	*2.1*	*7.1*	*4.0*
Net Interest	7	10	14	13
Other Income	4	19	20	23
Profit before Tax	**84**	**34**	**139**	**91**
Margin (%)	*6.3*	*2.8*	*7.4*	*4.5*
Total Tax	21	9	33	22
Effective tax rate (%)	*25.6*	*27.5*	*23.7*	*24.6*
Profit after Tax	**62**	**25**	**106**	**69**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**62**	**25**	**106**	**69**
YoY gr. (%)	*32.7*	*NA*	*NA*	*481.8*
Margin (%)	*4.7*	*2.0*	*5.6*	*3.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**62**	**25**	**106**	**69**
YoY gr. (%)	*32.7*	*NA*	*NA*	*481.8*
Margin (%)	*4.7*	*2.0*	*5.6*	*3.4*
Other Comprehensive Income	**(8)**	**(2)**	**(3)**	**(3)**
Total Comprehensive Income	**54**	**22**	**104**	**67**
Avg. Shares O/s (m)	**22**	**22**	**22**	**22**
EPS (Rs)	**2.8**	**1.1**	**4.7**	**3.1**

Source: Company Data, PL Research

Notes:

Notes:

Price Chart

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	201	182
3	Indian Railway Catering and Tourism Corporation	Hold	802	850
4	Inox Leisure	BUY	486	380
5	Music Broadcast	Hold	24	25
6	Navneet Education	BUY	128	91
7	Nazara Technologies	BUY	2,544	1,884
8	PVR	BUY	1,891	1,537
9	S Chand and Company	BUY	159	119
10	Safari Industries (India)	NR	-	682
11	V.I.P. Industries	BUY	769	677
12	Zee Entertainment Enterprises	BUY	413	293

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Buy : >15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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