

May 14, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	1,288		1,264	
Sales (Rs. m)	9,230	11,296	9,183	11,242
% Chng.	0.5	0.5		
EBITDA (Rs. m)	969	1,446	1,056	1,439
% Chng.	(8.2)	0.5		
EPS (Rs.)	23.2	36.8	25.0	36.1
% Chng.	(7.1)	1.9		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	3,280	7,057	9,230	11,296
EBITDA (Rs. m)	(60)	552	969	1,446
Margin (%)	(1.8)	7.8	10.5	12.8
PAT (Rs. m)	(209)	316	550	873
EPS (Rs.)	(9.3)	14.1	23.2	36.8
Gr. (%)	NA	NA	64.2	58.6
DPS (Rs.)	-	0.8	1.2	1.8
Yield (%)	-	0.1	0.1	0.2
RoE (%)	NA	10.9	16.8	22.1
RoCE (%)	NA	10.4	17.9	24.0
EV/Sales (x)	6.1	2.8	2.4	1.9
EV/EBITDA (x)	NA	36.3	22.6	15.0
PE (x)	NA	63.5	38.7	24.4
P/BV (x)	7.2	6.7	6.0	4.9

Key Data

SAFA.BO | SII IN

52-W High / Low	Rs.1,051 / Rs.564
Sensex / Nifty	52,794 / 15,782
Market Cap	Rs.20bn/ \$ 260m
Shares Outstanding	22m
3M Avg. Daily Value	Rs.12.02m

Shareholding Pattern (%)

Promoter's	50.02
Foreign	16.21
Domestic Institution	5.88
Public & Others	27.89
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.9)	(2.9)	51.7
Relative	1.8	11.6	39.9

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GM recoups while demand remains strong

Quick Pointers:

- Exceptional loss of Rs93mn relating to provision for doubtful debts on receivables pertains to outstanding exposure towards Future Group.
- Capex plan of Rs500mn to expand capacity at Halol is on track.

In an inflationary environment, Safari reported a decent performance with GM of 38.7% (PLe of 36.9%) buoyed by price hike taken towards end of 3QFY22 and favorable product/channel mix. Though top-line declined 5.4% QoQ due to Omicron impact in Jan/Feb, overall demand environment remains strong given easing travel restrictions.

While we cut our FY23E EPS estimates by 7% as we trim our GM assumption by 100bps amid persistent RM cost inflation, our FY24E estimates are broadly intact. We expect sales/PAT CAGR of 27%/98% over FY22-FY24E as benefits 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 since sales volumes were impacted by COVID in last 2 years. Retain BUY with a TP of Rs1,288 (35x FY24E EPS) given 1) leadership position in mass market which is witnessing higher growth than premium/economy segments and 2) better valuation comfort vis-à-vis market leader VIP. Safari trades at 5%/27% discount to VIP on our projected FY23E/FY24E EPS despite having superior sales/PAT CAGR over FY22-24E.

Demand environment is strong: Top-line increased 45.2% YoY to Rs1,929mn (PLe of Rs2,108mn) but declined 5.4% sequentially due to impact of Omicron in Jan & Feb. However, overall demand environment continues to remain strong given easing travel restrictions and re-opening of schools/colleges/offices.

Capacity expansion is on track: Capex plan of Rs500mn to expand PolyPropylene based hard luggage capacity at Halol is on track and production is expected to begin by June 2022.

GM expands to 38.7%: Gross profit increased 25.5% YoY to Rs747mn (PLe of Rs779mn) as compared to Rs595mn in 4QFY21 and Rs682mn in 3QFY22. GM improved 530bps QoQ to 38.7% (PLe of 36.9%) mainly on account of better realization as price hike was taken towards end of 3QFY22 to combat raw material inflation. Favorable product and channel mix further cushioned margins.

EBITDA margin of 8.8%: EBITDA increased 26.5% YoY to Rs169mn (PLe of Rs196mn) with a margin of 8.8% (PLe 9.3%) as against 10.1% in 4QFY21 and 6.5% in 3QFY22.

PAT declines due to exceptional loss: PAT declined 61.4% YoY to Rs24mn with a margin of 1.2% on account of exceptional loss on provision for doubtful debt of Rs93mn. Adjusting for the exceptional loss, PAT stood at Rs117mn (PLe of Rs109mn) with a margin of 6.1% (PLe of 5.1%).

Exhibit 1: Q4FY22 Result Overview - Consolidated (Rs mn)

Y/e March	Q4FY22	Q4FY21	YoY gr.	Q3FY22	QoQ gr.	FY22	FY21	YoY gr.
Net sales	1,929	1,329	45.2%	2,040	-5.4%	7,057	3,280	115.2%
Total raw material cost	1,183	734	61.1%	1,358	-12.9%	4,448	1,907	133.3%
<i>As a % of sales</i>	<i>61.3%</i>	<i>55.2%</i>		<i>66.6%</i>		<i>63.0%</i>	<i>58.1%</i>	
Gross Profit	747	595	25.5%	682	9.4%	2,609	1,373	90.0%
<i>Gross margin</i>	<i>38.7%</i>	<i>44.8%</i>		<i>33.4%</i>		<i>37.0%</i>	<i>41.9%</i>	
Employee expenses	181	136	33.1%	181	-0.2%	676	599	13.0%
<i>As a % of sales</i>	<i>9.4%</i>	<i>10.2%</i>		<i>8.9%</i>		<i>9.6%</i>	<i>18.3%</i>	
Other expenses	397	325	21.9%	369	7.5%	1,380	834	65.5%
<i>As a % of sales</i>	<i>20.6%</i>	<i>24.5%</i>		<i>18.1%</i>		<i>19.6%</i>	<i>25.4%</i>	
EBITDA	169	134	26.5%	132	28.1%	552	(60)	NM
<i>EBITDA margin</i>	<i>8.8%</i>	<i>10.1%</i>		<i>6.5%</i>		<i>7.8%</i>	<i>NM</i>	
Depreciation	56	47	19.0%	50	11.8%	199	204	-2.6%
EBIT	113	86	30.6%	82	38.2%	353	(264)	NM
<i>EBIT margin</i>	<i>5.9%</i>	<i>6.5%</i>		<i>4.0%</i>		<i>5.0%</i>	<i>NM</i>	
Interest cost	12	7	75.8%	13	-12.3%	49	58	-14.9%
Other income	18	4	390.4%	23	-21.1%	80	33	139.6%
PBT	119	84	43.0%	91	30.6%	384	(288)	NM
Exceptional items	93	-	NM	-	NM	93	-	NM
Tax expenses	3	21	-87.4%	22	-88.1%	67	(79)	NM
<i>Tax rate</i>	<i>10.1%</i>	<i>25.6%</i>		<i>24.6%</i>		<i>23.2%</i>	<i>NM</i>	
PAT	24	62	-61.4%	69	-65.3%	224	(209)	NM
<i>PAT margin</i>	<i>1.2%</i>	<i>4.7%</i>		<i>3.4%</i>		<i>3.2%</i>	<i>NM</i>	
EPS (Rs)	1.1	2.8	-61.5%	3.1	-65.2%	10.0	(9.3)	NM

Source: Company, PL

Exhibit 2: Gross & EBITDA margin trend is volatile due to fluctuation in currency & raw material prices

Particulars	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Gross margin	40.6%	40.2%	44.2%	46.0%	45.6%	44.2%	38.5%	39.9%	44.8%	39.2%	37.6%	33.4%	38.7%
EBITDA margin	5.6%	10.5%	10.1%	12.1%	9.2%	NM	NM	4.8%	10.1%	5.9%	9.6%	6.5%	8.8%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	3,280	7,057	9,230	11,296
YoY gr. (%)	(52.2)	115.2	30.8	22.4
Cost of Goods Sold	1,907	4,448	5,400	6,326
Gross Profit	1,373	2,609	3,831	4,970
Margin (%)	41.9	37.0	41.5	44.0
Employee Cost	599	676	831	983
Other Expenses	834	1,380	2,031	2,542
EBITDA	(60)	552	969	1,446
YoY gr. (%)	NA	NA	75.5	49.2
Margin (%)	NA	7.8	10.5	12.8
Depreciation and Amortization	204	199	258	294
EBIT	(264)	353	711	1,152
Margin (%)	NA	5.0	7.7	10.2
Net Interest	58	49	32	40
Other Income	33	80	55	51
Profit Before Tax	(288)	291	734	1,163
Margin (%)	NA	4.1	8.0	10.3
Total Tax	(79)	67	183	291
Effective tax rate (%)	27.5	23.2	25.0	25.0
Profit after tax	(209)	224	550	873
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(209)	316	550	873
YoY gr. (%)	NA	NA	73.9	58.6
Margin (%)	NA	4.5	6.0	7.7
Extra Ord. Income / (Exp)	-	(93)	-	-
Reported PAT	(209)	224	550	873
YoY gr. (%)	NA	NA	146.1	58.6
Margin (%)	NA	3.2	6.0	7.7
Other Comprehensive Income	(12)	(5)	-	-
Total Comprehensive Income	(221)	219	550	873
Equity Shares O/s (m)	22	22	24	24
EPS (Rs)	(9.3)	14.1	23.2	36.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	1,012	1,503	1,879	2,170
Tangibles	938	1,429	1,800	2,087
Intangibles	74	74	79	84
Acc: Dep / Amortization	345	544	803	1,096
Tangibles	277	475	734	1,028
Intangibles	69	69	69	69
Net fixed assets	667	959	1,076	1,074
Tangibles	662	954	1,066	1,059
Intangibles	5	5	10	15
Capital Work In Progress	1	197	1	1
Goodwill	-	-	-	-
Non-Current Investments	346	52	65	79
Net Deferred tax assets	111	70	92	113
Other Non-Current Assets	50	54	74	90
Current Assets				
Investments	-	-	-	-
Inventories	1,140	1,461	2,074	2,507
Trade receivables	903	1,146	1,871	2,259
Cash & Bank Balance	645	592	226	393
Other Current Assets	96	132	157	226
Total Assets	3,969	4,684	5,654	6,766
Equity				
Equity Share Capital	45	45	47	47
Other Equity	2,745	2,965	3,488	4,317
Total Networkth	2,790	3,010	3,535	4,364
Non-Current Liabilities				
Long Term borrowings	249	308	308	308
Provisions	2	-	5	6
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	160	248	548	548
Trade payables	700	1,031	1,138	1,393
Other current liabilities	69	87	120	147
Total Equity & Liabilities	3,969	4,684	5,654	6,766

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	(288)	384	734	1,163
Add. Depreciation	204	199	258	294
Add. Interest	58	49	32	40
Less Financial Other Income	33	80	55	51
Add. Other	54	2	-	-
Op. profit before WC changes	28	634	1,025	1,497
Net Changes-WC	1,071	(452)	(1,264)	(647)
Direct tax	12	(26)	(183)	(291)
Net cash from Op. activities	1,111	156	(422)	559
Capital expenditures	(83)	(440)	(231)	(147)
Interest / Dividend Income	1	63	-	-
Others	(894)	710	29	(172)
Net Cash from Inv. activities	(976)	333	(201)	(319)
Issue of share cap. / premium	5	1	3	-
Debt changes	25	13	300	-
Dividend paid	-	-	(28)	(44)
Interest paid	(58)	(50)	(32)	(40)
Others	(76)	(106)	14	10
Net cash from Fin. activities	(104)	(141)	257	(73)
Net change in cash	31	348	(366)	167
Free Cash Flow	1,028	(284)	(653)	412

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	(9.3)	14.1	23.2	36.8
CEPS	(0.2)	23.0	34.1	49.2
BVPS	124.6	134.4	149.1	184.1
FCF	45.9	(12.7)	(27.6)	17.4
DPS	-	0.8	1.2	1.8
Return Ratio(%)				
RoCE	NA	10.4	17.9	24.0
ROIC	NA	11.8	17.1	21.4
RoE	NA	10.9	16.8	22.1
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.0	0.2	0.1
Net Working Capital (Days)	149	82	111	109
Valuation(x)				
PER	NA	63.5	38.7	24.4
P/B	7.2	6.7	6.0	4.9
P/CEPS	NA	39.0	26.3	18.3
EV/EBITDA	NA	36.3	22.6	15.0
EV/Sales	6.1	2.8	2.4	1.9
Dividend Yield (%)	-	0.1	0.1	0.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	1,202	1,886	2,040	1,929
YoY gr. (%)	497.3	199.6	82.1	45.2
Raw Material Expenses	731	1,177	1,358	1,183
Gross Profit	471	709	682	747
Margin (%)	39.2	37.6	33.4	38.7
EBITDA	70	181	132	169
YoY gr. (%)	NA	NA	146.1	26.5
Margin (%)	5.9	9.6	6.5	8.8
Depreciation / Depletion	45	47	50	56
EBIT	26	133	82	113
Margin (%)	2.1	7.1	4.0	5.9
Net Interest	10	14	13	12
Other Income	19	20	23	18
Profit before Tax	34	139	91	27
Margin (%)	2.8	7.4	4.5	1.4
Total Tax	9	33	22	3
Effective tax rate (%)	27.5	23.7	24.6	10.1
Profit after Tax	25	106	69	24
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	25	106	69	117
YoY gr. (%)	NA	NA	481.8	87.8
Margin (%)	2.0	5.6	3.4	6.1
Extra Ord. Income / (Exp)	-	-	-	(93)
Reported PAT	25	106	69	24
YoY gr. (%)	NA	NA	481.8	(61.4)
Margin (%)	2.0	5.6	3.4	1.2
Other Comprehensive Income	(2)	(3)	(3)	3
Total Comprehensive Income	22	104	67	27
Avg. Shares O/s (m)	22	22	22	22
EPS (Rs)	1.1	4.7	3.1	1.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	BUY	1,264	968
2	02-Mar-22	BUY	1,264	832

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Entertainment Network (India)	Hold	184	204
2	Indian Railway Catering and Tourism Corporation	Hold	727	791
3	Inox Leisure	BUY	681	493
4	Music Broadcast	Hold	24	26
5	Navneet Education	BUY	128	108
6	Nazara Technologies	BUY	2,550	1,695
7	PVR	BUY	2,227	1,706
8	S Chand and Company	BUY	159	114
9	Safari Industries (India)	BUY	1,264	968
10	V.I.P. Industries	BUY	825	726
11	Zee Entertainment Enterprises	BUY	413	286

PL's Recommendation Nomenclature (Absolute Performance)

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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