

May 17, 2023

## Q4FY23 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	2,790		2,538	
Sales (Rs. m)	14,363	16,816	13,988	16,315
% Chng.	2.7	3.1		
EBITDA (Rs. m)	2,456	2,892	2,238	2,692
% Chng.	9.7	7.4		
EPS (Rs.)	66.8	80.0	60.0	73.6
% Chng.	11.4	8.7		

### Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	7,057	12,120	14,363	16,816
EBITDA (Rs. m)	552	1,969	2,456	2,892
Margin (%)	7.8	16.2	17.1	17.2
PAT (Rs. m)	316	1,251	1,583	1,898
EPS (Rs.)	14.1	52.8	66.8	80.0
Gr. (%)	(251.4)	273.2	26.6	19.9
DPS (Rs.)	0.8	3.5	4.0	4.0
Yield (%)	0.0	0.1	0.2	0.2
RoE (%)	10.9	34.4	31.7	28.6
RoCE (%)	10.4	35.5	32.6	30.9
EV/Sales (x)	7.7	4.8	4.0	3.4
EV/EBITDA (x)	97.8	29.4	23.3	19.5
PE (x)	170.9	45.8	36.2	30.2
P/BV (x)	18.0	13.5	10.0	7.6

### Key Data

SAFA.BO | SII IN

52-W High / Low	Rs.2,663 / Rs.818
Sensex / Nifty	61,932 / 18,287
Market Cap	Rs.57bn/ \$ 697m
Shares Outstanding	24m
3M Avg. Daily Value	Rs.79.13m

### Shareholding Pattern (%)

Promoter's	47.23
Foreign	15.93
Domestic Institution	12.61
Public & Others	24.22
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	7.1	42.4	188.9
Relative	4.5	42.5	147.1

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## Scaling new peaks every quarter

### Quick Pointers:

- After breaching 45% mark in the previous quarter, GM expands further by 280bps to 47.9%.
- EBITDA margin transcends to a new orbit of 19.3%.

**We upgrade our EPS estimates by 11%/9% for FY24E/FY25E respectively as we increase our sales projections by ~3% and GM assumptions by 50-100bps over next 2 years. Safari reported yet another quarter of stupendous performance with record GM/EBITDA margin of 47.9%/19.3% respectively given rising benefits of indigenous manufacturing, cooling RM prices and stabilization in ocean freight. Plans to expand manufacturing capacity by 1.25 lac pieces per month and a full-fledged entry into premium segment (soft launch already done on a D2C channel) in near term is likely to further elevate GM profile. We expect sales/PAT CAGR of 18%/23% over FY23E-FY25E and maintain BUY with a TP of Rs2,790 (38x Sep-24EPS; no change in target multiple). We have not accounted for optionality arising from entry into the premium segment which can act as an upside risk to our estimates.**

**Revenue up 109.6% over pre-COVID base:** Top-line increased 56.9% YoY to Rs3,027mn (PLe Rs2,977mn) and was 109.6% above the comparable pre-COVID quarter indicating recovery and demand momentum is strong.

**GM springs a positive surprise with 920 bps YoY improvement to 47.9%:** Gross profit increased 94.2% YoY to Rs1,450mn (PLe Rs1,297mn) with the highest ever margin of 47.9% (PLe 43.6%) as compared to a margin of 38.7%/45.1% in 4QFY22/3QFY23 respectively. Rising contribution of indigenous manufacturing, cooling RM price and stabilization in ocean freight led to improvement in margins.

**EBITDA/PAT margin stands at 19.3%/12.6%:** EBITDA increased 244.3% YoY to Rs583mn (PLe Rs496mn) with a margin of 19.3% (PLe 16.7%) as against 8.8% in 4QFY22 and 18.1% in 3QFY23. Safari reported highest ever EBITDA margin amid strong GM performance and accrual of operating leverage benefits arising from having a lean indirect cost structure. PAT increased sharply by 1,489.1% YoY to Rs381mn (PLe Rs299mn) with a margin of 12.6% (PLe 10.0%).

**Entry into premium segment to disrupt market:** Safari recently entered into premium segment by soft launching a product on a D2C channel. Branded as "Urban Jungle" the product appears trendy and has attractive features like USB charging port. We believe Safari's entry into premium segment is likely to intensify competition for well entrenched players like VIP and Samsonite.

**Plans to expand capacity by 1.25 lac pieces per month:** Safari has outlined plans to expand manufacturing capacity by 1.25 lac pieces per month entailing a capex of Rs100mn. Expansion is expected to be complete by Sep-23 and will be funded by internal accruals.

**Exhibit 1: Q4FY23 Result Overview - Consolidated (Rs mn)**

Y/e March	Q4FY23	Q4FY21	YoY gr.	Q3FY23	QoQ gr.	FY23	FY22	YoY gr.
<b>Net sales</b>	<b>3,027</b>	<b>1,929</b>	<b>56.9%</b>	<b>3,031</b>	<b>-0.1%</b>	<b>12,120</b>	<b>7,057</b>	<b>71.7%</b>
Total raw material cost	1,577	1,183	33.4%	1,663	-5.2%	6,973	4,448	56.8%
<i>As a % of sales</i>	<i>52.1%</i>	<i>61.3%</i>		<i>54.9%</i>		<i>57.5%</i>	<i>63.0%</i>	
<b>Gross Profit</b>	<b>1,450</b>	<b>747</b>	<b>94.2%</b>	<b>1,368</b>	<b>6.0%</b>	<b>5,147</b>	<b>2,609</b>	<b>97.3%</b>
<i>Gross margin</i>	<i>47.9%</i>	<i>38.7%</i>		<i>45.1%</i>		<i>42.5%</i>	<i>37.0%</i>	
Employee expenses	232	181	28.6%	231	0.8%	858	676	26.8%
<i>As a % of sales</i>	<i>7.7%</i>	<i>9.4%</i>		<i>7.6%</i>		<i>7.1%</i>	<i>9.6%</i>	
Other expenses	635	397	60.1%	587	8.2%	2,321	1,380	68.1%
<i>As a % of sales</i>	<i>21.0%</i>	<i>20.6%</i>		<i>19.4%</i>		<i>19.1%</i>	<i>19.6%</i>	
<b>EBITDA</b>	<b>583</b>	<b>169</b>	<b>244.3%</b>	<b>550</b>	<b>6.0%</b>	<b>1,969</b>	<b>552</b>	<b>256.5%</b>
<i>EBITDA margin</i>	<i>19.3%</i>	<i>8.8%</i>		<i>18.1%</i>		<i>16.2%</i>	<i>7.8%</i>	
Depreciation	92	56	62.7%	94	-2.7%	333	199	67.4%
<b>EBIT</b>	<b>491</b>	<b>113</b>	<b>334.8%</b>	<b>456</b>	<b>7.8%</b>	<b>1,636</b>	<b>353</b>	<b>362.9%</b>
<i>EBIT margin</i>	<i>16.2%</i>	<i>5.9%</i>		<i>15.0%</i>		<i>13.5%</i>	<i>5.0%</i>	
Interest cost	22	12	88.4%	26	-14.8%	80	49	61.9%
Other income	27	18	47.3%	25	5.1%	95	80	18.5%
<b>PBT</b>	<b>496</b>	<b>119</b>	<b>315.2%</b>	<b>455.44</b>	<b>8.9%</b>	<b>1,650</b>	<b>384</b>	<b>329.9%</b>
Exceptional items	-	93	NM	-	NM	-	93	NM
Tax expenses	115	3	4189.8%	111	3.9%	400	67	492.3%
<i>Tax rate</i>	<i>23.2%</i>	<i>10.1%</i>		<i>24.3%</i>		<i>24.2%</i>	<i>23.2%</i>	
<b>PAT</b>	<b>381</b>	<b>24</b>	<b>1489.1%</b>	<b>344.70</b>	<b>10.5%</b>	<b>1,251</b>	<b>224</b>	<b>459.2%</b>
<i>PAT margin</i>	<i>12.6%</i>	<i>1.2%</i>		<i>11.4%</i>		<i>10.3%</i>	<i>3.2%</i>	
<b>EPS (Rs)</b>	<b>16.1</b>	<b>1.1</b>	<b>1400.0%</b>	<b>14.5</b>	<b>10.5%</b>	<b>52.8</b>	<b>10.0</b>	<b>428.1%</b>

Source: Company, PL

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

Particulars	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23
Gross margin	45.6%	44.2%	38.5%	39.9%	44.8%	39.2%	37.6%	33.4%	38.7%	38.4%	38.8%	45.1%	47.9%
EBITDA margin	9.2%	NM	NM	4.8%	10.1%	5.9%	9.6%	6.5%	8.8%	14.2%	13.3%	18.1%	19.3%

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Net Revenues</b>	<b>7,057</b>	<b>12,120</b>	<b>14,363</b>	<b>16,816</b>
YoY gr. (%)	115.2	71.7	18.5	17.1
Cost of Goods Sold	4,448	6,973	8,043	9,417
Gross Profit	2,609	5,147	6,320	7,399
Margin (%)	37.0	42.5	44.0	44.0
Employee Cost	676	858	991	1,127
Other Expenses	1,380	2,321	2,873	3,380
<b>EBITDA</b>	<b>552</b>	<b>1,969</b>	<b>2,456</b>	<b>2,892</b>
YoY gr. (%)	NA	256.5	24.8	17.8
Margin (%)	7.8	16.2	17.1	17.2
Depreciation and Amortization	199	333	373	404
<b>EBIT</b>	<b>353</b>	<b>1,636</b>	<b>2,083</b>	<b>2,489</b>
Margin (%)	5.0	13.5	14.5	14.8
Net Interest	49	80	72	67
Other Income	80	95	101	109
<b>Profit Before Tax</b>	<b>291</b>	<b>1,650</b>	<b>2,111</b>	<b>2,531</b>
Margin (%)	4.1	13.6	14.7	15.1
Total Tax	67	400	528	633
Effective tax rate (%)	23.2	24.2	25.0	25.0
<b>Profit after tax</b>	<b>224</b>	<b>1,251</b>	<b>1,583</b>	<b>1,898</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>316</b>	<b>1,251</b>	<b>1,583</b>	<b>1,898</b>
YoY gr. (%)	NA	295.3	26.6	19.9
Margin (%)	4.5	10.3	11.0	11.3
Extra Ord. Income / (Exp)	(93)	-	-	-
<b>Reported PAT</b>	<b>224</b>	<b>1,251</b>	<b>1,583</b>	<b>1,898</b>
YoY gr. (%)	NA	459.2	26.6	19.9
Margin (%)	3.2	10.3	11.0	11.3
Other Comprehensive Income	(5)	(3)	-	-
Total Comprehensive Income	219	1,248	1,583	1,898
<b>Equity Shares O/s (m)</b>	<b>22</b>	<b>24</b>	<b>24</b>	<b>24</b>
<b>EPS (Rs)</b>	<b>14.1</b>	<b>52.8</b>	<b>66.8</b>	<b>80.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>1,368</b>	<b>2,583</b>	<b>2,939</b>	<b>3,341</b>
Tangibles	1,292	2,507	2,859	3,256
Intangibles	75	75	80	85
<b>Acc: Dep / Amortization</b>	<b>409</b>	<b>742</b>	<b>1,115</b>	<b>1,519</b>
Tangibles	338	671	1,045	1,448
Intangibles	71	71	71	71
<b>Net fixed assets</b>	<b>959</b>	<b>1,840</b>	<b>1,823</b>	<b>1,822</b>
Tangibles	954	1,836	1,814	1,807
Intangibles	5	4	9	14
Capital Work In Progress	197	-	3	3
Goodwill	-	-	-	-
Non-Current Investments	52	97	57	50
Net Deferred tax assets	70	37	57	84
Other Non-Current Assets	54	59	93	151
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	1,461	2,664	2,951	3,455
Trade receivables	1,146	1,693	2,558	2,995
Cash & Bank Balance	592	865	1,434	2,294
Other Current Assets	132	197	215	353
<b>Total Assets</b>	<b>4,684</b>	<b>7,481</b>	<b>9,221</b>	<b>11,242</b>
<b>Equity</b>				
Equity Share Capital	45	47	47	47
Other Equity	2,965	4,210	5,698	7,501
<b>Total Networkth</b>	<b>3,010</b>	<b>4,257</b>	<b>5,746</b>	<b>7,549</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	308	779	779	779
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	248	615	615	615
Trade payables	1,031	1,665	1,889	2,073
Other current liabilities	87	164	192	225
<b>Total Equity &amp; Liabilities</b>	<b>4,684</b>	<b>7,481</b>	<b>9,221</b>	<b>11,242</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	384	1,650	2,111	2,531
Add. Depreciation	199	333	373	404
Add. Interest	49	80	72	67
Less Financial Other Income	80	95	101	109
Add. Other	2	(25)	-	-
Op. profit before WC changes	634	2,038	2,557	3,002
Net Changes-WC	(452)	(1,171)	(949)	(935)
Direct tax	(26)	(361)	(529)	(632)
<b>Net cash from Op. activities</b>	<b>156</b>	<b>506</b>	<b>1,078</b>	<b>1,435</b>
Capital expenditures	(440)	(503)	(201)	(227)
Interest / Dividend Income	63	47	-	-
Others	710	(239)	(134)	(198)
<b>Net Cash from Inv. activities</b>	<b>333</b>	<b>(695)</b>	<b>(335)</b>	<b>(425)</b>
Issue of share cap. / premium	1	3	-	-
Debt changes	13	213	-	-
Dividend paid	-	(53)	(95)	(95)
Interest paid	(50)	(79)	(72)	(67)
Others	(106)	113	(7)	12
<b>Net cash from Fin. activities</b>	<b>(141)</b>	<b>196</b>	<b>(174)</b>	<b>(150)</b>
<b>Net change in cash</b>	<b>348</b>	<b>7</b>	<b>569</b>	<b>860</b>
Free Cash Flow	(284)	3	877	1,208

Source: Company Data, PL Research

**Key Financial Metrics**

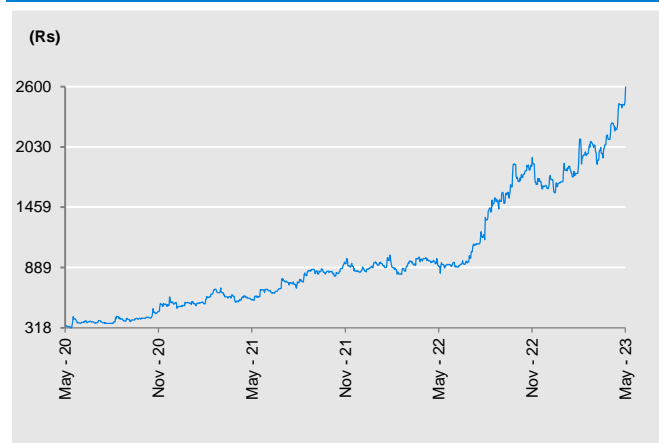
Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	14.1	52.8	66.8	80.0
CEPS	23.0	66.8	82.5	97.1
BVPS	134.4	179.5	242.3	318.4
FCF	(12.7)	0.1	37.0	50.9
DPS	0.8	3.5	4.0	4.0
<b>Return Ratio(%)</b>				
RoCE	10.4	35.5	32.6	30.9
ROIC	11.8	26.3	26.6	25.7
RoE	10.9	34.4	31.7	28.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.0	0.1	0.0	(0.1)
Net Working Capital (Days)	82	81	92	95
<b>Valuation(x)</b>				
PER	170.9	45.8	36.2	30.2
P/B	18.0	13.5	10.0	7.6
P/CEPS	104.9	36.2	29.3	24.9
EV/EBITDA	97.8	29.4	23.3	19.5
EV/Sales	7.7	4.8	4.0	3.4
Dividend Yield (%)	0.0	0.1	0.2	0.2

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
<b>Net Revenue</b>	<b>2,932</b>	<b>3,149</b>	<b>3,031</b>	<b>3,027</b>
YoY gr. (%)	144.0	67.0	48.6	56.9
Raw Material Expenses	1,806	1,927	1,663	1,577
Gross Profit	1,126	1,222	1,368	1,450
Margin (%)	38.4	38.8	45.1	47.9
<b>EBITDA</b>	<b>417</b>	<b>419</b>	<b>550</b>	<b>583</b>
YoY gr. (%)	493.2	132.0	316.3	244.3
Margin (%)	14.2	13.3	18.1	19.3
Depreciation / Depletion	67	80	94	92
<b>EBIT</b>	<b>350</b>	<b>339</b>	<b>456</b>	<b>491</b>
Margin (%)	11.9	10.8	15.0	16.2
Net Interest	13	19	26	22
Other Income	17	25	25	27
<b>Profit before Tax</b>	<b>354</b>	<b>345</b>	<b>455</b>	<b>496</b>
Margin (%)	12.1	11.0	15.0	16.4
Total Tax	88	86	111	115
Effective tax rate (%)	24.9	24.8	24.3	23.2
<b>Profit after Tax</b>	<b>266</b>	<b>259</b>	<b>345</b>	<b>381</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>266</b>	<b>259</b>	<b>345</b>	<b>381</b>
YoY gr. (%)	985.1	144.2	399.6	226.2
Margin (%)	9.1	8.2	11.4	12.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>266</b>	<b>259</b>	<b>345</b>	<b>381</b>
YoY gr. (%)	985.1	144.2	399.6	1,489.1
Margin (%)	9.1	8.2	11.4	12.6
Other Comprehensive Income	(1)	(1)	(1)	1
<b>Total Comprehensive Income</b>	<b>265</b>	<b>258</b>	<b>344</b>	<b>382</b>
Avg. Shares O/s (m)	22	24	24	24
<b>EPS (Rs)</b>	<b>11.9</b>	<b>10.9</b>	<b>14.5</b>	<b>16.1</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	BUY	2,538	2,114
2	08-Feb-23	BUY	2,553	1,889
3	06-Jan-23	BUY	2,476	1,699
4	04-Nov-22	BUY	2,457	1,811
5	06-Oct-22	BUY	2,062	1,852
6	12-Aug-22	BUY	1,766	1,360
7	07-Jul-22	BUY	1,288	931

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	504	401
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	672	582
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	BUY	2,346	1,905
6	Music Broadcast	Hold	18	11
7	Navneet Education	Accumulate	147	102
8	Nazara Technologies	BUY	804	566
9	S Chand and Company	BUY	228	219
10	Safari Industries (India)	BUY	2,538	2,114
11	V.I.P. Industries	BUY	900	623
12	Zee Entertainment Enterprises	BUY	277	211

**PL's Recommendation Nomenclature (Absolute Performance)**

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



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