

November 1, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	4,752		4,559	
Sales (Rs.m)	15,538	18,724	15,538	18,725
% Chng.	(0.0)	(0.0)		
EBITDA (Rs.m)	2,750	3,370	2,750	3,352
% Chng.	(0.0)	0.6		
EPS (Rs.)	72.7	91.5	72.7	90.9
% Chng.	(0.0)	0.6		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	12,120	15,538	18,724	22,902
EBITDA (Rs. m)	1,969	2,750	3,370	4,329
Margin (%)	16.2	17.7	18.0	18.9
PAT (Rs. m)	1,251	1,725	2,170	2,838
EPS (Rs.)	52.8	72.7	91.5	119.7
Gr. (%)	273.2	37.9	25.8	30.8
DPS (Rs.)	3.5	4.4	4.6	6.0
Yield (%)	0.1	0.1	0.1	0.1
RoE (%)	34.4	34.0	31.4	30.6
RoCE (%)	35.5	35.1	34.3	34.7
EV/Sales (x)	8.3	6.5	5.4	4.3
EV/EBITDA (x)	51.2	36.5	29.9	22.9
PE (x)	80.2	58.2	46.2	35.4
P/BV (x)	23.6	17.1	12.6	9.4

Key Data

SAFA.BO | SII IN

52-W High / Low	Rs.4,540 / Rs.1,571
Sensex / Nifty	63,591 / 18,989
Market Cap	Rs.101bn / \$ 1,208m
Shares Outstanding	24m
3M Avg. Daily Value	Rs.284.37m

Shareholding Pattern (%)

Promoter's	46.96
Foreign	12.95
Domestic Institution	17.51
Public & Others	22.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.1	73.2	129.7
Relative	11.9	66.5	120.8

Jinesh Joshi

jineshjoshi@plindia.com | 91-22-66322238

Stuti Beria

stutiberia@plindia.com | 91-22-66322246

Capacity expansion on the cards

Quick Pointers:

- Announces capex of Rs2.15bn for a new greenfield plant.
- Board approval taken for raising funds via QIP for an amount not exceeding Rs5bn.
- Announces bonus in the ratio of 1:1 and declares an interim dividend of Rs2.5 per share.

We retain our FY24/FY25E EPS estimates and upgrade FY26E estimates by 7% as full fledge benefits of upcoming capacity expansion will be evident in next 12-15 months. Safari has outlined a capex plan of Rs2.15bn which will double its HL capacity from ~6.5lac pieces per month to ~13lac pieces per month. The company reported decent performance in a seasonally weak quarter with Gross margin/EBITDA margin of 45.5%/17.2% respectively. We maintain our positive stance, as consistent gain in market share and rising share of indigenous manufacturing is likely to result in Sales/PAT CAGR of 24%/31% over FY23-FY26E. Maintain 'BUY' with a TP of Rs4,752 (earlier Rs4,559) valuing the stock at 45x Sep-25E EPS (no change in target multiple).

Revenue up 18.0% YoY: Top-line increased 18.0% YoY to Rs3,700mn (PLe Rs3,779mn;) led by strong growth across channels.

GM at 45.5%: Gross profit increased 39.3% YoY to Rs1,684mn (PLe Rs1,625mn) with a margin of 45.5% (PLe 43.0%) as compared to a margin of 38.6%/45.1% in 2QFY23/1QFY24 respectively.

EBITDA/PAT margin stands at 17.2%/10.7%: EBITDA increased 51.4% YoY to Rs635mn (PLe Rs612mn) with a margin of 17.2% (PLe 16.2%) as against 13.4% in 2QFY23 and 18.5% in 1QFY24. Safari reported healthy EBITDA margin amid strong GM performance and accrual of operating leverage benefits arising from having a lean indirect cost structure. PAT increased by 53.2% YoY to Rs398mn (PLe Rs368mn) with a margin of 10.7% (PLe 9.7%) as compared to a margin of 8.3%/11.7% in 2QFY23/1QFY24.

Plans to double the capacity to ~13 lac pieces per month: Safari has outlined a capex plan of Rs2.15bn that would entail doubling its HL capacity from ~6.5lac pieces per month to ~13lac pieces per month. The new plant is expected to come up in North India and expansion is expected to complete in next 12-15 months.

Other highlights: 1) Trade receivables increased to Rs2,691mn in 1HFY24 from Rs1,693mn in FY23 due to pending recovery from e-commerce channel partners. 2) CSD channel has seen growth in 2QFY24. 3) Current EBO count stands at ~115 and Safari plans to open 1 EBO per week. 4) Current HL:SL mix is ~66%:33%.

Exhibit 1: Q2FY24 Result Overview - Consolidated (Rs mn)

Y/e March	Q2FY24	Q2FY23	YoY gr.	Q1FY24	QoQ gr.	H1FY24	H1FY23	YoY gr.
Net sales	3,700	3,136	18.0%	4,267	-13.3%	7,967	6,066	31.3%
Total raw material cost	2,017	1,927	4.7%	2,342	-13.9%	4,359	3,732	16.8%
<i>As a % of sales</i>	<i>54.5%</i>	<i>61.4%</i>		<i>54.9%</i>		<i>54.7%</i>	<i>61.5%</i>	
Gross Profit	1,684	1,209	39.3%	1,925	-12.5%	3,608	2,334	54.6%
<i>Gross margin</i>	<i>45.5%</i>	<i>38.6%</i>		<i>45.1%</i>		<i>45.3%</i>	<i>38.5%</i>	
Employee expenses	248	216	15.1%	242	2.7%	490	398	23.1%
<i>As a % of sales</i>	<i>6.7%</i>	<i>6.9%</i>		<i>5.7%</i>		<i>6.2%</i>	<i>6.6%</i>	
Other expenses	801	574	39.5%	893	-10.3%	1,693	1,100	54.0%
<i>As a % of sales</i>	<i>21.6%</i>	<i>18.3%</i>		<i>20.9%</i>		<i>21.3%</i>	<i>18.1%</i>	
EBITDA	635	419	51.4%	790	-19.7%	1,425	836	70.4%
<i>EBITDA margin</i>	<i>17.2%</i>	<i>13.4%</i>		<i>18.5%</i>		<i>17.9%</i>	<i>13.8%</i>	
Depreciation	123	80	52.9%	129	-5.3%	252	147	70.9%
EBIT	512	339	51.1%	661	-22.5%	1,173	689	70.3%
<i>EBIT margin</i>	<i>13.8%</i>	<i>10.8%</i>		<i>15.5%</i>		<i>14.7%</i>	<i>11.4%</i>	
Interest cost	22	19	17.1%	26	-15.3%	48	32	50.6%
Other income	29	25	14.7%	23	26.3%	52	42	21.7%
PBT	519	345	50.3%	658	-21.1%	1,176	699	68.3%
Exceptional items	-	-	NM	-	NM	-	-	NM
Tax expenses	121	86	41.4%	158	-23.3%	279	174	60.8%
<i>Tax rate</i>	<i>23.4%</i>	<i>24.9%</i>		<i>24.0%</i>		<i>23.8%</i>	<i>24.9%</i>	
PAT	398	259	53.2%	499	-20.4%	897	525	70.8%
<i>PAT margin</i>	<i>10.7%</i>	<i>8.3%</i>		<i>11.7%</i>		<i>11.3%</i>	<i>8.7%</i>	
EPS (Rs)	16.7	11.4	47.4%	21.1	-20.5%	37.8	23.2	62.7%

Source: Company, PL

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

Particulars	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Gross margin	38.5%	39.9%	44.8%	39.2%	37.6%	33.4%	38.7%	38.4%	38.8%	45.1%	47.9%	45.1%	45.5%
EBITDA margin	NM	4.8%	10.1%	5.9%	9.6%	6.5%	8.8%	14.2%	13.3%	18.1%	19.3%	18.5%	17.2%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	12,120	15,538	18,724	22,902
YoY gr. (%)	71.7	28.2	20.5	22.3
Cost of Goods Sold	6,973	8,654	10,392	12,482
Gross Profit	5,147	6,883	8,332	10,421
Margin (%)	42.5	44.3	44.5	45.5
Employee Cost	858	1,072	1,255	1,466
Other Expenses	2,321	3,061	3,707	4,626
EBITDA	1,969	2,750	3,370	4,329
YoY gr. (%)	256.5	39.7	22.5	28.4
Margin (%)	16.2	17.7	18.0	18.9
Depreciation and Amortization	333	482	524	618
EBIT	1,636	2,268	2,846	3,710
Margin (%)	13.5	14.6	15.2	16.2
Net Interest	80	78	75	76
Other Income	95	109	122	149
Profit Before Tax	1,650	2,300	2,893	3,783
Margin (%)	13.6	14.8	15.5	16.5
Total Tax	400	575	723	946
Effective tax rate (%)	24.2	25.0	25.0	25.0
Profit after tax	1,251	1,725	2,170	2,838
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,251	1,725	2,170	2,838
YoY gr. (%)	295.3	37.9	25.8	30.8
Margin (%)	10.3	11.1	11.6	12.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,251	1,725	2,170	2,838
YoY gr. (%)	459.2	37.9	25.8	30.8
Margin (%)	10.3	11.1	11.6	12.4
Other Comprehensive Income	(3)	(2)	-	-
Total Comprehensive Income	1,248	1,723	2,170	2,838
Equity Shares O/s (m)	24	24	24	24
EPS (Rs)	52.8	72.7	91.5	119.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	2,578	3,354	5,177	5,581
Tangibles	2,503	3,274	5,092	5,491
Intangibles	75	80	85	90
Acc: Dep / Amortization	737	1,219	1,743	2,362
Tangibles	667	1,148	1,673	2,291
Intangibles	71	71	71	71
Net fixed assets	1,840	2,135	3,434	3,219
Tangibles	1,836	2,126	3,419	3,200
Intangibles	4	9	14	19
Capital Work In Progress	-	3	4	5
Goodwill	-	-	-	-
Non-Current Investments	97	62	56	46
Net Deferred tax assets	37	62	94	115
Other Non-Current Assets	59	101	169	206
Current Assets				
Investments	-	-	-	-
Inventories	2,664	3,320	4,001	4,894
Trade receivables	1,693	2,341	2,821	3,451
Cash & Bank Balance	865	1,233	882	2,696
Other Current Assets	197	233	393	481
Total Assets	7,481	9,522	11,891	15,158
Equity				
Equity Share Capital	47	47	47	47
Other Equity	4,210	5,829	7,890	10,586
Total Networkth	4,257	5,877	7,938	10,633
Non-Current Liabilities				
Long Term borrowings	779	779	779	779
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	615	615	615	615
Trade payables	1,665	2,043	2,308	2,824
Other current liabilities	164	208	251	307
Total Equity & Liabilities	7,481	9,522	11,891	15,158

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	1,650	2,300	2,893	3,783
Add. Depreciation	333	482	524	618
Add. Interest	80	78	75	76
Less Financial Other Income	95	109	122	149
Add. Other	(25)	-	-	-
Op. profit before WC changes	2,038	2,859	3,492	4,477
Net Changes-WC	(1,171)	(966)	(1,101)	(1,103)
Direct tax	(361)	(576)	(722)	(944)
Net cash from Op. activities	506	1,317	1,669	2,430
Capital expenditures	(503)	(622)	(1,648)	(229)
Interest / Dividend Income	47	-	-	-
Others	(239)	(145)	(204)	(191)
Net Cash from Inv. activities	(695)	(767)	(1,852)	(420)
Issue of share cap. / premium	3	-	-	-
Debt changes	213	-	-	-
Dividend paid	(53)	(103)	(108)	(142)
Interest paid	(79)	(78)	(75)	(76)
Others	113	(1)	16	21
Net cash from Fin. activities	196	(182)	(167)	(197)
Net change in cash	7	368	(351)	1,814
Free Cash Flow	3	695	21	2,201

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	52.8	72.7	91.5	119.7
CEPS	66.8	93.0	113.6	145.8
BVPS	179.5	247.8	334.8	448.4
FCF	0.1	29.3	0.9	92.8
DPS	3.5	4.4	4.6	6.0
Return Ratio(%)				
RoCE	35.5	35.1	34.3	34.7
ROIC	26.3	28.9	28.3	28.6
RoE	34.4	34.0	31.4	30.6
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	0.1	(0.1)
Net Working Capital (Days)	81	85	88	88
Valuation(x)				
PER	80.2	58.2	46.2	35.4
P/B	23.6	17.1	12.6	9.4
P/CEPS	63.3	45.5	37.2	29.0
EV/EBITDA	51.2	36.5	29.9	22.9
EV/Sales	8.3	6.5	5.4	4.3
Dividend Yield (%)	0.1	0.1	0.1	0.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

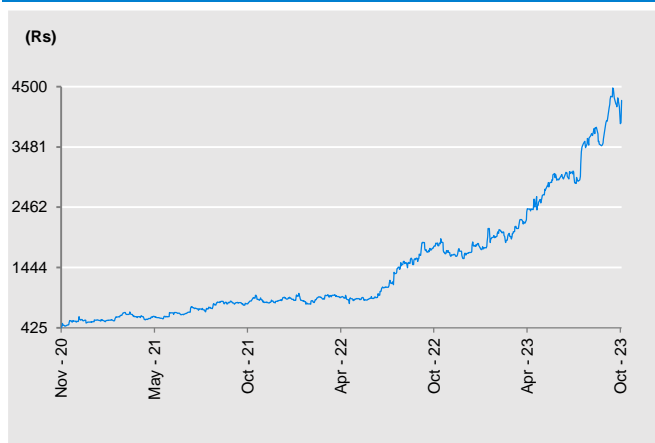
Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	3,031	3,027	4,267	3,700
YoY gr. (%)	48.6	56.9	45.6	18.0
Raw Material Expenses	1,663	1,577	2,342	2,017
Gross Profit	1,368	1,450	1,925	1,684
Margin (%)	45.1	47.9	45.1	45.5
EBITDA	550	583	790	635
YoY gr. (%)	316.3	244.3	89.5	51.4
Margin (%)	18.1	19.3	18.5	17.2
Depreciation / Depletion	94	92	129	123
EBIT	456	491	661	512
Margin (%)	15.0	16.2	15.5	13.8
Net Interest	26	22	26	22
Other Income	25	27	23	29
Profit before Tax	455	496	658	519
Margin (%)	15.0	16.4	15.4	14.0
Total Tax	111	115	158	121
Effective tax rate (%)	24.3	23.2	24.0	23.4
Profit after Tax	345	381	499	398
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	345	381	499	398
YoY gr. (%)	399.6	226.2	87.8	53.2
Margin (%)	11.4	12.6	11.7	10.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	345	381	499	398
YoY gr. (%)	399.6	1,489.3	87.8	53.2
Margin (%)	11.4	12.6	11.7	10.7
Other Comprehensive Income	(1)	1	(1)	(1)
Total Comprehensive Income	344	382	499	397
Avg. Shares O/s (m)	24	24	24	24
EPS (Rs)	14.5	16.1	21.1	16.7

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-23	BUY	4,559	4,337
2	10-Aug-23	BUY	3,728	3,195
3	07-Jul-23	BUY	3,202	2,937
4	13-Jun-23	BUY	3,202	2,884
5	17-May-23	BUY	2,790	2,415
6	11-Apr-23	BUY	2,538	2,114
7	08-Feb-23	BUY	2,553	1,889
8	06-Jan-23	BUY	2,476	1,699
9	04-Nov-22	BUY	2,457	1,811

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	650	560
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	700	720
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	BUY	2,701	2,536
6	Lemon Tree Hotels	BUY	140	119
7	Music Broadcast	Hold	18	11
8	Navneet Education	BUY	205	166
9	Nazara Technologies	Hold	836	834
10	PVR Inox	BUY	1,984	1,745
11	S Chand and Company	BUY	338	280
12	Safari Industries (India)	BUY	4,559	4,337
13	V.I.P. Industries	Hold	689	613
14	Zee Entertainment Enterprises	BUY	314	262

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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