

May 14, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	2,225		2,268	
Sales (Rs. m)	18,178	22,883	18,779	22,969
% Chng.	(3.2)	(0.4)		
EBITDA (Rs. m)	3,236	4,096	3,380	4,226
% Chng.	(4.3)	(3.1)		
EPS (Rs.)	42.5	55.6	44.4	56.9
% Chng.	(4.2)	(2.2)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	12,120	15,504	18,178	22,883
EBITDA (Rs. m)	1,969	2,775	3,236	4,096
Margin (%)	16.2	17.9	17.8	17.9
PAT (Rs. m)	1,251	1,758	2,072	2,712
EPS (Rs.)	52.8	36.1	42.5	55.6
Gr. (%)	273.2	(31.6)	17.9	30.8
DPS (Rs.)	3.5	2.8	3.0	3.2
Yield (%)	0.2	0.1	0.1	0.2
RoE (%)	34.4	28.1	22.5	23.7
RoCE (%)	35.5	29.4	24.8	26.4
EV/Sales (x)	4.0	6.2	5.3	4.1
EV/EBITDA (x)	24.6	34.7	29.7	23.1
PE (x)	38.3	56.0	47.5	36.3
P/BV (x)	11.2	12.0	9.7	7.7

EPS growth FY24 is not comparable due to bonus.

Key Data

SAFA.BO | SII IN

52-W High / Low	Rs.2,315 / Rs.1,203
Sensex / Nifty	73,105 / 22,218
Market Cap	Rs.98bn / \$ 1,179m
Shares Outstanding	49m
3M Avg. Daily Value	Rs.119.97m

Shareholding Pattern (%)

Promoter's	45.73
Foreign	13.14
Domestic Institution	20.52
Public & Others	20.61
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.1	(4.1)	63.7
Relative	3.7	(14.8)	38.9

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Safari Industries (India) (SII IN)

Rating: BUY | CMP: Rs2,019 | TP: Rs2,225

GM springs a surprise

Quick Pointers:

- GM surpasses 50% mark.
- Generated OCF of Rs2.1bn in FY24.

Safari's top-line was lower than our expectation as pricing aggression on e-com channel was measured. On the other hand, GM improved to 50.6% (PLe 47.9%) due to improvement in HL:SL mix. The expansion plan at Jaipur is on track and production is expected to begin from 3QFY25E. Timely operationalization of the new plant will bring in cost competitiveness and enable Safari to compete better at lower end of the mass market. In addition, launch of backpacks & duffle bags under brand "Urban Jungle" is likely to give push to its premiumization journey. Given near term growth challenges amid lower number of auspicious wedding days in 1QFY25 and rising competitive intensity we have lowered our EPS estimates by 4%/2% in FY25E/FY26E respectively. We maintain our positive stance on Safari and expect sales/PAT CAGR of 21%/24% over FY24-FY26E. Maintain 'BUY' with a TP of Rs2,225 valuing the stock at 40x FY26E EPS (no change in target multiple).

Revenue increased 20.7% YoY: Top-line increased 20.7% YoY to Rs3,654mn (PLe Rs3,851mn). HL:SL mix for the quarter was ~70%:30%.

GM touches 50% mark: Gross profit increased 27.6% YoY to Rs1,851mn (PLe Rs1,845mn) with a margin of 50.6% (PLe 47.9%) due to improvement in product mix.

EBITDA/PAT margin stands at 18.3%/11.8%: EBITDA increased 14.7% YoY to Rs669mn (PLe Rs672mn) with a margin of 18.3% (PLe 17.5%) as against 19.3% in 4QFY23. PAT increased 13.4% YoY to Rs432mn (PLe Rs416mn) with a margin of 11.8% (PLe 10.8%) as compared to a margin of 12.6% in 4QFY23.

Other highlights: 1) Current EBO count stands at ~140. 2) HL:SL mix stands at ~65%:35% in FY24. 3) Capex outlay is pegged at Rs1.5bn for FY25E. 4) A new collection of backpacks and duffle bags has been launched under premium brand "Urban Jungle". 5) "Safari Select", a new business collection, has been launched recently. 6) The new plant at Jaipur is likely to begin operations in 3QFY25E. 7) A&P spends remain in the band of ~5-6%. 8) Post the recent fund raise, cash on books is Rs3.7bn.



Exhibit 1: Q4FY24 Result Overview - Consolidated (Rs mn)

Y/e March	4QFY24	4QFY23	YoY gr.	3QFY24	QoQ gr.	FY24	FY23	YoY gr.
Net sales	3,654	3,027	20.7%	3,883	-5.9%	15,504	12,120	27.9%
Total raw material cost	1,804	1,577	14.4%	2,020	-10.7%	8,182	6,973	17.3%
<i>As a % of sales</i>	<i>49.4%</i>	<i>52.1%</i>		<i>52.0%</i>		<i>52.8%</i>	<i>57.5%</i>	
Gross Profit	1,851	1,450	27.6%	1,863	-0.7%	7,322	5,147	42.3%
<i>Gross margin</i>	<i>50.6%</i>	<i>47.9%</i>		<i>48.0%</i>		<i>47.2%</i>	<i>42.5%</i>	
Employee expenses	242	232	4.2%	244	-0.7%	976	858	13.8%
<i>As a % of sales</i>	<i>6.6%</i>	<i>7.7%</i>		<i>6.3%</i>		<i>6.3%</i>	<i>7.1%</i>	
Other expenses	940	635	48.0%	938	0.3%	3,571	2,321	53.9%
<i>As a % of sales</i>	<i>25.7%</i>	<i>21.0%</i>		<i>24.1%</i>		<i>23.0%</i>	<i>19.1%</i>	
EBITDA	669	583	14.7%	682	-2.0%	2,775	1,969	41.0%
<i>EBITDA margin</i>	<i>18.3%</i>	<i>19.3%</i>		<i>17.6%</i>		<i>17.9%</i>	<i>16.2%</i>	
Depreciation	137	92	49.6%	129	6.1%	518	333	55.5%
EBIT	532	491	8.2%	553	-3.9%	2,257	1,636	38.0%
<i>EBIT margin</i>	<i>14.5%</i>	<i>16.2%</i>		<i>14.2%</i>		<i>14.6%</i>	<i>13.5%</i>	
Interest cost	23	22	4.2%	24	-4.2%	95	80	19.2%
Other income	51	27	89.3%	37	38.3%	139	95	46.8%
PBT	559	496	12.8%	566	-1.1%	2,301	1,650	39.4%
Exceptional items	-	-	NM	-	NM	-	-	NM
Tax expenses	127	115	10.7%	136	-6.7%	543	400	35.9%
<i>Tax rate</i>	<i>22.8%</i>	<i>23.2%</i>		<i>24.1%</i>		<i>23.6%</i>	<i>24.2%</i>	
PAT	432	381	13.4%	429	0.6%	1,758	1,251	40.5%
<i>PAT margin</i>	<i>11.8%</i>	<i>12.6%</i>		<i>11.1%</i>		<i>11.3%</i>	<i>10.3%</i>	
EPS (Rs)	9.0	8.0	12.1%	9.0	-0.2%	36.9	26.4	39.9%

Source: Company, PL

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

Particulars	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Gross margin	44.8%	39.2%	37.6%	33.4%	38.7%	38.4%	38.6%	45.1%	47.9%	45.1%	45.5%	48.0%	50.6%
EBITDA margin	10.1%	5.9%	9.6%	6.5%	8.8%	14.2%	13.4%	18.1%	19.3%	18.5%	17.2%	17.6%	18.3%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	12,120	15,504	18,178	22,883
YoY gr. (%)	71.7	27.9	17.2	25.9
Cost of Goods Sold	6,973	8,182	9,634	12,128
Gross Profit	5,147	7,322	8,544	10,755
Margin (%)	42.5	47.2	47.0	47.0
Employee Cost	858	976	1,145	1,396
Other Expenses	2,321	3,571	4,163	5,263
EBITDA	1,969	2,775	3,236	4,096
YoY gr. (%)	256.5	41.0	16.6	26.6
Margin (%)	16.2	17.9	17.8	17.9
Depreciation and Amortization	333	518	582	664
EBIT	1,636	2,257	2,654	3,432
Margin (%)	13.5	14.6	14.6	15.0
Net Interest	80	95	91	69
Other Income	95	139	200	252
Profit Before Tax	1,650	2,301	2,763	3,615
Margin (%)	13.6	14.8	15.2	15.8
Total Tax	400	543	691	904
Effective tax rate (%)	24.2	23.6	25.0	25.0
Profit after tax	1,251	1,758	2,072	2,712
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,251	1,758	2,072	2,712
YoY gr. (%)	295.3	40.5	17.9	30.8
Margin (%)	10.3	11.3	11.4	11.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,251	1,758	2,072	2,712
YoY gr. (%)	459.2	40.5	17.9	30.8
Margin (%)	10.3	11.3	11.4	11.9
Other Comprehensive Income	(3)	(11)	-	-
Total Comprehensive Income	1,248	1,747	2,072	2,712
Equity Shares O/s (m)	24	49	49	49
EPS (Rs)	52.8	36.1	42.5	55.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	2,578	4,185	5,869	6,502
Tangibles	2,503	4,103	5,782	6,409
Intangibles	75	82	87	92
Acc: Dep / Amortization	737	1,255	1,837	2,500
Tangibles	667	1,185	1,766	2,430
Intangibles	71	71	71	71
Net fixed assets	1,840	2,930	4,032	4,001
Tangibles	1,836	2,918	4,015	3,979
Intangibles	4	12	17	22
Capital Work In Progress	-	10	18	23
Goodwill	-	-	-	-
Non-Current Investments	97	121	145	137
Net Deferred tax assets	37	51	61	80
Other Non-Current Assets	59	83	109	137
Current Assets				
Investments	-	1,490	1,490	1,490
Inventories	2,664	2,694	3,237	4,263
Trade receivables	1,693	1,654	2,241	2,821
Cash & Bank Balance	865	2,184	2,453	4,089
Other Current Assets	197	157	182	229
Total Assets	7,481	11,442	14,035	17,351
Equity				
Equity Share Capital	47	98	98	98
Other Equity	4,210	8,137	10,063	12,619
Total Network	4,257	8,235	10,161	12,716
Non-Current Liabilities				
Long Term borrowings	779	884	938	1,009
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	615	579	595	619
Trade payables	1,665	1,522	2,092	2,696
Other current liabilities	164	211	238	300
Total Equity & Liabilities	7,481	11,442	14,035	17,351

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	1,650	2,301	2,763	3,615
Add. Depreciation	333	518	582	664
Add. Interest	80	95	91	69
Less Financial Other Income	95	139	200	252
Add. Other	(25)	(65)	-	-
Op. profit before WC changes	2,038	2,849	3,436	4,348
Net Changes-WC	(1,171)	(128)	(585)	(1,039)
Direct tax	(361)	(552)	(689)	(903)
Net cash from Op. activities	506	2,169	2,162	2,405
Capital expenditures	(503)	(1,112)	(1,509)	(458)
Interest / Dividend Income	47	75	-	-
Others	(239)	(2,416)	(217)	(205)
Net Cash from Invt. activities	(695)	(3,453)	(1,726)	(662)
Issue of share cap. / premium	3	8	-	-
Debt changes	213	(186)	(50)	(40)
Dividend paid	(53)	(106)	(146)	(156)
Interest paid	(79)	(95)	(91)	(69)
Others	113	2,024	121	158
Net cash from Fin. activities	196	1,645	(166)	(107)
Net change in cash	7	361	270	1,636
Free Cash Flow	3	1,057	653	1,947

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	52.8	36.1	42.5	55.6
CEPS	66.8	46.7	54.4	69.2
BVPS	179.5	168.9	208.4	260.8
FCF	0.1	21.7	13.4	39.9
DPS	3.5	2.8	3.0	3.2
Return Ratio(%)				
RoCE	35.5	29.4	24.8	26.4
ROIC	26.3	24.3	23.1	23.6
RoE	34.4	28.1	22.5	23.7
Balance Sheet				
Net Debt : Equity (x)	0.1	(0.3)	(0.2)	(0.3)
Net Working Capital (Days)	81	67	68	70
Valuation(x)				
PER	38.3	56.0	47.5	36.3
P/B	11.2	12.0	9.7	7.7
P/CEPS	30.2	43.3	37.1	29.2
EV/EBITDA	24.6	34.7	29.7	23.1
EV/Sales	4.0	6.2	5.3	4.1
Dividend Yield (%)	0.2	0.1	0.1	0.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

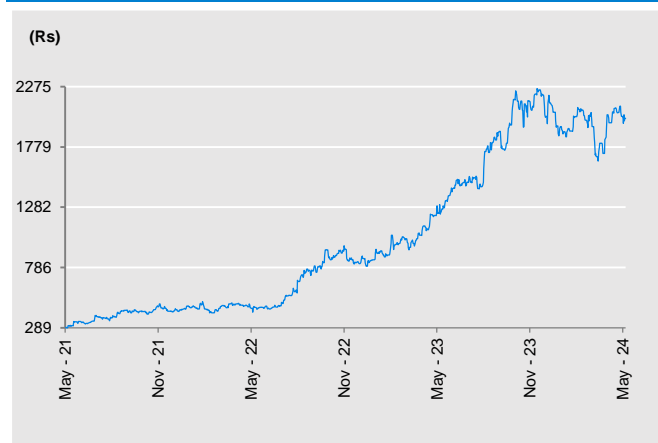
Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	4,267	3,700	3,883	3,654
YoY gr. (%)	45.6	18.0	28.1	20.7
Raw Material Expenses	2,342	2,017	2,020	1,804
Gross Profit	1,925	1,684	1,863	1,851
Margin (%)	45.1	45.5	48.0	50.6
EBITDA	790	635	682	669
YoY gr. (%)	89.5	51.4	24.0	14.7
Margin (%)	18.5	17.2	17.6	18.3
Depreciation / Depletion	129	123	129	137
EBIT	661	512	553	532
Margin (%)	15.5	13.8	14.2	14.5
Net Interest	26	22	24	23
Other Income	23	29	37	51
Profit before Tax	658	519	566	559
Margin (%)	15.4	14.0	14.6	15.3
Total Tax	158	121	136	127
Effective tax rate (%)	24.0	23.4	24.1	22.8
Profit after Tax	499	398	429	432
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	499	398	429	432
YoY gr. (%)	87.8	53.2	24.5	13.4
Margin (%)	11.7	10.7	11.1	11.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	499	398	429	432
YoY gr. (%)	87.8	53.2	24.5	13.4
Margin (%)	11.7	10.7	11.1	11.8
Other Comprehensive Income	(1)	(1)	(1)	(8)
Total Comprehensive Income	499	397	428	424
Avg. Shares O/s (m)	24	24	48	49
EPS (Rs)	21.1	16.7	9.0	9.0

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	BUY	2,268	1,971
2	07-Feb-24	BUY	2,271	2,045
3	05-Jan-24	BUY	2,375	1,932
4	01-Nov-23	BUY	2,376	2,116
5	09-Oct-23	BUY	2,280	2,169
6	10-Aug-23	BUY	1,864	1,598
7	07-Jul-23	BUY	1,601	1,469
8	13-Jun-23	BUY	1,601	1,442
9	17-May-23	BUY	1,395	1,208

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	888	860
2	Indian Railway Catering and Tourism Corporation	Hold	825	1,023
3	Inox Leisure	BUY	587	502
4	InterGlobe Aviation	Accumulate	4,315	3,982
5	Lemon Tree Hotels	BUY	153	141
6	Navneet Education	BUY	182	151
7	Nazara Technologies	BUY	826	671
8	PVR Inox	Accumulate	1,663	1,385
9	S Chand and Company	BUY	315	245
10	Safari Industries (India)	BUY	2,268	1,971
11	V.I.P. Industries	Hold	557	528
12	Zee Entertainment Enterprises	Hold	164	150

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



ANALYST CERTIFICATION

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