

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
31-Jul-24	Quick Insight	2059.00	2020-2060	2480 – 2520

safari

Q1FY25 Highlights

- Net Revenue is up 6% YoY to ₹450crs as the company witnessed a few challenges like weakness in demand due to extreme heat waves in April month, the general election campaign, increasing competitive intensity, and a lower number of auspicious wedding days.
- Gross margin contracted 60bps to 44.5% YoY amid increasing pricing pressure. EBITDA growth declined ~17% YoY to ₹66crs due to higher employees and other expenses. Employees and other cost grew 10% & 21% YoY. Other expenses were mainly on account of e-commerce & marketplace activations. Depreciation increased 10% YoY to ₹14crs. Consequently, reported PAT declined ~11% YoY to ~44crs.
- Capex outlay is estimated at ₹150crs for FY25E, and the company has spent ~35crs in Q1FY25 towards the Jaipur project. Hard luggage growth trend continues with the category contributing to more than half of the company's revenue.
- Prices of Polypropylene are linked to crude prices and Brent crude price has stayed flat. The company continued to invest in zippered hard luggage by expanding its range of zippered cases in both polycarbonate and polypropylene.
- As per CRISIL, the revenue of Indian tour and travel operators is expected to increase by 15-17% during the FY25. The growth is driven by rising domestic tourism and increasing propensity to travel overseas, improving infrastructure, rising disposable incomes, a behavioral shift in travel patterns, and the government's increasing focus on boosting domestic tourism. In 2023, 27.3mn Indian travelers traveled internationally, marginally surpassing the pre-pandemic figure of 26.9mn.
- In Mar'24, Safari received an investment of ₹229crs from Lighthouse Funds (Alternate Investment Fund -AIF). The group has announced a capex of ₹215crs for setting up a greenfield manufacturing unit in Jaipur, Rajasthan. Capex would lead to doubling its hard luggage capacity from ~6.5lac pieces per month to ~13lac pieces per month. The new capacities are expected to become operational in H2FY25 and will help the group to further penetrate into North Indian market and margins are expected to see a further improvement
- Safari's Bangladesh dependence is lower (~10% of revenue), as it buys from third-party vendors.
- The company continued to add retail stores in prestigious high-footfall locations across chosen target markets. These exclusive retail stores have the twin objective of building consumer equity as well as improving the premium sales mix. The current EBO count stands at ~150.
- The international business division of the company continued to grow with a focus on West Asian countries with a large Indian diaspora, taking advantage of the latent equity of the 'Safari' brand in this segment.
- On the valuation front, shares of Safari Industries trade at a one-year forward price-to-earnings multiple of 44.5 times, which is at a discount to its five-year average price-to-earnings multiple of ~56 times

Risk

- Any slowdown in demand and failure to adapt changes in consumer trends would affect revenue and profitability growth
- The company remains exposed to the high competitive pressures in the domestic market
- Increase in raw material prices and inability to pass on the cost to customers

Important Data

Nifty	24,117
Sensex	78,886
CMP	₹2329
Market Cap (₹ cr)	₹11,357.9
52W High/Low	2475/1481
Shares o/s (crs)	4.88
BSE Code	523025
NSE Code	SAFARI
Bloomberg Code	SAFARI:IN

Shareholding Pattern (%) – Jun'24

Promoters	45.73
FII	12.69
DII	21.83
Public & Others	19.75

Financials

Particulars	FY22	FY23	FY24
Revenue	705	1,212	1,550
EBITDA	56	197	278
EBITDA Margin (%)	8	16	18
Net Profit	22	125	176
PAT Margin	3	10	11
EPS (₹)	4.9	26.4	36.1
Dividend Payout (%)	8	7	11
RoE (%)	10	29	21
RoCE (%)	14	34	26
P/E (x)	475	88.2	64.5

Source: Company, Way2Wealth

Relative performance

Absolute Return (%)	1 Yr	3 Yr	5 Yr
Safari	37	526	735
Nifty 50	25	47	120
Sensex	21	44	113

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VIEW

Top-line growth was in the single digits amid a weak demand environment in Q1FY25. We expect pricing pressure to continue in the near term due to increasing competitive intensity. However, we believe Safari will be in a better position to counter this challenge once the Jaipur plant begins operations. Safari's strengths lie in its increasing reach, robust E-commerce presence, strong brand recall, and exceptional talent. This positions Safari well to capitalize on the growing consumer market.

The overall long-term outlook for the organised sector remains very robust with continued growth in travel, increasing preference for branded luggage, growth in school and office going population.

We estimate revenue CAGR at ~23% over the period FY24-26E. EBITDA and PAT are expected to increase by ~28% and ~30% CAGR over the same period. Strong earnings growth would also translate into an improvement in return ratios for the company during the period. **We recommend Add on correction on SAFARI at the current valuation and see a gradual re-rating towards ₹2480 (valuing it at ~45x FY26 P/E).**

Consolidated Quarterly Financials

(₹ Cr)

Particulars	Q1FY25	Q1FY24	VAR	Q4FY24	VAR	FY24
Revenue	450.0	426.7	5.5%	365.4	23.2%	1,550.4
Other Income	8.2	2.3	260.5%	5.1	62.5%	13.9
TOTAL INCOME	458.2	429.0	6.8%	370.5	23.7%	1,564.3
Cost of materials consumed	138.2	114.2	21.0%	126.3	9.4%	461.9
Purchase of stock in trade	63.9	91.5	-30.1%	87.9	-27.3%	352.2
Stock adjustment	47.7	28.6	66.9%	(33.9)	-241.0%	4.1
<i>RMC as a %age of sales</i>	<i>55.5%</i>	<i>54.9%</i>		<i>49.4%</i>		<i>52.8%</i>
Employee benefit expenses	26.6	24.2	10.1%	24.2	9.8%	97.6
<i>EPC as a %age of sales</i>	<i>5.9%</i>	<i>5.7%</i>		<i>6.6%</i>		<i>6.3%</i>
Other expenses	107.8	89.3	20.7%	94.0	14.6%	357.1
<i>Other Expenses as a %age of sales</i>	<i>23.9%</i>	<i>20.9%</i>		<i>25.7%</i>		<i>23.0%</i>
TOTAL EXPENDITURE	384.2	347.7	10.5%	298.6	28.7%	1,272.9
EBIDTA	65.9	79.0	-16.6%	66.9	-1.5%	277.5
<i>EBIDTA Margins %</i>	<i>14.6%</i>	<i>18.5%</i>		<i>18.3%</i>		<i>17.9%</i>
Finance Costs	2.4	2.6	-10.0%	2.3	2.6%	9.5
PBDT	71.7	78.7	-8.8%	69.6	3.0%	281.9
Depreciation	14.2	12.9	10.1%	13.7	3.9%	51.8
PBT	57.5	65.8	-12.5%	55.9	2.8%	230.1
Tax	13.1	15.8	-17.1%	12.7	2.9%	54.3
<i>Tax Rate</i>	<i>22.8%</i>	<i>24.0%</i>		<i>22.8%</i>		<i>23.6%</i>
Reported Profit After Tax	44.4	49.9	-11.1%	43.2	2.8%	175.8
<i>PATM %</i>	<i>9.9%</i>	<i>11.7%</i>		<i>11.8%</i>		<i>11.3%</i>
Other Comprehensive Income	(0.2)	(0.1)		(0.8)		(1.1)
Total Comprehensive Income	44.2	49.9	-11.4%	42.4	4.2%	174.7
EPS	9.11	10.24	-11.1%	8.86	2.8%	36.06
Equity	9.8	9.8		9.8		9.8
Face Value	2.0	2.0		2.0		2.0

Source: Company, Way2Wealth

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Disclosure of Interest Statement: Safari Industries (India) Ltd. as on 09 August 2024

Name of the Security	Safari Industries (India) Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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