

February 5, 2025

Q3FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	2,783		2,939	
Sales (Rs. m)	21,775	26,264	22,412	27,028
% Chng.	(2.8)	(2.8)		
EBITDA (Rs. m)	3,419	4,465	3,653	4,703
% Chng.	(6.4)	(5.1)		
EPS (Rs.)	47.3	62.0	50.6	65.3
% Chng.	(6.6)	(5.0)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	15,504	18,074	21,775	26,264
EBITDA (Rs. m)	2,775	2,223	3,419	4,465
Margin (%)	17.9	12.3	15.7	17.0
PAT (Rs. m)	1,758	1,413	2,305	3,024
EPS (Rs.)	36.1	29.0	47.3	62.0
Gr. (%)	(31.6)	(19.7)	63.2	31.2
DPS (Rs.)	2.8	3.0	3.2	3.4
Yield (%)	0.1	0.1	0.1	0.1
RoE (%)	28.1	15.9	21.8	23.1
RoCE (%)	29.4	15.7	22.4	24.7
EV/Sales (x)	7.4	6.3	5.2	4.2
EV/EBITDA (x)	41.1	51.5	33.1	24.9
PE (x)	66.1	82.3	50.4	38.4
P/BV (x)	14.1	12.2	10.0	8.0

Key Data

SAFA.BO | SII IN

52-W High / Low	Rs.2,837 / Rs.1,627
Sensex / Nifty	78,584 / 23,739
Market Cap	Rs.117bn/ \$ 1,338m
Shares Outstanding	49m
3M Avg. Daily Value	Rs.142.08m

Shareholding Pattern (%)

Promoter's	45.41
Foreign	12.26
Domestic Institution	23.97
Public & Others	18.37
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.1)	11.0	17.6
Relative	(9.4)	14.4	7.9

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Margin pressure persists

Quick Pointers:

- Volumes increased by 22%.
- EBITDA margin succumbs to 11.4% amid rising competition.

We cut our EPS estimates by 7%/5% for FY26E/FY27E as we fine tune our top-line growth assumptions in light of rising competitive intensity. Safari reported an in-line performance with EBITDA margin of 11.4% (PLe 11.3%) as pricing environment has become increasingly competitive (volume growth of 22% resulted in value growth of 14% indicating price erosion). We believe pricing pressure would prevail in the near term given one leading player is undergoing inventory liquidation and e-com channel is becoming increasingly relevant to gain market share. Nonetheless, Safari's new plant at Jaipur has begun operations and progress on utilization front will be keenly eyed as it can act as growth & margin kicker. Backed by the expansion, we expect sales/PAT CAGR of 22%/46% over FY25E-FY27E. Maintain 'BUY' with a TP of Rs2,783 (45x FY27E EPS; no change in target multiple). Near term margin volatility given the ongoing price war is a key risk to our call.

Revenue increased 14.0% YoY: Top-line increased 14.0% YoY to Rs4,427mn (PLe Rs4,465mn). Luggage/backpacks contributed ~85/~15% to the top-line.

GM stood at 45.4%: Gross profit increased 7.9% YoY to Rs2,011mn (PLe Rs1,978mn) with a margin of 45.4% (PLe 44.3%) as compared to a margin of 48.0%/43.8% in 3QFY24/2QFY25 respectively. GM's have succumbed due to increasing pricing pressure.

EBITDA/PAT margin stands at 11.4%/7.0%: EBITDA declined 26.1% YoY to Rs504mn (PLe Rs505mn) with a margin of 11.4% (PLe 11.3%). The decline can be attributed to a significant rise in both employee and other expenses, which increased by 26.5% and 27.9% YoY, respectively. PAT decreased by 27.4% YoY to Rs311mn (PLe Rs303mn) with a margin of 7.0% (PLe 6.8%).

Key highlights from our interaction with the management: **1)** Volume growth for 3QFY25 stood at 22%. **2)** HL:SL mix for the quarter was at 75%:25%. **3)** GMs improved by 160 bps sequentially on account of improved product mix, reduction in discounts on online channel and benign RM prices. **4)** Capacity utilization of Jaipur plant is at ~10%. **5)** E-com's share in channel mix stood at ~40% in 3QFY25. **6)** Current share of premium brands (Urban Jungle & Safari Select) is at 5%. Plan is to double the share next year **7)** Current EBO count stands at ~150. **8)** Backpacks contributed 15% to the topline in the quarter.

Exhibit 1: Q3FY25 Result Overview - Consolidated (Rs mn)

Y/e March	3QFY25	3QFY24	YoY gr.	2QFY25	QoQ gr.	3QFY25E	% Var.	9MFY25	9MFY24	YoY gr.
Net sales	4,427	3,883	14.0%	4,578	-3.3%	4,465	-0.9%	13,505	11,850	14.0%
Total raw material cost	2,416	2,020	19.6%	2,571	-6.0%	2,487	-2.9%	7,485	6,379	17.4%
As a % of sales	54.6%	52.0%		56.2%		55.7%		55.4%	53.8%	
Gross Profit	2,011	1,863	7.9%	2,007	0.2%	1,978	1.6%	6,020	5,471	10.0%
Gross margin	45.4%	48.0%		43.8%		44.3%		44.6%	46.2%	
Employee expenses	308	244	26.5%	302	2.2%	304	1.5%	876	734	19.4%
As a % of sales	7.0%	6.3%		6.6%		6.8%		6.5%	6.2%	
Other expenses	1,199	938	27.9%	1,226	-2.2%	1,170	2.4%	3,502	2,631	33.1%
As a % of sales	27.1%	24.1%		26.8%		26.2%		25.9%	22.2%	
EBITDA	504	682	-26.1%	479	5.2%	505	-0.1%	1,642	2,107	-22.1%
EBITDA margin	11.4%	17.6%		10.5%		11.3%		12.2%	17.8%	
Depreciation	147	129	14.2%	147	0.5%	161	-8.3%	436	381	14.6%
EBIT	357	553	-35.5%	332	7.3%	344	3.7%	1,205	1,726	-30.2%
EBIT margin	8.1%	14.2%		7.3%		7.7%		8.9%	14.6%	
Interest cost	20	24	-15.1%	24	-16.5%	22	-9.1%	68	72	-5.5%
Other income	72	37	95.9%	71	1.7%	71	0.4%	224	88	154.4%
PBT	408	566	-27.9%	378	7.8%	393	3.8%	1,361	1,742	-21.8%
Exceptional items	-	-	NM	-	NM	-	NM	-	-	NM
Tax expenses	97	136	-29.3%	82	18.0%	90	6.8%	309	416	-25.6%
Tax rate	23.7%	24.1%		21.6%		23.0%		22.7%	23.9%	
PAT	311	429	-27.4%	297	5.0%	303	2.9%	1,052	1,326	-20.7%
PAT margin	7.0%	11.1%		6.5%		6.8%		7.8%	11.2%	
EPS (Rs)	6.4	9.0	-29.4%	6.1	4.9%	6.2	2.9%	21.6	27.9	-22.8%

Source: Company, PL

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

Particulars	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Gross margin	33.4%	38.7%	38.4%	38.6%	45.1%	47.9%	45.1%	45.5%	48.0%	50.6%	44.5%	43.8%	45.4%
EBITDA margin	6.5%	8.8%	14.2%	13.4%	18.1%	19.3%	18.5%	17.2%	17.6%	18.3%	14.6%	10.5%	11.4%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	15,504	18,074	21,775	26,264
YoY gr. (%)	27.9	16.6	20.5	20.6
Cost of Goods Sold	8,182	10,031	11,759	14,051
Gross Profit	7,322	8,043	10,017	12,213
Margin (%)	47.2	44.5	46.0	46.5
Employee Cost	976	1,175	1,307	1,497
Other Expenses	3,571	4,645	5,291	6,251
EBITDA	2,775	2,223	3,419	4,465
YoY gr. (%)	41.0	(19.9)	53.8	30.6
Margin (%)	17.9	12.3	15.7	17.0
Depreciation and Amortization	518	596	697	814
EBIT	2,257	1,627	2,722	3,651
Margin (%)	14.6	9.0	12.5	13.9
Net Interest	95	90	65	79
Other Income	139	298	338	407
Profit Before Tax	2,301	1,835	2,994	3,979
Margin (%)	14.8	10.2	13.8	15.2
Total Tax	543	422	689	955
Effective tax rate (%)	23.6	23.0	23.0	24.0
Profit after tax	1,758	1,413	2,305	3,024
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,758	1,413	2,305	3,024
YoY gr. (%)	40.5	(19.7)	63.2	31.2
Margin (%)	11.3	7.8	10.6	11.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,758	1,413	2,305	3,024
YoY gr. (%)	40.5	(19.7)	63.2	31.2
Margin (%)	11.3	7.8	10.6	11.5
Other Comprehensive Income	(11)	-	-	-
Total Comprehensive Income	1,747	1,413	2,305	3,024
Equity Shares O/s (m)	49	49	49	49
EPS (Rs)	36.1	29.0	47.3	62.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	4,041	5,716	6,327	6,975
Tangibles	3,957	5,627	6,232	6,875
Intangibles	85	90	95	100
Acc: Dep / Amortization	1,112	1,708	2,405	3,219
Tangibles	1,039	1,635	2,332	3,146
Intangibles	73	73	73	73
Net fixed assets	2,930	4,009	3,922	3,756
Tangibles	2,918	3,992	3,901	3,729
Intangibles	12	17	22	27
Capital Work In Progress	10	18	22	26
Goodwill	-	-	-	-
Non-Current Investments	121	145	131	158
Net Deferred tax assets	51	61	75	93
Other Non-Current Assets	83	108	131	158
Current Assets				
Investments	1,490	1,490	1,490	1,490
Inventories	2,694	3,219	4,057	5,037
Trade receivables	1,654	2,228	2,685	3,382
Cash & Bank Balance	2,184	1,838	3,332	5,243
Other Current Assets	157	181	218	263
Total Assets	11,442	13,362	16,139	19,695
Equity				
Equity Share Capital	98	98	98	98
Other Equity	8,137	9,403	11,552	14,410
Total Networkth	8,235	9,501	11,650	14,507
Non-Current Liabilities				
Long Term borrowings	884	938	1,009	1,088
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	579	595	619	650
Trade payables	1,522	2,080	2,565	3,094
Other current liabilities	211	237	285	344
Total Equity & Liabilities	11,442	13,362	16,139	19,695

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,301	1,835	2,994	3,979
Add. Depreciation	518	596	697	814
Add. Interest	95	90	65	79
Less Financial Other Income	139	298	338	407
Add. Other	(65)	-	-	-
Op. profit before WC changes	2,849	2,521	3,756	4,872
Net Changes-WC	(128)	(564)	(838)	(1,185)
Direct tax	(552)	(420)	(688)	(955)
Net cash from Op. activities	2,169	1,537	2,229	2,733
Capital expenditures	(1,112)	(1,500)	(436)	(473)
Interest / Dividend Income	75	-	-	-
Others	(2,416)	(216)	(191)	(238)
Net Cash from Invt. activities	(3,453)	(1,716)	(626)	(711)
Issue of share cap. / premium	8	-	-	-
Debt changes	(186)	(50)	(40)	(40)
Dividend paid	(106)	(147)	(156)	(166)
Interest paid	(95)	(90)	(65)	(79)
Others	2,024	120	153	173
Net cash from Fin. activities	1,645	(167)	(109)	(112)
Net change in cash	361	(346)	1,495	1,910
Free Cash Flow	1,057	37	1,794	2,260

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	36.1	29.0	47.3	62.0
CEPS	46.7	41.2	61.6	78.7
BVPS	168.9	194.9	239.0	297.6
FCF	21.7	0.8	36.8	46.4
DPS	2.8	3.0	3.2	3.4
Return Ratio(%)				
RoCE	29.4	15.7	22.4	24.7
ROIC	24.3	16.6	21.2	22.7
RoE	28.1	15.9	21.8	23.1
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	67	68	70	74
Valuation(x)				
PER	66.1	82.3	50.4	38.4
P/B	14.1	12.2	10.0	8.0
P/CEPS	51.1	57.8	38.7	30.3
EV/EBITDA	41.1	51.5	33.1	24.9
EV/Sales	7.4	6.3	5.2	4.2
Dividend Yield (%)	0.1	0.1	0.1	0.1

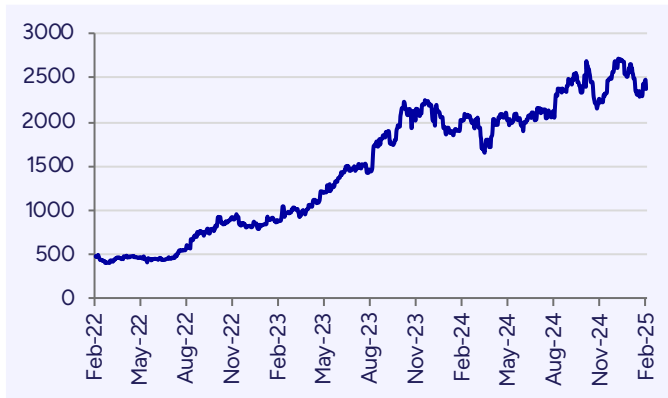
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	3,654	4,500	4,578	4,427
YoY gr. (%)	20.7	5.5	23.7	14.0
Raw Material Expenses	1,804	2,498	2,571	2,416
Gross Profit	1,851	2,002	2,007	2,011
Margin (%)	50.6	44.5	43.8	45.4
EBITDA	669	659	479	504
YoY gr. (%)	14.7	(16.6)	(24.5)	(26.1)
Margin (%)	18.3	14.6	10.5	11.4
Depreciation / Depletion	137	142	147	147
EBIT	532	516	332	357
Margin (%)	14.5	11.5	7.3	8.1
Net Interest	23	24	24	20
Other Income	51	82	71	72
Profit before Tax	559	575	378	408
Margin (%)	15.3	12.8	8.3	9.2
Total Tax	127	131	82	97
Effective tax rate (%)	22.8	22.8	21.6	23.7
Profit after Tax	432	444	297	311
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	432	444	297	311
YoY gr. (%)	13.4	(11.1)	(25.4)	(27.4)
Margin (%)	11.8	9.9	6.5	7.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	432	444	297	311
YoY gr. (%)	13.4	(11.1)	(25.4)	(27.4)
Margin (%)	11.8	9.9	6.5	7.0
Other Comprehensive Income	(8)	(2)	(3)	(3)
Total Comprehensive Income	424	442	294	309
Avg. Shares O/s (m)	49	49	49	49
EPS (Rs)	9.0	9.1	6.1	6.4

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	BUY	2,939	2,560
2	10-Nov-24	BUY	2,989	2,235
3	09-Oct-24	BUY	3,005	2,608
4	07-Aug-24	BUY	2,476	2,237
5	08-Jul-24	BUY	2,364	2,166
6	14-May-24	BUY	2,225	2,019
7	12-Apr-24	BUY	2,268	1,971
8	07-Feb-24	BUY	2,271	2,045

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	1,064	767
2	Delhivery	Hold	361	335
3	DOMS Industries	BUY	3,337	2,740
4	Imagicaaworld Entertainment	BUY	108	71
5	Indian Railway Catering and Tourism Corporation	Hold	835	770
6	InterGlobe Aviation	BUY	5,246	4,162
7	Lemon Tree Hotels	BUY	179	147
8	Mahindra Logistics	Hold	399	354
9	Navneet Education	Hold	139	140
10	Nazara Technologies	BUY	1,201	985
11	PVR Inox	Hold	1,319	1,178
12	S Chand and Company	BUY	322	205
13	Safari Industries (India)	BUY	2,939	2,560
14	TCI Express	BUY	1,027	814
15	V.I.P. Industries	BUY	463	374
16	Zee Entertainment Enterprises	Hold	137	121

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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