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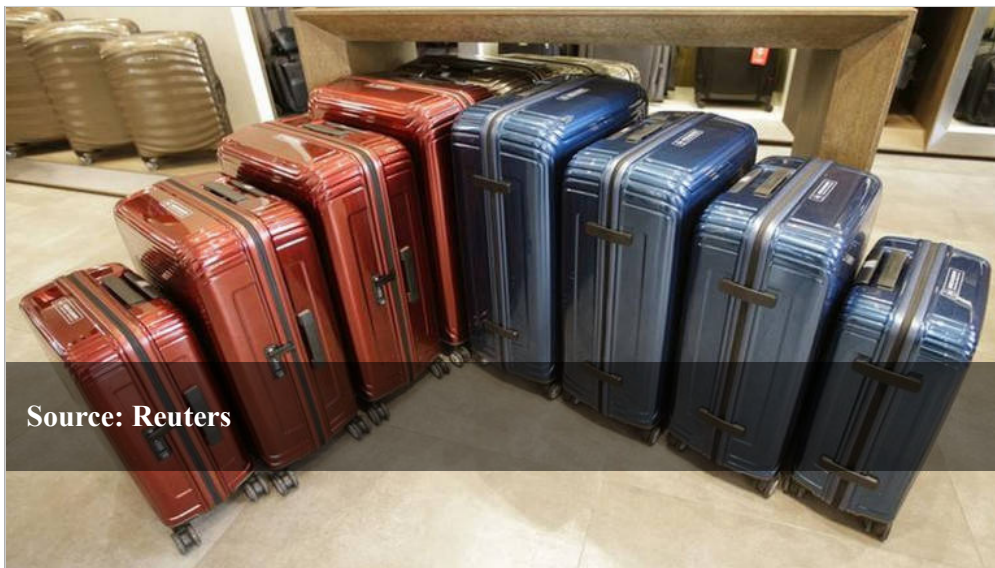
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Dalmia Securities initiates coverage on Safari Industries with a hold rating

It is placing its bet on the luggage maker's change in product mix from traditional hard luggage to imported soft luggage in a bid to suit customer preferences. It also highlighted the company's diversified product portfolio.

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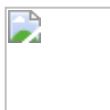
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Dalmia Securities has initiated coverage on Safari Industries with a hold recommendation and a target of Rs 666 per share, implying an

upside of seven percent from current levels.

It is placing its bet on the luggage maker's change in product mix from traditional hard luggage to imported soft luggage in a bid to suit customer preferences. It also highlighted the company's diversified product portfolio.

“Safari has a well-diversified product bouquet, which caters to consumers from all age and income groups. Post the management change in 2012, the company has re-aligned its strategy by discontinuing non-performing SKUs and launching new products,” the brokerage house said in a report.

What has aided growth for the company are also factors such as rising travel trends for the business and leisure, along with higher disposable income and organised retail.

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“In India, luggage and handbags have, over the recent years, managed to shed their traditional utilitarian tag and have now evolved as lifestyle products. The growing desire for a fashionable luggage bag has prompted luggage suppliers in the country

to constantly innovate in order to meet evolving lifestyles and trends,” the report added.

Speaking on its financials and valuations, the brokerage house said the company has a market share of 10 percent, with revenues growing 5.8 times over FY12-17.

“Going forward, we expect Safari to report a topline CAGR of 18.4 percent over FY17-20e on the back of a growth in its recently introduced new products and improving distribution network. Further, implementation of the Goods & Services Tax (GST) will also boost volumes of branded sales,” it added.

On the bottomline, it expects the company to report 44.4 percent CAGR over FY17-20. “The company currently trades at a price-to-earnings (P/E) ratio of 60.3 times FY19 and 46.7 times FY20 EPS estimates, which looks expensive. But looking at its growth trajectory and emerging growth in the luggage industry, we feel the stock is reasonably priced,” Dalmia Securities said.

Since its listing, the stock has gained over 24,000 percent. At the close of trade on Monday, the stock was quoting Rs 620 per share, down Rs 3.20, or 0.51 percent, on the BSE. It touched an intraday high of Rs 642.30 and an intraday low of Rs 615.05.

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