

## Rating Rationale

December 06, 2023 | Mumbai

### Safari Industries India Limited

*Long-term rating upgraded to 'CRISIL A+/Stable'; short-term rating reaffirmed*

#### Rating Action

Total Bank Loan Facilities Rated	Rs.150 Crore
Long Term Rating	CRISIL A+/Stable (Upgraded from 'CRISIL A/Stable')
Short Term Rating	CRISIL A1 (Reaffirmed)

*Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

*1 crore = 10 million*

*Refer to Annexure for Details of Instruments & Bank Facilities*

#### Detailed Rationale

CRISIL Ratings has upgraded its rating on the long term bank loan facilities of Safari Industries India Limited (SIIL; part of the Safari group) to '**CRISIL A+/Stable**' from 'CRISIL A/Stable'. Short term rating has been reaffirmed at 'CRISIL A1'.

The rating upgrade reflects a sharp improvement in business risk profile of the group while maintaining its robust financial risk profile. Sustenance of improved business risk profile will remain key monitorable

Improvement in business risk profile is marked by sharp growth in revenue at higher-than-expected operating margin. Revenue growth is backed by increasing demand and group gaining market share in organized segment of luggage industry. Revenue improved to Rs 796 crore in the first half of fiscal 2024 against Rs 608 crore a year before, registering 31% growth. Revenue is expected to further grow over the medium term, supported by pent up demand from wedding segment, increase in air traffic, and expected higher spending on travel and tourism during fiscal 2024. Furthermore, increasing contribution from the manufacturing segment (hard luggage) with sustained shift in consumer preference towards hard luggage has resulted in improved operating margin. Operating margin improved to 17.88% in first half of fiscal 2024 (as against operating margins of 13.75% a year before).

The ratings continue to reflect an established market position in the Indian luggage industry and a strong financial risk profile. These strengths are partially offset by working capital-intensive operations and exposure to volatility in raw material prices and foreign exchange (forex) rates.

#### Analytical Approach

For arriving at the ratings, CRISIL Ratings has combined the business and financial risk profiles of Safari and its fully owned subsidiaries, Safari Lifestyles Ltd (SLL) and Safari Manufacturing Limited (SML). This is because these companies, together referred to as Safari, are in the same line of business with operational synergies and have a common management

*Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.*

#### Key Rating Drivers & Detailed Description

##### Strengths:

**Established brand in the luggage industry:** The organized Indian luggage industry is oligopolistic in nature. Safari is among the largest luggage brands domestically. A pan India distribution network, comprising over 100 plus company owned company operated outlets and an established product portfolio, further strengthen its market position. The group continues to launch 3-4 stores per month, aiming to cater to premium as well as mass scale segments.

**Strong financial risk profile:** The net worth was healthy at Rs 425.29 crore as on March 31, 2023, (Rs 300.51 crore as on March 31, 2022). The total outside liabilities to adjusted net worth ratio improved to 0.75 times as on March 31st, 2023. The financial risk profile is expected to remain strong, backed by healthy accrual. Credit metrics also remained healthy, over the medium term.

##### Weakness:

**Exposure to volatility in raw material prices and forex rates:** Profitability is susceptible to prices of imported soft luggage and raw materials, which account for 55-60% of operating cost. Any sharp fluctuation is likely to impact the operating margin. Around 45-50% of the soft luggage is imported against nil exports. While forex exposure is mitigated through forward contracts, profitability continues to be susceptible to volatility in forex rates.

**Working capital-intensive operations:** Gross current assets (GCAs) were moderate at 163 days, driven by debtors and inventory of 51 days and 80 days, respectively, as on March 31, 2023. While debtors are moderated to 60-90 days, inventory is likely to remain around 80 days over the medium term. The improvement in inventory is backed by lower import of luggage from China and higher revenue contribution from hard luggage, which is manufactured in India and has lower inventory levels. Overall working capital levels are expected to remain around 150 to 160 days over the medium term

**Liquidity: Strong**

Bank limit utilization is low at around 30.93 percent for the past twelve months ended June 2023. Company expected to generate healthy cash accruals. . In addition, it will act as a cushion to the liquidity of the company. Current ratio is healthy at 2.23 times on March 31, 2023. High cash and cash equivalents of around Rs 100 crore as on Sept 30, 2023. Low gearing and moderate net worth support its financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

**ESG Profile**

CRISIL Ratings believes Safari Industries Limited Environment, Social, and Governance (ESG) profile supports its already strong credit risk profile.

Safari Industries Limited has continuously focused on mitigating its environmental and social risks.

**Key ESG highlights**

- ☐ The greenhouse gas (GHG) emissions intensity has reduced from 0.67 tCO<sub>2</sub>/ revenue in 2022 to 0.57 tCO<sub>2</sub>/revenue in 2023.
- ☐ The total waste generation has reduced from 1.06 tonnes/ revenue in 2022 to 0.62tonnes/revenue in 2023. The Company has started manufacturing hard luggage by using polypropylene and polycarbonate material which is 100% recyclable.
- ☐ Companies governance profile is marked by 90% of its board comprising independent directors, and presence of robust internal control systems and processes. It also has extensive disclosures.

There is growing importance of ESG among investors and lenders. The commitment of Safari to ESG principles will play a key role in enhancing stakeholder confidence and access to capital markets

**Outlook: Stable**

CRISIL Ratings believes that the business risk profile of Safari group is expected to be benefited by a strong distribution network and robust positioning in the mid- to lower-segment of the market.

**Rating Sensitivity Factors****Upward Factors:**

- Sustained growth in revenue while maintaining operating margin and market share leading to net cash accruals above Rs.170 Crores (Pre-release level)
- Improvement in working capital cycle and low reliance on external debt sustains healthy financial risk profile

**Downward Factors:**

- Subdued revenue growth and operating margins sustained below 10%, constrains overall business risk profile
- Stretch in working capital cycle or large debt funded capex/acquisition weakens the financial risk profile

**About the Group**

Safari was incorporated in 1980 by Mr. Mehta and family. The company was taken over by Mr. Sudhir Jatia in 2012. It manufactures and sells luggage under the brand, Safari. The manufacturing unit is in Halol, Gujarat. Safari is listed on both Bombay Stock Exchange and National Stock Exchange

**Key Financial Indicators (Consolidated)**

As on/for the period ended March 31	Unit	H1FY24	2023	2022
Operating income	Rs.Crore	796.7	1,212.94	705.9
Reported profit after tax	Rs.Crore	114.88	125.06	22.22
PAT margins	%	14.41	10.31	3.15
Adjusted Debt/Adjusted Networkth	Times	0.06	0.14	0.04
Interest coverage	Times	30.63	24.82	11.47

**Any other information:** Not Applicable

**Note on complexity levels of the rated instrument:**

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity Levels	Rating assigned with outlook
NA	Fund-Based Facilities	NA	NA	NA	23.8	NA	CRISIL A+/Stable
NA	Non-Fund Based Limit*	NA	NA	NA	27.5	NA	CRISIL A1
NA	Fund-Based Facilities*	NA	NA	NA	98.7	NA	CRISIL A+/Stable

\*Fully fungible between fund based and non-fund based facilities

**Annexure - List of Entities Consolidated**

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Safari Industries India Limited	Full Consolidation	Parent company, in the same line of business with operational synergies, and have a common management.
Safari Lifestyles Limited	Full Consolidation	Parent company, in the same line of business with operational synergies, and have a common management.
Safari Manufacturing Limited	Full Consolidation	Parent company, in the same line of business with operational synergies, and have a common management.

**Annexure - Rating History for last 3 Years**

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	122.5	CRISIL A+/Stable		--	07-09-22	CRISIL A/Stable	03-06-21	CRISIL A-/Stable	31-03-20	CRISIL A-/Stable	CRISIL A-/Positive
			--		--	21-01-22	CRISIL A-/Positive	29-04-21	CRISIL A-/Stable		--	CRISIL A-/Positive
Non-Fund Based Facilities	ST	27.5	CRISIL A1		--	07-09-22	CRISIL A1	03-06-21	CRISIL A2+	31-03-20	CRISIL A2+	CRISIL A2+
			--		--	21-01-22	CRISIL A2+	29-04-21	CRISIL A2+		--	--

All amounts are in Rs.Cr.

**Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Fund-Based Facilities*	40.1	Citibank N. A.	CRISIL A+/Stable
Fund-Based Facilities*	33.6	HDFC Bank Limited	CRISIL A+/Stable
Fund-Based Facilities*	25	IndusInd Bank Limited	CRISIL A+/Stable
Fund-Based Facilities	23.8	Axis Bank Limited	CRISIL A+/Stable
Non-Fund Based Limit*	27.5	Axis Bank Limited	CRISIL A1

\*Fully fungible between fund based and non-fund based facilities

**Criteria Details**

Links to related criteria
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">Rating Criteria for Fast Moving Consumer Goods Industry</a>
<a href="#">CRISILs Criteria for rating short term debt</a>
<a href="#">CRISILs Criteria for Consolidation</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>

Media Relations	Analytical Contacts	Customer Service Helpdesk
<b>Aveek Datta</b> Media Relations <b>CRISIL Limited</b> M: +91 99204 93912 B: +91 22 3342 3000 <a href="mailto:AVEEK.DATTA@crisil.com">AVEEK.DATTA@crisil.com</a>	Jaya Mirpuri Director <b>CRISIL Ratings Limited</b> B:+91 22 3342 3000 <a href="mailto:jaya.mirpuri@crisil.com">jaya.mirpuri@crisil.com</a>	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301  For a copy of Rationales / Rating Reports: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a>
<b>Prakruti Jani</b> Media Relations <b>CRISIL Limited</b> M: +91 98678 68976 B: +91 22 3342 3000 <a href="mailto:PRAKRUTI.JANI@crisil.com">PRAKRUTI.JANI@crisil.com</a>	Rushabh Pramod Borkar Associate Director <b>CRISIL Ratings Limited</b> D:+91 22 3342 3390 <a href="mailto:rushabh.borkar@crisil.com">rushabh.borkar@crisil.com</a>	For Analytical queries: <a href="mailto:ratingsinvestordesk@crisil.com">ratingsinvestordesk@crisil.com</a>
<b>Rutuja Gaikwad</b> Media Relations <b>CRISIL Limited</b> B: +91 22 3342 3000 <a href="mailto:Rutuja.Gaikwad@ext-crisil.com">Rutuja.Gaikwad@ext-crisil.com</a>	Sachin Bhikaji Bandagale Manager <b>CRISIL Ratings Limited</b> B:+91 22 3342 3000 <a href="mailto:Sachin.Bandagale@crisil.com">Sachin.Bandagale@crisil.com</a>	

**Note for Media:**

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

**About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)**

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit [www.crisilratings.com](http://www.crisilratings.com)

**About CRISIL Limited**

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit [www.crisil.com](http://www.crisil.com)

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

---

**CRISIL PRIVACY NOTICE**

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit [www.crisil.com](http://www.crisil.com).

**DISCLAIMER**

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, [www.crisilratings.com](http://www.crisilratings.com) (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: [www.crisilratings.com](http://www.crisilratings.com).

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, [www.crisilratings.com](http://www.crisilratings.com). For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at [crisilratingdesk@crisil.com](mailto:crisilratingdesk@crisil.com), or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>