

Sai Silk (Kalamandir)

Encouraging recovery; set for a strong comeback

Sai Silk's (SSKL) revenue grew by 6.3% YoY to INR3.47bn (H1 SSSG stood at -6.5%; however, it has been on an up move. SSSG is expected to be strong in H2, backed by higher wedding dates). Blended revenue per sq. ft. stood at ~INR 20k. Demand recovery is seen in Q2. SSKL added 2 VML format stores in Q2 (area addition: 16k sq. ft). Expansion guidance remains unchanged at ~75k sq. ft in FY25. GM improved 56bps YoY to 42.2% (in-line) courtesy a better product mix. EBITDAM contracted 88bps YoY to 15.9% (HSIE: 16%), primarily due to front-loading of new store expenses. We maintain our estimates for FY25/26 and our BUY rating with a DCF-based TP of INR280/sh (implying 20x Sep-26E P/E).

- Q2FY25 highlights:** Revenue grew by 6.3% YoY to INR3.47bn, primarily driven by a base effect and a recovery in Q2FY25. Revenue for H1FY25 was overall affected by fewer wedding days and a poor monsoon season. The market is expected to recover in H2FY25 due to a higher number of wedding dates. Additionally, Pitru Paksha, which is viewed as an inauspicious period, occurred in Q2 this year (vs Q3 last year). This should aid H2FY25 demand. Revenue per sq. ft. stood at INR 20.2k. H1 SSSG stood at -6.5%. SSKL added two stores of VML in Q2 – an area addition of ~16k sq. ft. The company targets to add 6-8 VML stores in H2. GM improved 56bps YoY to 42.2% (HSIE: 42%) courtesy better product mix. In the KLM segment, the company is focused on improving margins and expanding its product portfolio. It has also entered the innerwear market through format. EBITDAM contracted 88bps YoY to 15.9% (HSIE: 16%). The company has shifted from traditional marketing to digital marketing to improve margins, with a focus on creating higher-quality content. EBITDA grew by 0.7% to INR 554mn (HSIE: INR 555mn). APAT improved by 1.8% YoY to INR 238mn (HSIE: INR 269mn).
- Outlook:** SSKL's growth is expected to primarily unfold in H2FY25 and beyond, driven by store expansions and peak wedding season. We maintain our estimates for FY25/26 and our BUY rating with a DCF-based TP of INR280/sh (implying 20x Sep-26E P/E).

Quarterly financial summary

(Rs mn)	Q2 FY25	Q2 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	3,473	3,268	6.3	2,673	29.9	11,361	13,515	13,736	14,933	18,685	21,939
Adj EBITDA	554	550	0.7	189	192.7	1,263	1,858	1,793	2,011	2,900	3,539
APAT	238	234	1.8	21	1,037.3	544	976	1,009	1,228	1,934	2,433
EPS (Rs)	1.6	1.5	5.9	0.1	1,037.3	3.5	6.4	6.6	8.0	12.6	15.9
P/E (x)						49.3	27.5	26.6	21.8	13.9	11.0
EV/EBITDA (x)						23.1	16.0	14.2	12.1	8.1	6.3
Core RoCE(%)						15.4	22.1	17.5	16.7	23.3	25.6

Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	14,933	14,933	-	18,685	18,685	-	21,939	21,939	-
Gross Profit	6,195	6,195	-	7,883	7,883	-	9,307	9,307	-
Gross Profit Margin (%)	41.5	41.5	-	42.2	42.2	-	42.4	42.4	-
EBITDA	2,011	2,011	-	2,900	2,900	-	3,539	3,539	-
EBITDA margin (%)	13.5	13.5	-	15.5	15.5	-	16.1	16.1	-
APAT	1,228	1,228	-	1,934	1,934	-	2,433	2,433	-
APAT margin (%)	8.2	8.2	-	10.3	10.3	-	11.1	11.1	-
EPS (Rs)	8.0	8.0	-	12.6	12.6	-	15.9	15.9	-
Cost of Retailing (%)	28.0	28.0	-	26.7	26.7	-	26.3	26.3	-

Source: Company, HSIE Research

BUY

CMP (as on 05 Nov 2024) INR 175

Target Price INR 280

NIFTY 24,213

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 280	INR 280
	FY26E	FY26E
EPS %	-	-

KEY STOCK DATA

Bloomberg code	SSKL IN
No. of Shares (mn)	153
MCap (INR bn) / (\$ mn)	27/320
6m avg traded value (INR mn)	78
52 Week high / low	INR 312/144

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	9.7	(8.8)	(27.3)
Relative (%)	8.8	(16.4)	(50.8)

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	60.80	60.80
FIs & Local MFs	19.12	16.16
FPIs	2.86	3.29
Public & Others	17.22	19.75
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

Jay Gandhi

jay.gandhi@hdfcsec.com

+91-22-6171-7320