

05 May 2024

India | Equity Research | Q4FY24 results review

Go Fashion India

Consumer Staples & Discretionary

Demand outlook remains challenging

Go Fashion continues to report double-digit revenue growth (15% YoY in Q4FY24) driven by EBOs retail expansion (+13% YoY). That said, retail expansion was below expectations for FY24 (84 stores vs guidance of 100-110 stores) due to higher store closures while it reduced guidance for FY25 to 120-150 stores (vs 150 earlier). SSSG remained flattish (1% YoY) as management highlighted continued weak demand environment and expects mid-single digit SSSG in FY25 (vs ~10% earlier). Average selling price increased by 4% YoY driven by better mix. Gross margins remained stable (management expects ~50bps improvement in 1HFY25 on the back of lower-priced inventory), while operating margins were under pressure due to negative operating leverage. Inventory rationalisation (~22 days) at warehouse level led to material working capital improvement driving significant improvement in operating cash flows. **BUY**.

Growth driven by retail expansion; SSSG remained flattish due to overall weak demand environment

Go Fashion reported revenue print of INR 1.8bn (in-line with our estimates), up 15% YoY. Revenue from EBOs (~73% saliency) grew 11% YoY driven largely by 13% YoY retail expansion (below expectations), while SSSG remained almost flattish (1% YoY) due to overall subdued demand environment. Management expects gradual recovery in demand environment and expects mid-single digit SSSG in FY25 and targets ~2-3% SSSG in Q1FY25. Same cluster sales growth (SCSG) stood at healthy 10% YoY, indicating relative success of cluster-based expansion. Revenue growth in LFS was much faster at ~30% YoY (comparable) due to higher store additions. ASP grew by 4% YoY to INR 752 driven by mix.

Margins impacted due to negative operating leverage

Gross margin was largely similar (down 30bps YoY) to 63.5%. Management expects benefits of input correction to flow gradually over next few quarters (~50bps expected in 1HFY25). EBITDA margins (on reported basis) contracted steeply by 190bps YoY (230bps YoY decline to 19.7% largely due to negative operating leverage on pre-IND AS 116) to 29.7% largely due to negative operating leverage of higher retail expansion while SSSG is flattish. Ad-spends (as % of sales) remained lower at 2.1% (vs 3% in FY23) as the impact of advertisement during general slowdown in the sector is relatively low on consumer. PAT declined by 12% YoY to INR 131mn.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	6,653	7,628	9,361	11,632
EBITDA	2,123	2,424	3,039	3,841
EBITDA Margin (%)	31.9	31.8	32.5	33.0
Net Profit	828	828	1,110	1,487
EPS (INR)	15.3	15.3	20.5	27.5
EPS % Chg YoY	(2,359.1)	132.5	34.1	79.6
P/E (x)	68.1	68.1	50.8	37.9
EV/EBITDA (x)	25.9	22.4	17.7	13.8
RoCE (%)	19.9	17.6	19.4	21.2
RoE (%)	17.3	14.7	16.8	18.8

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Market Data

Market Cap (INR)	56bn
Market Cap (USD)	675mn
Bloomberg Code	GOCOLORS IN
Reuters Code	GOFA BO
52-week Range (INR)	1,405 /933
Free Float (%)	47.0
ADTV-3M (mn) (USD)	1.2

Price Performance (%)	3m	6m	12m
Absolute	(2.3)	(16.5)	(5.5)
Relative to Sensex	(4.8)	(31.2)	(26.2)

Earnings Revisions (%)	FY25E	FY26E
Revenue	(3.1)	(3.0)
EBITDA	(3.8)	(3.5)
EPS	(11.2)	(11.4)

Previous Reports

07-02-2024: [Q3FY24 results review](#)

01-11-2023: [Q2FY24 results review](#)

Retail expansion below expectation due to store closures

It added net 10 new EBOs in the quarter (714 stores in 160 cities) and 84 EBOs in FY24. Retail expansion rate is below our expectations and management guidance of 100-110 stores largely due to higher closure of stores that didn't recover post covid. Management is confident on adding 120-150 stores (Net) in FY25. It further plans to expand its density in existing geographies with focused penetration in south and west regions, while adding stores in East and North with a focus in developing presence.

Improved cash flows with inventory streamlining

The company improved its working capital by 22 days compared to March 2023, now at 124 days, largely driven by reducing warehouse inventory while maintaining store inventory levels, which decreased by 22 days to 104 days. This led to a significant increase in operating cash flows (Pre IND-AS 116) from INR 195mn (FY23) to INR 1,110mn (FY24). Management aims to further improve the working capital cycle by reducing inventory to 90 days.

Valuation and risk

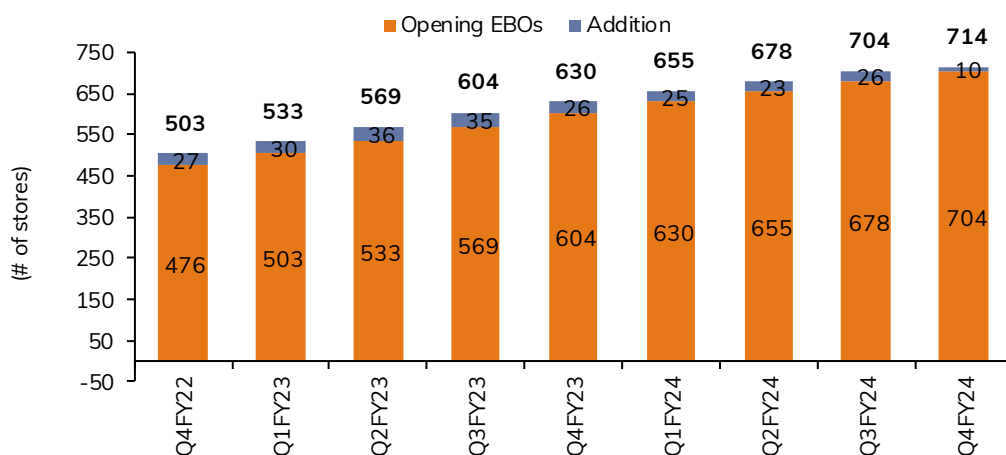
We cut our earnings estimates by ~11% over FY25E-26E due to continued challenging demand environment outlook; modelling revenue / EBITDA / PAT CAGR of 23% / 26% / 34% respectively over FY24-FY26E. We maintain our BUY rating with a DCF-based revised target price of INR 1,200 (vs INR 1,250). Key risks: (1) risk of high revenue share from Reliance Retail in LFS channel and (2) likely increased competition from new players entering the category.

Exhibit 1: Q4FY24 result review

INR mn	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Net Revenues	1,817	1,576	15	2,021	(10)	7,628	6,639	15
COGS	(663)	(571)	16	(779)	(15)	(2,919)	(2,603)	12
Gross profit	1,154	1,005	15	1,243	(7)	4,709	4,036	17
Staff cost	(350)	(282)	24	(324)	8	(1,302)	(1,025)	27
Other opex	(266)	(227)	17	(243)	9	(984)	(891)	10
EBITDA	539	497	9	675	(20)	2,423	2,120	14
Other income	55	26	112	42	33	174	119	46
Finance cost	(115)	(84)	36	(105)	9	(391)	(285)	37
D&A	(307)	(246)	25	(289)	6	(1,104)	(868)	27
PBT	172	193	(11)	323	(47)	1,101	1,087	1
Tax	(42)	(45)	(7)	(89)	(53)	(273)	(259)	
Recurring PAT	131	148	(12)	234	(44)	828	828	(0)
EPS	2.4	2.7	(12)	4.3	(44)	15.3	15.3	(0)
Costs as a % of sales								
COGS	36.5	36.2	27 bps	38.5	-205 bps	38.3	39.2	-94 bps
Gross margin (%)	63.5	63.8	-28 bps	61.5	204 bps	61.7	60.8	93 bps
Staff cost	19.2	17.9	137 bps	16.1	319 bps	17.1	15.4	162 bps
Other opex	14.6	14.4	21 bps	12.0	260 bps	12.9	13.4	-52 bps
EBITDA margin (%)	29.7	31.5	-187 bps	33.4	-375 bps	31.8	31.9	-19 bps
Income tax rate (%)	24.2	23.3	89 bps	27.5	-333 bps	24.8	23.8	99 bps

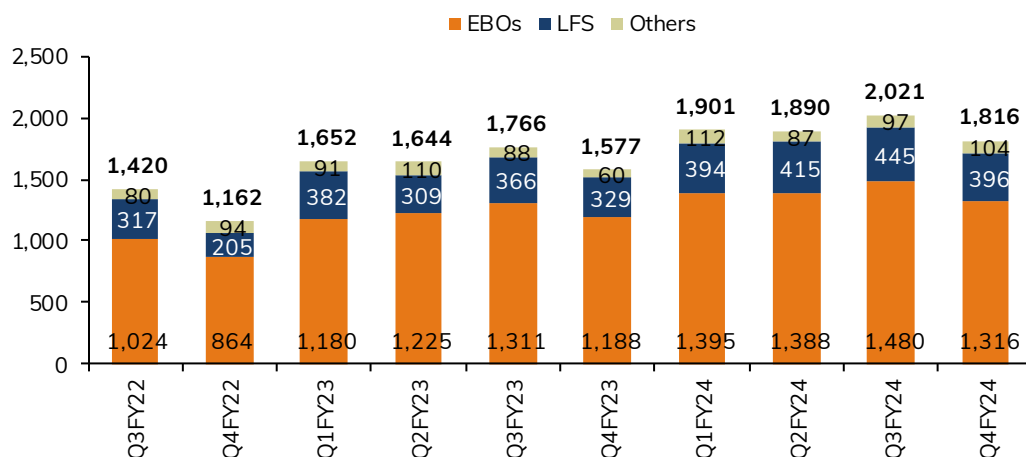
Source: Company data, I-Sec research

Exhibit 2: EBO store expansion



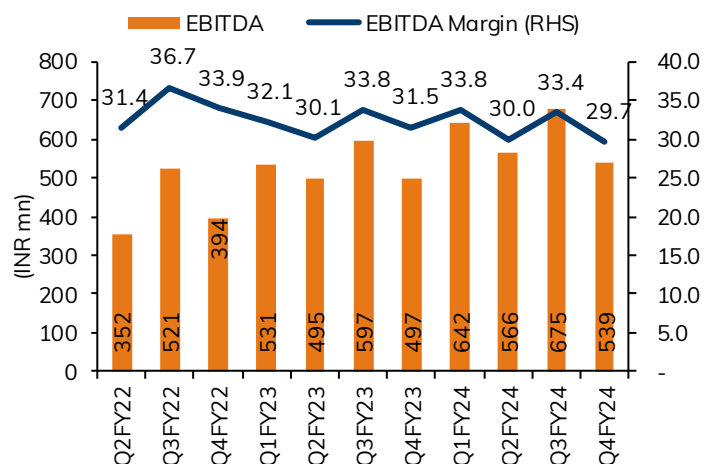
Source: Company data, I-Sec research

Exhibit 3: Channel-wise sales



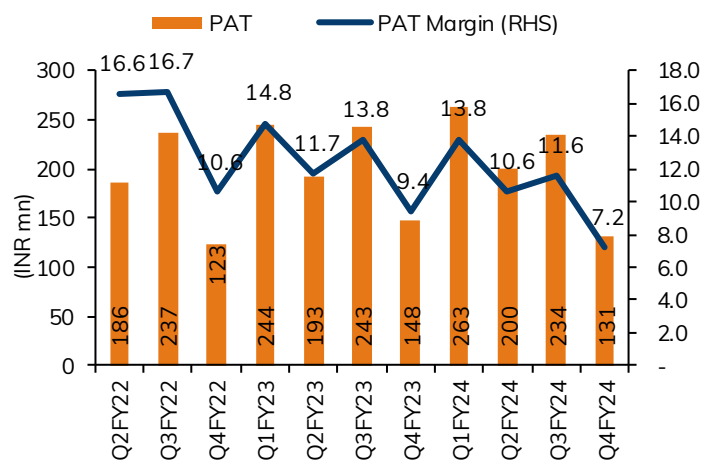
Source: Company data, I-Sec research

Exhibit 4: EBITDA and EBITDA margin

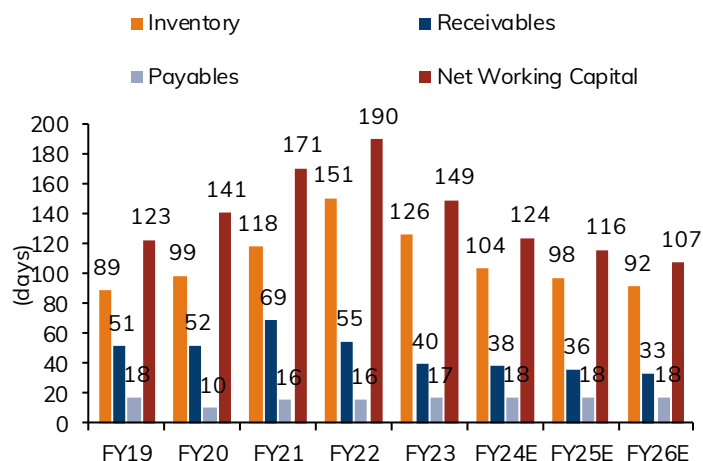


Source: Company data, I-Sec research

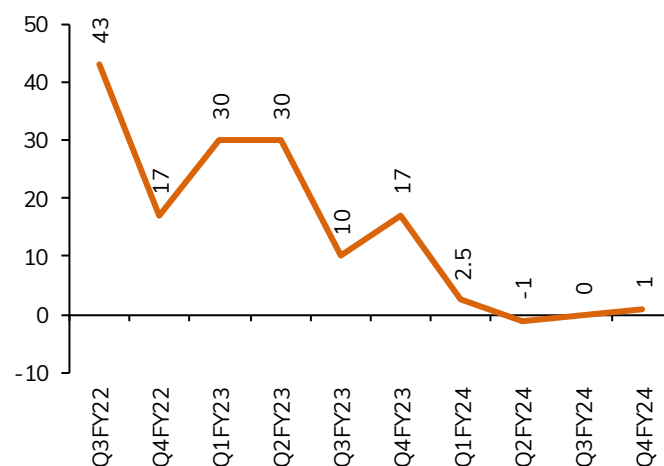
Exhibit 5: PAT and PAT margin



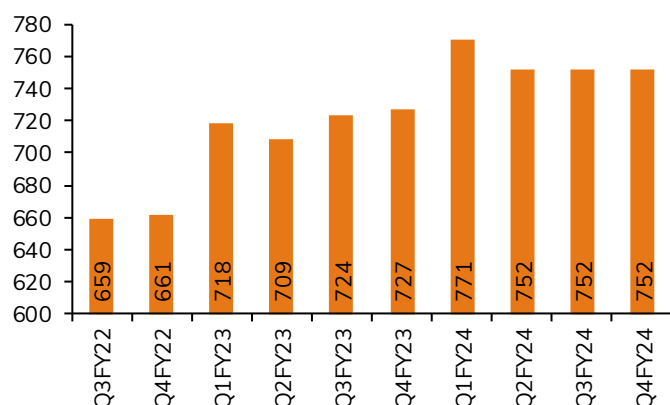
Source: Company data, I-Sec research

Exhibit 6: Working capital days

Source: Company data, I-Sec research

Exhibit 7: SSSG (%)

Source: Company data, I-Sec research

Exhibit 8: Average Selling Price* (INR)

*Note: ASP is on YTD basis

Source: Company data, I-Sec research

Exhibit 9: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	52.8	52.8	52.8
Institutional investors	43.1	43.2	44.0
MFs and other	25.3	24.0	24.3
FIs/ Banks	0.0	0.0	0.0
Insurance Cos.	5.2	5.5	6.3
FIIIs	12.6	13.7	13.4
Others	4.1	4.0	3.2

Source: Bloomberg

Exhibit 10: Price chart

Source: Bloomberg

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	6,653	7,628	9,361	11,632
Operating Expenses	4,530	5,204	6,322	7,790
EBITDA	2,123	2,424	3,039	3,841
EBITDA Margin (%)	31.9	31.8	32.5	33.0
Depreciation & Amortization	871	1,104	1,327	1,606
EBIT	1,252	1,321	1,712	2,236
Interest expenditure	285	391	477	568
Other Non-operating Income	119	173	249	319
Recurring PBT	1,087	1,102	1,484	1,987
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	259	274	373	500
PAT	828	828	1,110	1,487
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	828	828	1,110	1,487
Net Income (Adjusted)	828	828	1,110	1,487

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	4,292	5,364	6,387	7,801
of which cash & cash eqv.	872	1,921	2,477	3,332
Total Current Liabilities & Provisions	613	613	698	810
Net Current Assets	3,679	4,751	5,688	6,991
Investments	468	64	64	64
Net Fixed Assets	850	1,013	1,156	1,299
ROU Assets	3,080	4,245	4,543	4,894
Capital Work-in-Progress	74	109	109	109
Total Intangible Assets	7	9	9	9
Long Term Loans & Advances	298	358	417	493
Deferred Tax assets	168	226	226	226
Total Assets	8,651	10,781	12,221	14,095
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	-	-	-	-
Provisions	51	51	51	51
Other Liabilities	-	-	-	-
Equity Share Capital	540	540	540	540
Reserves & Surplus	4,664	5,499	6,609	8,096
Total Net Worth	5,204	6,039	7,149	8,636
Minority Interest	-	-	-	-
Total Liabilities	8,651	10,781	12,221	14,095

Source Company data, I-Sec research

Exhibit 13: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	1,901	1,889	2,021	1,817
% growth (YOY)	15.1	14.9	14.4	15.3
EBITDA	642	566	675	539
Margin %	33.8	30.0	33.4	29.7
Other Income	37	39	42	55
Extraordinaries	-	-	-	-
Adjusted Net Profit	263	200	234	131

Source Company data, I-Sec research

Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	1,037	2,187	709	1,001
Working Capital Changes	(873)	87	(443)	(526)
Capital Commitments	(349)	(434)	(433)	(502)
Free Cashflow	688	1,753	276	499
Other investing cashflow	74	(298)	(49)	(31)
Cashflow from Investing Activities	(276)	(731)	(482)	(533)
Issue of Share Capital	2	-	-	-
Interest Cost	0	0	0	0
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	-	-	-	-
Others	-	-	1,037	1,247
Cash flow from Financing Activities	(841)	(1,078)	329	387
Chg. in Cash & Bank balance	(79)	378	556	855
Closing cash & balance	337	715	1,271	2,126

Source Company data, I-Sec research

Exhibit 15: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	15.3	15.3	20.5	27.5
Adjusted EPS (Diluted)	15.3	15.3	20.5	27.5
Cash EPS	31.4	35.7	45.1	57.2
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	96.3	111.7	132.2	159.7
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	165.4	90.1	40.7	52.5
EBITDA	358.0	98.3	43.2	58.5
EPS (INR)	(2,359.1)	132.5	34.1	79.6
Valuation Ratios (x)				
P/E	68.1	68.1	50.8	37.9
P/CEPS	33.2	29.2	23.1	18.2
P/BV	10.8	9.3	7.9	6.5
EV / EBITDA	25.9	22.4	17.7	13.8
P / Sales	8.5	7.4	6.0	4.8
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	60.7	61.7	62.0	62.2
EBITDA Margins (%)	31.9	31.8	32.5	33.0
Effective Tax Rate (%)	23.8	24.9	25.2	25.2
Net Profit Margins (%)	12.4	10.9	11.9	12.8
Net Debt / Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)
Net Debt / EBITDA (x)	(0.6)	(0.8)	(0.8)	(0.9)
Fixed Asset Turnover (x)	5.9	5.0	4.9	4.9
Working Capital Days	233	169	149	140
Inventory Turnover Days	158	111	107	101
Receivables Days	49	41	40	37
Payables Days	21	19	19	20
Profitability Ratios				
RoCE (%)	19.9	17.6	19.4	21.2
RoE (%)	17.3	14.7	16.8	18.8
RoIC (%)	21.8	20.0	22.3	24.2

Source Company data, I-Sec research

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