

Go Fashion (India) | BUY



Delayed recovery on sustained demand pressure

We recently met with the management of Go Fashion, which highlighted that the recent impact on overall revenue growth was due to demand slowdown and not due to concerns relating to product portfolio/ASP, and that the company continued to outperform its peers. The recent slowdown has impacted new customer addition, hitting volume/EBO. EBO consolidation, which was the pain point in FY25, will be largely over by Mar'25. The company expects to add ~120 stores annually over the next 2-3 years. Strategic initiatives in the MBO business and improved performance in the LFS business will also aid the company in its long-term growth trajectory. We cut our target price to INR 980 from INR 1,160, as delay in demand recovery is resulting in a cut in our FY26-27 Revenue/PAT estimates by 2-5%/5-7%, coupled with a cut in our target multiple to 38x from 42x earlier on account of (i) muted Revenue/PAT CAGR of 11%/12% over FY24-27 vs. 22%/20% CAGR over FY19-24, (ii) dilution in RoE/RoCE to 16%/13% in FY27, and (iii) increase in promoter pledge from 17.4% to 19.8% due to fall in share prices. We maintain BUY as the recent stock price correction of ~30% in 3 months has rendered the risk reward ratio favourable.

- Weak demand environment in 4Q:** The management highlighted that the overall demand environment remained soft in 4QFY25. The slowdown is largely market-driven and not specific to the company. While demand in Jan'25 and Feb'25 was in line with expectations, there was some deceleration in demand in Mar'25. Repeat purchases have been stable, but new customer acquisition has been challenging for the company in this tough demand environment, which is impacting SSSG growth and resulting in a decline in volume per EBO (refer exhibit - 6). The management remains confident on the product portfolio and doesn't believe that its relative price premium has increased vs. peers. The demand impact is higher for other women-wear centric brands vs. Go Fashion. Increase in ASP is mainly due to improved product mix rather than price hike. Leggings now contribute only 30% of overall revenue vs. 50% earlier.
- Channel strategy: EBO** – Store consolidation is expected to be largely complete by Mar'25. The company aims to add ~120 stores annually over the next 2-3 years. It will expand in a manner that doesn't lead to cannibalisation of existing stores. The store concentration in eastern and northern region is lower at ~25% due to (1) higher rentals, and (2) higher preference for lower-ASP products. Hence, the company is expanding in these regions in a calibrated manner. The **LFS business** is now stabilising. LFS addition will be largely led by deepening penetration of existing players and very little addition from new LFS partners. The management expects addition of 100+ LFS doors every year. The **Multi-Brand Outlet (MBO)** business currently contributes less than 0.5% of total revenue. In Oct'24, the company appointed Mr Vijay Srinivas as head of the MBO business. He has a prior experience in FMCG and general trade segments. Over the next 3-4 years, Go Fashion aims to gradually increase the MBO channel's revenue contribution to 3-4%.
- Margins:** Margin in FY25 was largely impacted due to lower throughput and higher rentals. The company expects to achieve 62-63% gross margin and EBITDA margin of 17.5-18% (including other income) in FY25. It aims to maintain gross margin at similar levels and expand EBITDA margin by ~100bps in FY26, led by better operating leverage.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	980
Upside/(Downside)	44.9%
Previous Price Target	1,160
Change	-15.5%

Key Data – GOCOLORS IN

Current Market Price	INR677
Market cap (bn)	INR36.5/US\$0.4
Free Float	47%
Shares in issue (mn)	52.2
Diluted share (mn)	54.0
3-mon avg daily val (mn)	INR69.6/US\$0.8
52-week range	1,408/665
Sensex/Nifty	77,606/23,592
INR/US\$	85.8

Price Performance

%	1M	6M	12M
Absolute	-7.1	-50.3	-40.5
Relative*	-12.4	-45.2	-43.6

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	6,634	7,615	8,377	9,330	10,515
Sales Growth (%)	65.9	14.8	10.0	11.4	12.7
EBITDA	2,120	2,424	2,610	3,012	3,419
EBITDA Margin (%)	31.9	31.8	31.1	32.2	32.4
Adjusted Net Profit	823	828	868	1,083	1,281
Diluted EPS (INR)	15.2	15.3	16.1	20.1	23.7
Diluted EPS Growth (%)	131.9	0.6	4.9	24.7	18.3
ROIC (%)	28.3	25.0	25.9	30.4	34.0
ROE (%)	17.2	14.7	13.4	14.5	14.8
P/E (x)	44.4	44.2	42.1	33.8	28.5
P/B (x)	7.0	6.1	5.3	4.6	3.9
EV/EBITDA (x)	16.0	13.7	12.3	10.4	8.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 27/Mar/2025

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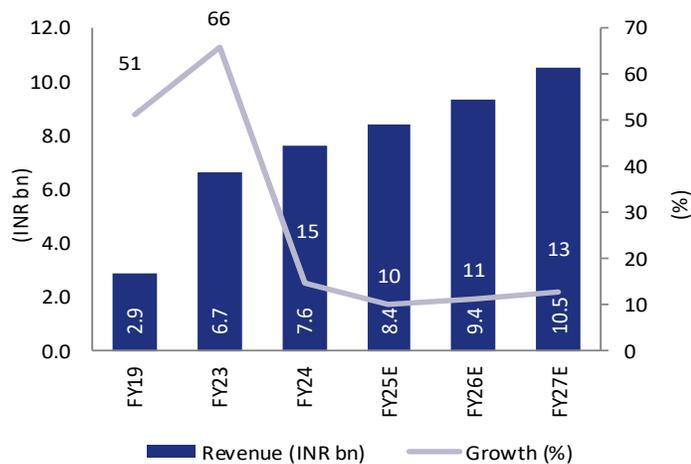
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Exhibit 1. We cut our EPS estimates by 5-7% for FY26-27 owing to weak consumer demand environment

	FY25E			FY26E			FY27E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Net revenues	8,401	8,401	-	9,357	9,560	(2.1)	10,545	11,046	(4.5)
Gross Margin (%)	68.2	68.2	0bps	68.2	68.4	-21bps	68.2	68.5	-31bps
EBITDA	2,610	2,610	-	3,012	3,105	(3.0)	3,419	3,646	(6.2)
EBITDA margin (%)	31.1	31.1	0bps	32.2	32.5	-29bps	32.4	33.0	-59bps
PAT	868	868	-	1,083	1,148	(5.7)	1,281	1,423	(10.0)
EPS (INR/share)	16.1	16.1	-	20.1	21.3	(5.7)	23.7	26.3	(10.0)
Pre IND AS									
EBITDA	1,337	1,337	-	1,535	1,606	(4.4)	1,732	1,878	(7.8)
EBITDA margin (%)	15.9	15.9	0bps	16.4	16.8	-40bps	16.4	17.0	-58bps
PAT	989	989	-	1,195	1,253	(4.6)	1,389	1,492	(6.9)
EPS (INR/share)	18.3	18.3	-	22.1	23.2	(4.6)	25.7	27.6	(6.9)

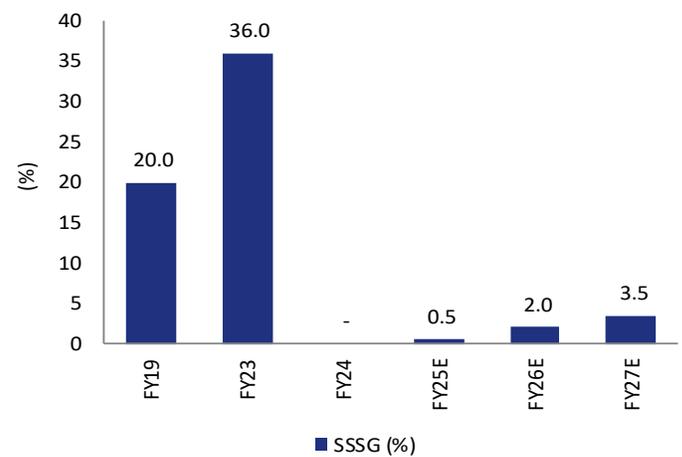
Source: Company, JM Financial

Exhibit 2. Expect 11% revenue CAGR over FY24-27



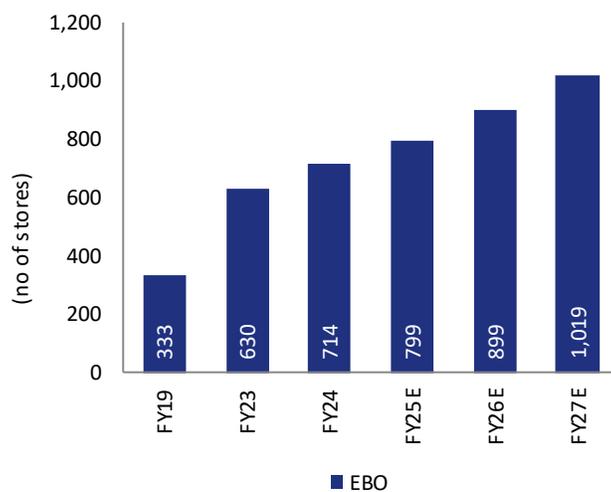
Source: Company, JM Financial

Exhibit 3. Expect gradual recovery in SSSG



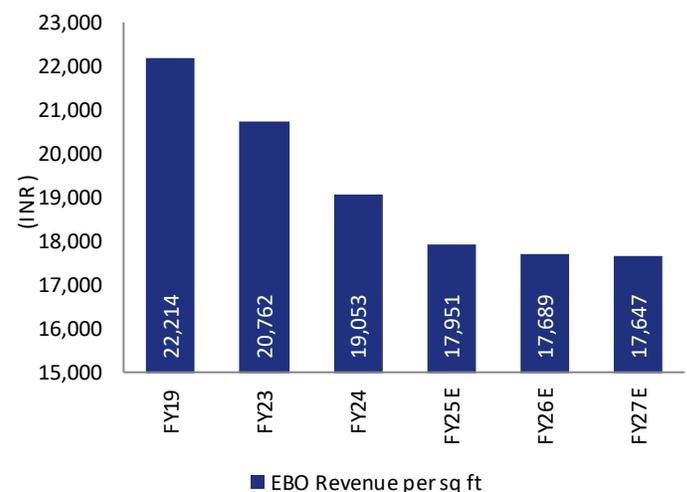
Source: Company, JM Financial; Note: SSSG is for EBO

Exhibit 4. Expect 305 cumulative EBO additions over FY24-27



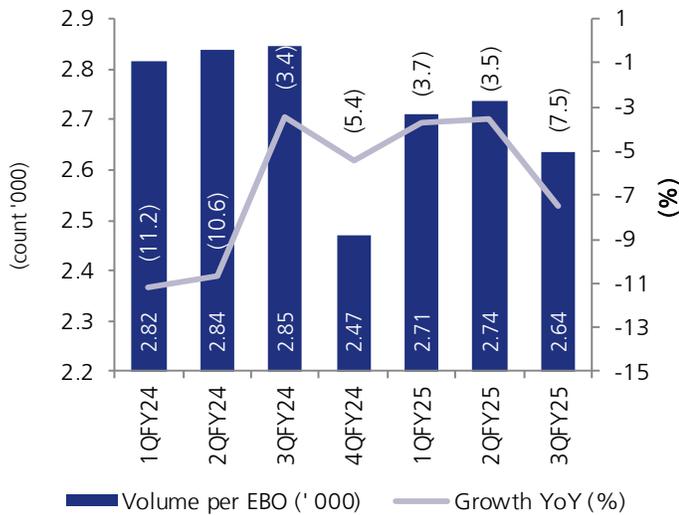
Source: Company, JM Financial

Exhibit 5. EBO rev/ sqft drag due to new store opening



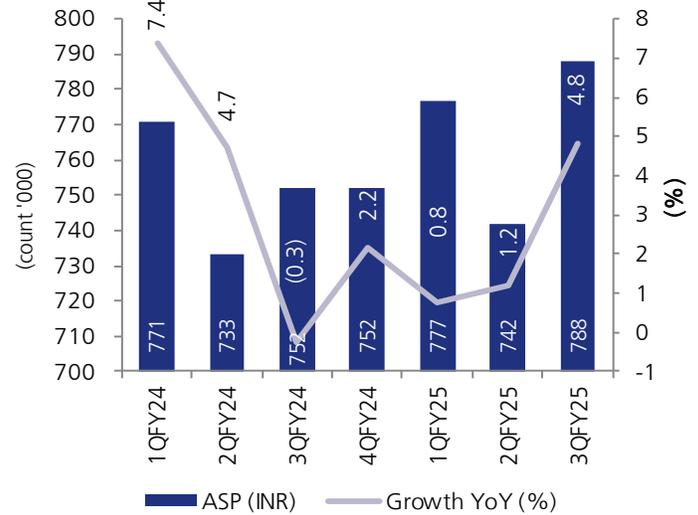
Source: Company, JM Financial

Exhibit 6. Volume/EBO has declined due to demand slowdown



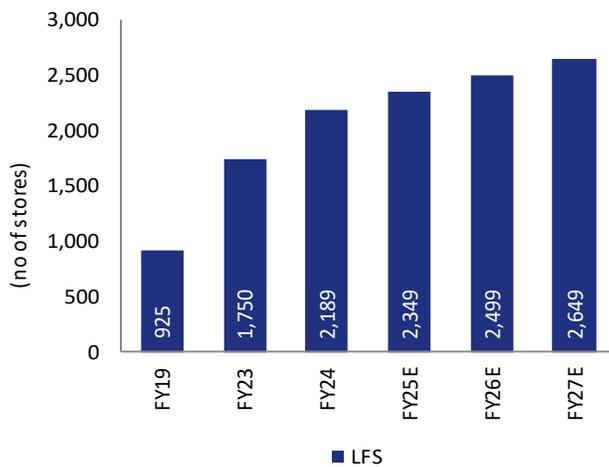
Source: Company, JM Financial

Exhibit 7. ASP has largely increased due to better mix



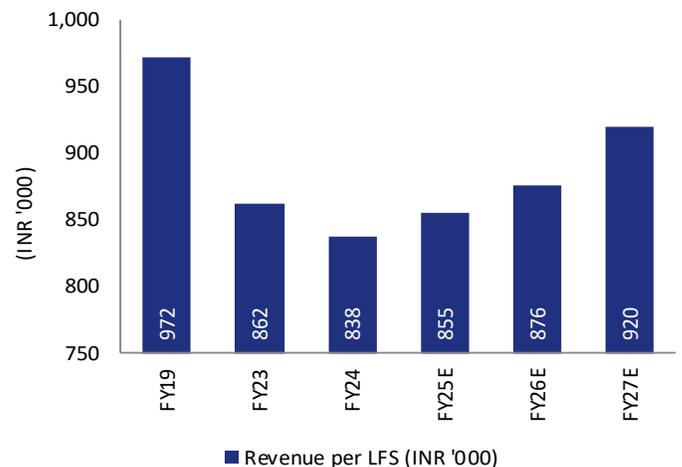
Source: Company, JM Financial

Exhibit 8. Expect 460 cumulative LFS addition over FY24-27



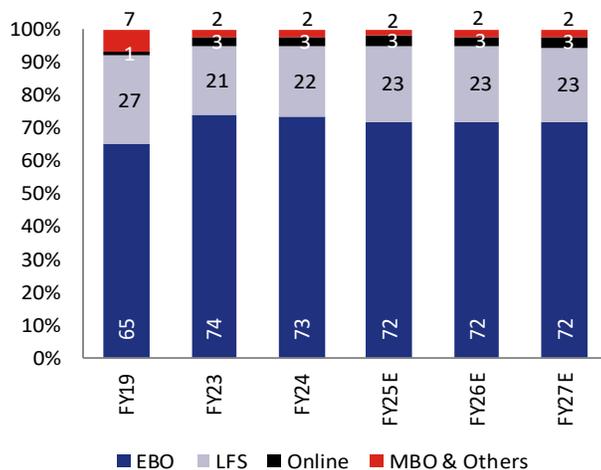
Source: Company, JM Financial

Exhibit 9. Revenue/ LFS to increase by 3% CAGR over FY24-27



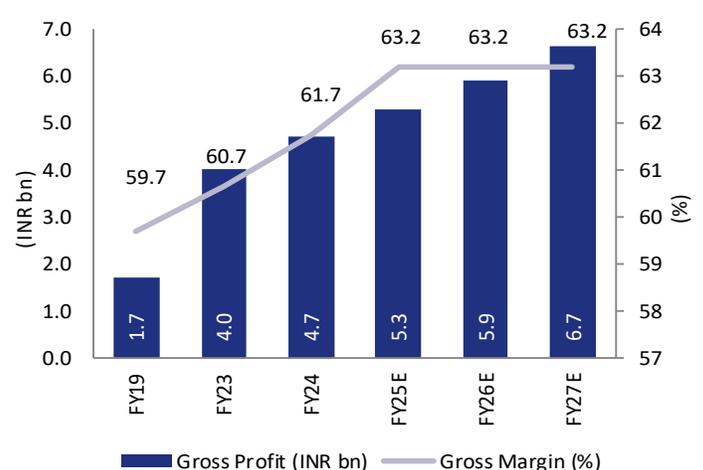
Source: Company, JM Financial

Exhibit 10. EBO mix to contract by ~100bps over FY24-27



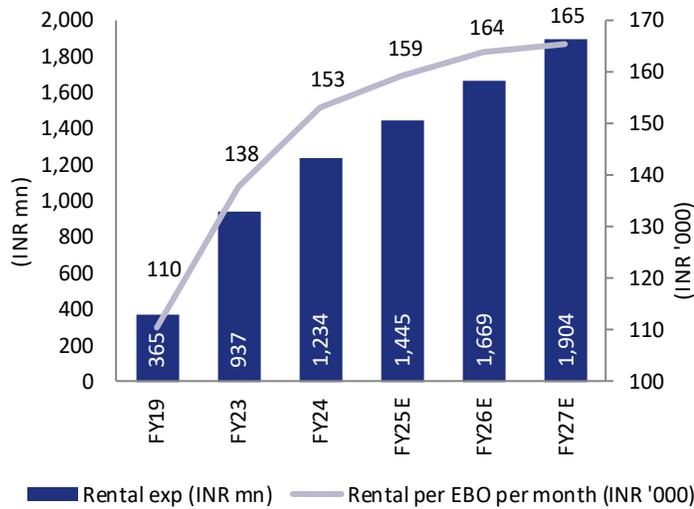
Source: Company, JM Financial

Exhibit 11. Gross margin to expand by ~150bps over FY24-27



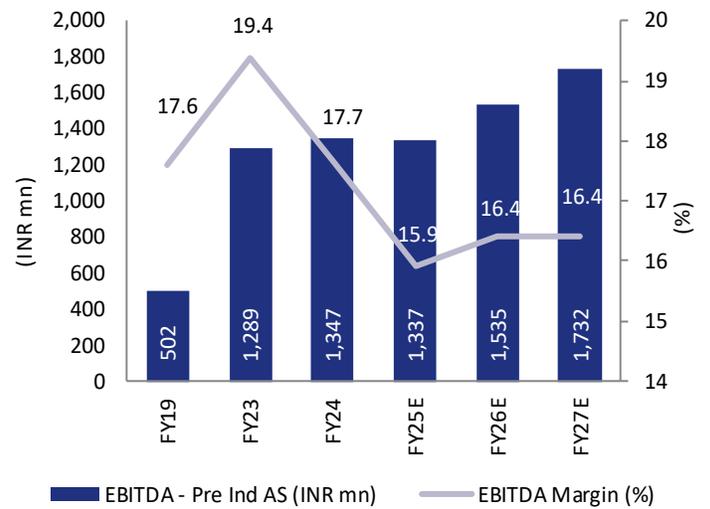
Source: Company, JM Financial; Note: Gross Profit is after adjusting sub-contracting charges

Exhibit 12. Rental /EBO/month to increase by 3% CAGR over FY24-27



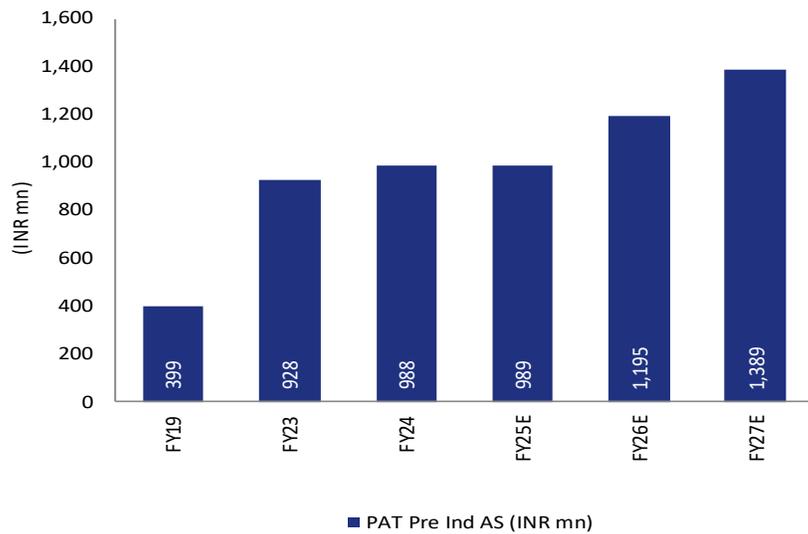
Source: Company, JM Financial

Exhibit 13. EBITDA margin to contract by ~120bps over FY24-27



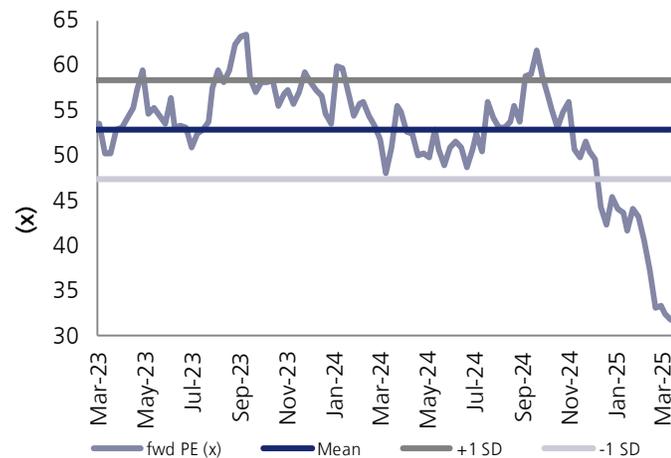
Source: Company, JM Financial

Exhibit 14. PAT is expected to grow at a CAGR of ~12% over FY24-27



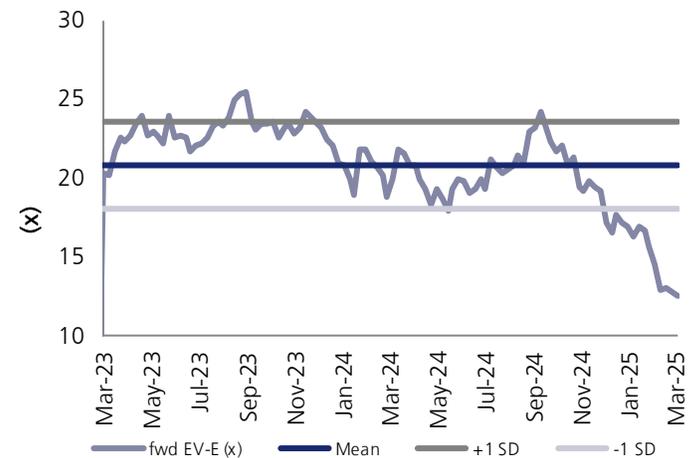
Source: Company, JM Financial

Exhibit 15. P/E (x) 1 year forward



Source: Bloomberg

Exhibit 16. EV/EBITDA (x) 1 year forward



Source: Bloomberg

APPENDIX I

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Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	6,634	7,615	8,377	9,330	10,515	
Sales Growth	65.9%	14.8%	10.0%	11.4%	12.7%	
Other Operating Income	19	13	24	27	30	
Total Revenue	6,653	7,628	8,401	9,357	10,545	
Cost of Goods Sold/Op. Exp	2,215	2,550	2,672	2,976	3,353	
Personnel Cost	1,026	1,302	1,608	1,818	2,056	
Other Expenses	1,292	1,352	1,511	1,552	1,716	
EBITDA	2,120	2,424	2,610	3,012	3,419	
EBITDA Margin	31.9%	31.8%	31.1%	32.2%	32.4%	
EBITDA Growth	73.4%	14.4%	7.7%	15.4%	13.5%	
Depn. & Amort.	871	1,104	1,248	1,428	1,564	
EBIT	1,249	1,321	1,362	1,583	1,855	
Other Income	119	173	255	365	458	
Finance Cost	285	391	459	501	600	
PBT before Excep. & Forex	1,084	1,102	1,157	1,448	1,712	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	1,084	1,102	1,157	1,448	1,712	
Taxes	259	274	289	365	432	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	825	828	868	1,083	1,281	
Adjusted Net Profit	823	828	868	1,083	1,281	
Net Margin	12.4%	10.9%	10.3%	11.6%	12.1%	
Diluted Share Cap. (mn)	54.0	54.0	54.0	54.0	54.0	
Diluted EPS (INR)	15.2	15.3	16.1	20.1	23.7	
Diluted EPS Growth	131.9%	0.6%	4.9%	24.7%	18.3%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	1,084	1,102	1,157	1,448	1,712	
Depn. & Amort.	871	1,104	1,248	1,428	1,564	
Net Interest Exp. / Inc. (-)	165	218	204	136	142	
Inc (-) / Dec in WCap.	-873	87	10	-343	-416	
Others	114	42	0	0	0	
Taxes Paid	-324	-366	-294	-365	-432	
Operating Cash Flow	1,037	2,187	2,325	2,304	2,572	
Capex	-349	-434	-221	-236	-291	
Free Cash Flow	688	1,753	2,104	2,067	2,280	
Inc (-) / Dec in Investments	119	-253	-12	-15	-26	
Others	-45	-44	255	365	458	
Investing Cash Flow	-276	-731	22	114	140	
Inc / Dec (-) in Capital	2	0	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	0	0	0	0	0	
Others	-843	-1,078	-1,272	-1,477	-1,688	
Financing Cash Flow	-841	-1,078	-1,272	-1,477	-1,688	
Inc / Dec (-) in Cash	-79	378	1,075	941	1,024	
Opening Cash Balance	1,201	1,545	1,923	2,998	3,939	
Closing Cash Balance	1,122	1,923	2,998	3,939	4,964	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	5,204	6,039	6,907	7,990	9,271	
Share Capital	540	540	540	540	540	
Reserves & Surplus	4,664	5,499	6,367	7,450	8,731	
Lease Liabilities	3,395	4,691	6,256	8,004	9,985	
Minority Interest	0	0	0	0	0	
Total Loans	0	0	0	0	0	
Def. Tax Liab. / Assets (-)	-168	-226	-226	-226	-226	
Total - Equity & Liab.	8,431	10,504	12,938	15,768	19,030	
Net Fixed Assets	931	1,130	1,127	1,114	1,127	
Gross Fixed Assets	1,351	1,682	1,903	2,139	2,430	
Less: Depn. & Amort.	494	660	884	1,134	1,413	
Capital WIP	74	109	109	109	109	
ROU Assets	3,080	4,245	5,600	7,144	8,927	
Investments	217	61	73	87	114	
Current Assets	4,868	5,733	6,934	8,298	9,847	
Inventories	2,303	2,163	2,180	2,403	2,679	
Sundry Debtors	722	793	918	1,023	1,152	
Cash & Bank Balances	1,122	1,923	2,998	3,939	4,964	
Loans & Advances	413	531	503	560	631	
Other Current Assets	308	321	335	373	421	
Current Liab. & Prov.	664	665	797	876	984	
Current Liabilities	554	598	714	782	879	
Provisions & Others	110	67	83	93	105	
Net Current Assets	4,204	5,068	6,138	7,422	8,863	
Total - Assets	8,431	10,504	12,938	15,768	19,030	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	12.4%	10.9%	10.3%	11.6%	12.1%	
Asset Turnover (x)	0.9	0.8	0.7	0.6	0.6	
Leverage Factor (x)	1.6	1.7	1.8	2.0	2.0	
RoE	17.2%	14.7%	13.4%	14.5%	14.8%	

Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	96.4	111.8	127.9	147.9	171.7	
ROIC	28.3%	25.0%	25.9%	30.4%	34.0%	
ROE	17.2%	14.7%	13.4%	14.5%	14.8%	
Net Debt/Equity (x)	-0.3	-0.3	-0.4	-0.5	-0.5	
P/E (x)	44.4	44.2	42.1	33.8	28.5	
P/B (x)	7.0	6.1	5.3	4.6	3.9	
EV/EBITDA (x)	16.0	13.7	12.3	10.4	8.8	
EV/Sales (x)	5.1	4.4	3.8	3.3	2.9	
Debtor days	40	38	40	40	40	
Inventory days	126	104	95	94	93	
Creditor days	30	29	31	31	30	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
12-Dec-22	Buy	1,410	
25-Jan-23	Buy	1,360	-3.5
6-Mar-23	Buy	1,360	0.0
6-May-23	Buy	1,340	-1.5
16-Jun-23	Buy	1,340	0.0
31-Jul-23	Buy	1,340	0.0
5-Oct-23	Buy	1,385	3.4
1-Nov-23	Buy	1,340	-3.2
6-Feb-24	Buy	1,285	-4.1
26-Feb-24	Buy	1,285	0.0
4-May-24	Buy	1,220	-5.1
24-Jul-24	Buy	1,220	0.0
26-Oct-24	Buy	1,325	8.6
27-Jan-25	Buy	1,160	-12.5

Recommendation History

