

GO FASHION INDIA LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.1146.50 (As on 21st July 2023)

TARGET PRICE : Rs.1434.00

FACE VALUE : Rs.10

BSE CODE : 543401

NSE CODE : GOCOLORS

GO COLORS!



Go Fashion India Ltd. is a pioneer in branded bottom wear for women. The Company offers a wide range of bottom wear in terms of colors and styles to go with any top, all available under the same roof. The Company's bottom-wear products includes churidars, leggings, harem pants, patiala, palazzos, culottes, pants, trousers and jeggings are sold across multiple categories such as ethnic wear, western wear, fusion wear, activewear and denims.

ABOUT THE COMPANY

The Company designs and caters to women & girls of all age groups and size thereby, making its portfolio 'universal' and for every occasion and body type. The Company's range gives customers a plethora of options to plan an outfit according to their need. With over 50 leg-wear styles in over 120 colors from ethnic to western to fusion wear.

We are a one stop destination for ladies' bottom wear, a daily essential wear category with no seasonality



Among the largest Women Bottom Wear (WBW) brands in India with **~8%** market share in branded WBW



Offers Products in
>50 styles in **>120** colours



Extensive sourcing and manufacturing network of **83** suppliers and **63** job-workers spread across **11** states and UTs



Customers catered primarily through **630** EBOs spread across **23** states and UTs and **1,750** LFSs across **31** states and UTs



Premium quality products at affordable prices, **83.3%** of products retailed at < Rs. 1,049



Supply chain for all channels managed from **99K** sq. ft. warehouse in Tirupur, Tamil Nadu and **12K** sq. ft. warehouse in Bhiwandi, Maharashtra. End-to-end automation in inventory operations resulting in optimal inventory management

We are a Direct to Consumer Brand





Well Diversified Product Portfolio

GO COLORS!

Ethnic Wear

**Churidar****Salwar****Patiala****Silk-Pants****Kurti-Pants****Dhoti****From ₹ 599 to ₹ 1,399 (1)**

Western Wear

**Leggings****Ponte Pants****Cropped Jegging****Track Pants****Jeans****Culottes****Cargo Pants****Treggings****Trousers****Shorts****From ₹ 499 to ₹ 1,399 (1)**

Fusion Wear

**Jeggings****Palazzos****Pants****Harem-Pants****From ₹ 599 to ₹ 1,599 (1)**

Athleisure

**Leggings****Track Pants****Joggers****From ₹ 799 to ₹ 1,199 (1)**



Well Diversified Product Portfolio

GO COLORS!

Denims



Jeggings

Joggers

Jeans

Denim Palazzos

From ₹ 799 to ₹ 1,499 (1)

Lounge Wear



Lounge Pants

Lounge Knit Pants

Lounge Capris

Lounge Shorts

Go Plus



Pants

Denim Culottes

Capris

Palazzos

Churidars

Leggings

Jeggings

Pants

Palazzos

From ₹ 599 to ₹ 1,599 (1)

Girls Wear



Leggings

Jeggings

Palazzos

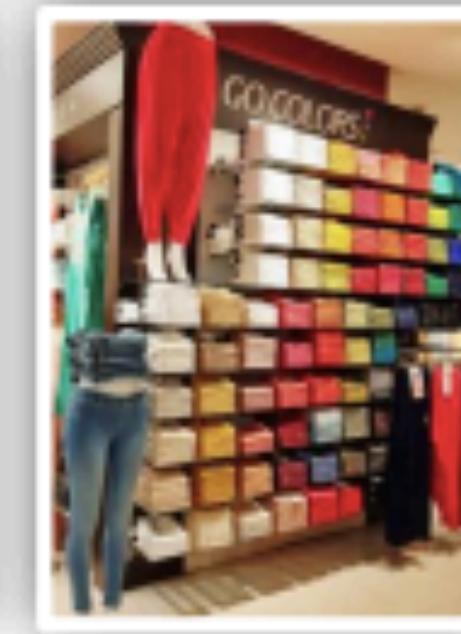
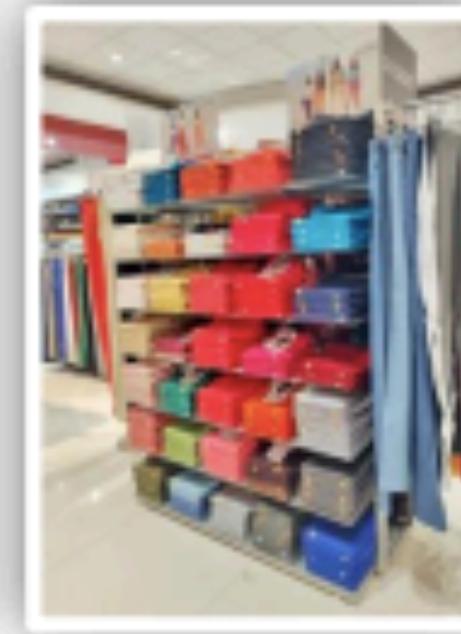
Pants

Shorts

Harem- Pants

From ₹ 249 to ₹ 999 (1)

! Standardized Store Designs and Layouts to Make Brand **"Go Colors"** Readily Identifiable **GO COLORS!**



**EBO Stores + Airport Stores +
LFS Stores**



Our Key Strengths

GO COLORS!

Among the Largest Women's Bottom-Wear Brand in India with Well-Diversified & Differentiated Product Portfolio and First Mover Advantage

Strong Unit Economics with an Efficient Operating Model

Demonstrated Track Record of Strong Financial Performance

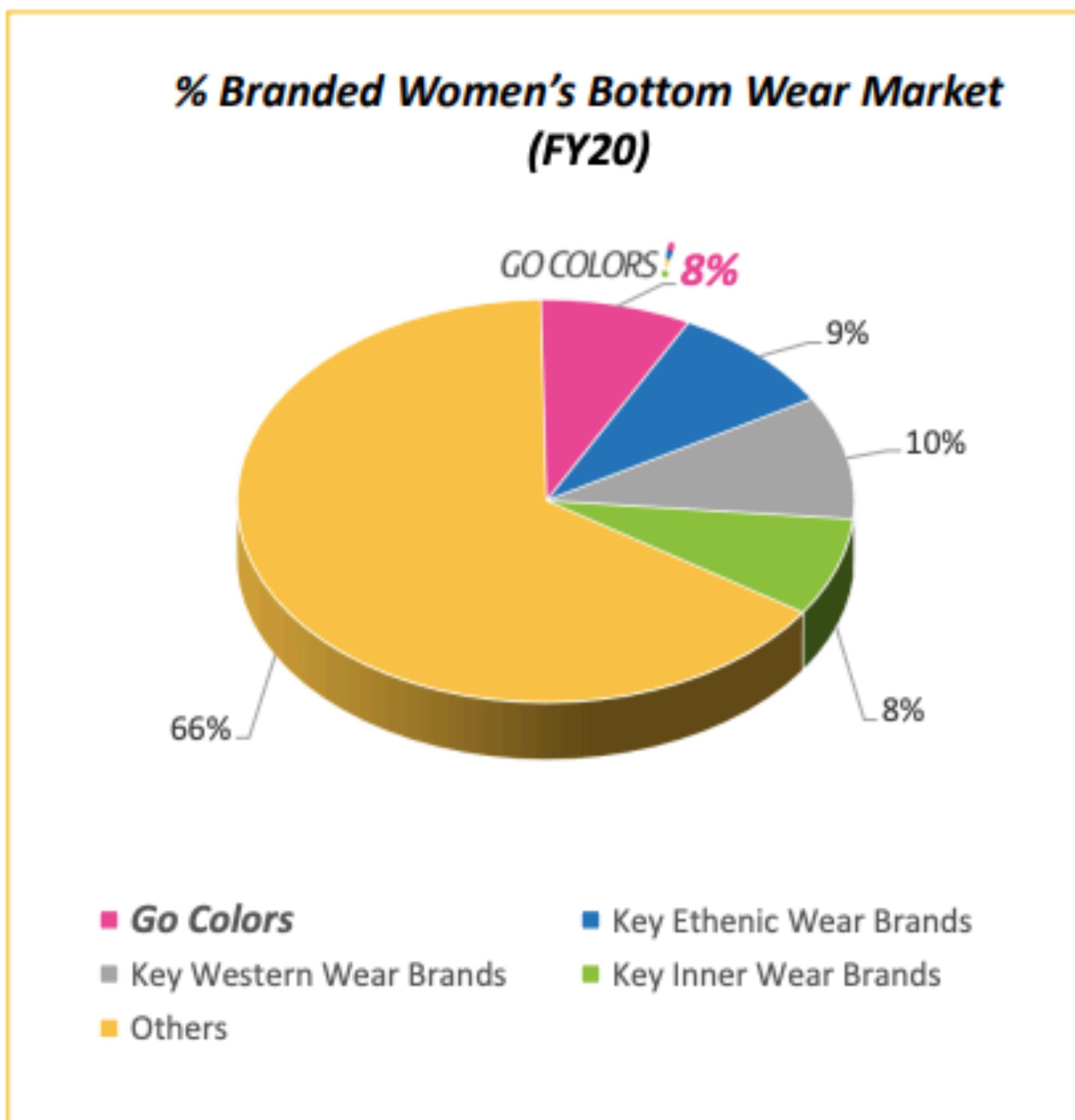


Multi-Channel, Pan-India Distribution Network with a Focus on EBOs, Enhancing Brand Visibility

Extensive Procurement Base with Highly Efficient and Technology-Driven Supply Chain Management

In-House Expertise in Developing and Designing Products

! Among the Largest Women's Bottom-Wear Brand with a Well-Diversified Product Portfolio **GO COLORS!**



Covering the entire spectrum of women's requirements across age-groups and body-types

Brand	SKUs	Ethnic	Western	Athleisure	Fusion	Denim
GO COLORS!	728	✓	✓	✓	✓	✓
Player A	800	✗	✓	✗	✗	✓
Player B	700	✓	✗	✗	✓	✓
Player C	673	✓	✓	✗	✓	✗
Player D	656	✗	✓	✗	✗	✓
Player E	343	✓	✗	✓	✓	✓

Leadership position in women's bottom-wear Category

Ethnic Wear	Western Wear	Fusion Wear	Athleisure
Denims	Lounge Wear	Go Plus	Girls Wear

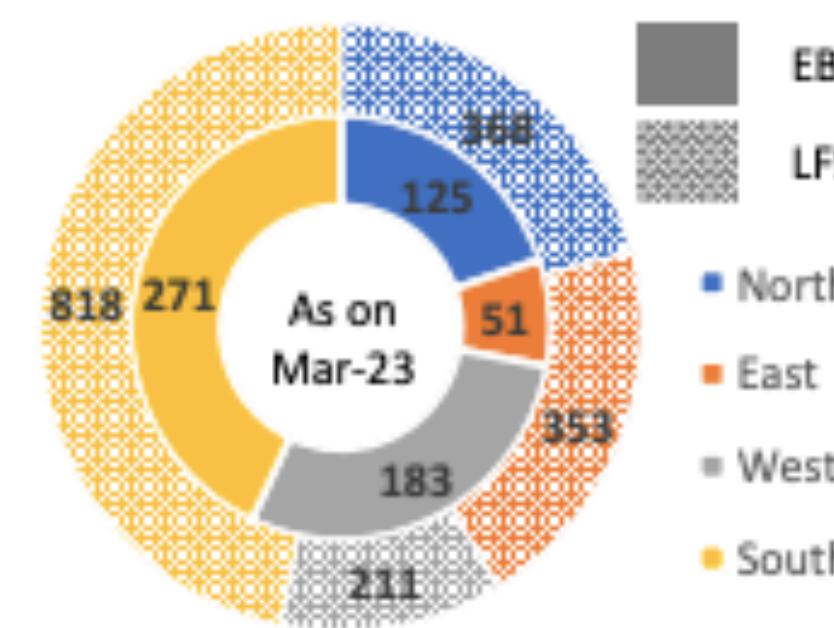
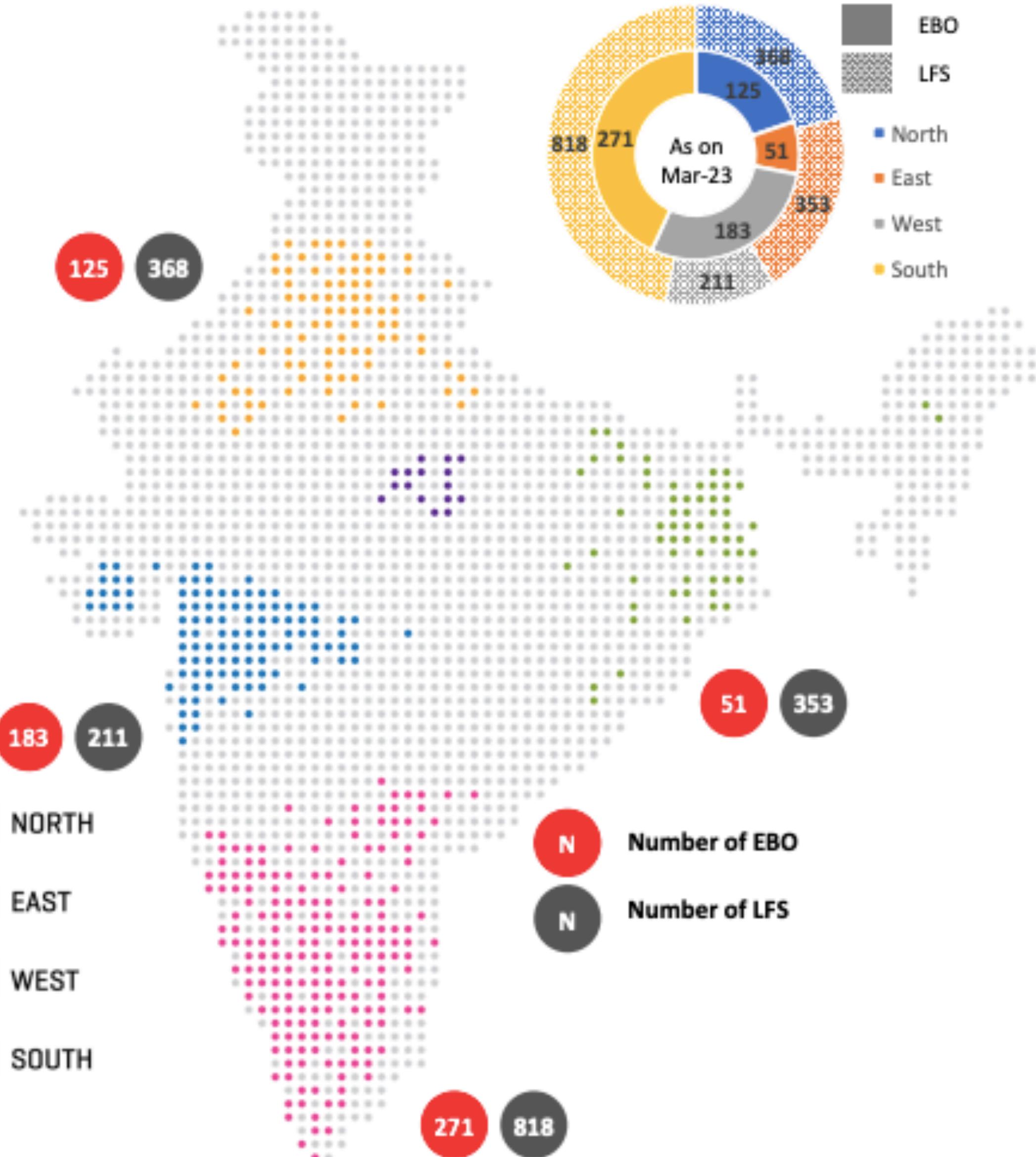
Offers **50 bottom-wear styles** in a range of **>120 colours**

Go Colors offers products across multiple categories making its portfolio 'universal' & round-the-year for every occasion that is not subject to seasonal trends

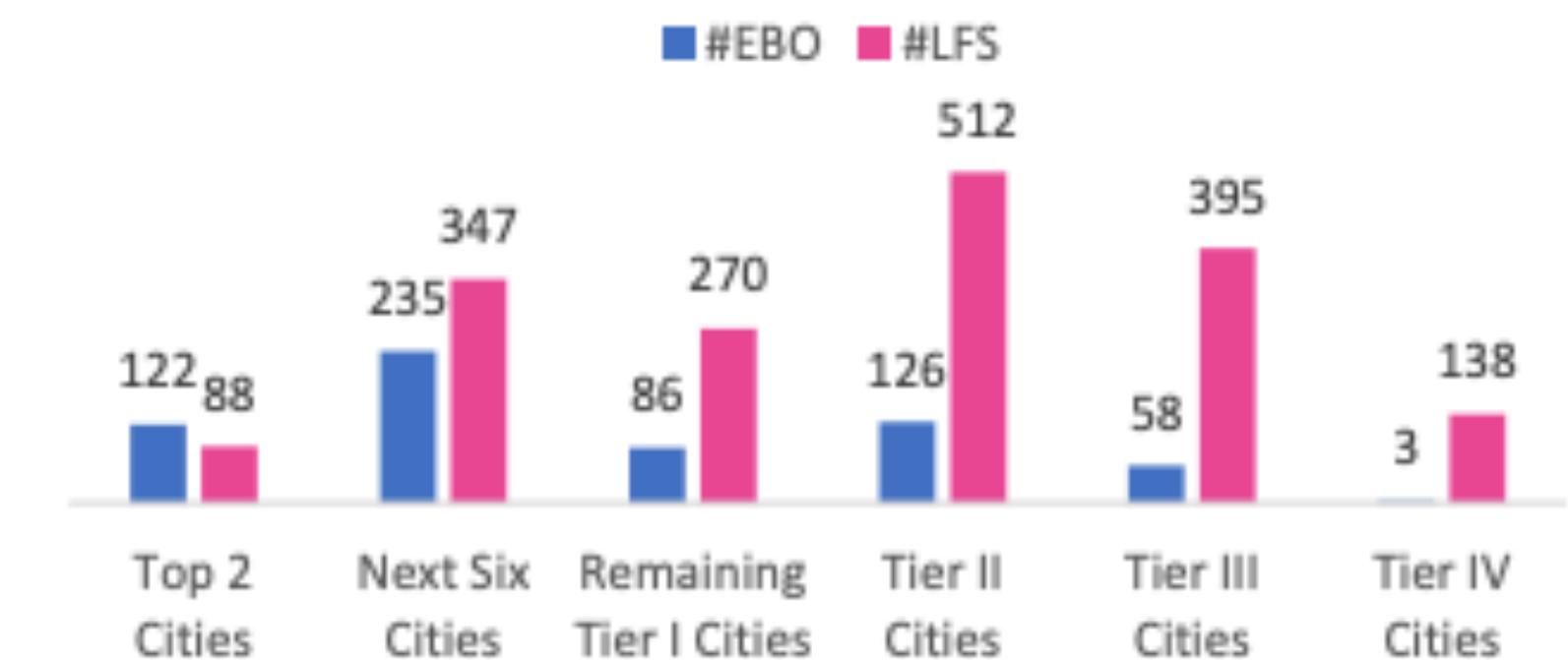


Direct to Consumer Brand with an Extensive Distribution Network across India

GO COLORS!



Diversified presence across geographies



EBO Stores

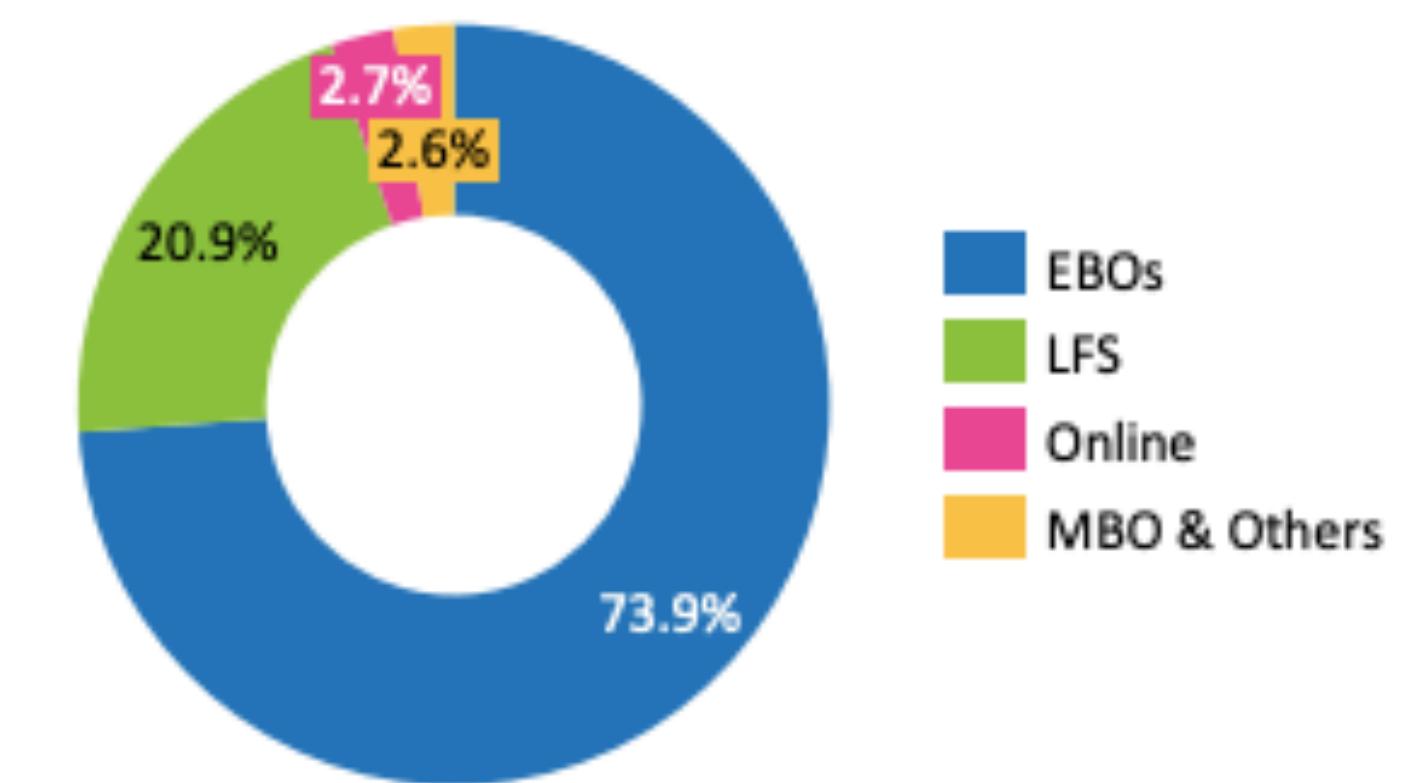
630

Malls & Airports (191)
High Streets (439)

Cities Present

143

Sales Mix (FY23)



Large Format Stores

1,750

Cluster-based model

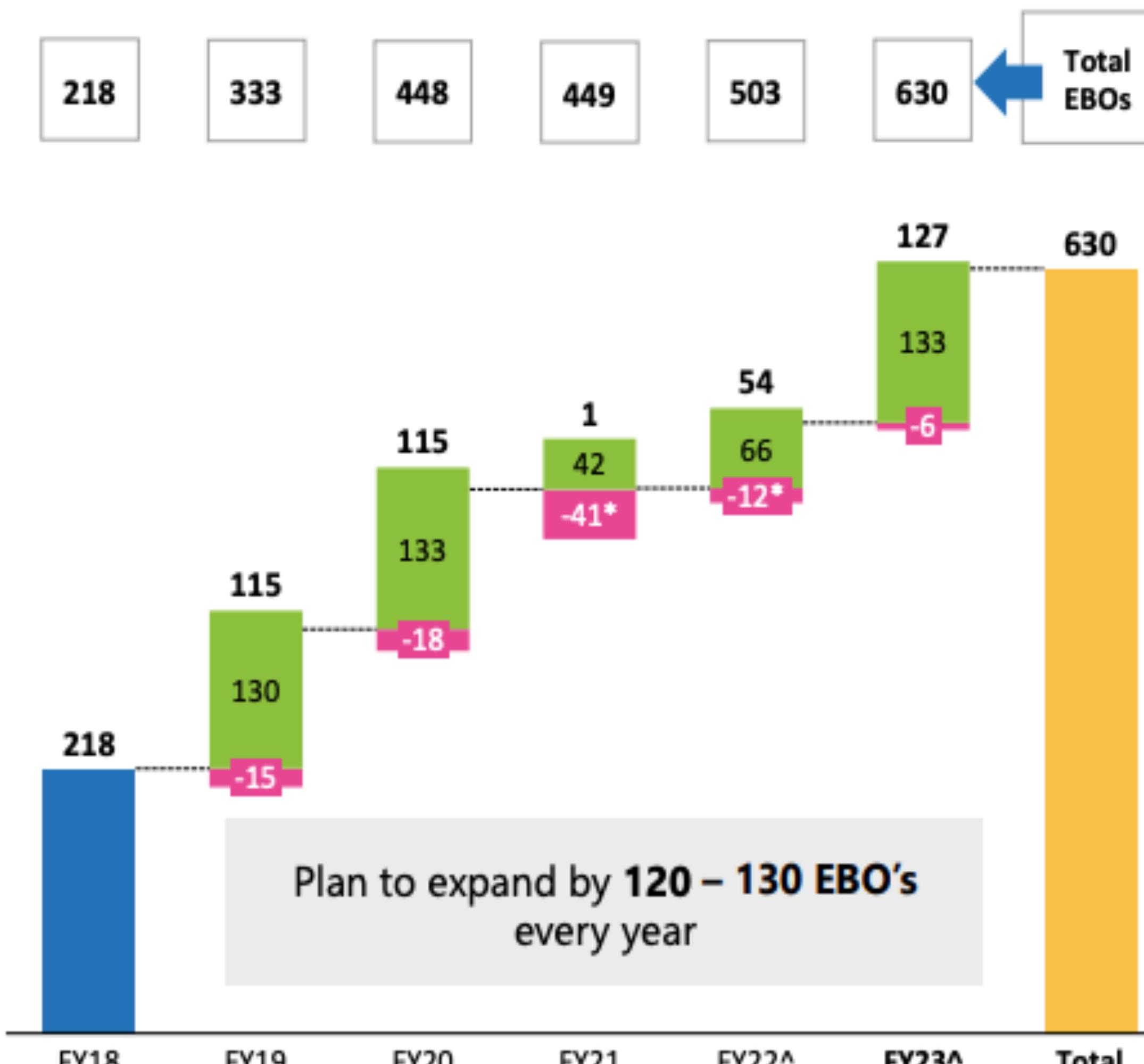
56.67%

EBOs across top 8 cities

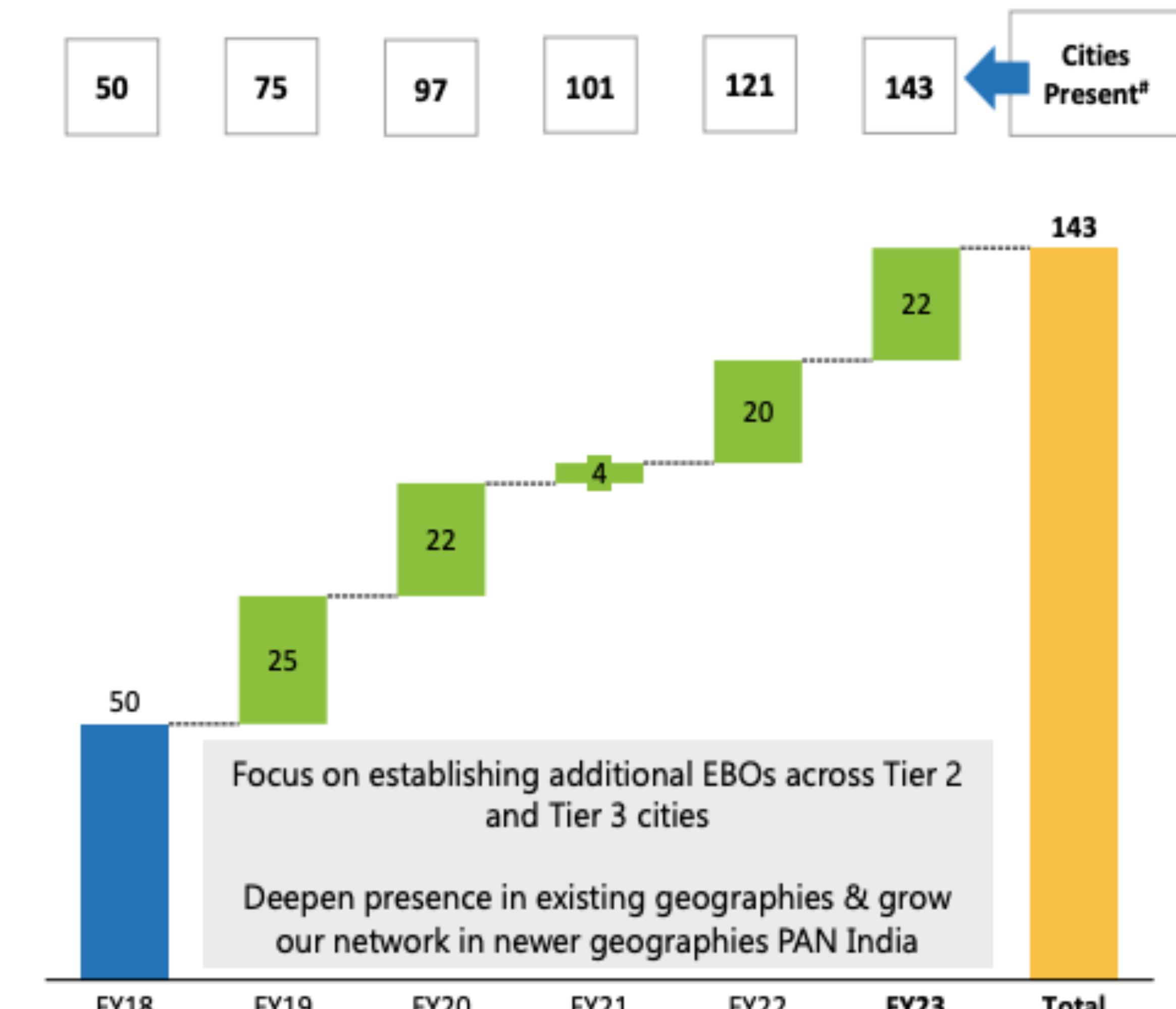


Continuous Increase of EBO presence PAN India

GO COLORS!



█ New EBO Stores Opened █ Closed during the period



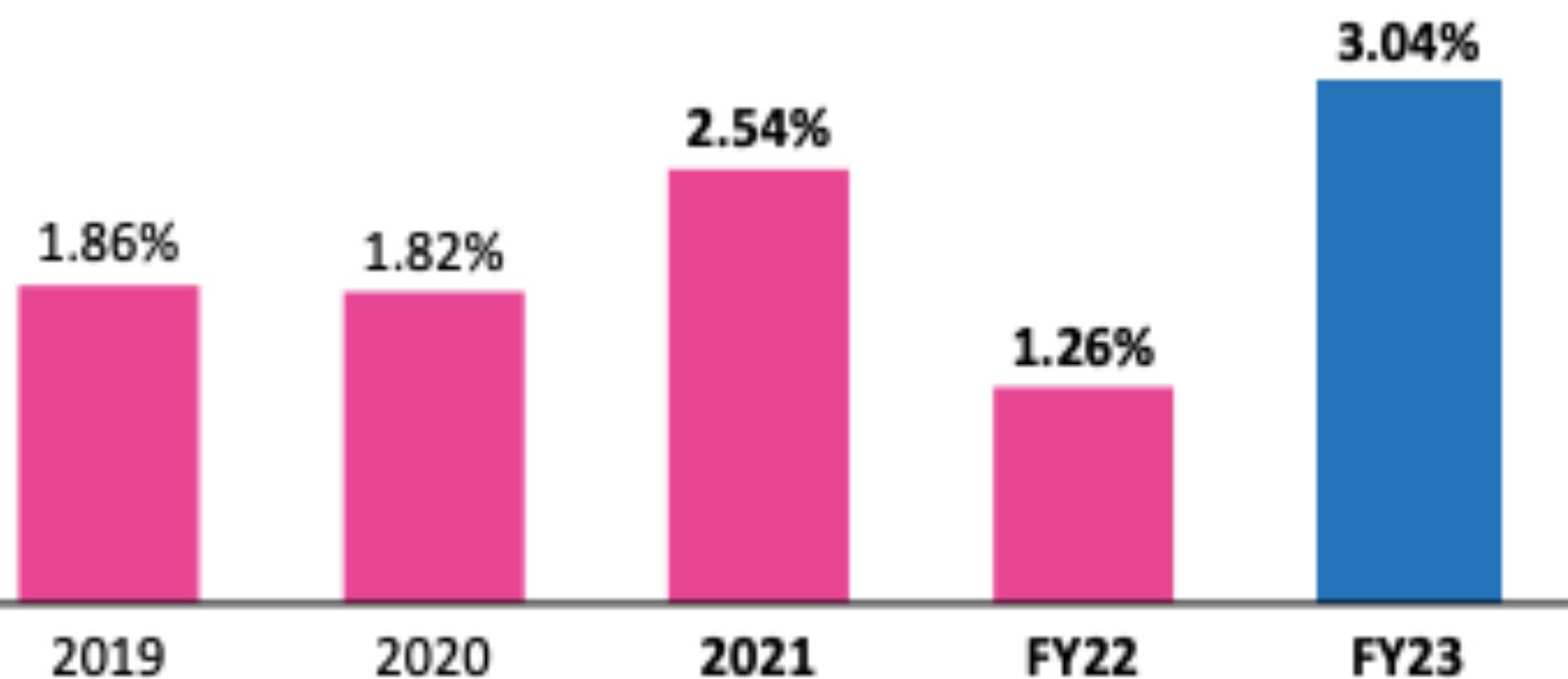
█ New Cities PAN India



Enhancing Brand Visibility and Recall Value of 'Go Colors' Brand

GO COLORS!

Prudent use of resources to undertake brand-building initiatives and gain visibility



Rs. 32.9 of Revenue
on every rupee of Advertisement Spent



Store at high footfall location with large external hoardings

Go Colors utilizes its EBOs as its primary advertising channel

Outdoor marketing initiatives include leveraging advertisements through large hoardings at vantage points, bus shelters and metro pillars

Situated in locations with significant footfalls, increasing brand visibility and enhancing brand equity and recall

Significant importance on digital marketing by creating frequent consumer generated content uploaded across social media platforms



Standardized visual designs and layout of the store



Strong Unit Economics Leading to an Efficient Operating Model

GO COLORS!

Efficient Space Utilization offers one of the highest sales per square foot in the industry

Average Store Size (Sq. ft.)

300 - 500

Average Selling Price*

Rs. 727

Present across

143 cities

Average Investments for 1 EBO store
(Incl. Inventory)

Rs. 37 - 38 Lakhs

Payback Period

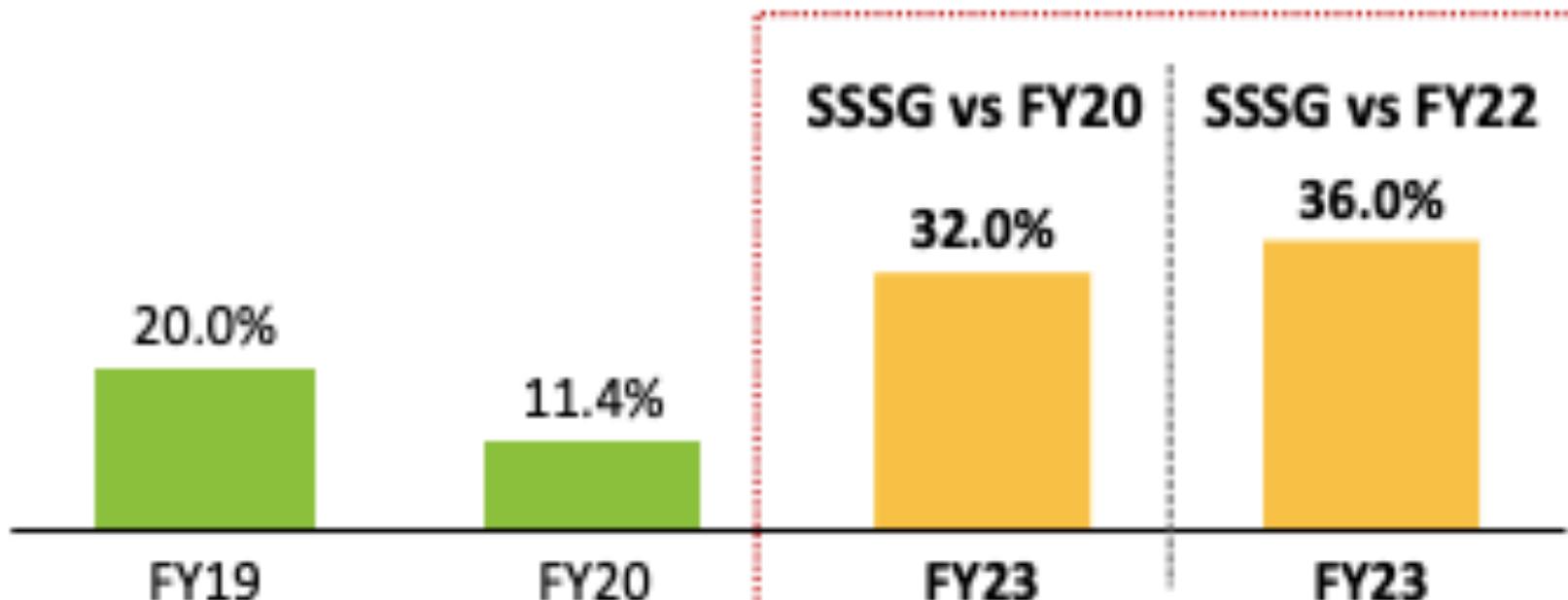
15 – 18 months

Average Yearly Revenue Per Store

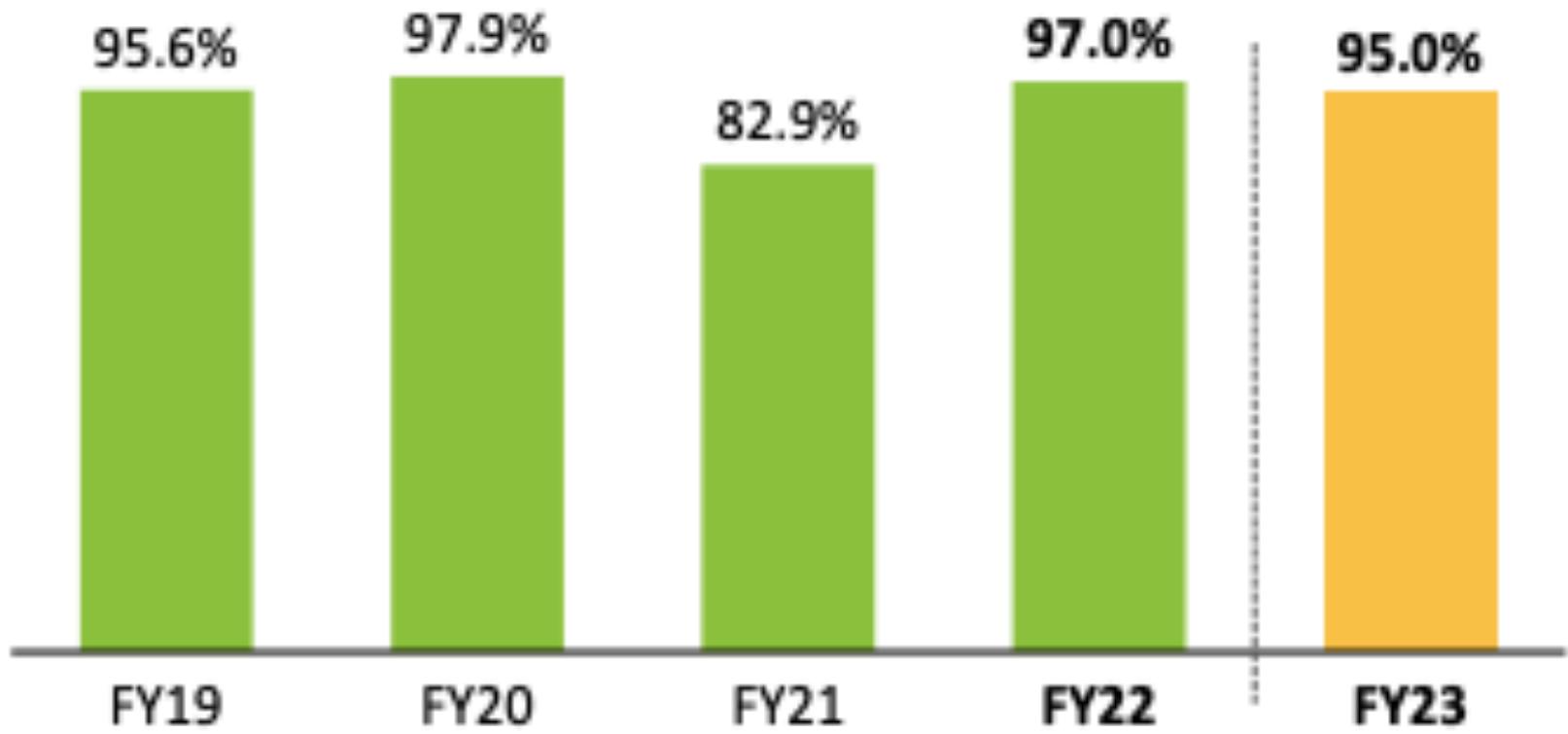
Rs. 85-90 Lakhs

- Store location and size optimized, ensuring the sustainability of store profitability
- Ability to identify the stores at the right location and limited store closures resulted in healthy SSSG
- Product portfolio resistant to redundancy from vagaries of fashion trends and seasonality (round-the-year relevance)
- Given that bottom-wear is a 'core essential', demand for our products is consistent which results in limited discounting and higher full-price sales

Healthy Same Store Sales Growth (in %)



Full Price Sale (% of EBO Sales)





Extensive Procurement Base with Highly Efficient and Technology-Driven Supply Chain Management

GO COLORS!

Outsourced Manufacturing

- Manage an extensive sourcing network to support product development teams
- 83 suppliers and 63 job-workers spread across 11 states and UTs
- Longstanding relationship with suppliers and job-workers
- Work closely with suppliers, supervising manufacturing and conducting inspections for quality checks

Centralized Warehouse

- Inventory, logistics and entire supply chain for all channels managed from warehouse in Tirupur, Tamil Nadu
- Warehouse spread over >99k square feet & 12K sq. ft. warehouse in Bhiwandi, Maharashtra
- Implemented end-to-end automation in inventory operations resulting in seamless and optimal inventory management
- Implemented business intelligence tool for inventory optimization, avoiding stock-out and ensuring sufficient supply at stores

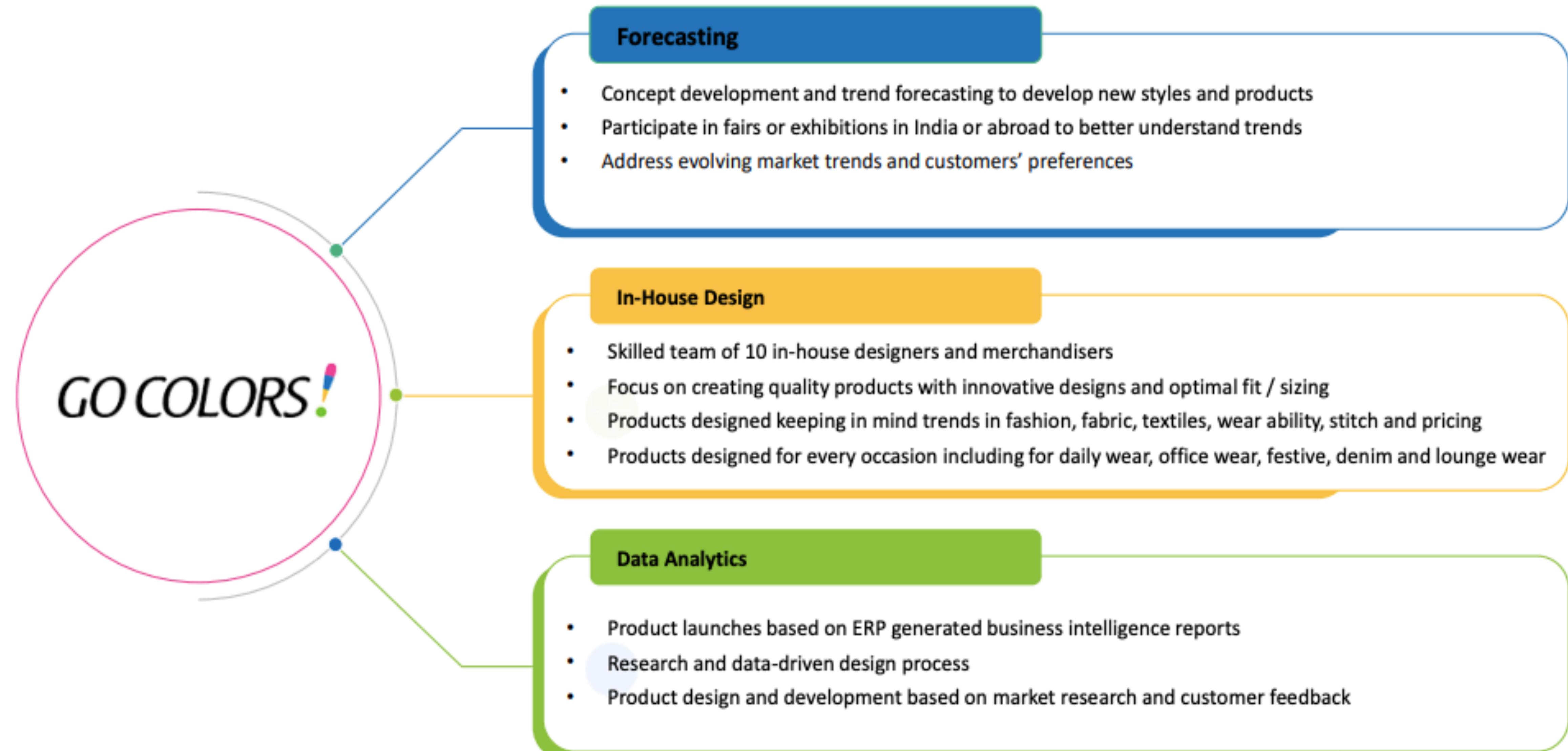
Sourcing Team

- Sourcing team closely monitors suppliers and provides strict quality assurance analysis
- Regular inspections of fabrics sourced from suppliers helps consistently maintain product and service quality
- Stringent norms of quality assurance at various levels through quality control mechanisms
- Track suppliers' capacity and output to ensure production requirements are met and finished products are procured in a timely manner

Supply Chain Automation

- Entire procurement and supply chain operation automated through ERP system
- Helps maintain flexibility while meeting requirements in an efficient manner without relying on any one vendor, supplier or factory
- Procurement needs streamlined avoiding over or under-stocking
- SCMS & internal controls minimize product shortage and occurrence of out-of-stock events enabling efficient operations and high productivity





1. Continue to Expand Retail Network with a Focus on EBOs

Growth Strategies

Follow the **COCO Model** to ensure better operational control

Focus on establishing additional EBOs across **Tier 2 and Tier 3 cities**

Grow network in existing geographies i.e., **deepen penetration in south and west regions**

Add additional stores in the north and east regions with a focus on developing presence

Selectively expand presence across LFS PAN India

Plan to expand by 120 – 130 EBO's every year

1 EBO Store
Average Investment
Rs. 37 - 38 Lakhs

Payback period
15 – 18 months

Increased Revenue through EBO's

~80% Revenues through EBO's in the coming few years

Increased Cash Flow generation through increasing revenues from EBO's

Reduced Working Capital Requirement

No external funding required for growth in business for coming years

Leading to a Healthy & Sustainable Business Model



Increased Profitability + Better Return Ratios

2. Growth through Online Channel

E-retail in India has witnessed rapid growth and is expected to reach ₹ 7.8 trillion by FY25 growing at 23% CAGR ⁽¹⁾

Growth in India E-tailing



Increased internet penetration

Increased smart phone usage

Convenient payment & return policies

Higher discounts through online channels

COVID-19 induced a faster pace of adoption of online purchase

Sales from online channels for Go Fashion is Rs. 18.1 crores in FY23 (2.7% of Sales)

Growth Strategies



Build an omni-channel engagement experience for customers



Dedicated team for e-commerce operations



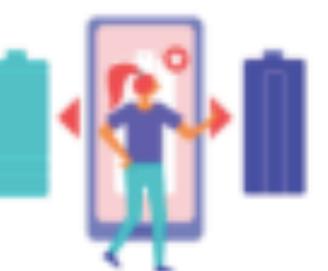
Invest in content generation to build engagement with a younger audience



Increase online presence by improving and upgrading website



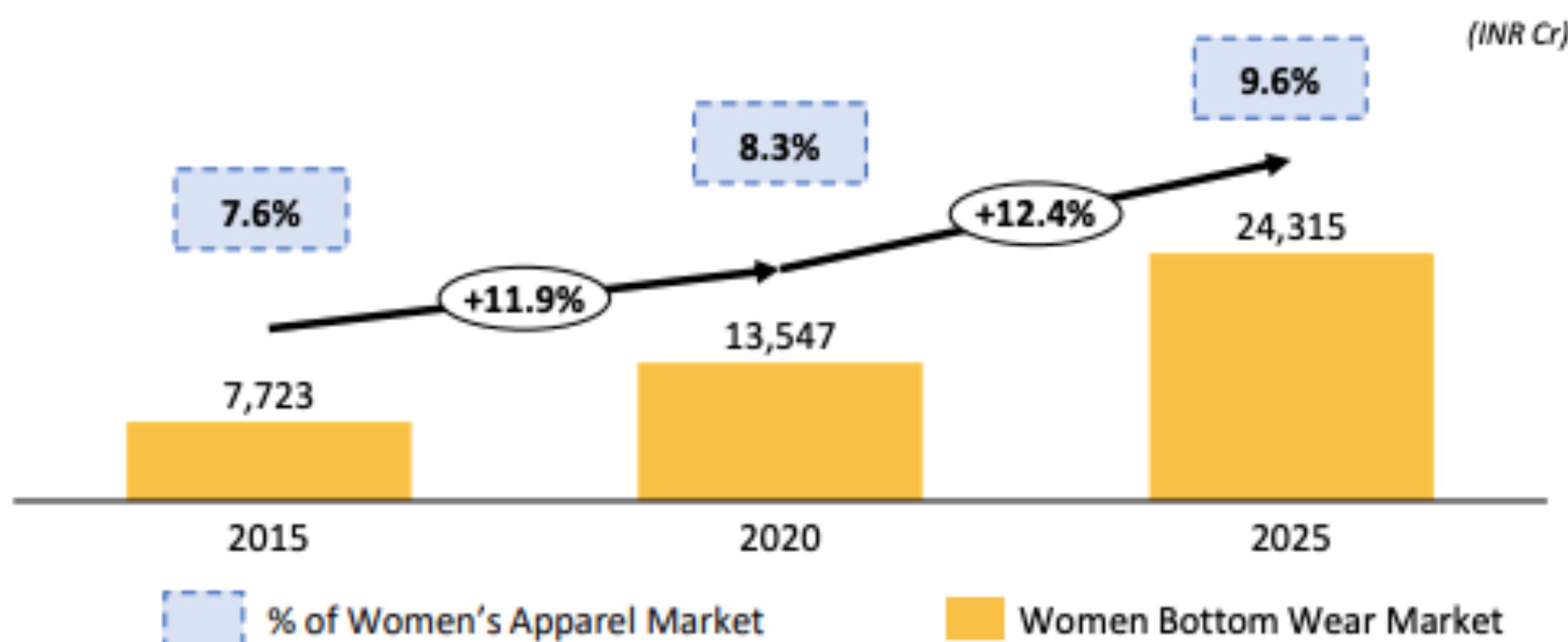
Create personalized journeys for customers



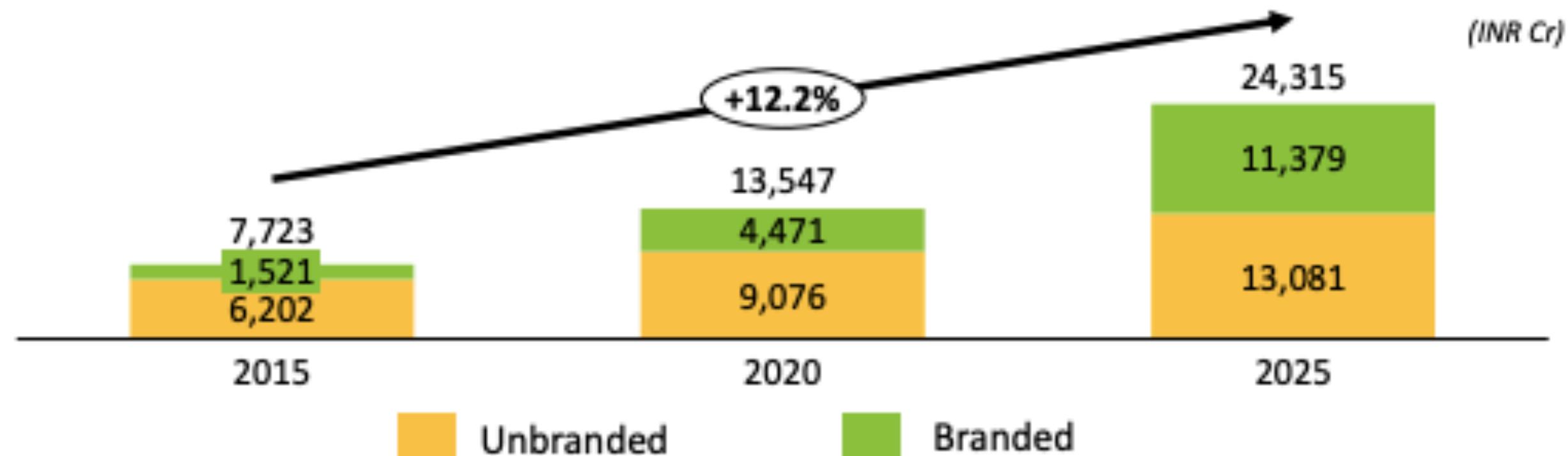
Further strengthen online sales channels through investments in digital channels

3. Leverage Leadership Position

WBW market expected to grow at **12.4% CAGR reaching Rs. 243 Bn by FY25**



Branded women's bottom-wear market expected to see continued high growth in future



From 2020-25 Share of Branded WBW expected to Grow at 20.5% CAGR v/s 7.4% CAGR of Unbranded WBW Segment

Go Colors has the **early mover advantage** in exclusive bottom-wear category with **8% market share**

With relatively low organized / branded penetration and modern women's growing disposable income, branded WBW market is expected to reach Rs. 114 billion in FY25

Shift from unorganized to organized sector
Positioned to benefit from growth given the fragmented nature of the industry

Scope for Expansion
WBW is a horizontal category enabling multiple extensions and new products
Expand into loungewear, a work-from-home collection, athleisure and other new products in the ethnic, western and fusion wear segments



4. Leverage Technology

GO COLORS!

Leverage Technology to Bring Cost Efficiency and Enhance Customer Experience

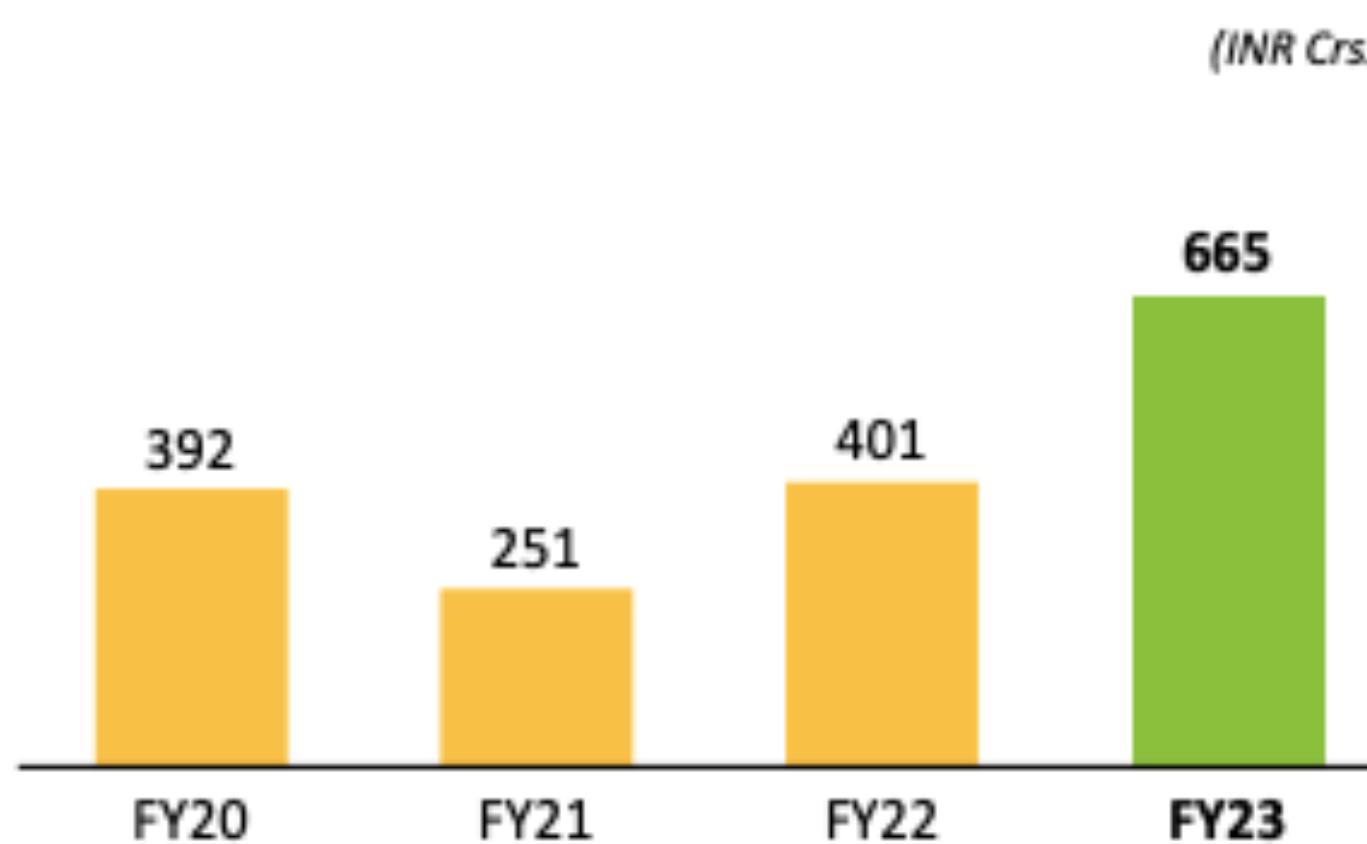




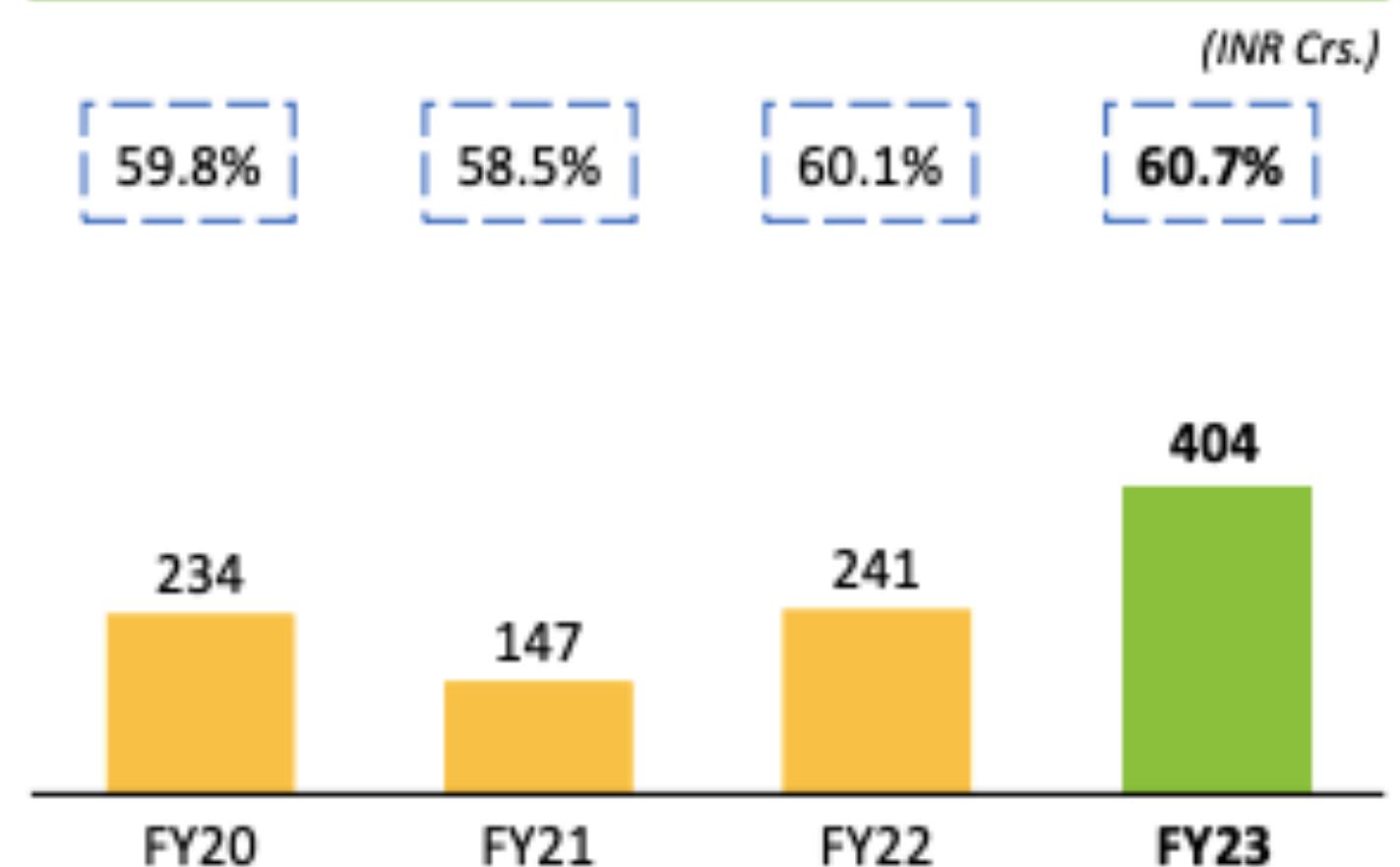
Demonstrated Track Record of Strong Financial Performance

GO COLORS!

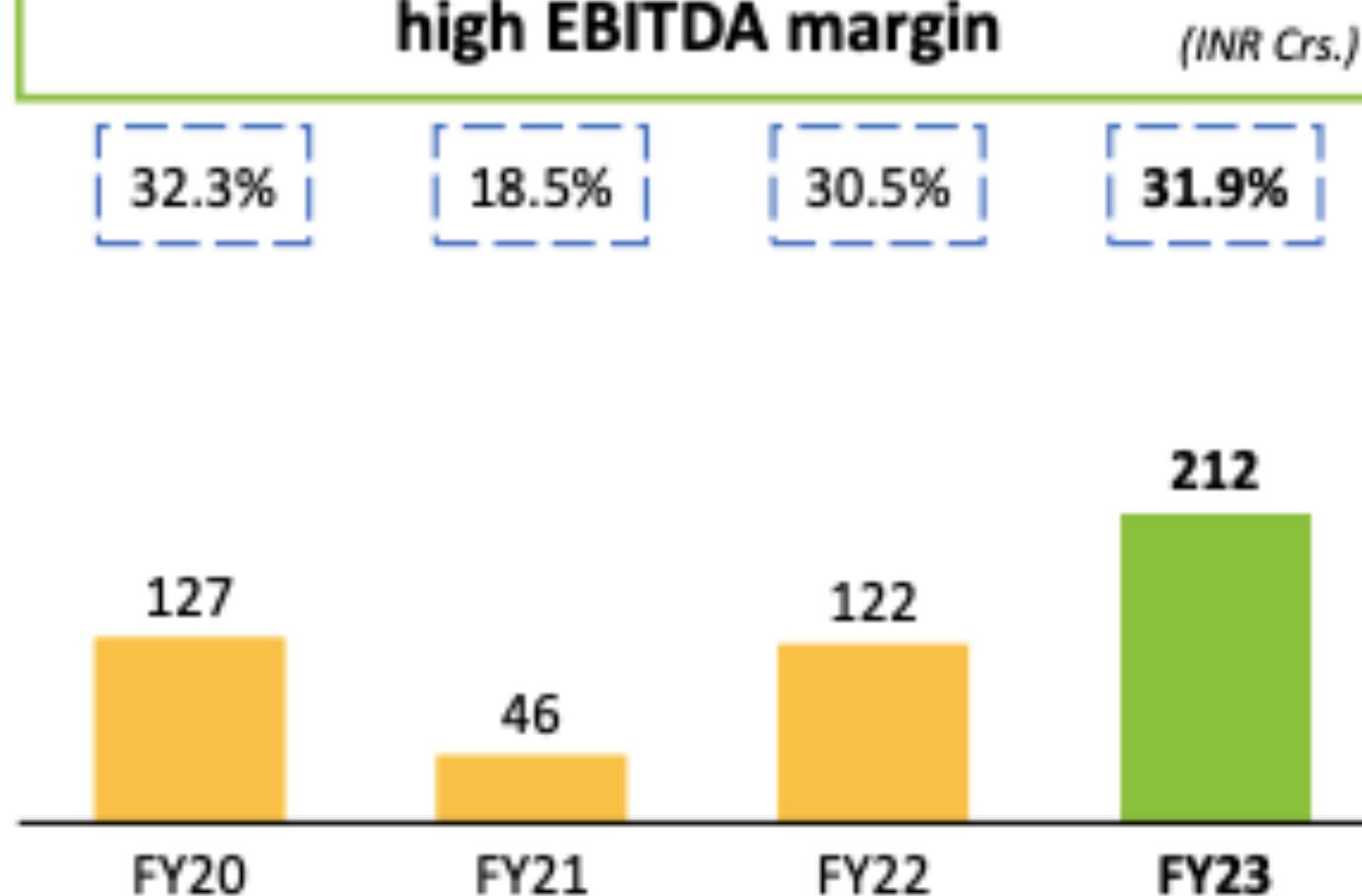
Robust, organic revenue growth...



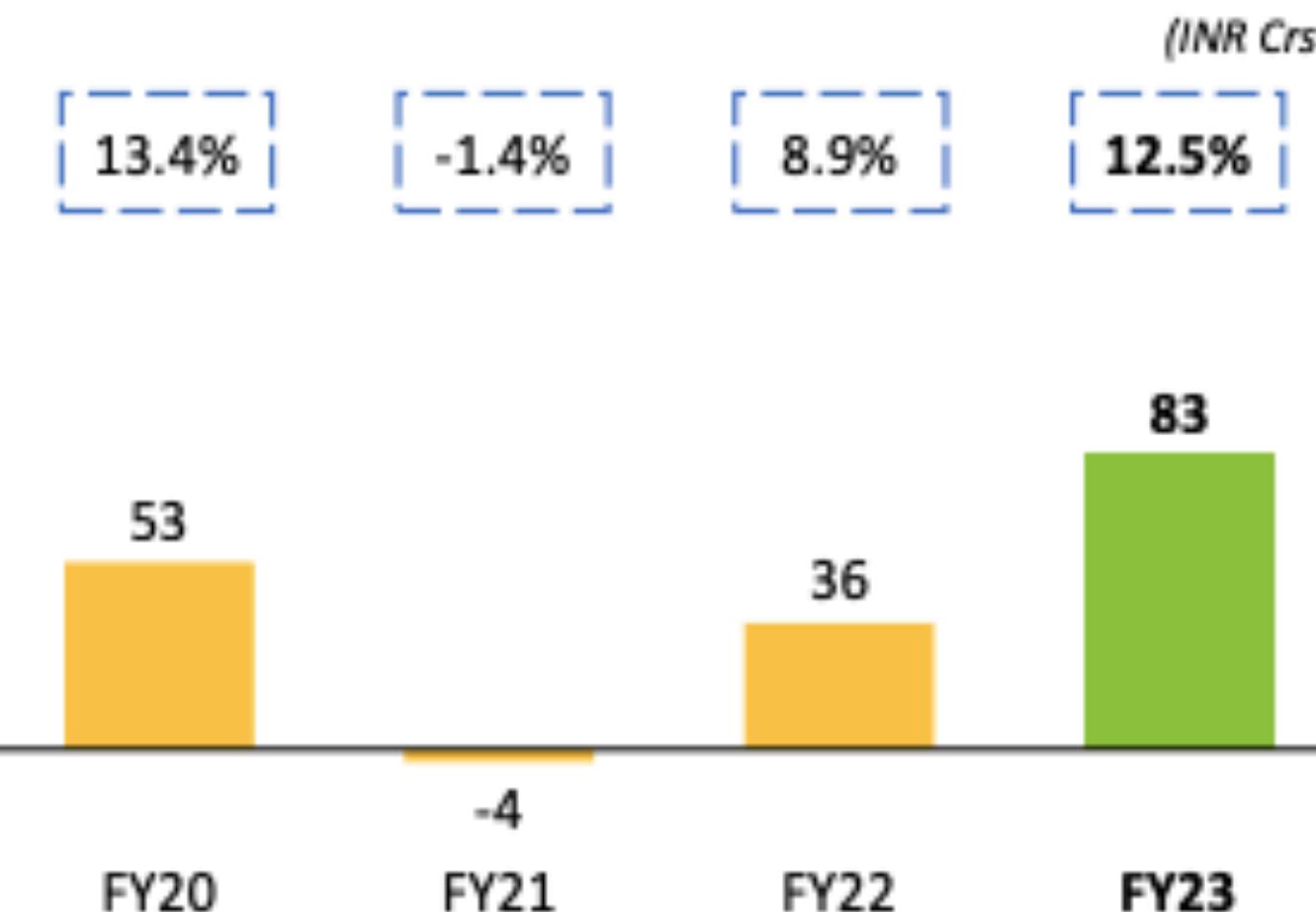
...with exceptional Gross margins



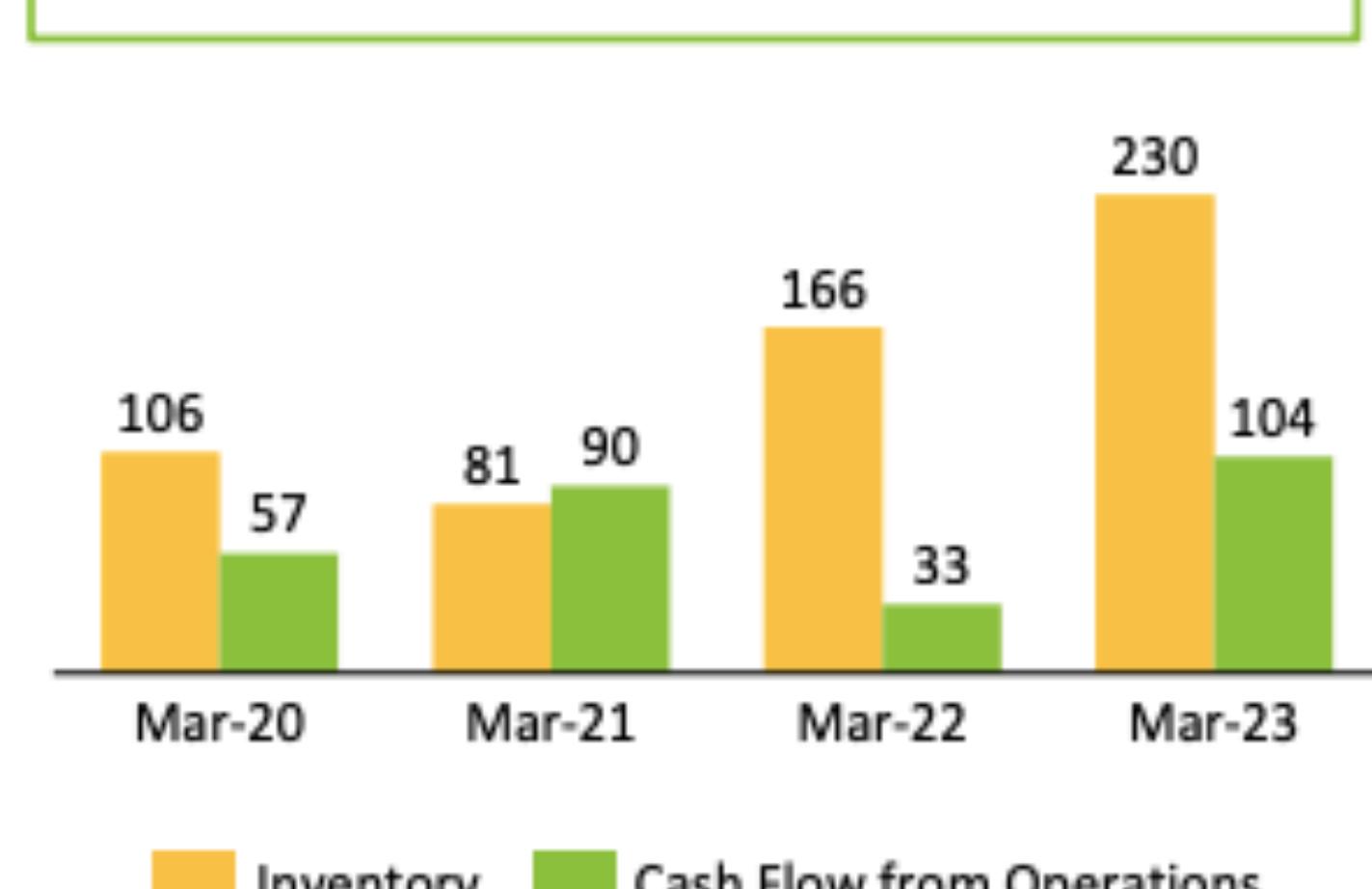
... and tight operational control leading to high EBITDA margin



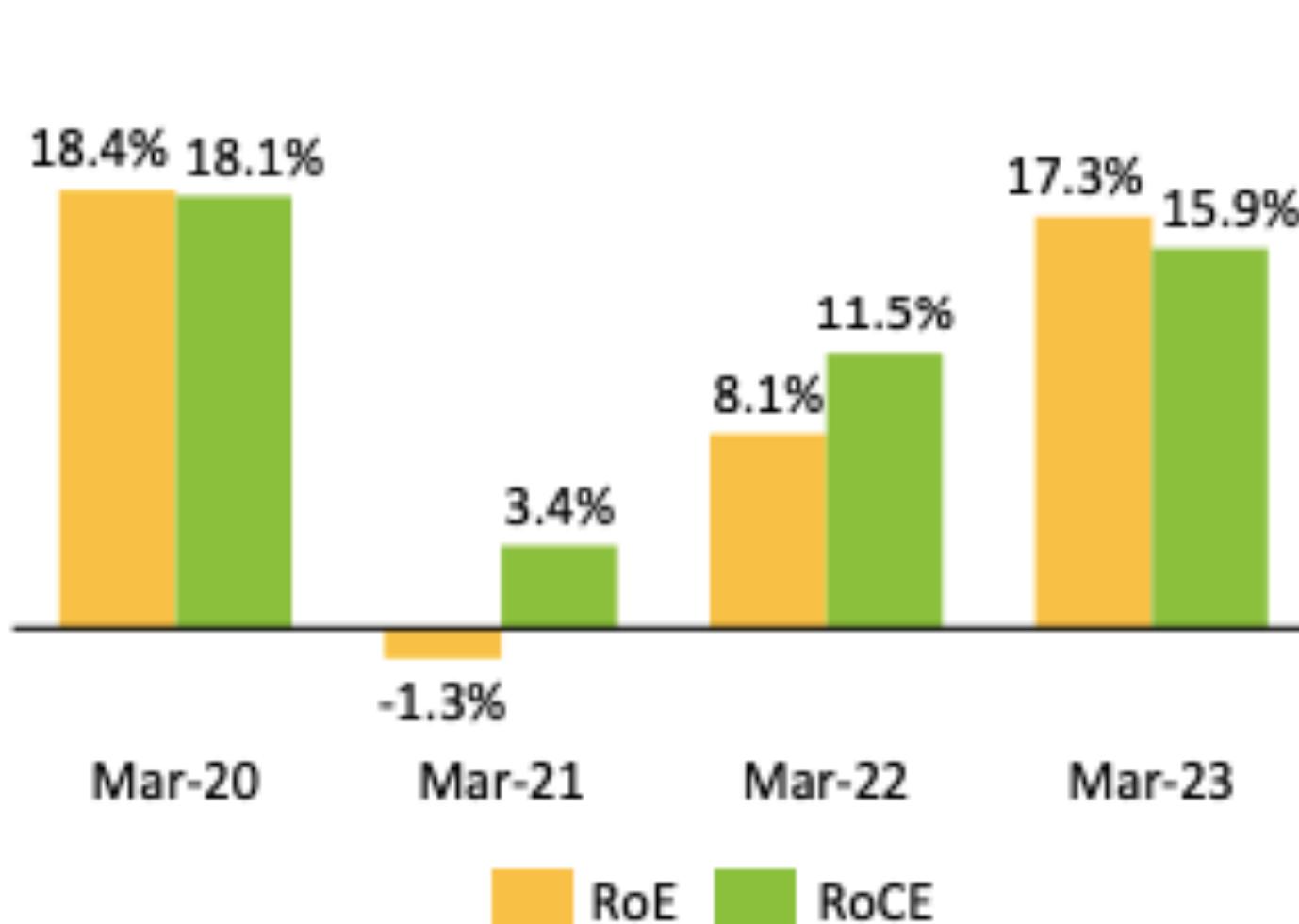
Steady growth in net profits...



Reasonable cash conversion...



... and best-in-class return metrics



Legend: ■ Inventory ■ Cash Flow from Operations

Legend: ■ RoE ■ RoCE

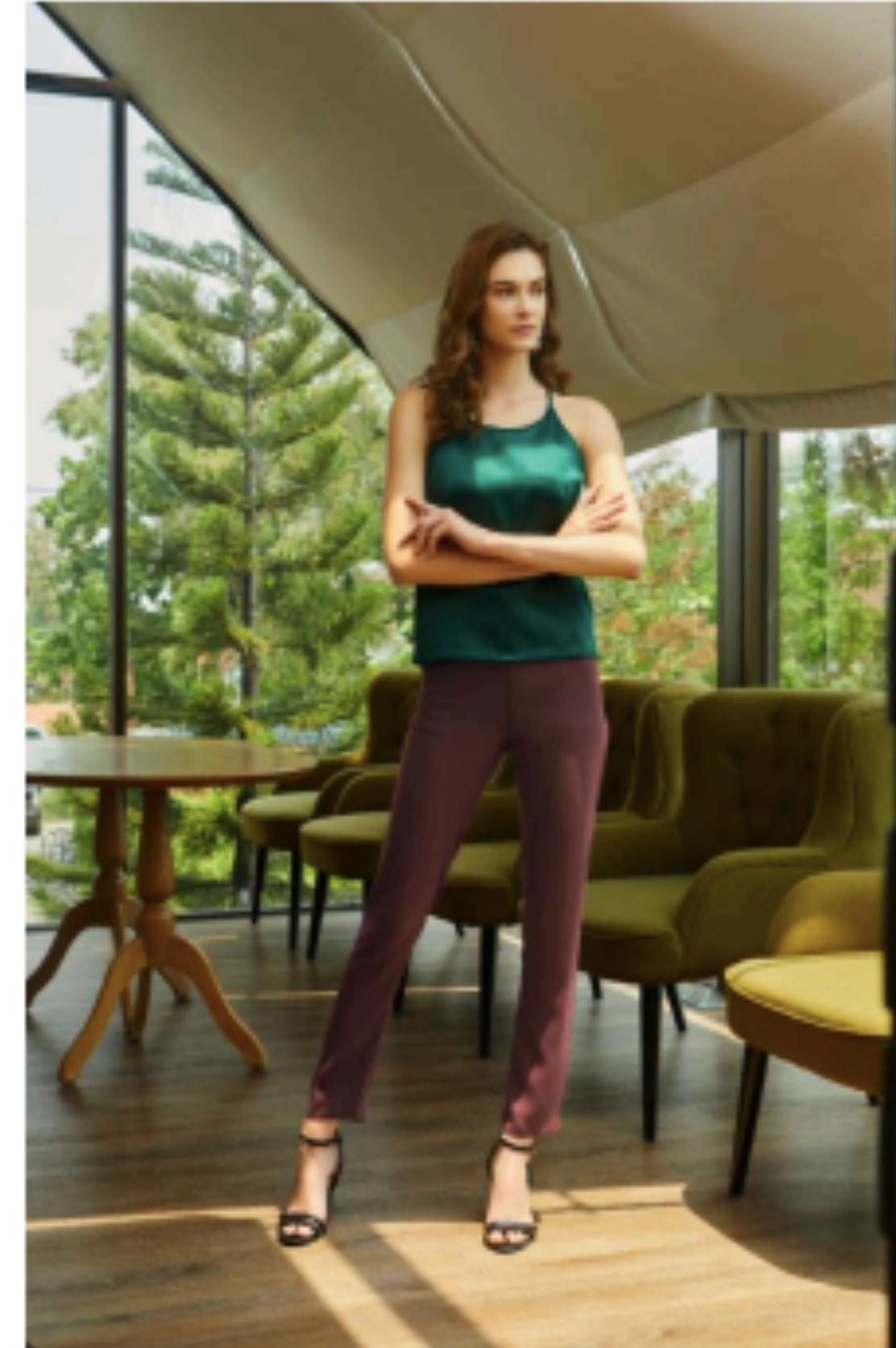


Product Launches of FY23

GO COLORS!

Active Legging

The perfect athleisure wear with a comfortable high-rise and functional pockets in 360 degree stretch fabric

Crepe Pant

Stylish tailored pants with a fluid drape ideal for all formal occasions

 Product Launches of FY23

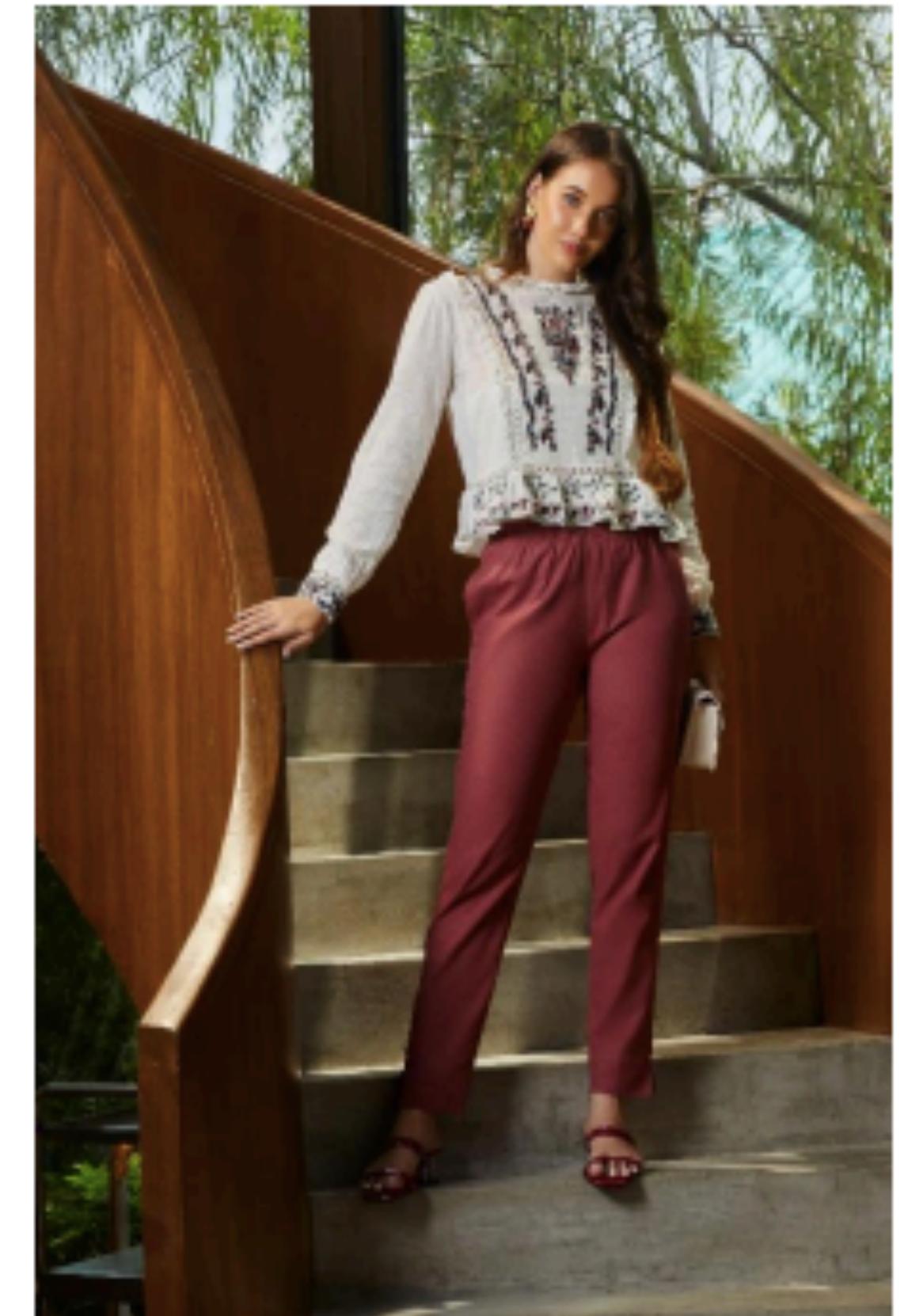
GO COLORS!

Ponte Wide Pant

The ultimate comfort casual
available in easy to pair shades

Chino Pant

A staple workwear trouser with comfort stretch in
perfect neutrals

Cotton Pencil Pant

An everyday pencil pant made
from 100% cotton fabric
available in all vibrant colors

Strong FY23 Financials

GO COLORS!

Revenue from Operations

Rs. 665.3 crores

 **66%**

Gross Profit

Rs. 403.6 crores

 **67%**

EBITDA

Rs. 212.3 crores

 **74%**

Profit Before Tax

Rs. 108.7 crores

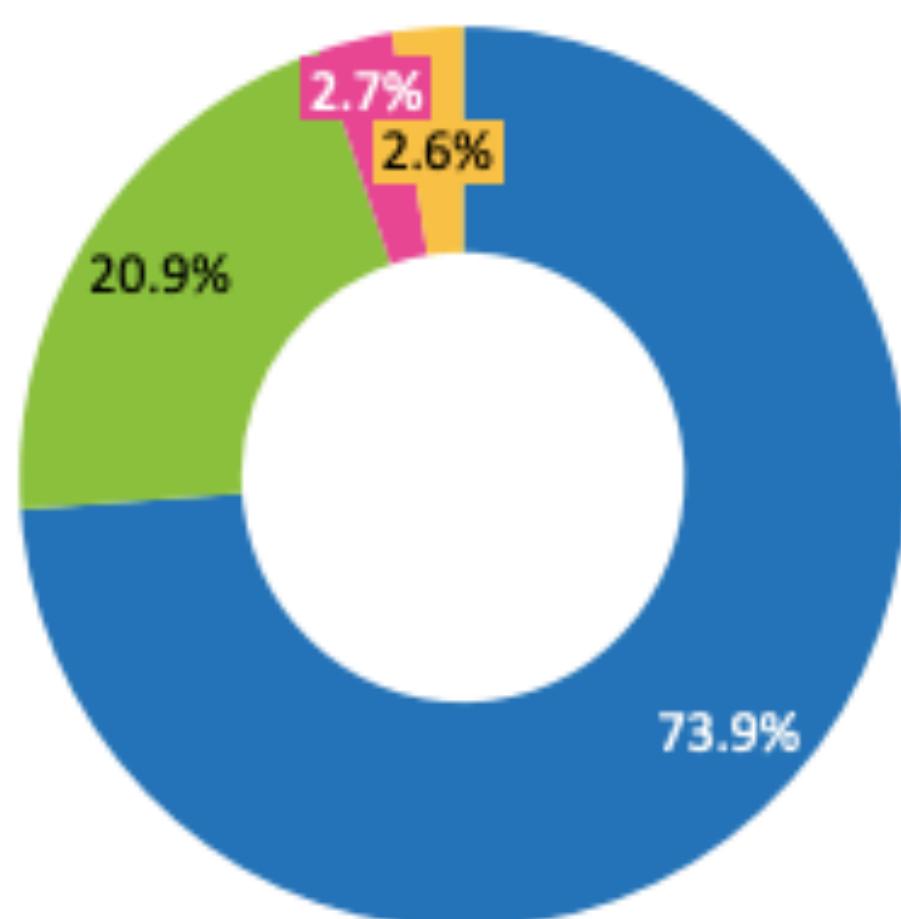
 **127%**

Profit After Tax

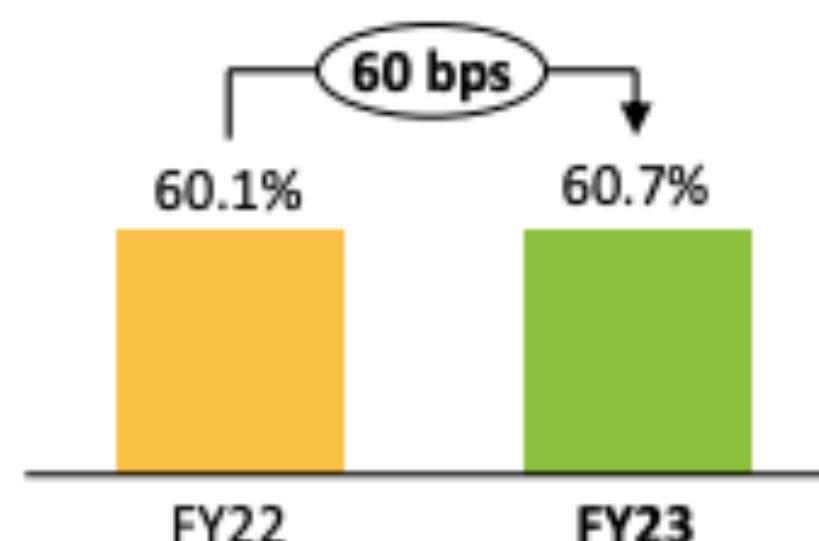
Rs. 82.8 crores

 **133%**

Sales Mix



Gross Profit Margins



EBITDA Margins

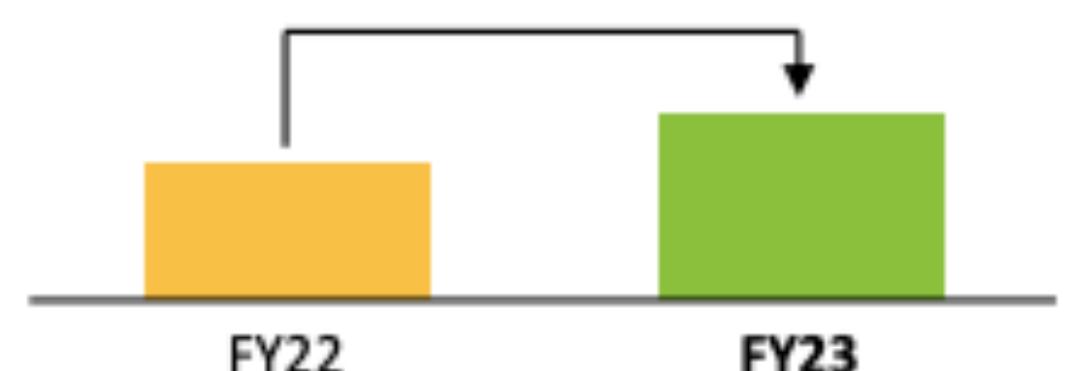
31.9%

PAT Margins

12.4%

Same Store Sales Growth (SSSG)*

+ 36%



No. of EBO stores added during FY23^

127

Same Cluster Sales Growth (SCSG)

+ 64%



Legend:
█ EBOs █ Online
█ LFS █ MBO & Others

Strong Q4 FY23 Financials

GO COLORS!

Revenue from Operations

Rs. 157.6 crores

 **36%**

Gross Profit

Rs. 100.6 crores

 **40%**

EBITDA

Rs. 49.6 crores

 **26%**

Profit Before Tax

Rs. 19.3 crores

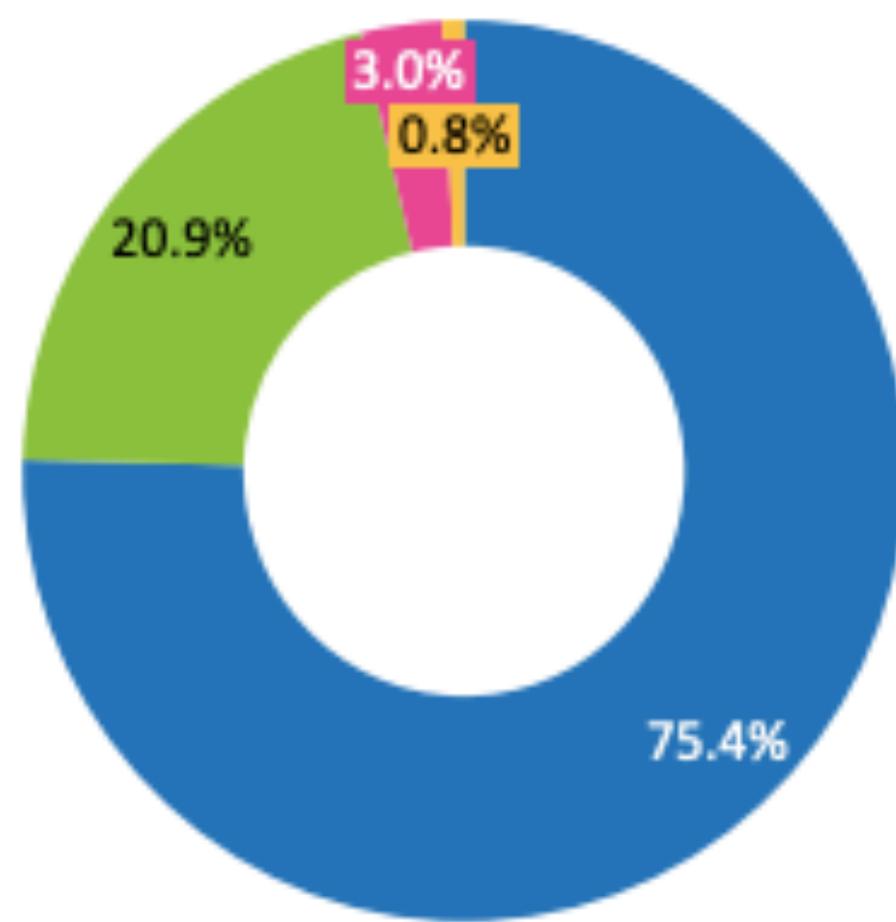
 **27%**

Profit After Tax

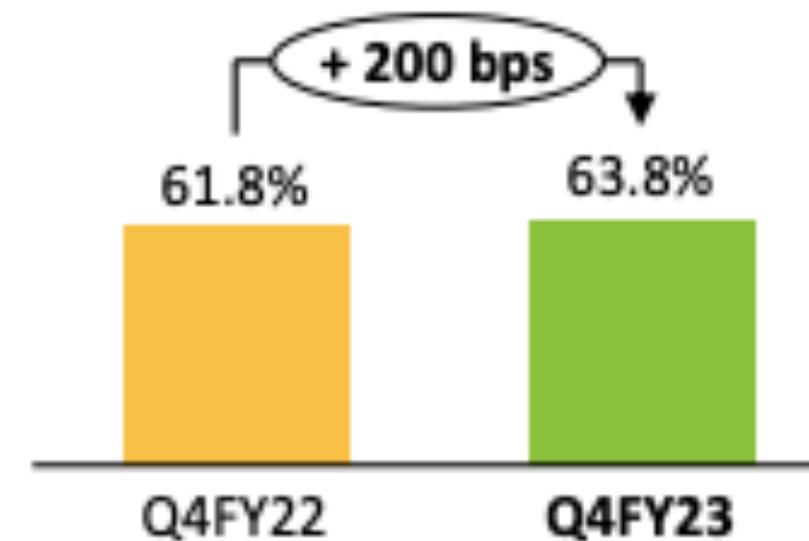
Rs. 14.8 crores

 **20%**

Sales Mix



Gross Profit Margins



EBITDA Margins

31.5%

No. of EBO stores added during the quarter^

26

PAT Margins

9.4%

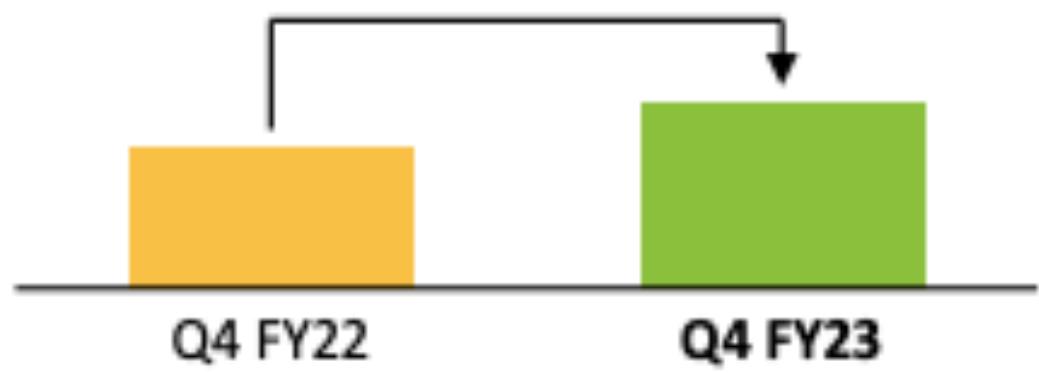
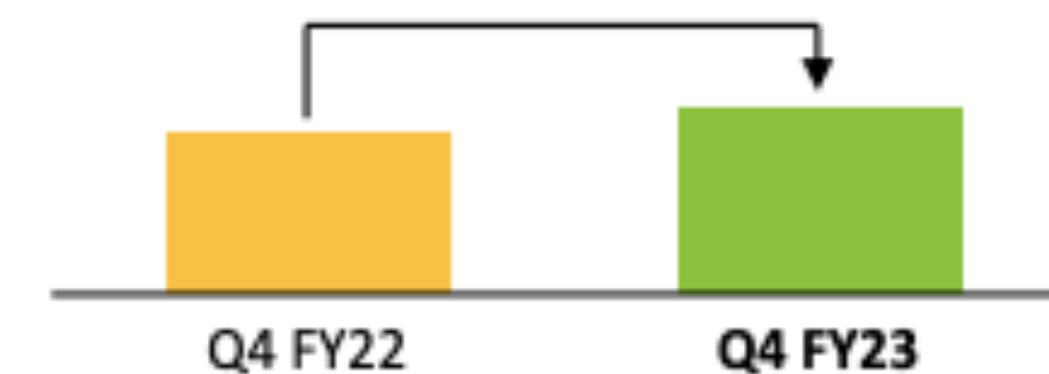
Same Store Sales Growth (SSSG)*

+ 17%

Same Cluster Sales Growth (SCSG)

+ 30%

Legend:
█ EBOs █ Online
█ LFS █ MBO & Others



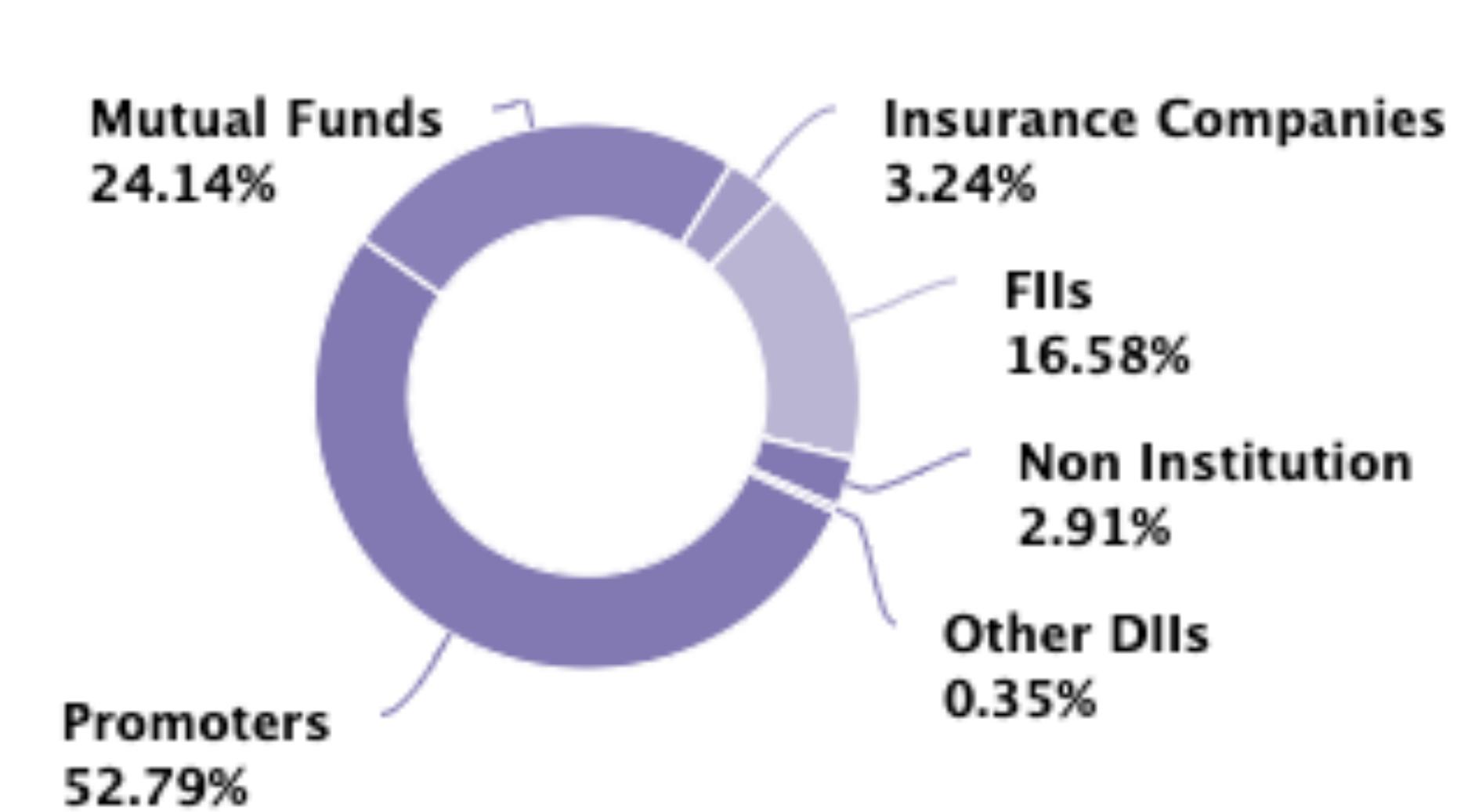
Yearly Results

YEARLY RESULTS OF GO FASHION INDIA (in Rs. Cr.)	MAR '23	MAR '22
Net Sales/Income from operations	665.28	401.31
Total Income From Operations	665.28	401.31
EXPENDITURE		
Consumption of Raw Materials	217.55	120.28
Purchase of Traded Goods	122.25	68.66
Increase/Decrease in Stocks	-78.16	-53.45
Employees Cost	102.60	73.06
Depreciation	87.05	68.61
Other Expenses	88.76	73.75
P/L Before Other Inc. , Int., Excpt. Items & Tax	125.23	50.41
Other Income	11.91	20.79
P/L Before Int., Excpt. Items & Tax	137.15	71.20
Interest	28.46	23.33
P/L Before Exceptional Items & Tax	108.69	47.88
P/L Before Tax	108.69	47.88
Tax	25.89	12.28
P/L After Tax from Ordinary Activities	82.80	35.60
Net Profit/(Loss) For the Period	82.80	35.60
Equity Share Capital	54.01	54.01
Reserves Excluding Revaluation Reserves	466.44	384.40
EPS BEFORE EXTRA ORDINARY		
Basic EPS	15.33	6.74
Diluted EPS	15.33	6.74
EPS AFTER EXTRA ORDINARY		
Basic EPS.	15.33	6.74
Diluted EPS.	15.33	6.74

Key Financial Ratios

	MAR 23	MAR 22	MAR 21
KEY FINANCIAL RATIOS OF GO FASHION INDIA (in Rs. Cr.)			
PER SHARE RATIOS			
Basic EPS (Rs.)	15.33	6.74	-0.68
Diluted EPS (Rs.)	15.33	6.74	-0.68
Cash EPS (Rs.)	31.45	19.29	18.99
Book Value [ExclRevalReserve]/Share (Rs.)	96.36	81.17	77.98
Book Value [InclRevalReserve]/Share (Rs.)	96.36	81.17	77.98
Dividend / Share(Rs.)	0.00	0.00	0.00
Revenue from Operations/Share (Rs.)	123.18	74.30	83.56
PBDIT/Shre (Rs.)	41.51	25.89	25.98
PBIT/Shre (Rs.)	25.39	13.18	5.81
PBT/Shre (Rs.)	20.12	8.86	-1.04
Net Profit/Shre (Rs.)	15.33	6.59	-1.18
PROFITABILITY RATIOS			
PBDIT Margin (%)	33.70	34.83	31.09
PBIT Margin (%)	20.61	17.74	6.95
PBT Margin (%)	16.33	11.92	-1.25
Net Profit Margin (%)	12.44	8.87	-1.41
Return on Networth / Equity (%)	15.90	8.12	-1.51
Return on Capital Employed (%)	17.14	11.50	3.47
Return on Assets (%)	8.93	4.73	-0.64
Total Debt/Equity (X)	0.00	0.00	0.04
Asset Turnover Ratio (%)	0.79	0.62	0.47
LIQUIDITY RATIOS			
Current Ratio (X)	3.57	3.15	5.39
Quick Ratio (X)	1.75	1.90	3.64
Inventory Turnover Ratio (X)	1.10	0.97	0.52
Dividend Payout Ratio (NP) (%)	0.00	0.00	0.00
Dividend Payout Ratio (CP) (%)	0.00	0.00	0.00
Earnings Retention Ratio (%)	0.00	0.00	0.00
Cash Earnings Retention Ratio (%)	0.00	0.00	0.00
VALUATION RATIOS			
Enterprise Value (Cr.)	5,328.58	5,378.85	0.00
EV/Net Operating Revenue (X)	8.01	13.40	0.00
EV/EBITDA (X)	23.77	38.47	0.00
MarketCap/Net Operating Revenue (X)	8.14	13.67	0.00
Retention Ratios (%)	0.00	0.00	0.00
Price/BV (X)	10.41	12.51	0.00
Price/Net Operating Revenue	8.14	13.67	0.00
Earnings Yield	0.02	0.01	0.00

Shareholding Pattern as on Mar'23



Summary

- ❖ With deliverance of sound performance in Q4 of FY'23, the Company's Net Sales grew up by 35.57% i.e. Rs.159.59 crs in Mar'23 as compared to Rs.116.24 crs in Mar'22. However, the Net Profits increased by 20.16% i.e. Rs.14.78 crs in Mar'23 versus Rs.12.30 crs in Mar'22.
- ❖ Taking into consideration fair financials and fine fundamentals, the Company is available at a good price of Rs.1146.50 with its 52 week low at Rs.876.05 and its 52 week high at Rs.1453.00.
- ❖ In view of the Promoters holding majority stake around 52.79% as well as its robust valuations, anticipates that the Management is working efficiently and is committed to growth of the Company.
- ❖ In Public Shareholding as on Mar'23, the FIIs and the Other DIIs collectively held 16.93% holdings. Whilst, the Mutual Fund Houses own 24.14% stake in the Company.
- ❖ Go Fashion India Ltd. is held by SBI MF, ABSL MF, KOTAK MF, AXIS MF, ICICI PRU MF, CANARA ROBECO MF, MIRAE MF, EDELWEISS MF, HDFC MF, PGIM MF, SUNDARAM MF and a few more.
- ❖ On standalone basis, Return on Equity (ROE) and Return on Capital Employed (ROCE) stood around 15.90% & 17.14% respectively as on Mar'23.

Disclosure

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Introduction:

I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website www.researchlyne.com which is primarily focused on research of Multi-Cap stocks of India.

Business Activity:

I provide research services on equity stocks listed on Indian stock exchanges. The research is based on fundamental analysis.

I do thorough research and analysis on fundamentals of companies. As such, I undertake extensive scrutiny of major Company statistics like Balance Sheet, Profit & Loss Account, Key Financial Ratios (ROE, ROCE and Debt to Equity etc.), Quarterly, Half-yearly & Annual Results, Cash Flows, Annual Reports and Shareholding Pattern etc.

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Mr. Amiteshwar Singh Proprietor of M/s Amiteshwar.in
SEBI Registered "Research Analyst" Reg. No. INH100010013

Contact: +917973835409
Email: info@Researchlyne.com
Address: Ground Floor, 236 E Block, Bhai Randhir Singh Nagar,
Ludhiana - 141012 (Pb.)