

November, 16, 2021

Go Fashion (India) Limited

Incorporated in 2010, Go Fashion (India) Limited is one of the largest women's bottom-wear brands in India. The company is engaged in the development, design, sourcing, marketing, and retailing of a range of women's bottom-wear products under the brand, 'Go Colors'. The company offers one of the widest portfolios of bottom-wear products among women's apparel retailers in terms of colors and styles. Go Fashion serves their customers primarily through their extensive network of 459 exclusive brand outlets ("EBOs") (including 12 kiosks operated on a "company owned and company operated" ("COCO") model and 11 franchise stores) that are spread across 23 states and union territories in India, as of September 30, 2021.

Positives: (a) One of the largest women's bottom-wear brands in India (b) Wide, well-diversified, product portfolio and first-mover advantage (c) the company has 459 exclusive brand outlets (EBOs) that are spread across 23 states and union territories in India (d) Strong financial performance record.

Investment concerns: (a) Increase in competition (b) Slowdown in the economy could impact the overall revenue of the company.

Outlook & Valuation:

In terms of valuations, the post-issue FY20 EV/EBITDA works out -30.2x to (at the upper end of the issue price band), which is almost in similar range compared to its peers TCNS Clothing Co. (FY20 EV/EBITDA -29.3x). Further, Go Fashion India has better track record of revenue growth, higher operating margin & high Return on equity compared to TCNS Clothing Co. Considering all the positive factors, we believe this valuation is at reasonable levels. **Thus, we recommend a subscribe rating on the issue.**

Key Financials

Y/E March (Rs cr)	FY2019	FY2020	FY2021	1QFY21	1QFY22
Net Sales	293	406	268	10	31
% chg	-	38.7	(34.0)	-	200.8
Net Profit	31	53	(4)	9	(19)
% chg	-	130.0	92.2	-	-
OPM (%)	27.7	31.5	17.7	(147.6)	(19.1)
EPS (Rs)	5.9	10.1	(0.7)	-	-
P/E (x)	116.4	68.4	-	-	-
P/BV (x)	15.8	12.6	12.7	-	-
RoE (%)	13.5	18.4	(1.3)	-	-
RoCE (%)	12.8	16.4	(2.5)	-	-
EV/Sales (x)	12.6	9.3	14.0	-	-
EV/EBITDA (x)	45.6	29.4	79.0	-	-

Angel Research; Note: Valuation ratios based on pre-issue outstanding shares and at upper end of the price band

Subscribe

Issue Open: Nov 17, 2021

Issue Close: Nov 22, 2021

Issue Details

Face Value: ₹ 10

Present Eq. Paid up Capital: ₹ 52.2cr

Offer for Sale: ₹ 888.6cr

Fresh issue: ₹ 125cr

Post Eq. Paid up Capital: ₹ 54.0cr

Issue size (amount): ₹ 1,014cr

Price Band: ₹ 655-690

Lot Size: 21 shares

Post-issue mkt.cap: ₹ 3,544* - 3,727cr**

Promoter holding Pre-Issue: 57.5%

Promoter holding Post-Issue: 52.8%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	75%
Non-Institutional	15%
Retail	10%

Post Issue Shareholding Pattern

Promoters	52.8%
Public	47.2%

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Company background

Go Fashion (India) Limited (“Go Fashion”) was incorporated on September 9, 2010. Go Fashion is among the largest women’s bottom-wear brands in India, with a market share of approximately 8% in the branded women’s bottom-wear market in Fiscal 2020. They are engaged in the development, design, sourcing, marketing and retailing a range of women’s bottom-wear products under the brand, ‘Go Colors’.

The company offers one of the widest portfolios of bottom-wear products among women’s apparel retailers in India in terms of colours and styles. As of September 30, 2021, they sold bottom-wear in over 50 styles in more than 120 colours.

Go Fashion serves their customers primarily through their extensive network of 459 exclusive brand outlets (“EBOs”) (including 12 kiosks operated on a “company owned and company operated” (“COCO”) model and 11 franchise stores) that are spread across 23 states and union territories in India, as of September 30, 2021.

In addition, their distribution channels include large format stores (“LFSS”) including Reliance Retail Ltd, Central, Unlimited, Globus Stores Pvt Ltd and Spencer’s Retail among others. As of September 30, 2021, they have 1,270 LFSS. In addition, they sell their products through their own website and online marketplaces and through multi-brand outlets (“MBOs”).

Issue details

Go Fashion India is raising ₹1,013.6cr through fresh issue (~ 125cr) and Promoter & investors are selling equity share 1.3cr through offer for sale in the price band of ₹655-690.

Exhibit 1: Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	30,000,000	57.5%	28,505,942	52.8%
Public	22,197,390	42.5%	25,503,042	47.2%
Total	52,197,390	100.0%	54,008,984	100.0%

Source: Source: RHP, Note: Calculated on upper price band

Objectives of the Offer

- Funding roll out of 120 new EBOs (Exclusive Brand Outlets) -₹33.7cr;
- Funding working capital requirements -₹61.45r and
- General corporate purposes

Exhibit 2: Income Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Net Sales	293	406	268
% chg		38.7	(34.0)
Total Expenditure	212	278	220
Raw Material	94	130	92
Personnel	42	62	61
Others Expenses	75	86	67
EBITDA	81	128	47
% chg		58.2	(62.9)
(% of Net Sales)	27.7	31.5	17.7
Depreciation & Amortisation	32	47	61
EBIT	49	82	(13)
% chg		66.9	(116.0)
(% of Net Sales)	16.7	20.1	(4.9)
Interest & other Charges	12	18	22
Other Income	6	5	32
(% of PBT)	13.6	7.1	(1,006.1)
Share in profit of Associates	-	-	-
Recurring PBT	42	68	(3)
% chg		61.8	(104.6)
Tax	11	16	0
(% of PBT)	26.7	22.9	(12.7)
PAT (reported)	31	53	(4)
Basic EPS (₹)	5.9	10.1	(0.7)
% chg		70.1	(106.7)

Source: Company, Angel Research

Balance Sheet

Y/E March (` cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	43	50	53
Reserves& Surplus	429	474	427
Shareholders Funds	472	524	480
Total Loans	96	646	645
Deferred Tax Liability	17	12	11
Total Liabilities	587	1,182	1,134
APPLICATION OF FUNDS			
Net Block	719	1,161	1,084
Capital Work-in-Progress	21	21	30
Investments	-	16	27
Current Assets	355	186	208
Inventories	38	47	48
Sundry Debtors	22	5	8
Cash	186	39	50
Loans & Advances	16	74	75
Other Assets	92	20	28
Current liabilities	508	202	215
Net Current Assets	(153)	(16)	(7)
Deferred Tax Asset	-	-	-
Total Assets	587	1,182	1,134

Source: Company, Angel Research

Cash Flow Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Profit before tax	42	68	(3)
Depreciation	32	47	61
Change in Working Capital	(42)	(53)	63
Interest / Dividend (Net)	9	13	(10)
Direct taxes paid	(17)	(20)	(0)
Others	8	3	(20)
Cash Flow from Operations	33	57	90
(Inc.)/ Dec. in Fixed Assets	(26)	(28)	(10)
(Inc.)/ Dec. in Investments	21	10	(37)
Cash Flow from Investing	(5)	(18)	(47)
Issue of Equity	0	0	0
Inc./(Dec.) in loans	(20)	(27)	(17)
Dividend Paid (Incl. Tax)	0	0	(0)
Interest / Dividend (Net)	(11)	(16)	(20)
Cash Flow from Financing	(31)	(44)	(37)
Inc./(Dec.) in Cash	(3)	(5)	5
Opening Cash balances	5	2	(3)
Closing Cash balances	2	(3)	3

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	116.4	68.4	NA
P/CEPS	57.1	36.3	63.2
P/BV	15.8	12.6	12.7
EV/Sales	12.6	9.3	14.0
EV/EBITDA	45.6	29.4	79.0
EV / Total Assets	9.7	7.6	7.3
Per Share Data (Rs)			
EPS (Basic)	5.9	10.1	(0.7)
EPS (fully diluted)	5.9	10.1	(0.7)
Cash EPS	12.1	19.0	10.9
Book Value	43.7	54.9	54.2
Returns (%)			
ROCE	12.8	16.4	(2.5)
Angel ROIC (Pre-tax)	15.5	17.9	(3.0)
ROE	13.5	18.4	(1.3)
Turnover ratios (x)			
Asset Turnover (Net Block)	1.6	1.6	1.0
Inventory / Sales (days)	88	97	115
Receivables (days)	50	50	64
Payables (days)	18	10	17
Working capital cycle (ex-cash) (days)	119	136	162

Source: Company, Angel Research

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Ratings (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
		Reduce (-5% to -15%)	Sell (< -15%)
		Hold (Fresh purchase not recommended)	