

15 June 2022

## Go Fashion (India)

*One of the largest women's bottom-wear in India; initiating with Hold*

Rating: Hold

Target Price: Rs.1104

Share Price: Rs.1003

With a diverse product portfolio, Go Fashion is a niche leader in women's branded bottom wear. In an industry dominated by unorganised players, it has been a category creator, leading to ~8% market share in branded women's bottom-wear in FY20. With its first-mover advantage, it has widespread distribution focusing on EBOs. The company has successfully created entry barriers in the form of large product offering, strong quality control, brand investments and a wide distribution reach. We initiate coverage with a Hold, valuing it at 25x FY24e EV/EBITDA to arrive at a TP of Rs1,104.

Its first-mover advantage in the highly fragmented bottom-wear helped Go Fashion create a competitive D2C brand with diversified and differentiated products. Resistant to redundancy (products are not seasonal), its full-price EBO sales are 95%+, resulting in a ~60% gross margin. It has an asset-light operation as it outsources manufacturing and has a technology-driven supply chain and a strong in-house designing process, efficiently managing inventory.

**Widespread EBO-focused distribution.** Go Colors' has 503 EBOs, 1,473 LFSs, MBOs and an online channel. In FY22, EBOs brought ~73% to revenue, LFSs 20%, MBOs ~4%, Online ~3%. Its EBOs are COCO, leading to better operational control and store profitability. With its focus on EBO expansion, we expect EBOs of ~740 by FY24 as it expands in cities and enters new ones.

**Financials.** On its EBO channel clocking a ~43% CAGR (120-130 EBOs added yearly), we expect a ~36% revenue CAGR over FY22-24. The better EBO sales-mix would lead to higher gross/EBITDA margins, EBITDA/PAT CAGRs of ~43%/77%. FY23e/FY24e RoE, ~13%/18%, RoCE, ~12%/17%, with working capital days reduced to 153/138.

**Valuation.** We initiate coverage with a TP of Rs1,104 (25x FY24e EV/EBITDA). At the CMP, the stock trades at 22.7x and 48.4x FY24e EV/EBITDA and P/E. We believe core category products, higher gross margins and return ratios are positives and make the company a good long term investment idea. **Risks:** Dependence on a single brand and category, lacking barriers to enter the women's bottom-wear market.

Key financials (YE Mar)	FY20	FY21	FY22	FY23e	FY24e
Sales (Rs m)	3,920	2,507	4,013	5,418	7,471
Net profit (Rs m)	526	-35	356	643	1,119
EPS (Rs)	10.1	-0.7	6.7	11.9	20.7
P/E (x)	99.5	NA	148.7	84.1	48.4
EV / EBITDA (x)	42.7	116.1	45.3	31.9	22.7
P / BV (x)	18.3	18.5	12.1	10.8	8.8
RoE (%)	18.4	-1.3	8.1	12.8	18.2
RoCE (%)	14.7	-3.3	6.7	11.6	16.6
Dividend yield (%)	-	-	-	-	-
Net debt / Equity (x)	-0.1	-0.3	-0.3	-0.3	-0.3

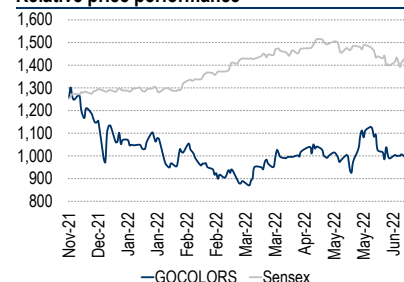
Source: Company, Anand Rathi Research

Anand Rathi Share and Stock Brokers Limited (hereinafter "ARSSBL") is a full-service brokerage and equities-research firm and the views expressed therein are solely of ARSSBL and not of the companies which have been covered in the Research Report. This report is intended for the sole use of the Recipient. Disclosures and analyst certifications are present in the Appendix.

Key data	GOCOLORS IN
52-week high / low	Rs1341 / 847
Sensex / Nifty	52694 / 15732
3-m average volume	\$1.4m
Market cap	Rs54bn / \$694.2m
Shares outstanding	54m

Shareholding pattern (%)	Mar '22	Dec '21
Promoters	52.8	52.8
- of which, Pledged	11.7	-
Free Float	47.2	47.2
- Foreign institutions	7.6	10.4
- Domestic institutions	22.5	19.7
- Public	17.0	17.1

### Relative price performance



Source: Bloomberg

**Vaishnavi Mandhaniya**  
Research Analyst

## Quick Glance – Financials and Valuations

**Fig 1 – Income statement (Rs m)**

Year-end: Mar	FY20	FY21	FY22	FY23e	FY24e
Net revenues	3,920	2,507	4,013	5,418	7,471
Growth (%)	37.4	-36.1	60.1	35.0	37.9
Direct costs	1,300	922	1,355	1,815	2,466
SG&A	1,356	1,122	1,468	1,875	2,585
EBITDA	<b>1,265</b>	<b>463</b>	<b>1,190</b>	<b>1,728</b>	<b>2,421</b>
EBITDA margins (%)	32.3	18.5	29.7	31.9	32.4
Depreciation	466	605	686	721	776
Other income	48	316	208	88	84
Interest expenses	165	206	233	236	236
PBT	683	-31	479	858	1,492
Effective tax rates (%)	22.9	-12.9	25.6	25.0	25.0
+ Associates / (Minorities)	-	-	-	-	-
Net income	526	-35	356	643	1,119
Adjusted income	526	-35	356	643	1,119
WANS	52	52	53	54	54
FDEPS (Rs / sh)	10.1	-0.7	6.7	11.9	20.7
FDEPS growth (%)	70.0	(106.7)	(1,094.1)	76.8	74.0
Gross Margin(%)	66.9	63.2	66.2	66.5	67.0

**Fig 3 – Cash-flow statement (Rs m)**

Year-end: Mar	FY20	FY21	FY22	FY23e	FY24e
PBT	683	-31	479	858	1,492
+ Non-cash items	624	300	776	958	1,012
Oper. prof. before WC	1,306	268	1,255	1,816	2,504
- Incr. / (decr.) in WC	532	-631	815	402	743
Others incl. taxes	202	0	110	214	373
Operating cash-flow	572	899	330	1,199	1,388
- Capex (tang. + intang.)	285	100	198	400	470
Free cash-flow	287	798	132	799	918
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	-0	-0	-0	-	-
+ Equity raised	-	-	1,187	-	-
+ Debt raised	-	-	-	-	-
- Fin investments	-163	314	357	-	-
- Misc. (CFI + CFF)	500	429	574	808	808
Net cash-flow	-50	55	388	-9	110

Source: Company, Anand Rathi Research

**Fig 5 – Price movement**



**Fig 2 – Balance sheet (Rs m)**

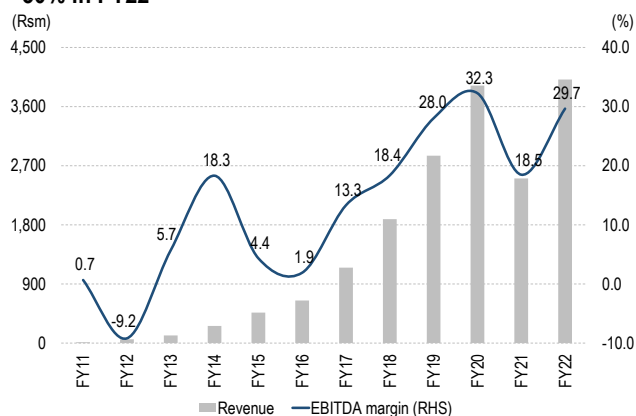
Year-end: Mar	FY20	FY21	FY22	FY23e	FY24e
Share capital	790	790	540	540	540
Net worth	2,863	2,829	4,384	5,027	6,147
Debt	28	104	-	-	-
Minority interest	-	-	-	-	-
DTL / (Assets)	2,012	2,143	2,384	2,384	2,384
Capital employed	<b>4,903</b>	<b>5,076</b>	<b>6,768</b>	<b>7,411</b>	<b>8,530</b>
Net tangible assets	2,550	2,590	2,837	3,091	3,358
Net intangible assets	7	5	4	-	-
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	81	86	87	87	87
Investments (strategic)	-	-	-	-	-
Investments (financial)	89	464	460	460	460
Current assets (excl. cash)	2,084	1,865	2,952	3,152	4,039
Cash	325	397	1,058	1,048	1,158
Current liabilities	233	331	630	428	572
Working capital	1,851	1,534	2,322	2,724	3,467
Capital deployed	<b>4,903</b>	<b>5,076</b>	<b>6,768</b>	<b>7,411</b>	<b>8,530</b>
Contingent liabilities	-	-	-	-	-

**Fig 4 – Ratio analysis**

Year-end: Mar	FY20	FY21	FY22	FY23e	FY24e
P/E (x)	99.5	NA	148.7	84.1	48.4
EV / EBITDA (x)	42.7	116.1	45.3	31.9	22.7
EV / Sales (x)	13.8	21.5	13.4	10.2	7.4
P/B (x)	18.3	18.5	12.1	10.8	8.8
RoE (%)	18.4	-1.3	8.1	12.8	18.2
RoCE (%) - after tax	14.7	-3.3	6.7	11.6	16.6
ROIC	15.1	-3.4	7.1	12.1	17.6
DPS (Rs / sh)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Dividend payout (%) - incl. DDT	-	-	-	-	-
Net debt / equity (x)	-0.1	-0.3	-0.3	-0.3	-0.3
Receivables (days)	52	69	55	50	50
Inventory (days)	99	118	151	115	100
Payables (days)	10	16	16	12	12
CFO : PAT %	108.7	-2,538.9	92.7	186.4	124.0

Source: Company, Anand Rathi Research

**Fig 6 – 10-year revenue CAGR at +50%, EBITDA margin at ~30% in FY22**



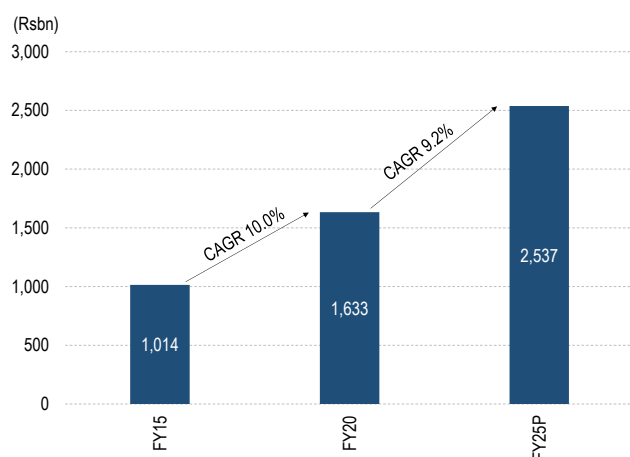
## Leader in a fragmented market

### Share of organised retail in women's apparel to increase

Of the Rs4,477bn apparel market, ~36% is estimated to be women's apparel, and that is expected to increase from Rs1,633bn in FY20 to Rs2,537bn by FY25. This is likely because of the rising numbers of working women, the shift toward aspiration rather than need-based buying, design innovations and shift from purchasing sets to buying separates for clothing mix-and-matches.

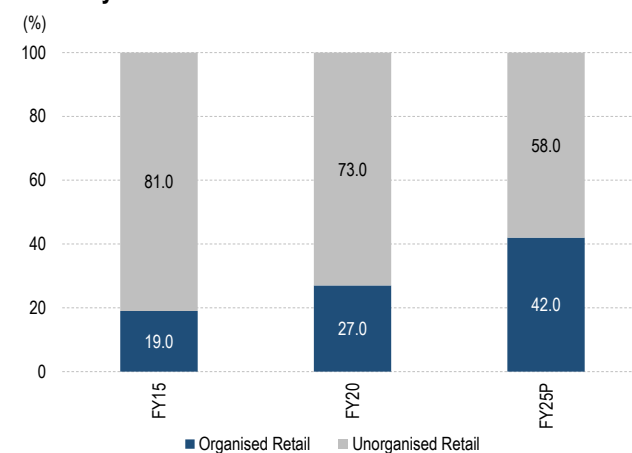
The proportion of formal retail in women's apparel (19% in FY15) rose to 27% in FY20 and is expected to touch 42% by FY25. This increase is expected to benefit consumers due to increased trust in safety and pricing as consumers are seeking higher value in terms of quality and overall shopping experience.

**Fig 7 – Women's apparel to register a ~9% CAGR over FY20-25**



Source: Company RHP

**Fig 8 – Share of organized retail in women's apparel to grow to 42% by FY25**



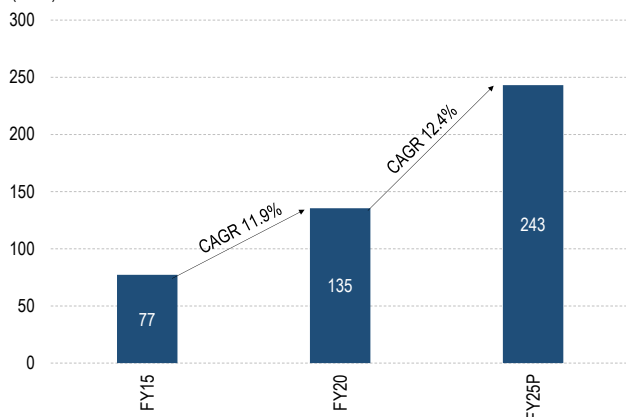
Source: Company RHP

### One of the fastest-growing categories in women's wear - women's bottom-wear market to register a 12.4% CAGR over FY20-25

Women's bottom-wear was 8.3% of women's apparel (or Rs136bn in FY20), expected to hit 9.6% in FY25 (to Rs244bn), a 12.4% CAGR over FY20-25. It is one of the fastest-growing categories in women's wear. Consumers now prefer 'separates'. The 'fusion' category of bottom-wear has taken over women's apparel, in style and comfort. Also, with increasing work-from-home culture, suits and dresses are taking a back seat; loungewear has become a daily necessity for many. With work from office restarting, suits and dresses are making a comeback.

**Fig 9 – Women's bottom-wear, a ~12% CAGR over FY20-25**

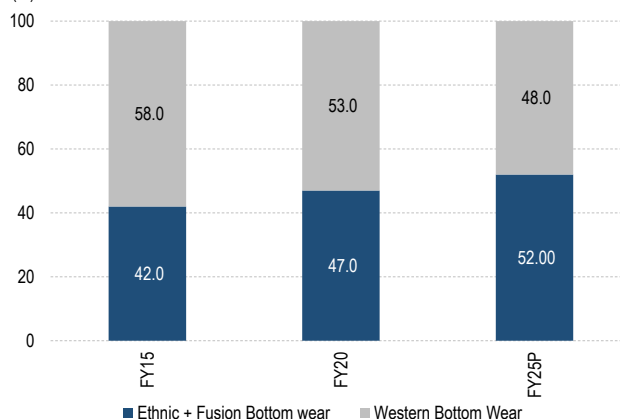
(Rsbn)



Source: Company RHP

**Fig 10 – Ethnic+Fusion bottom-wear, to rise to 52% by FY25**

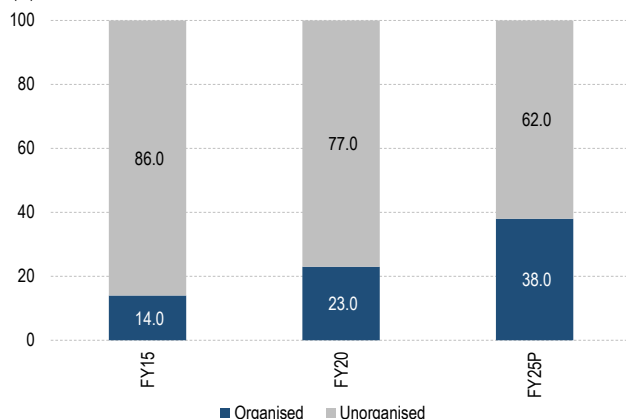
(%)



Source: Company RHP

**Fig 11 – Organised share in women's bottom-wear, to increase to 38% by FY25**

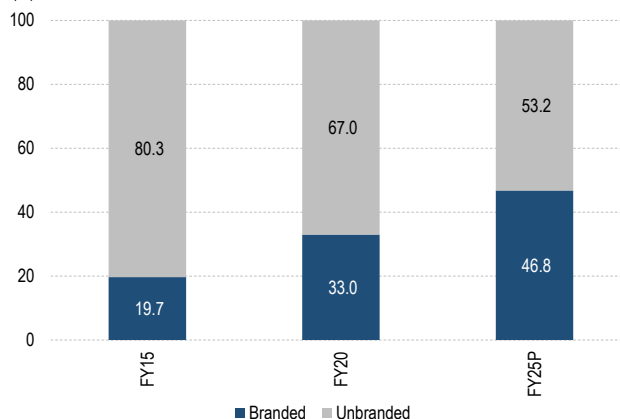
(%)



Source: Company RHP

**Fig 12 – Branded share in women's bottom-wear to increase to 47% by FY25**

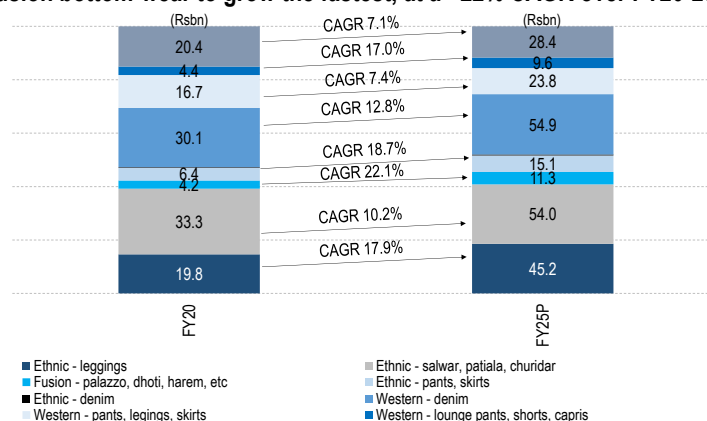
(%)



Source: Company RHP

In the past, the highly unorganized bottom-wear market has had limited options for branded products of consistent quality. At present, the *women's* bottom-wear market is tilted toward the unorganized segment (77% to 23%). However, with tailwinds, the share of the organized women's bottom-wear market is expected to be 38% in FY25—and the share of the unorganized market, 62%.

High growth is expected to continue in branded women's bottom-wear, to ~47% by FY25 (from 33% in FY20) boosted by the rise in working women (and consequent increase in disposable incomes), the consumer shift to buying at safe and hygienic places with safe trial-room facilities triggered by Covid-19. With growing Westernisation, more disposable incomes and urbanisation, consumers have become more fashion-, brand- and quality-conscious and demand quality brand-named products.

**Fig 13 – Fusion bottom-wear to grow the fastest, at a ~22% CAGR over FY20-25**

Source: Company RHP

The fastest growing sub-categories in women's bottom-wear are expected to be palazzos, dhoti pants, harem pants, etc., which come under the fusion category of women's bottom-wear.

Bottom-wear mirrors basic categories in their universal appeal and functional needs, driving repeat purchases. Consumer buying patterns and apparel trends had changed from 'one-piece' apparel like sarees to 'two-piece apparel' like SKD sets. Buying trends now are tilted toward 'separates' and mix-and-match clothing. Go Colors has been a category creator in facilitating this for bottom-wear.

Within separates, bottom- category is expected to register a 12.4% CAGR over FY20 to FY25.

**Fig 14 - Growth of separates within women's bottom-wear over FY20-25**

(Rsbn)	FY20	FY25P	CAGR (%)
Women's seperates bottomwear	135	243	12.4
- Ethnic seperates bottomwear	64	126	14.6
- Western seperates bottomwear	71	116	10.3

Source: Company RHP

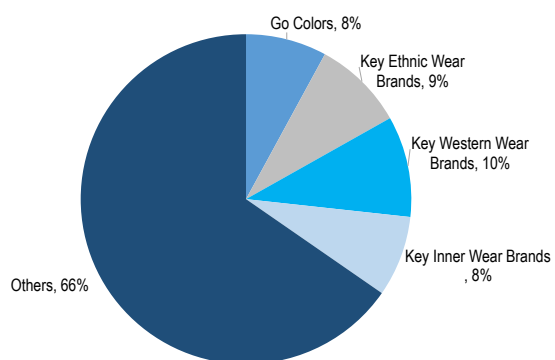
### Highly fragmented bottom-wear market; lack of national level brands

The Indian women's apparel segment, especially ethnic and non-western, is highly fragmented, with many regional brands and retailers across the country. Almost all brands have started keeping various categories of bottom-wear depending on their core offering. Go Color's products compete with local retailers, non-branded products, economy brands and other established ones.

W, Go Colors, Aurelia, Elleven, Global Desi, AND, Biba, H&M, Prism, Fabindia, Levi's are majors in women's bottom-wear in India. Private labels launched by large-format stores and online fashion brands are also competitors.

Go Colors was the first-mover in bottom-wear exclusively, and set off a trend which others (Rupa's Softline leggings, and Lux's Lyra followed. TCNS then followed suit in FY20, launching its bottom-wear and coordinates brand, Elleven.

With lack of national level brands and a fragmented sector dominated by non-branded manufacturers, Go Colors is expected to benefit from growth in bottom-wear.

**Fig 15 – Go Colours had 8% of the branded women's bottom-wear market (FY20)**

Source: Company RHP

## Go Fashion focuses on being value-driven yet aspirational

### First-mover advantage

One of the largest women's bottom-wear brands in India with an ~8% market share in branded women's bottom-wear in FY20, Go Colors retails 50 bottom-wear styles in over 120 colours. It offers bottom-wear across all categories (ethnic, western, fusion, denims) and has one of the largest bottom-wear ranges in women's apparel.

Its diverse product range caters to women of all ages and to girls and physiques covering the entire spectrum of women's bottom-wear needs, incl. daily wear, casual- and work-wear, festival- and occasion-wear, and lounge-wear. The company intends to expand further into loungewear, a work-from-home collection, athleisure and other products in ethnic-, western- and fusion-wear.

It has been a "category creator" for bottom-wear and has levered its first-mover advantage to create a direct-to-consumer brand with a diversified and differentiated range of premium products at competitive prices, from Rs249 to Rs1,599. In FY22 its ASP grew 13% y/y to Rs661 (from Rs584 in FY21).

**Fig 16 – Go Colors' retails products across channels and prices**

Format	EBO, LFS, MBO, online
Target Customer	Women - affordable
No. of stores (FY22)	503
No. of cities (FY22)	134
No. of SKUs	728
Revenue (Rs m - FY22)	4,013
Price range (Rs)	249 to 1,599
Average selling price (Rs - FY22)	661
Average store size (sq.ft.)	300 to 500

Source: Company

**Fig 17 – Go Colors' product and price range**

Product Type	Range	Price range (MRP, Rs / piece)
Ethnic-wear	Churidars, patialas, kurta-pants, salwars, silk pants, dhotis	599 – 1,399
Western-wear	Leggings, cropped jeggings, jeans, cargo pants, trousers, ponte pants, track pants, culottes, treggings, shorts	499 – 1,399
Fusion-wear	Jeggings, palazzos, pants, harem pants	599 – 1,599
Athleisure	Leggings, track pants, joggers	799 – 1,199
Denims	Jeggings, joggers, jeans, palazzos, pants, culottes, capris	799 – 1,499
Lounge-wear	Pants, knit pants, capris, shorts	449 – 949
Go Plus	Churidars, leggings, jeggings, pants, palazzos	599 – 1,599
Girls' wear	Leggings, jeggings, palazzos, pants, shorts, harem pants	249 – 999

Source: Company

The company was one of the first to launch a bottom-wear brand in the formal market, leading to a significant first-mover advantage. Bottom-wear mirrors basic categories in universality of appeal and functional needs, driving repeat purchases. Products are usually retailed at full prices and the core apparel categories have restricted discounting. All these are marketed through an extensive network of EBOs, LFSs and an online channel.

More than 50% of buying behaviour is repeat customers. Repeat purchases are a mix: traditional purchases of churidars & leggings and newer categories. 50%

of sales are of *churidars* and leggings, 50% of other newer products. Leggings and *churidars*, earlier two-thirds of sales, have grown in volumes but their contribution to revenue has declined as the other newer products' sales have grown faster.

Two of the company's major advantages are scale in quantity and SKUs. The company procures raw material (fabric) in required quantities and in the various colors it offers to consumers for different products. It is difficult for other entrants to procure so many different colors at the minimum quantity sold by suppliers. Hence, they are unable to offer similar products as Go Colors at competitive prices. The company has 728 SKUs, the most of its peers. Customers get the entire palette of colours under one roof.

**Fig 18 – Bottom-wear SKUs offered by women's-wear brands**

Brands	Bottom-wear SKUs
<b>Go Colors</b>	<b>728</b>
Allen Solly	516
AND	255
Aurelia	500
Biba	343
Elleven	269
FabIndia	673
Forever 21	280
Forever New	97
Global Desi	239
H&M	656
Levis	200
Mango	139
Marks & Spencer	600
Soch	213
Tommy Hilfiger	88
Vero Moda	435
W	700
Zara	800
Jockey	183
Lux	185
Prisma	198
Rupa & Co	53

Source: Company, \* Data as of 6<sup>th</sup> July 2021, \*\* Note: SKU count taken as count of all designs and colours of apparel. Different sizes not taken as separate SKUs. Count taken of "in-stock" SKUs on company website.

Go Fashion is poised to benefit from the fragmented nature of the sector, lack of organized manufacturers and limited competition in women's bottom-wear. Its range and ability to launch products that address women's bottom-wear requirements ensure it is better equipped to offset an impact on one or more categories due to temporary disruptions in the market, focusing more on the other categories in its range. It intends to expand further into loungewear, a work-from-home collection, athleisure and other products in ethnic-, western- and fusion-wear.

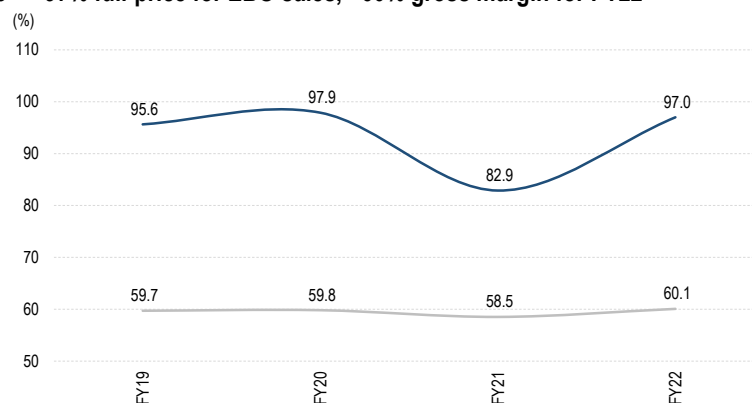
### **Core product category leading to high full-price sales**

Its portfolio is resistant to redundancy due to the vagaries of fashion trends as it designs products to cater to women of all ages and girls, and suits various body types and physiques. This, with lack of seasonality, renders its portfolio safer. It typically retails products at full prices (discounts only in some circumstances)



since they do not become redundant, are relevant round the year, and prices cater to all income brackets, as also due to the “Go Colors” brand strength. This, the company says, results in greater profitability. For FY22, 97% of its EBO sales were at full prices (~70% of FY22 total sales) and the gross margin came at ~60% (vs. FY21's ~83% full-price sales and ~59% gross margin). Its stores have very low unsold stocks. It generally sells any unsold stocks through in-store discounts or at exhibitions. In its LFS and online channel the company shares the cost of discount with the partner.

**Fig 19 – ~97% full-price for EBO sales, ~60% gross margin for FY22**



Source: Company Note: Gross Margin includes sub-contracting expense

**Fig 20 – Go Fashion has lower discounting than other women's-wear brands**

Brands	Extent of discounting (%)	
	Own website	Third-party market-places
<b>Retail-led brands</b>		
<b>Go Colors</b>	0	10 to 20
Aurelia	50	20 to 50
Biba	0	20 to 50
Elleven	10 to 25	10
Fab India	20 to 40	10 to 30
Global Desi	20 to 30	20 to 50
Max	10 to 30	10 to 35
Soch	15 to 40	15 to 45
W	50	20 to 50
<b>Distribution-led brands</b>		
Jockey	0	5 to 15
Lux	No own website	10 to 15
Prisma	0	NL
Rupa	0	10 to 20

Source: Company

### Efficient and technology-driven supply chain

Go Fashion, among other things, offers customers premium products at affordable prices. In FY22, ~83% of its products were retailed at prices lower than Rs1,049. Its value proposition stems from low procurement and operating costs. It has modern equipment at its warehouses, leading to process efficiencies, enabling it to optimise costs.

It outsources manufacturing, thereby not incurring manufacturing costs. It has a network of 120+ suppliers and job-workers across India, with many of whom it has longstanding relations. Arrangements with job workers are on a non-exclusive purchase-order basis. It provides raw material and logos to job workers and purchases fabric directly from mills or weavers, limiting purchases from

traders and intermediaries. For certain products, it imports or procures finished products directly from third parties. It procures raw material in bulk which gives it a cost advantage. It follows stringent quality assurance at various levels through quality-control mechanisms, and regularly conducts inspections of fabric sourced from suppliers.

It has automated its entire procurement and supply chain through an ERP system. This enables it to streamline procurement, incl. quantities required. This avoids over- or under-stocking as well as addresses complex SKU mixes to meet supply-chain requirements of its extensive distribution network. It has also implemented end-to-end automation in its inventory operations through process automation, resulting in seamless and optimal inventory management.

Together, its supply-chain management systems and internal controls minimise shortages and out-of-stock situations. It operates efficiently and productively with minimal disruptions to day-to-day operations, allowing it to effectively manage inventory. It manages inventory and logistics as well as its entire supply chain for all channels from its more than 99,100 sq.ft. warehouse at Tirupur, Tamil Nadu. It is in the process of adding a warehouse in Bhiwandi, Mumbai. This will be more of a fulfilment centre for stores in the West and North.

The company intends to invest in IT infrastructure to improve productivity and save time. It intends to strategically expand its warehouse operations as well as implement new technologies to further expand and improve deliveries and enhance customer-buying experiences with faster dispatches. It also intends to undertake data analytics, allowing it to better understand customer preferences, improve sales and help scale up operations.

### **Strong in-house designing process**

It develops products in-house based on demand and similar products sold, which it tracks and monitors through its ERP system. Over FY18-21, it launched more than 20 products backed by in-depth market research and data analysis. It has a skilled team of in-house designers and merchandisers focusing on creating quality products with innovative designs and optimal fit and sizing, while ensuring competitive pricing. As of FY22, its in-house design team comprised 10 professionals.

It designs products mindful of trends in fashion, fabric, textiles, wearability, stitching and pricing. Products are designed for every occasion: daily- and office-wear, festival- and lounge-wear, and available in over 120 colours. While its products are “core” and “essential” and are accepted across the country, it also considers regional preferences and factors while designing products.

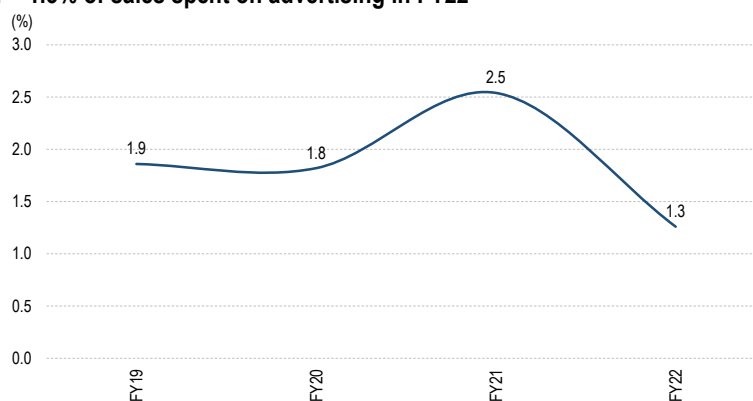
### **High yield on marketing spends**

The company mainly markets through social media like Instagram, Facebook; SMS and in-store, and incentivises staff to push new products in stores. It does not invest in mass media and television.

It utilises its EBOs as its primary advertising channel. Its EBOs are situated at locations with significant footfalls, increasing brand visibility and enhancing brand equity and recall. EBOs have standardised visual designs and layouts to make the brand readily identifiable. It also undertakes branding within LFSs. Its outdoor marketing includes leveraging advertising through large hoardings at vantage points, bus shelters and metro pillars. It has placed significant importance on digital marketing by frequent consumer-generated content uploaded on social media platforms.

Go Colors has one of the highest yields on marketing spend among peers, Rs79.1 of revenue is generated for every rupee spent on advertising. The company spent ~1.3% of sales on advertising in FY22.

**Fig 21 – 1.3% of sales spent on advertising in FY22**



Source: Company

It also relies on social media marketing and performance marketing. It regularly engages with current and prospective customers on its social media handles through print, e-mail and public relations to increase brand awareness. It acquires customers, markets new concepts and drives customer traffic to its retail channels, and strengthens and reinforces its brand image by geo-targeted digital and below-the-line marketing when a new store is opened. It further relies on focus groups and surveys of select customers and retail staff for feedback.

## Strong hold on organized retail channels

### Multi-channel all-India distribution network, EBO-focused

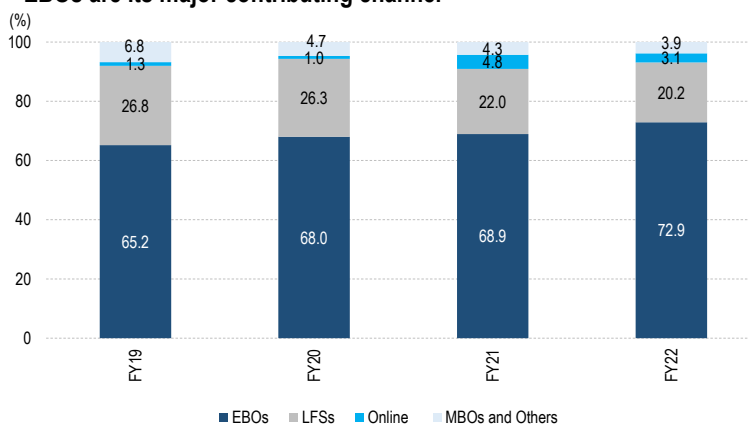
The brand 'Go Colors' is retailed through an extensive network of EBOs, LFSs, MBOs, and its online channel, and others. In FY22, it had 1,900+ points of sales: 503 EBOs in 134 cities and 1,473 LFSs. It also sold online through e-commerce websites and its own. In FY22, EBOs brought 73% to revenues, LFSs 20%, MBOs ~4%, with ~3% coming from the online channel.

**Fig 22 – Go Colors' has over 1,900 retail touch points**

	FY19	FY20	FY21	FY22
EBOs *	333	448	449	503
LFSs	925	1,419	1,267	1,473
Online	7	9	13	4
MBOs and Others **	64	50	48	48***
<b>Total</b>	<b>1,329</b>	<b>1,926</b>	<b>1,777</b>	<b>1,980</b>

Source: Company, \* EBOs includes kiosks and franchise store. At 31<sup>st</sup> Mar'19, '20 and '21, it had 30, 25, and 15 kiosks and 10, 11 and 11 EBOs operated by franchisees, respectively. \*\* MBOs and others include sales through multi-brand outlets and garment fairs, exhibitions, events, etc. and scrap sales. \*\*\* As per our estimate

**Fig 23 – EBOs are its major contributing channel**



Source: Company

**Fig 24 – Channel-wise business terms**

	Revenue Contribution % (FY22)	Capex	Inventory	Sales terms	Operating exp.
EBO COCO	73	Go Fashion	Go Fashion	Outright	Go Fashion
EBO Franchisee		Franchisee	Go Fashion	SoR	Franchisee
LFS	20	LFS	LFS	SoR	LFS
Online	3	Online Partner, Go Fashion	Online Partner, Go Fashion	SoR, Outright	Online Partner, Go Fashion
MBO & Others	4	MBO	MBO	Outright	MBO

Source: Company

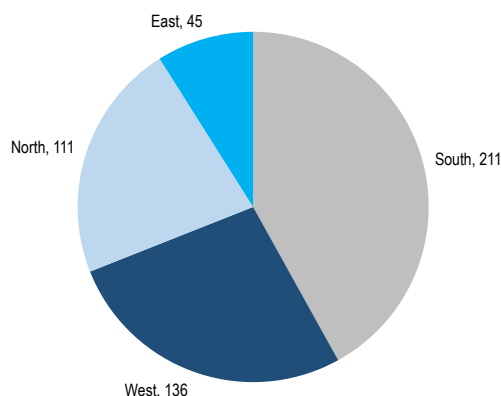
### EBOs to continue to be a focus channel

EBOs contribute the most to revenue, ~73% in FY22. For efficiency and to offer customers a standardised experience and services, its EBOs are company-owned, company-operated (COCO). Of its 503 EBOs, 174 are in malls, 329 are at High Streets (~65%). It follows a cluster-based approach to opening and

operating EBOs, which allows it to pursue the COCO model, resulting in better operational control and store profitability. Also, the COCO model offers higher margins and strong payback periods than the franchisee model.

Most of its EBOs now are in the South and West and it intends to deepen its penetration in such regions with potential for further expansion besides focusing on developing operations in the North and East. In FY22, the South had the most EBOs (211), followed by the West (136), North (111) and East (45).

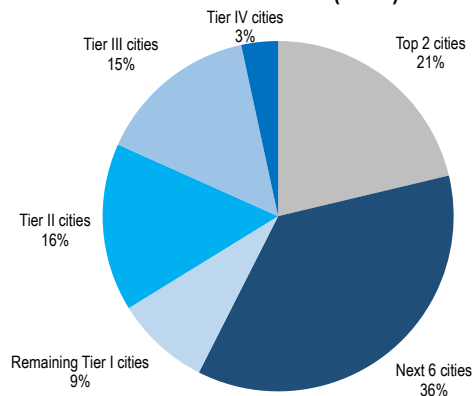
**Fig 25 – South India had the most EBOs (FY22)**



Source: Company

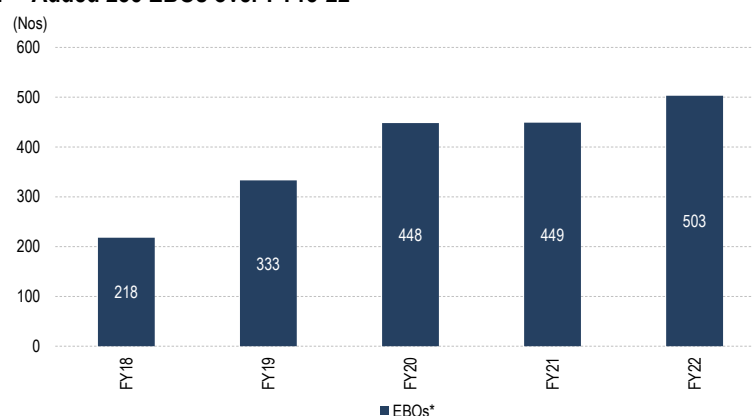
It is geographically diversified with 107 EBOs in the top-2 cities, 182 in the next six cities, and 44 in the remaining tier-1 cities. Tier-2, -3 and -4 cities have 78, 75 and 17 EBOs respectively.

**Fig 26 – 66% of EBOs are located in Tier-1 cities (FY22)**



Source: Company

It has a standardised and scalable development model for its EBOs based on its know-how and experience. In determining store roll-outs, it assesses optimum store size and layout and lease arrangements (typically long-term) and/or revenue-sharing arrangements. Its unit economics has allowed it to expand its EBOs relentlessly. Over FY18-22 it added 285 (net of closures). Revenue per EBO rose from Rs5.6m in FY19 to Rs6m in FY20, falling to Rs3.8m in FY21 (Covid'19). It bounced back to Rs5.8m in FY22 (2% lower than the pre-Covid'19 level of FY20).

**Fig 27 – Added 285 EBOs over FY18-22**

Source: Company \* EBOs includes kiosks and franchises. At 31<sup>st</sup> Mar'19, '20 and '21, it had 30, 25, and 15 kiosks and 10, 11 and 11 EBOs operated by franchisees, respectively.

An average EBO covers 300-500 sq. ft. (efficient space utilisation), offering one of the highest sales per sq. ft. in the sector. This allowed it to implement safe-distancing measures, particularly relevant in the recent pandemic. Average investment on an EBO is ~Rs3.5m (Rs1.5m capex, Rs1m-1.2m inventory and the balance a deposit with the landlord). Payback is 15-18 months.

**Fig 28 – Details of EBO capex**

Cost for setting up (Rs m)	120 new EBOs	1 EBO (of avg. size)
Capex	217	1.8
Rental deposits	120	1.0
<b>Total</b>	<b>337</b>	<b>2.8</b>

Source: Company

### Strong EBO unit-economics, leading it to be the preferred channel for expansion

EBOs are the company's preferred method of network expansion. It has healthy same-store sales growth (SSSG), ~20% in FY19, falling to ~-37% in FY21 (Covid-19) and 31% in H2 FY22. Our estimates show SSSG was ~58% in FY22.

- **Strong store economics** leading to shorter payback period (15-18 months).

**Fig 29 – Go Colors EBOs performance indicators**

	FY19	FY20	FY21
Stores opened (no.)	130	133	42
Stores closed (no.)	15	18	41
Total stores (no.)	333	448	449
Cities present in (no.)	88	110	114
Same-store sales growth * (SSSG) %	19.97	11.37	(36.75)
Average store area (sq.ft.)	306	349	380
Sales / sq.ft. (Rs)	18,174	17,064	10,135
- Mature stores # sales / sq.ft (Rs)	24,737	21,871	10,525
Revenue / store (Rs m)	5.6	6.0	3.9
- Mature Stores # (Rs m)	7.4	7.2	3.8
Average capital expense / store ^ (Rs m)	1.2	1.4	1.7

Source: Company \* SSSG is the period-over-period % change in net revenue from operations at all stores operational for more than 12 months for the reported fiscal # Mature stores refers to stores in existence for more than 12 months ^ Average capital expense / store refers to cost of interiors, furniture and equipment

- **Sustainable store profits.** Higher margins and visibility among target customers lead to more store profits
- **Better operational control.** Uniformity in store design, interiors, products, store size, promotions undertaken, and product pricing.
- **Higher margins.** EBOs offer higher margins than LFSs, where the company is required to share a certain percentage of the MRP and the cost of discounts. EBOs also have more full-price sales (~97% in FY22), leading to better gross margins.
- **Better brand visibility.** Retailing through EBOs also enhances the brand equity and recall value of its 'Go Colors' brand and has allowed line extensions as shelf space at each EBO is company controlled.

At its EBOs, Go Colors had one of the highest sales per sq.ft. of key women's apparel companies in FY21. This was due to its ability to identify and determine optimum locations and sizes of stores, and to manage rental costs and marketing leverage of EBOs, ensuring visibility among target customers and sustainable store profits.

**Fig 30 – Go Colors has the highest sales per sq.ft. in the sector**

Brand	Store size (sq. ft.)	SPSF / Year (Rs.)
<b>Go Colors</b>	<b>150 -500</b>	<b>12,000 - 40,000</b>
Aurelia	800 - 1,200	6,000 - 9,000
BIBA	1,000 - 1,500	8,500 - 12,500
Fabindia	2,500 - 3,500	10,500 - 15,000
Soch	1,200 - 3,000	6,500 - 16,500
W	800 - 1,200	7,000 - 10,500
Zara	15,000 - 30,000	20,000 - 40,500

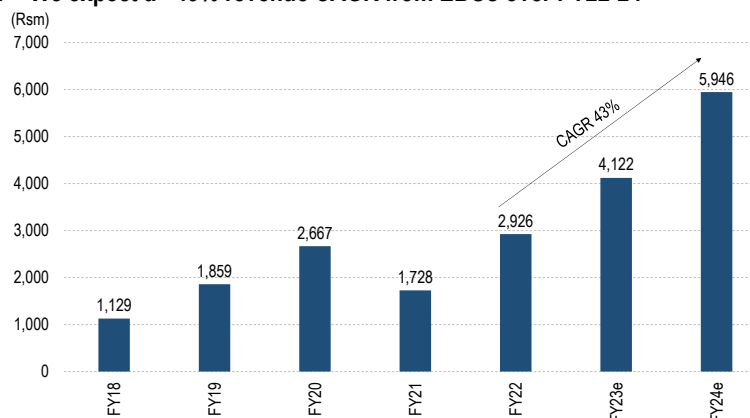
Source: Company

### **We expect a ~43% CAGR in EBO revenue over FY22-24**

We expect the EBO channel to record a ~43% revenue CAGR over FY22-24, driven by network expansion and SSSG. Management says such revenue in future would rise to 80% of sales, against ~73% as of FY22.

The company plans to open 120-130 EBOs every year. We expect ~740 EBOs by FY24 vs. 503 at end-FY22 – net addition of 120 EBOs in FY23 and FY24 each year respectively. Half of the EBO expansion would be funded from the fresh issue, half from free-cash. The company will continue expanding by setting up cluster-based COCO EBOs. Its focus is on additional EBOs in tier-2 and -3 cities. It wants to enter 8-10 cities every year, as well as deepen its penetration at existing regions and grow its network in newer areas across India. Its average store size will be 300-500 sq.ft. In coming years, it might be the same or increase by 50 sq.ft.

Revenue per EBO would increase, aided by better SSSG through new categories and colours introduced. Revenue per EBO was Rs5.6m in FY19, falling to Rs3.8m in FY21 due to Covid'19 impact. We expect it to reach or exceed pre-Covid levels of Rs6.6m by FY23 and Rs8m by FY24. Overall, we expect revenue per EBO to register a ~17% CAGR over FY22-24.

**Fig 31 – We expect a ~43% revenue CAGR from EBOs over FY22-24**

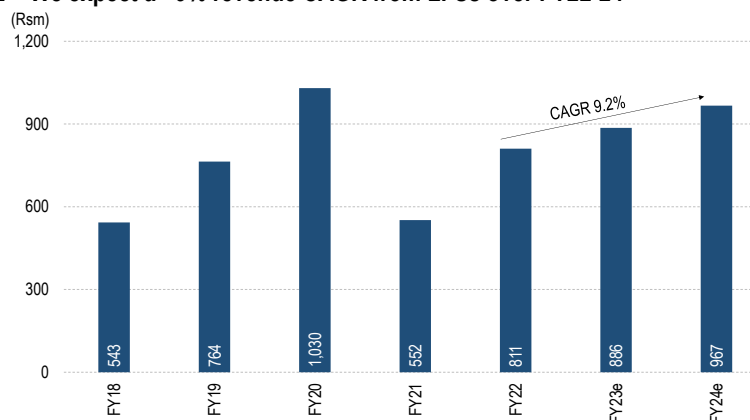
Source: Company, Anand Rathi Research

**We expect LFS channel to clock a ~9% CAGR over FY22-24**

Large-format stores (Reliance Retail, Central, Unlimited, Globus Stores Pvt. Ltd. and Spencer's Retail) brought ~20% to their revenue in FY22. The company retails through 1,473 outlets across the country. It has opened over ~550 (net) LFSs in the last four years.

It supplies products on a sale-or-return basis and takes back unsold stock from retailers. It also provides staff for such stores. It is required to share a certain percentage of the MRP and the cost of discounts. Sales through LFSs take place on a principal-to-principal basis. Goods dispatched to LFSs are booked by the company as sales, with LFSs being debtors. If Rs100 is the MRP and 40% is the channel margin, the company will book sales at Rs60 and Rs60 as debtors. It makes provisions for returns on the basis of experience. Data show returns have been less than 1%, provided for in the company's books as sales-return provision. Damage to stocks is to be taken care of by LFSs.

We expect LFS revenue to register a ~9% revenue CAGR over FY22-24, boosted by ~60 points-of-sales added each year and revenue per LFS to clock a ~5% CAGR over FY22-24. The company plans to selectively expand LFSs as its LFS partners expand operations across India. LFSs will be its key driver, giving it access to new cities before it can open an EBO there.

**Fig 32 – We expect a ~9% revenue CAGR from LFSs over FY22-24**

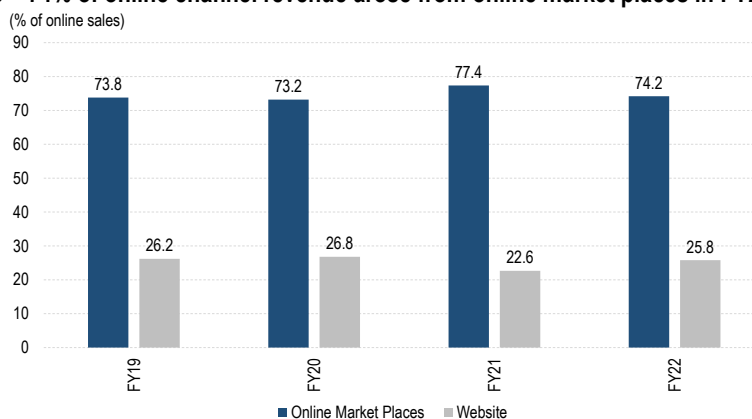
Source: Company, Anand Rathi Research



### Online channel contribution to sales to rise to ~6% by FY24

The company markets products online through its own website, www.GoColors.com, and those of others. With e-commerce being the only retail medium available during the lockdowns, the pace of adoption of online purchases further accelerated, emerging as an important channel for apparel and lifestyle retail. The company's revenue from its online channel registered a significant 51% CAGR over FY19-22. The company plans to invest further in digital channels to provide an omni-channel experience.

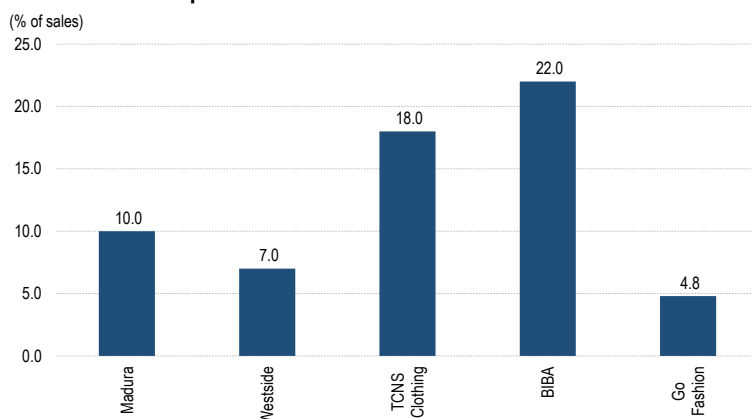
**Fig 33 – 74% of online channel revenue arose from online market places in FY22**



Source: Company

The online channel accounted for ~27% and 5% of FY21 sales of peers such as TCNS Clothing and Westside.

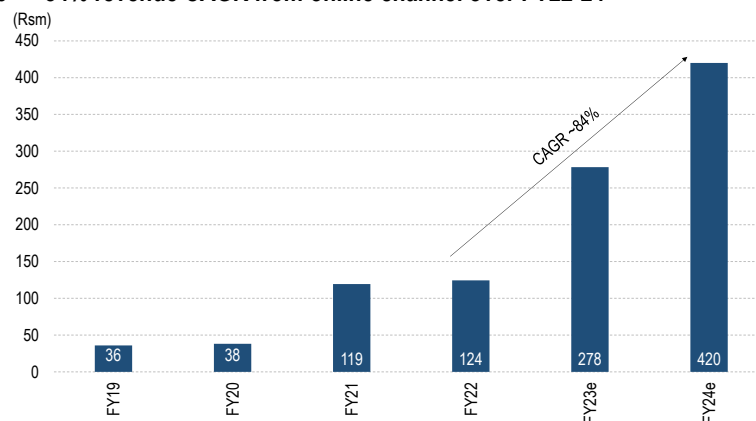
**Fig 34 – Online sales of peers**



Source: Company

We expect an 84% revenue CAGR over FY22-24 in the online channel, driven by implementation of the company's omni-channel strategy across its network. Its new website is under development. Two-thirds of its online revenue come from marketplaces, one-third from its website. Once its website is updated, the contribution would be 50:50. The company wants to take such sales to double digits in a few years.

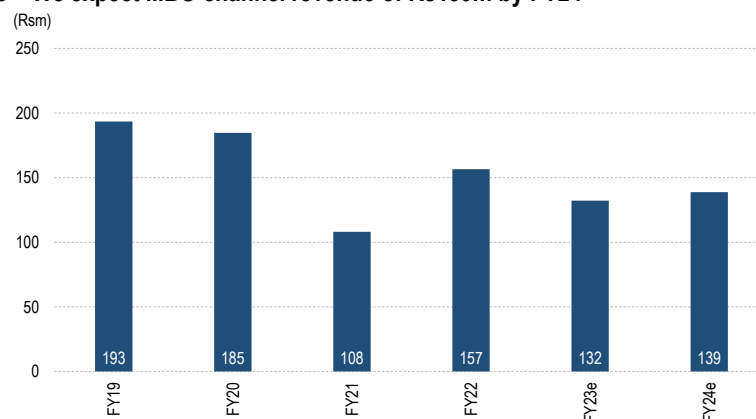
It plans to further strengthen its online sales channel to benefit from evolving customer trends. It intends targeting customer acquisition to drive sales through its website and online marketplaces, and invest in content generation to engage with a younger audience. We believe that matching specific shades online is difficult for bottom-wear and sales of most products will depend on retailing offline.

**Fig 35 – ~84% revenue CAGR from online channel over FY22-24**

Source: Company, Anand Rathi Research

**MBOs to account for ~2% of sales in FY24**

Revenue from MBOs was ~4% of its FY22 revenue. Products are sold to distributors, who then supply them to MBOs. The company offers a margin on the MRP and provides trade incentives from time to time in accordance with internal policies. The company does not invest much in MBOs as 1) pricing control is with the MBOs; 2) receivables is a risk in this channel and 3) MBO is more of informal trade. We expect MBOs and others to account for ~2% of overall revenue in FY24.

**Fig 36 – We expect MBO channel revenue of Rs139m by FY24**

Source: Company, Anand Rathi Research

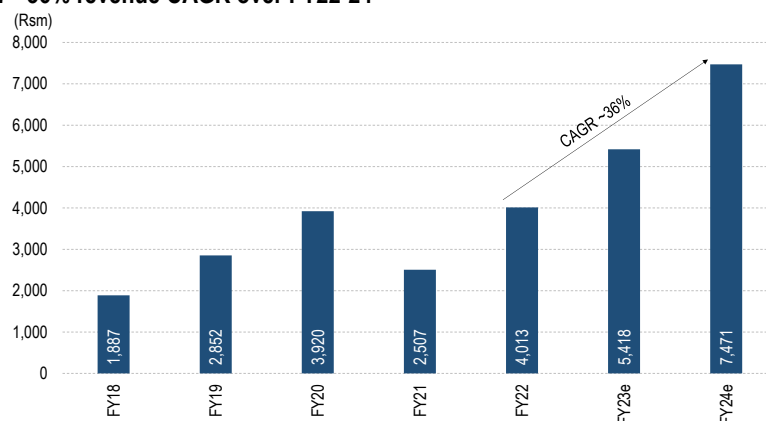
## Financials

### ~36%/77% revenue/PAT CAGR over FY22-24

Over FY22-24, we expect Go Fashion to grow at 36% CAGR, driven by –

- Its EBOs registering a ~43% revenue CAGR over FY22-24 driven by ~120 EBOs added (net) and high-single digit SSSG. We expect revenue per EBO to record a ~17% CAGR over FY22-24, driven by an increase in sales of newer categories and new styles and colours introduced. Management says the proportion of EBO revenue would increase in future to 80% of overall sales, against 73% in FY22. The company is focused on opening more COCO stores as it follows cluster-based expansion model.
- Its LFSs clocking a ~9% revenue CAGR over FY22-24. LFSs will be its key driver as it gives the company access to new cities before it can open an EBO there.
- The online channel's ~84% revenue CAGR over FY22-24, driven by implementation of its omni-channel strategy across its network.

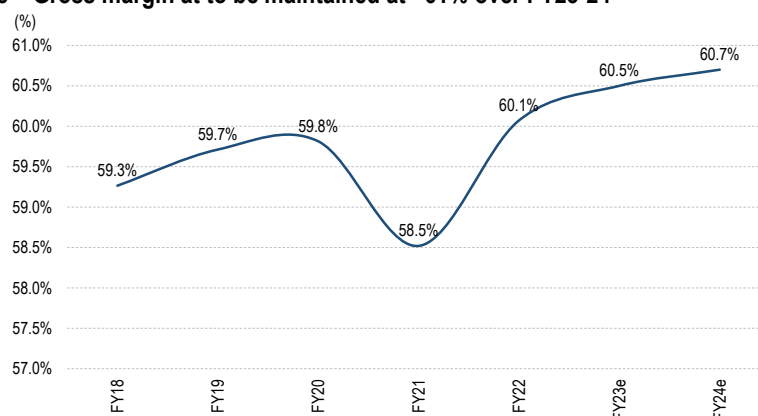
**Fig 37– 36% revenue CAGR over FY22-24**



Source: Company, Anand Rathi Research

Over FY18-20 the 44% revenue CAGR was driven by 54%/38% CAGRs in EBO/LFS revenues, with EBOs accounting for ~64% of revenue on average. LFS contributed ~27%. Due to the Covid-19 impact, FY21 revenue fell 36% y/y to Rs2,507m. For other apparel retailers, FY21 revenue was down ~41% y/y. Their FY22 revenue was down ~5% y/y from pre-Covid (FY20). Go Fashion's FY22 revenue was back to pre-Covid levels.

The gross margin (incl. sub-contracting expenses) was 60% in FY22. We expect it to expand to ~61% by FY24. EBO expansion would lead to increase in margins due to a better EBO sales-mix (EBOs have higher full-price sales). The better EBO contribution would lead to better gross margins.

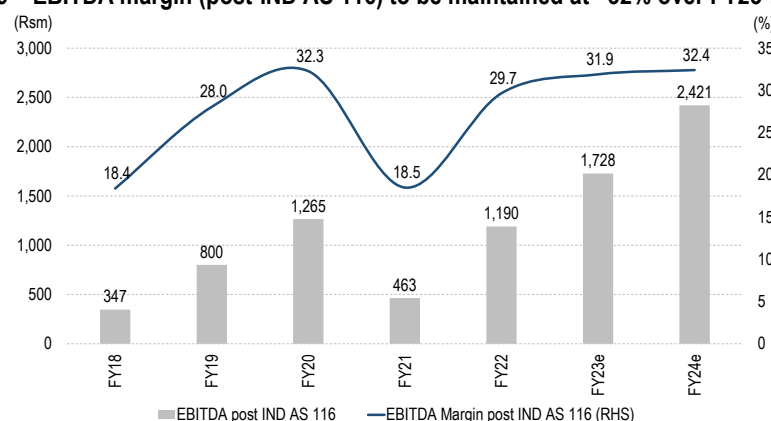
**Fig 38 – Gross margin at to be maintained at ~61% over FY23-24**

Source: Company, Anand Rathi Research Note: Gross Margin includes sub-contracting expense

The ~59-60% gross margin was maintained over FY18-20. In FY21 it dropped to 58.5% due to Covid-19. The higher margin (59-60%) was driven by a greater percentage of full-price EBO sales as the company offers limited discounts.

We expect EBITDA (post-IND AS 116) to clock a ~43% CAGR over FY22-24 and the EBITDA margin to expand to 32.4% in FY24 (against 29.7% in FY22) boosted by a better gross margin and operating leverage.

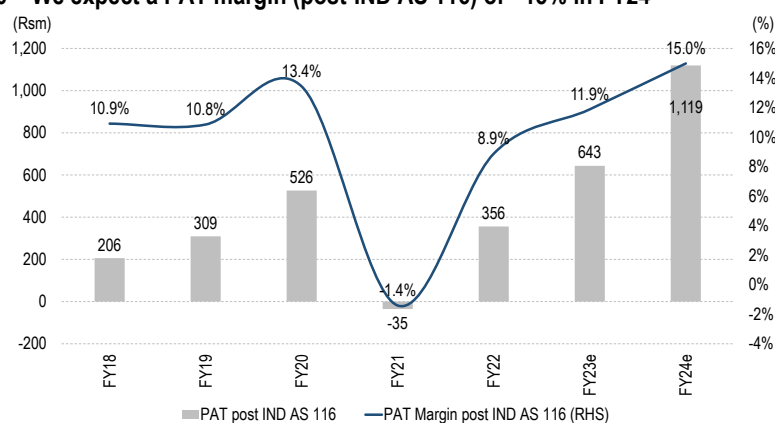
Rent expense is usually 12-13% of sales. Hence the company's pre-IND AS 116 EBITDA margins in FY20/FY21/FY22 were 21.5%/5.1%. As per our estimates, pre-IND AS 116 EBITDA margin was 17.7% for FY22.

**Fig 39 – EBITDA margin (post-IND AS 116) to be maintained at ~32% over FY23-FY24**

Source: Company, Anand Rathi Research

Adj. for IND AS 116, Covid-19 compressed EBITDA ~85% y/y to Rs128m. The FY21 EBITDA of peer apparel companies shrank ~75% y/y on average. Their FY22 EBITDA shrank ~13% y/y from pre-Covid (FY20).

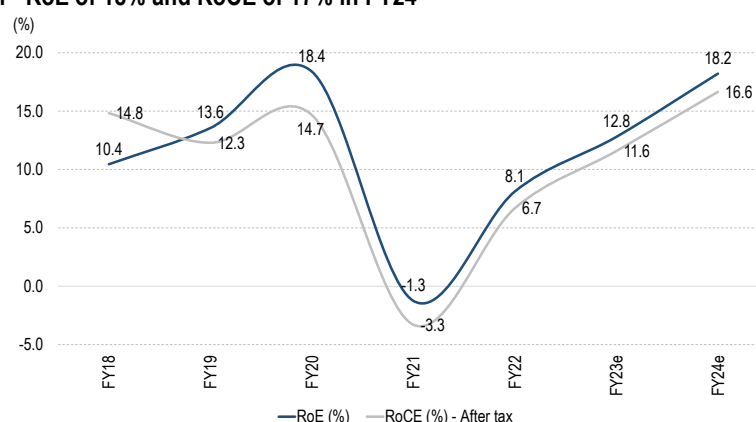
We expect PAT (post-IND AS 116) to register a ~77% CAGR over FY22-24 and the PAT margin to expand to 15% in FY24 (from 8.9% in FY22) aided by better gross and EBITDA margins.

**Fig 40 – We expect a PAT margin (post-IND AS 116) of ~15% in FY24**

Source: Company, Anand Rath Research

**~18% RoE, ~17% RoCE in FY24**

We expect ~18% and ~17% RoE and RoCE respectively in FY24. The FY22 RoE and RoCE were ~8% and 7% respectively.

**Fig 41– RoE of 18% and RoCE of 17% in FY24**

Source: Company, Anand Rath Research

The FY20 RoE was 18.4% incl. the IND AS 116 impact; the RoCE, 14.7%. Each was above ~10% in FY18.

**Fig 42 – DuPont Analysis**

	FY19	FY20	FY21	FY22	FY23e	FY24e
Profit margin (%)	10.8	13.4	-1.4	8.9	11.9	15.0
Asset turnover (x)	0.9	0.8	0.5	0.6	0.7	0.9
Equity multiplier (x)	1.5	1.8	1.9	1.8	1.6	1.5
<b>RoE (%)</b>	<b>14.5</b>	<b>20.5</b>	<b>-1.2</b>	<b>9.9</b>	<b>13.7</b>	<b>20.0</b>

Source: Company, Anand Rath Research

**Efficiently managed working capital**

We expect working capital days to shrink from 190 in FY22 to ~153 in FY23 and to 138 in FY24. Management says inventory days would reduce as the company increases its approach to data analytics. At end-FY22, inventory days (on sales) were more (151) as it stocked raw material due to price increases and supply-chain issues. Besides, Q4 FY22 sales were hit by Covid'19 in Jan'22;

hence, sales were lower. The company wants to reduce this to past levels of 90-100 days.

As the EBO business keeps increasing, receivables as percent of revenue would fall. The online channel is fairly similar to EBOs in working-capital days and margins.

**Fig 43 – Working capital cycle to stabilize at ~140 days**

On sales	FY18	FY19	FY20	FY21	FY22	FY23e	FY24e
Receivable days	56	51	52	69	55	50	50
Inventory days	84	89	99	118	151	115	100
Payable days	15	18	10	16	16	12	12
<b>Net working-capital cycle</b>	<b>125</b>	<b>123</b>	<b>141</b>	<b>171</b>	<b>190</b>	<b>153</b>	<b>138</b>

Source: Company, Anand Rathi Research

Working-capital days (on sales) were 190 in FY22, averaging 129 over FY18-20. Inventory days were 151 in FY22, averaging 91 over FY18-20. Receivables days were 55 in FY22, averaging 53 over FY18-20. Payables days were 16 in FY22, averaging 14 over FY18-20. The stretched receivables and inventory days, we believe, kept its working-capital days (on sales) on the higher side.

As 73% of its sales were through its own EBOs which do not have any receivables days, the bulk of its receivables stem from the LFS channel (20% of sales in FY22). The company follows the principal-to-principal relationship model for LFS where ownership transfers when goods are transmitted to the LFS and this inventory is accounted for as debtors. Pre-Covid, debtor days were around 50, of which 35 were for inventory at LFSs (inventory in the form of debtors) and 15 were actual debtor days.

### A net-cash company

Ahead, the company would be net-cash. We expect net-debt-to-equity by FY24 of -0.3x. Net cash and cash equivalents for the company stood at Rs1,517m for FY22.

**Fig 44 – Net debt to equity at -0.3x in FY24**

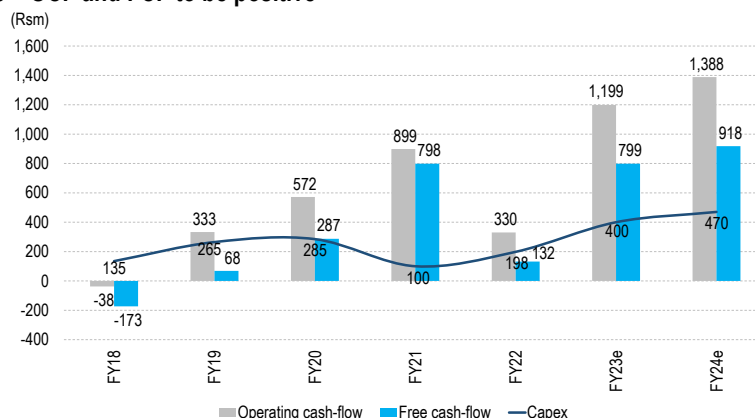
(Rs m)	FY18	FY19	FY20	FY21	FY22	FY23e	FY24e
Net cash & Cash equivalents	789	588	386	757	1,517	1,508	1,618
Net debt-to-equity (x)	-0.4	-0.3	-0.1	-0.3	-0.3	-0.3	-0.3

Source: Company, Anand Rathi Research

Company had no short or long term borrowings in FY22. Net-debt-to-equity was -0.35x in FY22. In FY21 the company had only short-term borrowings of Rs104m in cash credit from banks and financial institutions. Net-debt-to-equity was -0.27x in FY21.

### Cash-flow positive

We expect positive OCF and FCF. More cash-flow generation is expected through increased revenue from EBOs. Average investment per EBO is Rs3.5m. The company plans to open 120-130 EBOs a year, which would require ~Rs420m-455m capex. Besides, it intends to invest in a new warehouse in Maharashtra and in its omni-channel capabilities.

**Fig 45 – OCF and FCF to be positive**

Source: Company, Anand Rathi Research

OCF was down 63% y/y to Rs330m for FY22 led by increase in working capital. Company has build up on its inventory as company has been facing supply chain issues due to surge in raw material prices. FCF was down ~83.5% to Rs132m on account of lower OCF and higher capex. Capex grew almost 2x y/y to Rs198m from Rs100m in FY21.

FY21 operating cash-flow was Rs899m, up 1.6x y/y due to better working capital (down Rs631m y/y), despite a loss before tax. FY20 and FY19 OCF were respectively Rs572m and Rs333m. Over FY18-21 cumulative free-cash flow of Rs981m was generated (FY18-20: Rs182m). In FY21 free-cash flow jumped ~3x y/y to Rs798m boosted by lower working capital and capex (down 65% y/y to Rs100m). Barring FY18, the company has been operating and free-cash-flow positive in all years till FY21. Well-managed inventory led to higher cash-conversion.

## Peer comparison

**Fig 46 – Peer valuations**

Valuation	M. Cap	EV / EBITDA (x)		P/E (x)	
	(Rs m)	FY23e	FY24e	FY23e	FY24e
Page Industries	455,971	45.4	37.8	66.4	55.1
Trent	385,775	42.9	33.1	105.6	70.6
Vedant Fashions	243,471	41.3	33.8	65.1	52.6
Aditya Birla Fashion & Retail	234,340	16.6	13.7	80.8	47.8
Raymond	60,762	7.9	6.4	13.1	9.5
Vmart Retail	54,862	18.9	14.8	68.6	42.9
<b>Go Fashion</b>	<b>53,936</b>	<b>25.2</b>	<b>19.8</b>	<b>60.6</b>	<b>46.1</b>
Lux Industries	53,528	10.3	9.1	14.5	12.6
Shoppers Stop	48,865	10.9	9.5	79.5	69.6
TCNS Clothing	34,057	14.5	11.6	34.6	25.0
Arvind Fashions	33,749	11.7	9.4	32.4	20.2
Rupa Company	28,867	10.2	8.9	13.4	11.3
Kewal Kiran	17,190	12.9	10.7	19.6	16.8

Source: Bloomberg, Anand Rath Research

**Fig 47 – Peer financials**

	CAGR % (FY18-FY22)			Gross margins (%)	EBITDA margins (%)	RoCE (%)			RoE (%)			Working capital (days)		
	Revenue	EBITDA	PAT			FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Page Industries	11.1	9.8	11.5	56.0	20.2	40.8	40.0	55.2	43.0	40.0	54.4	87	61	73
Trent (Consolidated)	20.2	30.0	5.0	44.8	12.8	11.9	(3.1)	9.5	6.0	(6.1)	4.4	34	25	41
Vedant Fashions	8.2	21.0	20.8	74.4	47.6	30.5	7.9	21.4	24.3	12.3	29.0	176	267	164
Aditya Birla Fashion & Retail	3.2	23.8	NM	54.3	13.5	9.4	(9.4)	2.2	(13.2)	(39.7)	(4.4)	38	21	12
Raymond	1.1	13.5	17.9	63.7	11.5	3.7	(5.4)	11.7	2.2	(12.7)	11.8	110	151	110
Vmart Retail	8.1	11.4	(37.8)	34.5	12.3	19.6	2.8	9.8	11.4	(1.0)	1.2	62	80	83
<b>Go Fashion</b>	<b>20.8</b>	<b>36.1</b>	<b>14.7</b>	<b>60.1</b>	<b>29.7</b>	<b>14.7</b>	<b>(3.3)</b>	<b>6.7</b>	<b>18.4</b>	<b>(1.3)</b>	<b>8.1</b>	<b>141</b>	<b>171</b>	<b>190</b>
Lux Industries	20.8	32.4	44.3	62.0	20.6	24.0	25.8	24.3	30.8	30.9	29.2	161	122	190
Shoppers Stop	(9.2)	6.2	NM	40.2	10.7	12.1	(11.8)	(1.8)	(28.9)	(286.7)	(48.0)	(26)	(55)	(58)
TCNS Clothing	(2.6)	(12.9)	NM	65.5	10.0	13.7	(10.3)	(0.6)	10.9	(8.9)	(0.9)	122	202	148
Arvind Fashions	(7.8)	(5.8)	NM	44.1	5.9	(8.2)	(19.5)	(3.5)	(37.8)	(77.3)	(14.4)	77	86	42
Rupa Company	7.1	14.6	22.1	57.1	18.2	12.1	26.1	2.9	11.0	26.8	23.8	219	165	225
Kewal Kiran	7.2	0.5	2.8	52.6	16.5	12.6	2.1	13.9	16.7	4.5	17.9	146	175	138

Source: Company, Bloomberg



## Valuation

We like Go Fashion because 1) it has an 8% market share in women's branded bottom-wear market, 2) core category with high full-price sales, leading to huge gross margins (~97% full-price EBO sales in FY22), 3) strong retail network and presence across channels, strong EBO network provides an edge to the company; as of FY22 it had 503 EBOs with very strong unit economics, 4) efficient and technology-driven supply chain, allowing it to source products at competitive prices; hence, it can sell them at competitive prices.

At the CMP, the stock trades at 31.9x and 22.7x FY23e and FY24e EV/EBITDA and 84.1x and 48.4x FY23e and FY24e P/E. We initiate coverage on Go Fashion with a target price of Rs1,104 based on 25x FY24e EV/EBITDA. We believe the valuation is justified giving the company's leading position in women bottom wear, zero-debt status, efficient working-capital management and high cash-generating ability.

**Fig 48 – Valuation parameters**

	FY20	FY21	FY22	FY23e	FY24e
P/E (x)	99.5	NA	148.7	84.1	48.4
EV / EBITDA (x)	42.7	116.1	45.3	31.9	22.7
EV / Sales (x)	13.8	21.5	13.4	10.2	7.4
RoIC	15.1	-3.4	7.1	12.1	17.6
RoE	18.4	-1.3	8.1	12.8	18.2

Source: Anand Rath Research

**Fig 49 – Valuation (Rs m) – FY24e**

EBITDA	2,421
Multiple (x)	25
Enterprise value	60,517
Gross debt	2,498
Cash balance	1,618
Market cap	59,637
No. of shares (m)	54.0
TP (Rs)	1,104
CMP (Rs)	1,003
Upside / (Downside) %	10%

Source: Anand Rath Research

## Risks

- More Covid-19 cases and lockdowns, hindering revenue growth and profitability.
- Dependence on a single brand and category. All products sold under a single brand, 'Go Colors', and a single category, women's bottom-wear. Rival brands into multiple categories can cross-sell.
- High degree of competition. Women's bottom-wear is highly fragmented and keenly competitive.
- Ease of entry. With no barriers to entry, women's bottom-wear is easy for competitors to enter, especially larger players.
- Growth of online retailers and current trends of discounting and pricing strategies may affect its pricing ability and, hence, profitability.

## Company Background, Management

A Chennai-based company, founded in 2011 by Gautam and Prakash Saraogi, Go Fashion is the first such women bottom-wear-focused brand, offering a wide range of quality products across styles and categories. It opened its first store in 2014. The brand has been marketed for the past 10 years at various retail locations focusing on EBOs. This has helped it create brand equity and connect with consumers.

**Fig 50 – Key Events**

Year	Event
2010	Incorporation
2011	Opening of first kiosk in Chennai
2014	Investment by Sequoia Capital India Investments IV
2014	Opening of the first store in Chennai
2018	Investment by India Advantage Fund S4 I
2020	Crossed the 400 <sup>th</sup> store milestone in 100 cities

Source: Company

In Nov'21, Go Fashion came out with its Rs10,136m IPO.

### Management

**Fig 51 – Key managerial personnel**

KMP	Designation	Detail
Prakash Kumar Saraogi	Promoter & MD	Bachelor's in Chemical Engineering, Anna University, Chennai. Over 28 years' experience in garment manufacturing, fashion industry and the retail sector
Gautam Saraogi	Promoter, Executive Director & CEO	B.Com, University of Madras, Chennai. Executive diploma in marketing management, Loyola Institute of Business Administration, Chennai. Over 10 years' experience in consumer retail, marketing, brand building and garment manufacturing
R Mohan	CFO	B.Com, Bharathiar University, Coimbatore, Chartered Accountant. Chairman of the Coimbatore Branch of The Institute of Chartered Accountants, India, 2000-2001. Also, member of the Economic Affairs and Taxation Panel of The Confederation of Indian Industry, Coimbatore 2016-2017. With the company since Apr'19
Gayathri Venkatesan	Company Secretary & Compliance Officer	B.Com, University of Madras, Chennai, PGDM in Intellectual Property Rights law from The National Law School, Bengaluru, Cost Management Accountant. With the company since Oct'19

Source: Company

## Appendix

### Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

### Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below:

#### Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>15%	5-15%	<5%
Mid/Small Caps (<US\$1bn)	>25%	5-25%	<5%

### Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity, SEBI Regn No. INH000000834, Date of Regn. 29/06/2015) is a subsidiary of the Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX), and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged into the business of Stock Broking, Depository Participant, Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

**General Disclaimer:** This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may: (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. [www.rathionline.com](http://www.rathionline.com)

**Disclaimers in respect of jurisdiction:** This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

### Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

#### Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report

Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest.	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No
ARSSBL/its Associates/ Research Analyst/ his Relative has been engaged in market making activity for the subject company.	No

© 2022. This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

Additional information on recommended securities/instruments is available on request.

ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.  
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.