

Go Fashion (India) Ltd

Retail | India

IPO | 15 November 2021

Healthy Outlook

About the Company

Go Fashion (India) Ltd (GFL), incorporated in Sept'10, is among the largest women's bottom-wear brands in India, with a market share of ~8% in the branded women's bottom-wear market in FY20. 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'. GFL is among the few apparel companies in India to have identified the market opportunity in women's bottom-wear and has acted as a 'category creator' for bottom-wear. The company has leveraged its first-mover advantage to create a direct-to-consumer brand with a diversified and differentiated product portfolio of premium quality products at competitive prices. As of 1HFY22, it has sold bottom-wear in over 50 styles in more than 120 colors. GFL serves customers primarily through its 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) at a pan India level. Additionally, its distribution channels include large format stores (LFS) including Reliance Retail Ltd, Central, Unlimited, Globus Stores and Spencer's Retail among others. As of 1HFY22, GFL has 1,270 LFS. Further, it also sells products through its own website and online marketplaces and through multi-brand outlets (MBOs). GFL's design and merchandising team are supplemented by an extensive sourcing network and the manufacturing network undertaken through 73 suppliers and 42 job-workers spread across 11 states and union territories.

Financials in Brief

GFL's pre-pandemic financial performance has been steady with industry's leading return ratios. However, the last fiscal was tough for the company, in line with the industry, due to the pandemic, which led GFL to report a net loss. Further, same-store sales growth for EBOs (contribute ~69% of the revenue), which was growing in double-digit till FY20, fell sharply to ~37% in FY21, though it is expected to improve substantially with the opening of economy. However, GFL's cumulative OCF and FCF stand at Rs1.8bn and Rs1.2bn, respectively over FY19-FY21, despite an elevated working capital cycle led by the higher inventory.

Our View

The IPO is valued at 14.6x FY21 EV-to-sales, which looks to be at par with Trent, but at a significant premium to Aditya Birla Fashion & Retail (ABFRL). Trent and ABFRL are considered to be superior to GFL in most parameters. However, the share of organized retailing within women's apparel has increased from 19% in FY15 to 27% in FY20, and is expected to reach 42% by FY25E, mainly due to the growing female population, increasing number of working women, evolving fashion trends, and rising spending power of consumers. In particular, women's bottom-wear is the fastest-growing category in the women's apparel segment, and is expected to grow to Rs243bn in FY25E, from Rs135bn in FY20. This offers healthy growth visibility to GFL in the long run.

IPO Details

Pice Band	Rs655-690
Face Value (Rs)	10
Issue Open/Closing Date	17th / 22nd Nov'21
Fresh Issues (mn)	1.8
OFS (mn)	12.9
Total Issue (mn)	14.7
Minimum Bid Qty. (Nos)	21
Issue Size (Rs bn)	10.1
QIB / HNI / Retail	75% / 15% / 10%
Implied Market Cap (Rs bn)	37.3

Object of the Issue

- ▶ To fund roll out of 120 new EBOs
- ▶ To fund working capital requirements
- ▶ General corporate purposes

Key Risk

- ▶ Slowdown in economic activities
- ▶ Single brand concentration

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	57.5	52.8
Public	42.5	47.2

Key Financials

(Rs bn)	FY19	FY20	FY21
Revenue	2.85	3.92	2.51
EBITDA	0.80	1.27	0.46
EBITDA Margin (%)	28.0	32.3	18.4
PAT	0.31	0.53	(0.03)
PAT Margin (%)	10.9	13.4	(1.3)
EPS (Rs)	5.9	10.1	(0.7)
P/E (x)	120.2	70.8	(1,129.3)
EV/EBITDA (x)	45.9	29.2	79.0
EV/Sales (x)	12.9	9.4	14.6
Net Worth	2.28	2.86	2.83
RoE (%)	13.6	18.4	(1.2)
OCF	0.33	0.57	0.90
OCF Yield (%)	0.89	1.53	2.41
FCF	0.07	0.29	0.80
Gross Debt	0.08	0.03	0.10
Net Debt/Equity (x)	(0.26)	-0.13	-0.27
Gross Block	0.57	0.75	0.80
Asset Turnover (x)	5.00	5.24	3.12
WCC (Days)	122	141	171
SSSG (%) - EBOs	20	11	(37)
Stores (nos)	1,329	1,926	1,777

Source: RHP

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