



Go Fashion Ltd: Update (BUY)

<u>Date</u>	<u>CMP - 02 May'25</u>	<u>Price Target (12 mths)</u>	<u>FY26e EPS / PE(x)</u>	<u>Market Cap</u>	<u>52 wk High / Low</u>
05 May 2025	Rs. 855	Rs.1,050	Rs.21/ 40x	Rs.4,620 cr	Rs.1,408 / Rs.660

Key Highlights of Q3FY25:

- In Q4FY25, Go Fashion Ltd. (GO) revenue grew by 13% YoY to Rs.205 cr despite challenging demand environment. Gross margins improved by 80 bps YoY to 64.3% indicating better product mix and inventory management. EBITDA grew by 16% YoY to Rs.62.4 cr. Operating leverage led to margins expansion by 80 bps YoY to 30.5%
- Net Profit for Q4FY25 increased by 52% YoY to Rs.20 cr. Average Selling Price improved by ~2% YoY to Rs.769 driven by premiumization. GO witnessed low SSSG of 2.1%/1% in Q4FY25/FY25. SSSG picked up in Q4, particularly in January and February, with the second half of March also being good due to the early EID.
- GO added 62 new Exclusive Brand Outlets (EBO) stores in FY25 bringing the total count to 776. EBO channels contribute ~70% of revenue. They are present in 2400 Large Format stores (LFS) with focus on deepening presence in Tier 2 & 3 cities. They aim to add 100-120 new stores on gross level every year from FY26.
- Go is piloting the introduction of women's everyday wear categories (basic kurtis, shirts, dresses, casual clothing) and selective men's everyday wear (polo shirts, chinos, lounge pants, casual shirts). The pilot with selective range of SKUs will involve adding these categories to 15-20 existing large EBO stores.
- Company's inventory days stood at 102 days in March 2025, same as March 2024. They believe there is room to optimize inventory further. Advertising and promotion spend as a percentage of revenue remained in line with previous commentary at 2% for FY25.
- Management believes operating cash flow is strong enough to fund the pilot and the planned 120-150 EBOs. The ability to convert 50% of EBITDA to operating cash flow and generate significant free cash flow highlights the business's financial health and its ability to fund expansion internally.
- Management is confident of opening of 100-120 EBO stores in FY26. They expect May and June SSG to be good, following a flattish April. They aim to improve SSG in FY26 to mid-single digits. Gross margins are expected to be in the range of 62-63%. Profitability margins are expected to be maintained as FY25.
- Company's FY25 PAT as per Pre IND-AS 116 is 14% higher than reported PAT and NPM is also superior at 12.6% vs reported 11%. Reported PAT in FY24 & FY25 is Rs.82.8 cr & Rs.93.5 cr, respectively. Against this free cash flows in FY24 & FY25 works to Rs.175.3 cr & Rs.173.5 cr, respectively (i.e. ~200% of PAT).

Valuation & View:

We have observed rise in average selling price and gross margin improvement consecutively for past 4 years. Strategy to remain asset light and debt free protects the company during sluggish phase. There is confidence in company's strategic store expansion plans and ability to maintain a healthy cash conversion cycle. GO has one of the highest margin profile in the retailing space where its net margins are equal to the EBIT margins of other peers. Consensus expects revenue to grow at CAGR of 17-18% in next two years. EBIT & PAT CAGR in next two years is expected to be 20% and 26%, respectively. Free Cash Flow margin of 20-21% is nearly 2x of net margin reported in last two year and likely to be in FY26e. As compared to 14-15% reported RoE the RoE on FCF basis works to ~27%. Given the superior financials we ascribe PE multiple of 50x on FY26e EPS arriving at the revised price target of Rs.1,050 in next 12 months leaving a potential upside of 22%. At the price target of Rs.1,050 the stock will trade at 24x on M.Cap/FCF or Price/FCF per share.

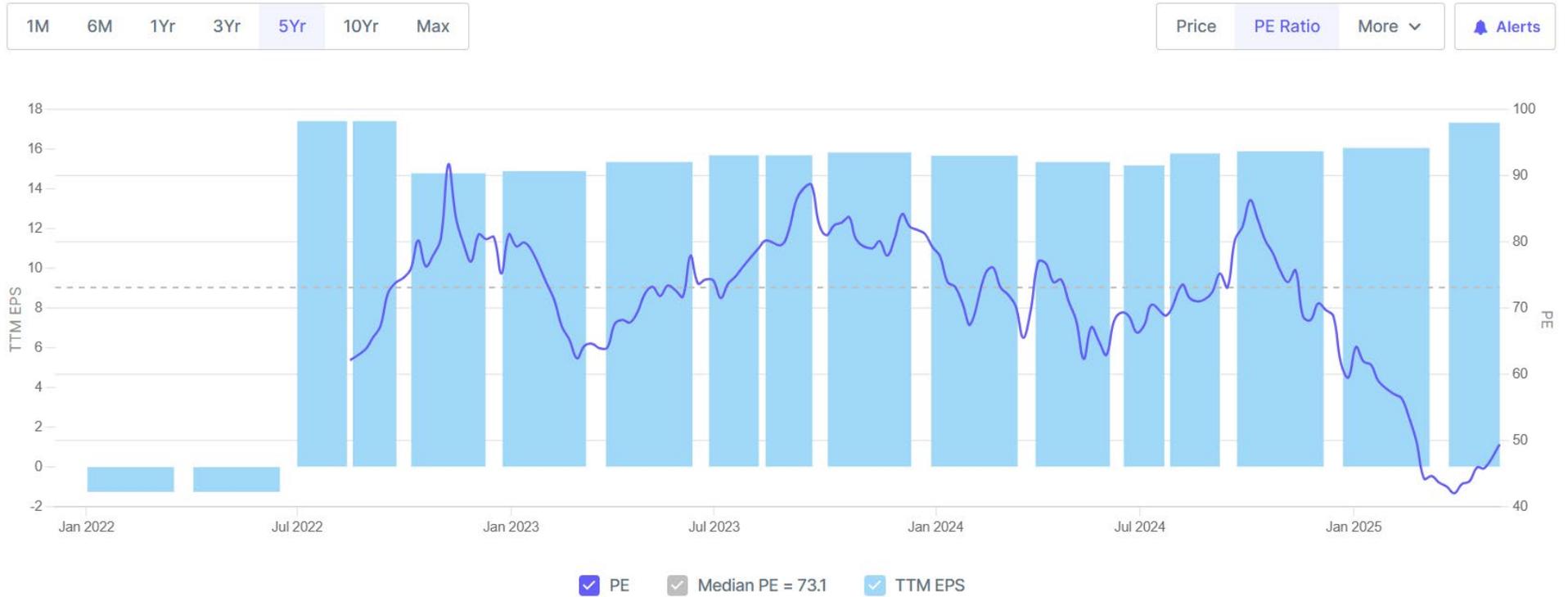
Go Fashion Ltd.: Financial Summary

Go Fashion Ltd. (Rs.cr) / CMP:	Rs.855	FY24a	FY25e	FY26e	FY27e
Revenue		763	848	993	1,173
% chg			11.2%	17.0%	18.1%
EBITDA		242	268	317	381
% chg			10.6%	18.4%	20.0%
Net Profit		83	94	113	150
% chg			12.9%	20.6%	32.7%
Free Cash Flows (FCF)		175	174	236	204
EPS (Rs.)		15.3	17.3	21.2	28.5
% chg			13.0%	22.5%	34.5%
EBITDA Margin		31.8%	31.6%	32.0%	32.4%
Net Margin		10.9%	11.0%	11.4%	12.8%
FCF Margin		23.0%	20.5%	23.8%	17.4%
FCF / Net Profit (%)		212%	186%	209%	137%
FCF Yield (%)		2.2%	2.2%	3.3%	4.2%
PE (x)		55.8	49.4	40.3	30.0
EV/EBITDA (x)		26.0	16.3	13.5	11.0
RoE (%)		15%	13%	15%	17%

Source: Marketscreener & 9 Rays Equiresearch



Go Fashion Ltd.: Valuation Chart (i.e. PE)



Go Fashion (Daily Price chart): In the last fall stock more halved from peak of Rs.1400 to below Rs.700. Post Q4 results stock has pulled back ~16% and now has the potential to touch the 200 DMA at Rs.1013. Break above 200 DMA can open the gate for Rs.1200 or Rs.1375. Downside is placed at 50 DMA or Rs.733.



Source: ACE, Spider Software



Short Disclosure:

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SELL	If one year downside is > -10%.

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