



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Cantabil Q4FY24 consolidated revenues came in at ₹194.11 Cr, up 11.6% YoY and up 10.44% QoQ.
- Op Profit for Q4FY24 stood at ₹43.94 Cr, up 4.54% YoY and down 18.96% QoQ.
- Op margins for Q4FY24 came at 22.64%, -153 bps YoY and -821 bps QoQ.
- PAT for Q4FY24 stood at ₹18.35 Cr, up 8.7% YoY and down 23.87% QoQ.

### 2. MANAGEMENT COMMENTARY:

- Management retained its target of reaching the revenue mark of Rs1000 cr by mid FY2027 and aggressive long term expansion plans.

### 3. SEGMENTAL ANALYSIS:

- Q4FY24 Revenue Breakup: Men's wear (83%), Women's wear (11%), and Accessories (4%), Kids wear (2%).
- Q4FY24 Geographical Revenue Breakup: North India (59%), West India (29.0%), East India (6%), Central India (6%), South India (1%).

### 4. CONCALL SUMMARY

- For Q4FY24, the Co registered a revenue growth of 11.6% YoY
- For Q4FY24, the Company registered a PAT growth of 8.7% YoY
- Inventory Days reduced from 144 days in FY23 to 136 days in FY24. One-time Inventory adjustment provision of Rs 2.64cr is made in Q4 FY24.
- Management has set a target of 6-7% SSSG in the coming year.
- Net addition of 86 stores in FY24, taking the total to 533. Target of ~700+ stores in the next 2 years, with a shift towards company owned stores.
- Revenue from online sales more than doubled in FY24, reaching Rs 33cr. Target online revenue of Rs 50cr in FY25.
- Marketing & Advertising spend target is ~ 2% of revenue.
- Capital work in progress increased by Rs23 cr in FY24.
- Company raised Rs 50.4cr from investors in Q4 FY24.
- Bahadurgarh plant expansion expected to be operational this month.
- Continued focus on maintaining gross margins at ~55-56%

### 5. FUTURE OUTLOOK:

- Discretionary spending is expected to improve with expectation of a normal monsoon season.
- Online channel expected to contribute 6-7% of overall revenue in FY25, with a long term target of 8-10%.
- Planned expansion in Tier 2 & Tier 3 cities with increased focus on exclusive women & kid wear stores
- Planning to embark on its international journey with the inauguration of its first exclusive brand outlet in Nepal.

### 6. VALUATION AND OUTLOOK:

- We expect strong growth momentum to resume from FY2025. Robust store expansion plans, entry into footwear & athleisure segment and improving consumer sentiment in Tier 2 & 3 cities are expected to drive growth. Sharp correction in the stock offers good entry point.
- **We initiate BUY rating on the stock and value the scrip at 23x FY26E EPS to arrive at a target price of ₹ 266.**

## RECOMMENDATION - BUY

**CMP – 213**

**TARGET – 266 (25%)**

Industry	Textiles
NSE CODE	CANTABIL
BSE CODE	533267
Market Cap (₹ Cr)	1785
Shares Outstanding (in Cr)	8.36
52 wk High/Low (₹)	279 / 181
P/E	29.2
P/BV	5.47
Face Value (₹)	2.00
Book Value (₹)	39.03
EPS (FY24) (₹)	7.60
Dividend Yield (%)	0.42
Debt / Equity	1.03
Interest Coverage	3.53

## SHAREHOLDING PATTERN

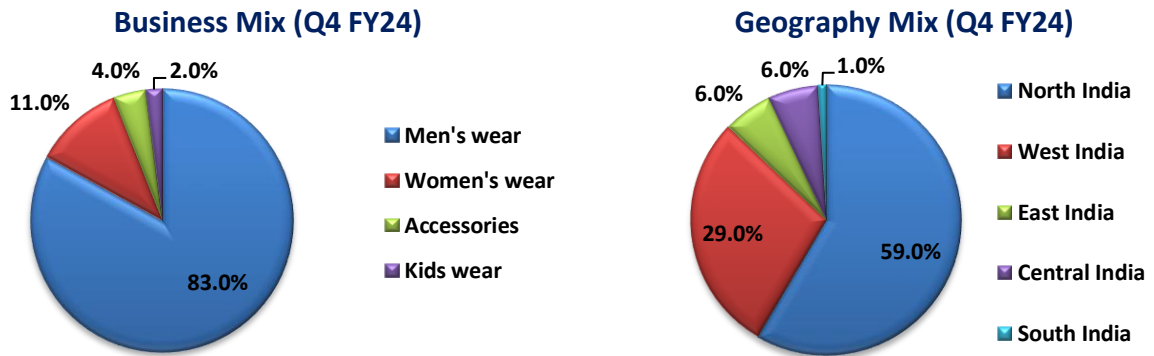
	Mar 24	Dec 23	Sep 23
Promoters	73.28	74.97	74.97
MF/ DII	0.00	0.00	0.00
FII/FPI	4.46	2.15	0.03
Retail & Others	22.26	22.88	25
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
<b>Crore</b>			
Sales	616.48	724.36	854.75
Sales Gr. (%)	11.5	17.5	18.00
EBITDA	162.74	196.30	235.91
EBITDA %	26.40	27.1	27.6
PAT	62.22	73.07	96.70
EPS (₹)	7.60	8.74	11.57
EPS Gr. (%)	-7.76	15.00	32.38
<b>Ratios</b>			
RoE (%)	22.7	22.35	29.57
RoCE (%)	36.7	28.58	35.45
<b>Valuation</b>			
P/E (x)	29.2	24.37	18.41

## Historical & Industrial Val Ratios

Historical P/E	33.8
Industry P/E	28.6
Historical P/B	6.9
Industry P/B	2.15

**REVENUE SPLIT (Q4 FY24)**

**QUARTERLY PERFORMANCE (CONSOLIDATED)**

(₹ Cr)

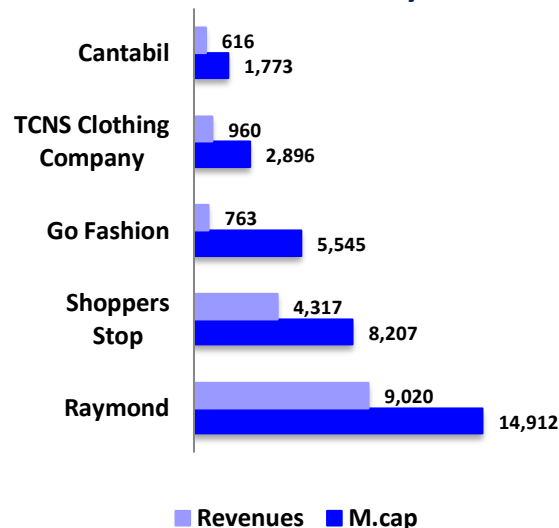
Y/E March	FY23			FY24				FY25E*	FY24	FY25E*
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		
<b>Net sales</b>	<b>116</b>	<b>162</b>	<b>174</b>	<b>112</b>	<b>135</b>	<b>176</b>	<b>194</b>	<b>129.92</b>	<b>616.48</b>	<b>724.36</b>
YoY change (%)	29.45%	23.23%	30.74%	10.98%	16.47%	8.29%	11.61%	16.00%	11.74%	17.5%
<b>Total Expenditures</b>	<b>85</b>	<b>107</b>	<b>132</b>	<b>77</b>	<b>106</b>	<b>122</b>	<b>150</b>	<b>89.64</b>	<b>453.74</b>	<b>528.06</b>
<b>EBITDA</b>	<b>31</b>	<b>55</b>	<b>42</b>	<b>34</b>	<b>30</b>	<b>54</b>	<b>44</b>	<b>40.28</b>	<b>162.74</b>	<b>196.30</b>
Margins (%)	27%	34%	24%	31%	22%	31%	23%	31%	26.40%	27.1%
Other income	1	1	1	1	1	1	3	1	4.68	4.40
Interest	6	7	7	7	7	8	8	8	29.77	30.97
Depreciation	13	14	14	13	14	17	17	17	62.35	72.30
<b>PBT</b>	<b>12</b>	<b>36</b>	<b>22</b>	<b>15</b>	<b>9</b>	<b>31</b>	<b>22</b>	<b>16.28</b>	<b>76.79</b>	<b>97.43</b>
Rate (%)	26%	25%	23%	19%	15%	22%	16%	22%	19.36%	25.00%
<b>Adjusted PAT</b>	<b>9</b>	<b>27</b>	<b>17</b>	<b>12</b>	<b>8</b>	<b>24</b>	<b>18</b>	<b>12.70</b>	<b>62.22</b>	<b>73.07</b>
<b>EPS in Rs</b>	<b>1.14</b>	<b>3.3</b>	<b>2.07</b>	<b>1.5</b>	<b>0.92</b>	<b>2.95</b>	<b>2.19</b>	<b>1.52</b>	<b>7.60</b>	<b>8.74</b>
<b>Key Performance Indicators</b>										
<b>Gross Margin (%)</b>	65.6%	59%	48%	65%	53%	60%	50%			
<b>No. of stores</b>	419	439	447	461	482	513	533			
<b>Retail Space( lac sq ft )</b>	4.9	5.2	5.3	5.5	5.9	6.3	6.6			
<b>Men's wear share</b>	<b>87%</b>	<b>84%</b>	<b>86%</b>	<b>83%</b>	<b>84%</b>	<b>82%</b>	<b>83%</b>			

Source: Company, Hem Securities Research.

## INDUSTRY OVERVIEW

- The Indian retail apparel market is estimated to be valued at approximately \$60-70 billion USD, solidifying its position as one of the largest apparel markets globally.
- Online sales of apparel and accessories have been a notable contributor to the market's growth, accounting for roughly 30-35% of total retail sales in this category.
- The organized retail sector, consisting of branded outlets and retail chains, represents about 35-40% of the overall apparel market, while the unorganized sector, including local shops and markets, holds the majority share.
- The Indian retail apparel market boasts a diverse mix of domestic and international brands, with domestic labels commanding roughly 60-65% of the market share.
- E-commerce platforms have witnessed remarkable growth in apparel sales, capturing approximately 20-25% of total apparel sales in India.
- On average, Indian consumers allocate around \$150-200 USD per capita annually for apparel and fashion accessories, with higher spending observed in urban centers compared to rural areas.
- The industry is a significant contributor to employment generation in India, providing livelihoods to millions of people, particularly in rural and semi-urban areas.

## Peer group in textile industry



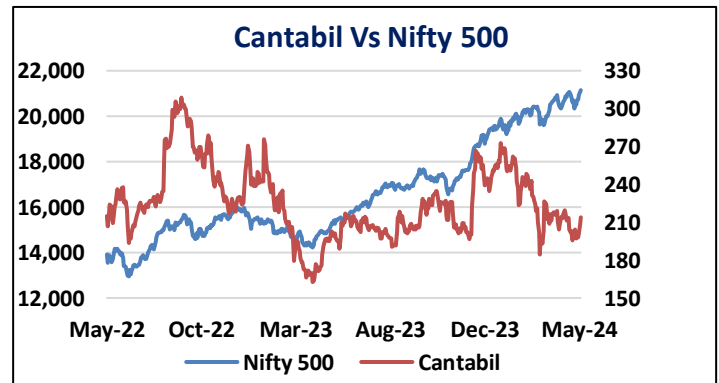
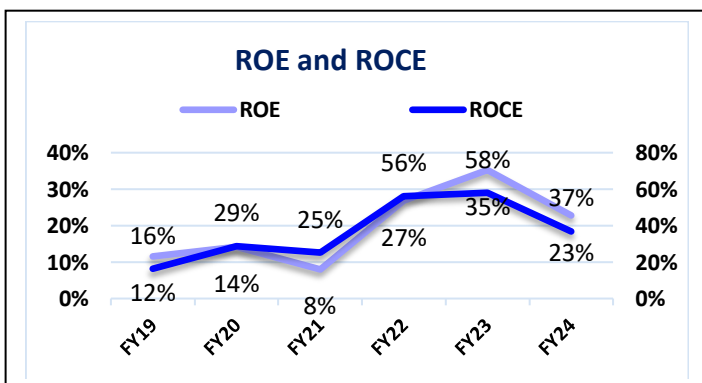
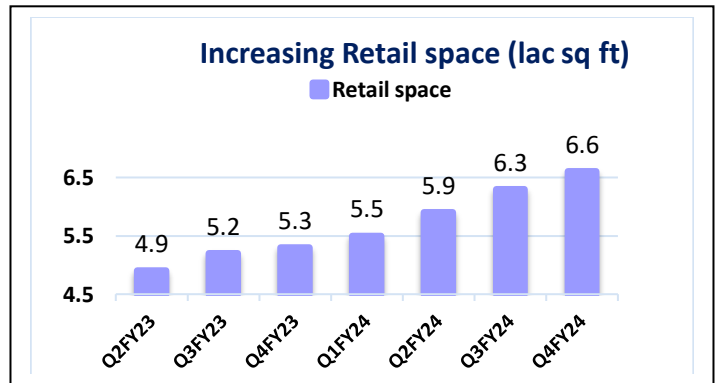
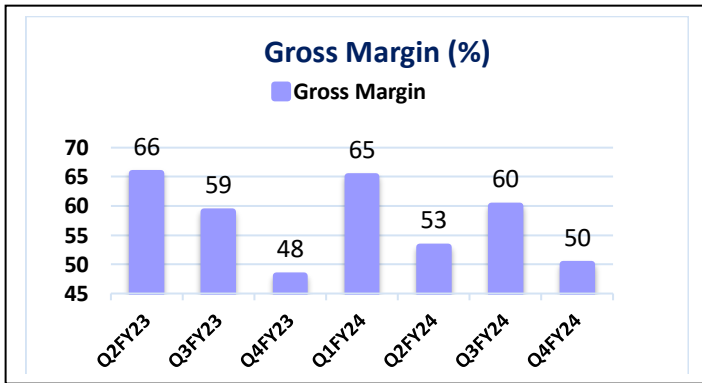
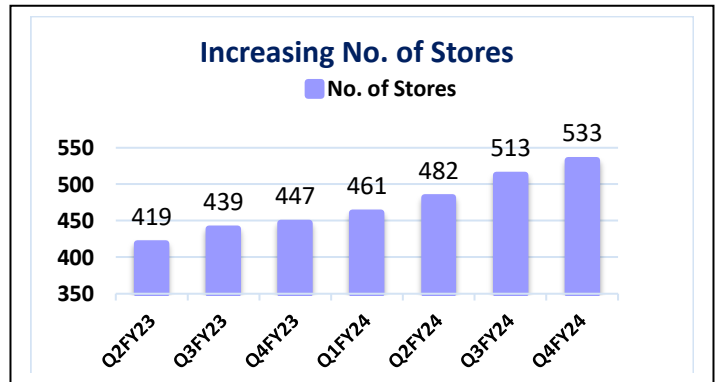
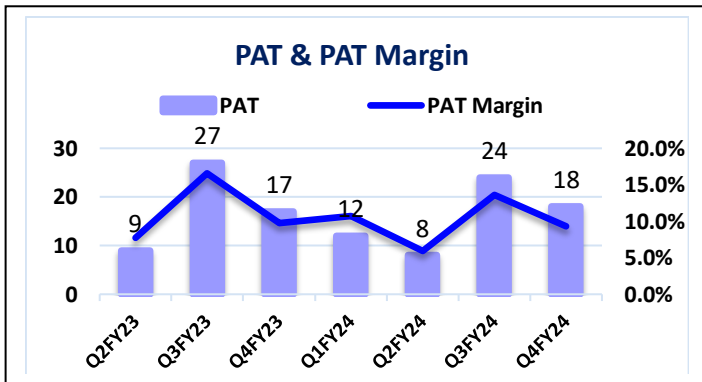
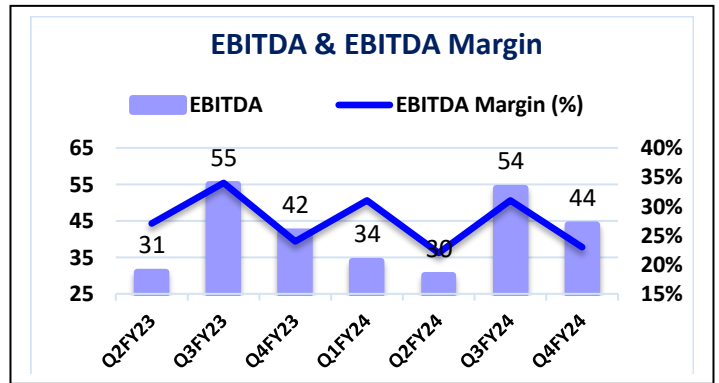
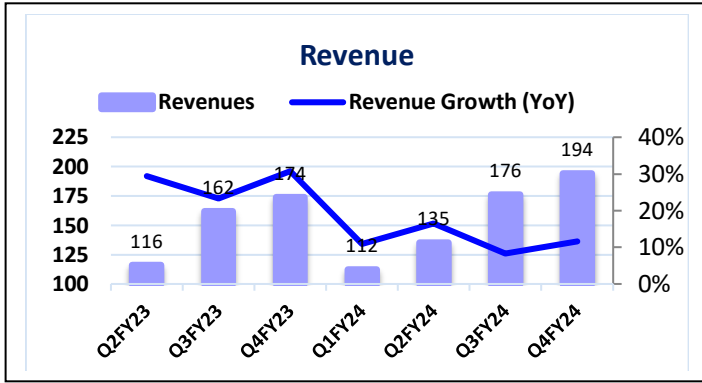
## PEER PERFORMANCE

(₹ Cr)

Particulars	Cantabil	TCNS Clothing	Go Fashion	Shoppers Stop	Raymond
Market Cap	1,773	2,896	5,545	8,207	14,912
Net Sales	616	960	763	4317	9020
EBITDA	163	(185)	242	717	1309
PAT	62	(289)	83	77	1643
EPS(₹)	7.44	(45.6)	15.33	7.03	246.01
EBITDA MARGIN %	26%	(19%)	32%	17%	15%
PAT MARGIN %	10.06%	(30.10%)	10.88%	1.78%	18.22%
ROCE %	23%	(28.7%)	15.4%	11.9%	31%
ROE %	37%	(63.1%)	14.7%	32.3%	44.6%
P/E TTM	29	NA	67	100	8.89
P/B TTM	5.43	9.54	9.21	27.3	3.18
EV/EBITDA	12.4	(20.3)	22.4	14.2	7.23
Dividend Yield %	0.43%	0.00%	0.00%	0.00%	0.13%
MCap/ Sales TTM	2.88	3.02	7.27	1.90	1.65

Source: Company, Hem Securities Research.

**STORY IN CHARTS**



## INVESTMENT RATIONALE:

- The management has maintained its goal of achieving revenue milestone of Rs1000 crore by mid FY27, along with ambitious long-term expansion strategies.
- Cantabil has entered the online retail space through collaborations with prominent e-commerce platforms. Online channel is expected to contribute 6-7% of overall revenue in FY25, with a long-term target of 8-10%
- Company is aiming to establish over 700 stores within the next two years, with a focus on transitioning towards company-owned outlets.
- The management recognizes substantial opportunities in Tier 2 and Tier 3 cities. Cantabil has purposefully implemented a strategy to penetrate these markets. In these smaller urban centers, there is a burgeoning population of aspirational consumers desiring brand association. Unlike many international and prestigious brands, which often prioritize larger cities and arrive at smaller towns later, Cantabil has proactively expanded into these regions over the last few years.
- CRIL anticipates a shift to positive SSSG starting from FY2025. This uptick in SSSG is projected to bolster store productivity and streamline operations, leading to margin enhancements. Additionally, CRIL intends to augment cash discounts on purchases and engage in more favorable negotiations with suppliers to mitigate raw material expenses.
- We anticipate a resurgence in robust growth momentum beginning in FY2025. The impetus behind this growth will stem from ambitious store expansion initiatives, forays into the footwear and athleisure segments, and a positive shift in consumer sentiment within Tier 2 and Tier 3 cities. The substantial correction in the stock presents an opportune entry point.

## RISK / NEGATIVE FACTORS:

- Cotton is key raw material for the company. Any significant change in global cotton prices could directly impact its operating margins.
- Company depends on third parties for significant portion of their sales and for management of their retail outlets. Disruption in such third parties operations could adversely affect the business.
- Inability to identify evolving fashion trends and create new designs may adversely affect business.
- Increased competition from rival brands, particularly in Tier 2 and Tier 3 markets, could potentially result in our forecasts falling short of expectations.
- Focusing primarily on serving a mid-premium market that is sensitive to pricing, the company might face challenges passing on significant rises in raw material costs to its customers, potentially impacting its profitability adversely.

## COMPANY RECAP

- Cantabil Retail Limited, established in 2000, stands as a prominent figure in India's apparel retail sector. Recognized for its blend of trendy yet affordable clothing catering to men, women, and children, Cantabil has secured a robust nationwide presence.
- Offering a diverse array of products spanning formal wear, casual attire, and accessories, Cantabil ensures its appeal to a broad consumer base. Through an extensive network of exclusive brand outlets, franchise stores, and online platforms, the company ensures widespread accessibility to its offerings.
- By employing efficient supply chain and cost-effective sourcing strategies, Cantabil maintains competitive pricing without compromising on quality. Its commitment to innovation allows it to adapt swiftly to changing fashion trends and consumer preferences, ensuring continued relevance in the market.
- Despite market fluctuations, Cantabil has demonstrated consistent profitability, showcasing resilience and adept financial management. Moreover, the company upholds corporate governance and sustainability standards, emphasizing ethical practices and environmental responsibility.
- With its strong market presence, growth potential, and commitment to ethical business practices, Cantabil Retail Limited remains a significant player in India's apparel retail landscape.
- The Cantabil brand offers the complete range of formal-wear, party-wear, casuals & ultracausal clothing for Men and Women in the middle to high income group.
- In the last 23 years, Cantabil has become a complete family wear brand with addition of women's wear segment in 2007 and Kid's wear in 2019.



## ANNUAL PERFORMANCE

### Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
<b>Revenue from operations</b>	<b>338.04</b>	<b>251.89</b>	<b>383.24</b>	<b>551.72</b>	<b>616.48</b>	<b>724.36</b>	<b>854.75</b>
Growth YoY (%)	17.15	-25.48	52.14	43.96	11.74	17.5	18.00
<b>Total Expenditure</b>	<b>253.30</b>	<b>192.48</b>	<b>271.75</b>	<b>386.19</b>	<b>453.74</b>	<b>528.06</b>	<b>618.84</b>
(%) of sales	74.93	76.42	70.91	70.00	73.60	72.90	72.40
<b>EBITDA</b>	<b>84.73</b>	<b>59.40</b>	<b>111.49</b>	<b>165.53</b>	<b>162.74</b>	<b>196.30</b>	<b>235.91</b>
EBITDA Growth (%)	164.58	-14.36	66.75	33.84	-1.69	20.62	20.18
EBITDA Margin (%)	26.30	30.23	33.13	30.80	26.40	27.1	27.6
Depreciation	44.19	39.09	43.30	52.50	62.35	72.30	81.30
<b>EBIT</b>	<b>44.72</b>	<b>37.05</b>	<b>83.68</b>	<b>117.44</b>	<b>105.07</b>	<b>128.4</b>	<b>159.31</b>
EBIT Growth (%)	80.96	-17.14	125.82	40.35	-10.53	22.20	24.07
Net Interest Expenses	20.71	24.80	24.09	28.16	29.77	30.97	30.37
Other Income	4.18	16.74	15.48	4.41	4.68	4.40	4.70
<b>Earnings before Taxes</b>	<b>24.01</b>	<b>12.26</b>	<b>59.59</b>	<b>89.27</b>	<b>76.79</b>	<b>97.43</b>	<b>128.94</b>
EBT Margin (%)	7.10	4.87	15.55	16.18	12.21	13.45	15.09
Tax-Total	7.58	2.59	21.53	22.04	14.58	24.36	32.24
Rate of tax (%)	31.56	21.16	36.13	24.69	19.36	25.00	25.00
<b>Net Profit</b>	<b>16.43</b>	<b>9.66</b>	<b>38.06</b>	<b>67.24</b>	<b>62.22</b>	<b>73.07</b>	<b>96.70</b>
PAT Growth (%)	31.44	-41.18	293.79	76.68	-9.70	17.44	32.34
PAT Margin (%)	4.86	3.84	9.93	12.19	10.09	10.08	11.31
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Adjusted PAT</b>	<b>16.43</b>	<b>9.66</b>	<b>38.06</b>	<b>67.24</b>	<b>62.22</b>	<b>73.07</b>	<b>96.70</b>
<b>EPS</b>	<b>2.01</b>	<b>1.18</b>	<b>4.66</b>	<b>8.24</b>	<b>7.60</b>	<b>8.74</b>	<b>11.57</b>
EPS Growth (%)	31.44	-41.18	293.79	76.68	-7.77	15.00	32.38

### Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	16	16	16	16	17
Reserves	102	108	144	205	310
Borrowings	263	235	246	286	336
Other Liabilities	67	70	89	103	112
<b>Total Liabilities &amp; Equity</b>	<b>448</b>	<b>429</b>	<b>496</b>	<b>611</b>	<b>774</b>
Fixed Assets	262	241	300	323	402
CWIP	1	2	1	12	35
Investments	0	0	0	0	0
Other Assets	185	185	194	275	337
<b>Total Assets</b>	<b>448</b>	<b>429</b>	<b>496</b>	<b>611</b>	<b>774</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	4.86	3.84	9.93	12.19	10.09
EBITDA margin (%)	26.30	30.23	33.13	30.80	26.4
EBIT margin (%)	13.23	14.71	21.83	21.29	17.29
ROE (%)	14.14	7.98	26.79	35.25	22.7
ROCE (%)	28.69	25.18	56.07	58.02	36.7
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	118	161	145	129	99
Inventory (Days)	393	514	419	498	429
Receivables (Days)	5	6.09	3.63	6	11
Current Ratio (x)	1.43	1.56	1.50	1.60	2.10
<b>Valuations Ratios</b>					
EV/sales (x)	1.78	1.07	2.48	3.91	3.39
EV/EBITDA (x)	15.30	4.07	8.19	11.79	12.5
P/E (x)	38.01	19.98	63.89	39.41	29.2
P/BV (x)	4.16	2.78	4.98	9.37	5.47
Dividend Yield (%)	0.00	0.50	0.26	0.27	0.42
Return on Assets (%)	6.46	5.09	2.29	8.38	8.0
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.36	0.32	0.12	0.00	1.03

<b>Cash Flow Statement</b>					
<b>Y/E March</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>CF from Operating activities (A)</b>	<b>62</b>	<b>67</b>	<b>90</b>	<b>75</b>	<b>127</b>
<b>CF from Investing Activities (B)</b>	<b>-13</b>	<b>-7</b>	<b>-41</b>	<b>-34</b>	<b>-52</b>
<b>CF from Financing Activities (C)</b>	<b>-48</b>	<b>-55</b>	<b>-54</b>	<b>-43</b>	<b>-41</b>
Net Cash Flow	<b>1</b>	<b>4</b>	<b>-5</b>	<b>-2</b>	<b>34</b>
Add: Opening Bal.	2.57	4.05	8.32	3.23	1.23
<b>Closing Balance</b>	<b>3.57</b>	<b>8.05</b>	<b>3.32</b>	<b>1.23</b>	<b>35.23</b>

Source: Company, Hem Securities Research.

## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
21 May 2024	Buy	266

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