



# MUFTI

Credo Brands Marketing Limited IPO (Mufti Menswear IPO) to be launched on Dec 19



Sector: Textiles - Products

Issue Opens - December 19, 2023 to December 21, 2023

Price Band  
₹266 to ₹280

Face Value  
₹2

Lot Size  
53 Shares

Issue Size  
₹549.78 Cr

Issue Type  
Book Built

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# Important Events

Issue Size

19,634,960 shares / ₹549.78 Cr)

Fresh Issue

19,634,960 shares / ₹549.78 Cr)

Offer for Sale

N/A

Basis of Allotment

Friday, December 22, 2023

Initiation of Refunds

Tuesday, December 26, 2023

Credit of Shares to Demat

Tuesday, December 26, 2023

MUFTI IPO Listing date

Wednesday, December 27, 2023

## Promoters

- **Kamal Khushlani (Chairman and Managing Director)**
- **Poonam Khushlani (Whole-Time Director)**
- **Dr. Manoj Nakra (Non-Executive Director)**
- **Amer Jaleel (Independent Director)**

Promoters collectively hold 53.66% (Post Issue) of the Equity Share.

# About The Company.



Credo Brands Marketing Limited, the force behind the iconic Mufti menswear brand, has been influencing Indian fashion for more than 25 years. Mufti, the brand itself, resonates with the vibrant spirit of Mumbai, providing fashionable and affordable casual wear for men who appreciate a lively and youthful outlook. Recognized for its deep understanding of Indian preferences and trendsetting designs, Mufti has captured a significant share of the premium and mid-premium menswear market. More than just a fashion choice, Mufti creates a community for its customers, celebrating their uniqueness and encouraging them to be confidently themselves. With a devoted fanbase and a proven history of growth, Credo Brands is set to continue its fashion journey, making an impact on the wardrobes and hearts of Indian men.

## Description of Their Business

They stand as prominent homegrown names in the mid-premium and premium segments of the men's casual wear market in India, holding substantial market share as of Fiscal 2022, according to the Technopak Report. Their commitment lies in furnishing a comprehensive wardrobe solution for various occasions in a customer's life. Their diverse product range spans from shirts and t-shirts to jeans and chinos, covering all-season clothing needs. Crafted with an emphasis on providing a youthful appearance, their products seamlessly align with prevailing fashion trends. The brand "Mufti," launched 25 years ago by its visionary promoter Kamal Khushlani, aimed to revolutionize menswear.

They sell their products all over India through different ways. They have their own stores called exclusive brand outlets (EBOs), big stores (LFSs), and other stores that sell many brands (MBOs). they also sell online through their website and other online marketplaces. They strategically plan where to sell so that their products are available where people like to shop, which is in 147 different places.



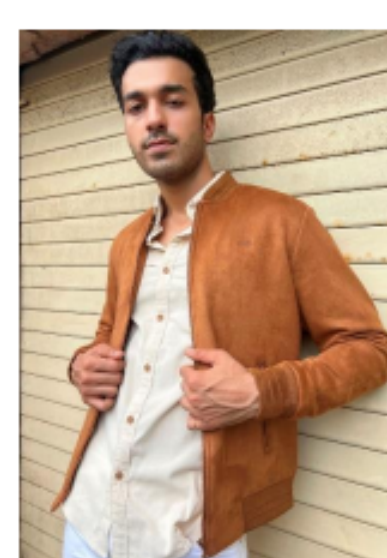
They organize their products into three main categories: topwear, bottomwear, and outerwear, covering a variety of price ranges. To enhance their brand, they've created a new way of organizing their products, aiming to capture more of the consumer's spending by offering designs suitable for specific occasions in their customers' lives. This includes everything from relaxed holiday outfits to authentic daily wear, urban casuals, party wear, and athleisure. They are focused on attracting shoppers who desire something more stylish than what mainstream brands offer. Their business approach involves both a lifestyle and category strategy. They present a coherent lifestyle display in their stores to effectively communicate their brand's lifestyle concept to the end consumer.



Jeans, chinos, cotton pants, joggers, cargos and shorts



Jackets, sweaters and blazers



## Objects of The Offer

The Company proposes to utilize the Net Proceeds towards the funding of the following objects:

- achieve the benefits of listing the Equity Shares on the Stock Exchanges
- carry out the Offer for Sale of up to 19,634,960 Equity Shares. Further, the Company expects that the proposed listing of its Equity Shares will enhance our visibility and brand image and provide liquidity to the Shareholders and a public market for the Equity Shares in India.

# Track Record Of Financial Performance

The table below sets forth a break-down of revenue from operations from their distribution channels for the periods indicated below:

Format of stores	Financial Year 2023		Financial Year 2022		Financial Year 2021	
	Amount(in ₹ million)	% of Total Revenue from Operations	Amount(in ₹ million)	% of Total Revenue from Operations	Amount(in ₹ million)	% of Total Revenue from Operations
EBOs	2,829.08	56.79%	1,768.60	51.84%	1,371.45	56.02%
MBOs	1,515.90	30.43%	1,099.77	32.24%	675.85	27.61%
LFSs	157.56	3.16%	114.65	3.36%	68.87	2.81%
Online*	254.45	5.11%	280.31	8.22%	201.05	8.21%
Others <sup>#</sup>	224.83	4.51%	148.39	4.35%	131.04	5.35%
<b>Total</b>	<b>4,981.82</b>	<b>100.00%</b>	<b>3,411.72</b>	<b>100.00%</b>	<b>2,448.26</b>	<b>100.00%</b>

\* Includes sales through our website and e-commerce marketplaces

<sup>#</sup> Includes sale of trims (such as fabric, buttons, labels, tags, zippers, etc.) and odd lot sale

Their key financial performance indicators for the last three Fiscals are as follows:

(Amount in ₹ Million, except % and ratios)

KPI	As of/ for the		
	Financial year ended March 31, 2023	Financial year ended March 31, 2022	Financial year ended March 31, 2021
Revenue from Operations <sup>1</sup>	4,981.82	3,411.72	2,448.26
Year-on-Year Growth in Revenue from Operations (%) <sup>2</sup>	46.02 %	39.35 %	(35.99) %
Gross Profit <sup>3</sup>	2,862.42	1,941.05	1,197.87
Gross Profit Margin <sup>4</sup>	57.46 %	56.89 %	48.93 %
EBITDA <sup>5</sup>	1,638.50	950.97	484.82
EBITDA Margin <sup>6</sup>	32.89 %	27.87 %	19.80 %
PAT <sup>7</sup>	775.14	357.40	34.41
PAT Margin <sup>8</sup>	15.56 %	10.48 %	1.41 %
Net Debt/Equity (number of times) <sup>9</sup>	0.65	0.44	0.62
ROCE <sup>10</sup>	28.16 %	17.31 %	5.86 %
ROE (Return on Equity) <sup>11</sup>	29.98 %	16.70 %	1.81 %
Fixed Assets Turnover Ratio (number of times) <sup>12</sup>	9.79	8.64	5.83
Debtor Days <sup>13</sup>	101	132	183
Inventory Days <sup>14</sup>	154	154	173
Creditor Days <sup>15</sup>	73	91	101
Net Working Capital Days <sup>16</sup>	182	195	255



# Statement of Profit and loss

(All amounts in INR millions, unless stated otherwise)

Particulars	Notes	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2021
1 Revenue from operations	24	4,981.87	3,411.77	7,448.76
2 Other income	25	111.40	136.63	163.28
<b>3 Total income (1+2)</b>		<b>5,093.22</b>	<b>3,548.35</b>	<b>2,611.54</b>
<b>4 Expenses</b>				
(a) Cost of material consumed	26	278.47	157.68	150.96
(b) Purchases of stock-in-trade	26	2,308.79	1,379.84	1,098.56
(c) Changes in inventories of finished goods and stock-in-trade	27	(467.85)	(66.85)	0.87
(d) Employee benefits expense	28	267.63	291.76	218.33
(e) Finance costs	29	177.48	150.42	167.20
(f) Depreciation and amortization expense	30	534.30	458.85	440.81
(g) Other expenses	31	956.28	698.32	494.73
<b>Total expenses</b>		<b>4,055.10</b>	<b>3,070.02</b>	<b>2,571.46</b>
<b>5 Restated Profit before tax (3-4)</b>		<b>1,038.12</b>	<b>478.33</b>	<b>40.08</b>
<b>6 Tax expense</b>				
Current tax	32	309.05	187.38	50.01
Short/(Excess) provision of income tax of earlier years		(1.42)	(6.52)	(6.16)
Deferred tax	10	(44.65)	(59.93)	(38.18)
<b>Total tax expense</b>		<b>262.98</b>	<b>120.93</b>	<b>5.67</b>
<b>7 Restated Profit for the year (5-6)</b>		<b>775.14</b>	<b>357.40</b>	<b>34.41</b>
<b>8 Other comprehensive income</b>				
<b>A Items that will not be reclassified to profit or loss</b>				
Re-measurement gain/(loss) on defined benefit liability		0.13	9.06	6.62
Tax related to above item		(0.03)	(2.28)	(1.67)
		0.10	6.78	4.95
<b>Total restated comprehensive income for the year (net of tax)</b>		<b>0.10</b>	<b>6.78</b>	<b>4.95</b>
<b>9 Total restated comprehensive income for the year (7+8)</b>		<b>775.24</b>	<b>364.18</b>	<b>39.36</b>
<b>Earnings per share face value of ₹2 each fully paid up</b>				
Basic earnings per share (in Rs.)	35	12.06	5.60	0.54
Diluted earnings per share (in Rs.)	35	12.06	5.56	0.54



# Strengths

- Strong brand equity with presence across categories.
- It also has a multi-channel pan-India distribution network.
- The company operates on a scalable asset-light model.
- It has strong in-house design competencies to deliver innovative and high-quality products with end-to-end tech-enabled supply chain capabilities.
- Its business model is financially stable.
- Experienced promoters and management team.

# Risks

- The business is subject to changing consumer preferences.
- Operates in a highly competitive industry.
- A substantial portion of the revenue is from its offline retail channels.
- Negative reviews from customers may have an adverse impact on the brand.
- The business is subject to seasonality.
- Prone to payment-related risks, including risks associated with cash payments, online payment mechanisms and payment processing risks.
- Its subsidiary has reported losses in the past.
- It has substantial working capital requirements.

# Valuation and Outlook



The issue's price range, in terms of valuation, is ₹266 to ₹280 per share. A P/E ratio of Credo Brands Marketing Limited (Mufti Menswear) is 23.21x is based on a price range above INR 280 and FY23 EPS of INR 12.06 with an industry average of 95.19x.

## COMPARISON WITH LISTED INDUSTRY PEERS ( As of Mar 31,2023)

Name of the company	Face Value (₹ Per Share)	Market Capitalisation (in ₹ million)	Closing price on July 7, 2023 (₹)	Total Revenue for Fiscal 2023 (in ₹ million)	EBITDA (₹ in million)	EPS (₹)		NAV (₹ per share)	P/E	ROCE (%)	RONW (%)	Mcap/Revenue	EV/EBITDA
						Basic	Diluted						
Credo Brands Marketing Limited*	10	-	-	5,093.22	1,638.50	12.06	12.06	43.76	-	28.16	29.98	-	-
<b>Peer Group</b>													
Aditya Birla Fashion and Retail Limited	10	202,616.71	213.55	1,25,343.60	15,004.20	(0.38)	(0.38)	35.24	-	4.64	(1.18)	1.62	3.92
Go Fashion (India) Limited	10	59,242.45	1,096.90	6,771.94	2,122.86	15.33	15.33	96.36	71.55	21.45	17.27	8.75	0.17
Arvind Fashions Limited@	4	46,449.13	349.70	44,735.80	4,526.40	2.84	2.83	68.48	123.13	13.72	4.42	1.04	2.40
Kewal Kiran Clothing Limited	10	35,046.24	568.70	7,996.70	1,517.80	19.31	19.31	88.76	29.45	27.84	23.22	4.38	(0.69)

Sources: RHP

The company operates in a fiercely competitive sector and doesn't have its own manufacturing unit; instead, it relies on a third-party contract model. Despite the cutthroat market competition, the company has experienced significant profit growth. With 1807 touchpoints spread across 591 cities, let's delve into its financials, In FY 2023, sales surged by an impressive 46% to reach Rs 498.18 crore. This boost in revenue can be attributed to the expansion of Exclusive Brand Outlets (EBOs) from 321 as of March 31, 2022, to 373 as of March 31, 2023. It's noteworthy that certain periods in fiscal 2022 were affected by the Covid-19 pandemic. The Operating Profit Margin (OPM) saw a noteworthy increase of 502 basis points, reaching 32.89%, resulting in a substantial 72.3% rise in operating profit to Rs 163.85 crore. On the flip side, other income declined by 18.5% to Rs 11.14 crore. Interest costs rose by 18.0% to Rs 17.75 crore, and depreciation increased by 16.4% to Rs 53.43 crore. Profit Before Tax (PBT) witnessed a remarkable surge of 117.0% to Rs 103.81 crore. Tax expenses also increased by 117.5% to Rs 26.30 crore. Consequently, net profit reached Rs 77.51 crore, compared to the FY2022 net profit of Rs 35.74 crore.

Given the potential for good listing gains, we recommend **subscribing** to this Initial Public Offering (IPO) and holding it in your portfolio for the long run.



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