



SMC Ranking
★☆☆☆☆ (1/5)

Issue Highlights

Industry	Retail
Offer for sale (Shares)	19,634,960
Net Offer to the Public	19,634,960
Issue Size (Rs. Cr.)	522-550
Price Band (Rs.)	266-280
Offer Date	19-Dec-23
Close Date	21-Dec-23
Face Value	2
Lot Size	53 shares

Issue Composition

Issue Composition	In shares
Total Issue for Sale	19,634,960
QIB	9,817,480
NIB	2,945,244
Retail	6,872,236

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	68.82%	55.40%
QIB	23.63%	27.91%
NIB	7.55%	6.01%
Retail	0.00%	10.69%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The objectives of the Offer are to (i) achieve the benefits of listing the Equity Shares on the Stock Exchanges and (ii) 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 visibility and brand image and provide liquidity to the Shareholders and a public market for the Equity Shares in India.

Book Running Lead Manager

- DAM Capital Advisors Limited
- ICICI Securities Limited
- Keynote Financial Services Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Incorporated in 1999, Credo Brands Marketing Limited offers casual clothing for men with its flagship brand "Mufti". In 1998, the company's product range consisted only of shirts, T-shirts and trousers. Today, however, the company offers a wide range of products including sweatshirts, jeans, cargos, chinos, jackets, blazers and sweaters. These products are available in different categories, e.g. relaxed casual wear for vacations, authentic everyday wear, urban casual wear, party wear and athleisure. The company currently operates 1,773 retail outlets across India (as of May 31, 2023). These include 379 Exclusive Brand Stores (EBOs), 89 Large Format Stores (LFSs) and 1,305 Multi-Brand Stores (MBOs). The company's reach extends from major metropolitan areas to Tier 3 cities. As of March 31, 2023, March 31, 2022, and March 31, 2021, the company is present in 582, 598 and 569 cities, respectively.

Strength

Strong brand equity with presence across categories: Launched in the year 1998, brand "Mufti" is a recognized brand with 25 years of presence in India. Its products are designed to provide a youthful appearance while keeping up with the ongoing fashion trends. Its diverse products range comes under the mid-premium to premium price range of clothing in India. The company has launched "Muftisphere" in the year 2014, a customer loyalty programme, to provide benefits to its customers for shopping the brand thereby increasing their stickiness with the brand. The company believes that it has a strong brand recall amongst the customers.

Multi-channel pan-India distribution network: EBOs have traditionally been prime distribution channel to drive sales. Through EBOs, the company endeavors to offer a holistic in-store brand experience to its customers. Out of total 404 EBOs as of September 30, 2023, approximately 66.34% of EBOs are on the high streets, approximately 32.18% are in malls, and approximately 1.49% of EBOs are in airports. In addition to EBOs, It also has a strong presence through its MBOs and LFS across all geographical zones in India

Scalable asset light model: Its selling points are divided into EBOs, MBOs, LFSs and online sales. Its asset light model also covers every aspect of sales operations, with none of its stores being situated on properties owned by the company. Its asset light model provides for scalability and enables it to open EBOs in a time efficient manner.

Strong in-house design competencies to deliver innovative and high-quality products with end-to-endtech-enabled supply chain capabilities: it believes that its focus on expressiveness and boldness in designs differentiates it from its competition and helps it in targeting shoppers who want something more stylish than other mainstream brands. Further, it believes, its designs are in line with the global trends in casual wear. To ensure this, it has an experienced in-house textile print and pattern team, comprising of experienced graphic designers, illustrators, textile designers, and technicians. This allows the company to deliver different designs to its consumer season on season. As of September 30, 2023, its design team has 17 members.

Strategy

Expand domestic store network in existing and new cities: As part of growth strategy, Credo Brands intends to continue increasing its presence by setting up new EBOs and expanding EBO network in existing as well as additional regions across India. It expects emerging demand from such cities will help fuel growth. Having established EBOs primarily

in major metro, Tier 1, Tier 2 and Tier 3 cities in India, it intends to expand its focus and establish additional EBOs on the basis of existing model, across emerging Indian markets. It intends to leverage its past efforts and experience, to expand its presence across several markets in India which it has identified as having potential for opening further EBOs. It expects to leverage its existing store network and its knowledge of different markets in India to tap this growth opportunity.

Enhancement of brand appeal through focused marketing initiatives: Mufti has been able to build a resonance with consumers through multiple marketing, advertising and customer engagement initiatives. Credo Brands intends to continue enhancing the brand recall of its products through the expansion of EBOs footprint as well as the use of targeted marketing initiatives including digital marketing campaigns, email communications, social media advertisements, event sponsorships, brand ambassador content, multiplex cinemas, and outdoor advertising. It also uses in-store communications and visuals, store facades and store shutters for advertising its brand.

Deeper penetration to grow sales through online channels by capitalizing on the increasing e-commerce demand in Indian retail: As it strengthens its brick-and-mortar presence, it continues to drive consumer interest by engaging with them on its online platform. With the continued digital promotion, and timely updates the company expects to penetrate deeper which will help to grow share of sales from website. For Fiscal 2023, 5.11% of its revenue from operations was generated from online channels, with a majority coming from all leading third-party online marketplaces. Further, it redesigned its website in line with its brand reinvention and merchandise architecture.

Focused expansion of product portfolio to become a men's lifestyle brand: As part of its ongoing journey to evolve brand Mufti as a men's lifestyle brand, it intends to expand wardrobe solutions. Its design team is currently considering designing a line of shoes, caps and socks that will complement its existing offerings to make Mufti a 360° men's lifestyle brand. It believes that this will allow it to add new customers whereas reinvigorate the faith of existing customers in the brand thereby leading in an increase of its share of the consumer's wallet.

Leverage technology to improve supply-chain management and enhance customer experience: It intends to continue investing further in IT infrastructure to improve productivity and time savings in order to increase its operating efficiency and continue to ensure efficient supply chain management. Its supply chain management solutions include IT capabilities / software for tracking stocks at stores, placement of orders for replenishment of stocks at stores, managing eCommerce orders and processing of credit notes to be issued to distributors. It also uses software for improving the customer experience, by allowing customers to order products lying at any location in India from any physical store.

Risk factor

- The company operates in highly competitive markets in each of product segments in both offline and online channels and an inability to compete effectively may adversely affect its business, results of operations and financial condition.
- The business of the company is subject to seasonality.
- The business of the company depends on continual purchases of products and timely payments by its franchise stores, both in short and long term.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Bharat Forge Limited	14633.87	668.63	14.78	80.77	7.93	150.61	2	1193.75	55579.64
Craftsman Automation Limited	3946.09	298.29	141.18	35.62	6.98	720.64	5	5028.25	10623.84
Ramkrishna Forgings Limited	3542.95	290.22	16.05	46.52	5.30	140.76	2	746.65	13497.65
Sona BLW Precision Forgings Limited	2936.70	462.80	8.05	69.09	13.40	41.49	10	556.15	32614.96
Happy Forgings Limited	1269.63	211.60	25.29	33.61	4.73	179.66	2	850.00	7112.45

*Peer Comparison are based on TTM

**Credo Brands Marketing Limited Financials are FY23.

Valuation

Considering the P/E valuation on the upper price band of Rs.280, EPS and P/E based on FY23 are Rs.23.23 and 12.05 multiple respectively and at a lower price band of Rs.260, P/E multiple is 21.57. Looking at the P/B ratio on the upper price band of Rs.280, book value and P/B are Rs. 43.75 and 6.40 multiple respectively and at a lower price band of Rs. 260 P/B multiple is 5.94. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

Industry Outlook

Apparel market size in India was valued at INR 5,476 Bn (USD 68.45 Bn) in FY 2023 and projected to grow at a CAGR of ~18% between FY 2023 and FY 2027 to reach INR 10,683 Bn (USD 133.5 Bn) by FY 2027 on the back of factors like higher brand consciousness, increasing digitization, greater purchasing power and increasing urbanization. Mufti operates in the apparel market.

Outlook

The company is engaged in providing a meaningful wardrobe solution for multiple occasions in a customer's life, with its product offerings ranging from shirts to t-shirts to jeans to chinos, which caters to all year-round clothing. It is operating in a highly competitive segment and has no own manufacturing unit, but deals of third party contract model. A high risk appetite investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	19-December-23
BID/ISSUE CLOSES ON	21-December-23
Finalisation of Basis of Allotment with the Designated Stock Exchange	22-December-23
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	26-December-23
Credit of Equity Shares to demat accounts of Allottees	26-December-23
Commencement of trading of the Equity Shares on the Stock Exchanges	27-December-23

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	118.49	498.18	341.17
Total expenditure	88.24	334.33	246.08
Operating Profit	30.25	163.85	95.10
OPM%	25.53	32.89	27.87
Other Income	0.94	11.14	13.66
PBDIT	31.19	174.99	108.76
Depreciation	14.51	53.43	45.89
PBIT	16.68	121.56	62.88
Interest	5.37	17.75	15.04
Profit/(Loss) before Tax	11.31	103.81	47.83
Tax	2.74	26.30	12.09
PAT	8.58	77.51	35.74

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	65.95	61.54	40.28
Right of use asset	186.01	173.13	137.13
Capital work-in-progress	0.00	0.21	0.56
investment Property	1.66	1.67	1.70
intangible assets	0.34	0.38	0.14
Financial Assets			
Deferred Tax Assets	19.82	20.25	15.79
Other Financial Assets	15.66	12.68	15.11
Non Current Tax assets	3.88	1.50	1.89
Other Non-Current Assets	15.40	15.49	11.66
Total non-current assets	308.72	286.84	224.25
Current assets			
Inventories	112.26	113.40	65.74
Financial Assets			
Trade Receivables	146.85	137.31	123.59
Cash and Cash Equivalents	1.47	8.14	50.65
Bank Balances other than cash and cash equivalents as above	0.78	0.77	0.75
Other Financial Assets	5.17	8.03	3.49
Other Current Assets	17.13	19.99	7.58
Total current assets	283.65	287.65	251.80
Total Assets	592.38	574.48	476.05
Non-current liabilities			
Financial liabilities			
Borrowings	5.92	6.76	10.08
Lease Liabilities	164.90	151.24	111.11
Other financial Liabilities	36.63	35.54	31.65
Provisions	4.07	3.82	3.54
Total non-current liabilities	211.52	197.35	156.37
Current liabilities			
Financial Liabilities			
Borrowings	5.37	3.32	3.39
Lease Liabilities	31.56	30.59	29.67
Trades Payable - MSME	6.25	11.83	8.51
Trade Payables - other than MSME	20.79	30.64	28.14
Other financial Liabilities	1.61	2.33	1.06
Other current liabilities	22.49	14.48	11.36
Provisions	2.91	2.58	1.83
Total current liabilities	90.98	95.78	83.95
Total	302.50	293.13	240.32
Net worth represented by:			
Equity Share Capital	12.9	3.2	3.2
Other equity	277.0	278.1	232.5
Net Worth	289.88	281.35	235.73

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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