

The Issue	
Type of Issue	Issue size Rs. Mn
Fresh Issue	-
Offer for Sale	5500
Total	5500
Post issue mkt cap (Rs. bn)*	18
Lot size	53

*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
Total	100%
Indicative Offer Timeline	
	Indicative Date
Bid/Offer Opening Date	19th Dec 2023
Bid/Offer Closing Date	21st Dec 2023
Finalization of the Basis of Allotment	22nd Dec 2023
Initiation of refunds	26th Dec 2023
Credit of shares	26th Dec 2023
Listing Date	27th Dec 2023
Use of Proceeds	
Offer for Sale	
Manager:	DAM Capital, ICICI Securities, Keynote Financials.
Registrar	Link Intime India Private Limited

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Prominent Player in Men's Casual Wear...

Credo Brands Marketing Ltd is mainly engaged in the business of selling of fashion casual garments and accessories under the brand name “**MUFTI**”. The company product portfolio includes shirts, T-shirts ,jeans ,chinos, jackets and many more.

The company is primarily involved in the retail of the garments and accessories and it does not manufacture any of the apparel sold. **Mufti has a market share of 1.28% in Casual Led branded market for Men's Western Wear in Mid+ price segment.**

The Mufti Brand was launched 25 years ago by the promoter to redefine menswear. In the initial stage the company used to only sell shirts, T-shirts, and trousers. As of today the company has expanded its offerings to sweatshirts, jeans, cargos, chinos, jackets, blazers and sweaters in relaxed holiday casuals, authentic daily casuals to urban casuals, party wear and also athleisures.

Company sells its products through multiple channels, this includes Exclusive Brand Outlets (EBOs),Large format stores (LFs), Multiple-brands Outlets (MBOs), Online Channels comprising of Own stores and other E-commerce Marketplaces.

As of H1FY24 company has 1807 touchpoints, with EBOs at 404 stores, followed by LFs at 71, and MBOs at 1332 stores. Additionally, the company has a presence in 591 cities.

Company operates its business on a very asset light model wherein it outsources all of its manufacturing and additionally it also does not own any properties where it operates its stores.

Valuation and Outlook:

At the upper price band of Rs 280, the IPO is priced at a P/E of 23.2x on FY23 EPS, which is a discount to the industry avg PE. Credo brands marketing (Mufti) a casual men's wear retailer has grown its revenue/Ebitda at a CAGR of 43%/84% respectively, this makes this IPO an attractive proposition. Additionally, the company has 1807 touchpoints and have presence in 591 cities. Overall due attractive valuation, good financial track record, a solid distribution network ,and industry specific factors (**double digit growth in the men's wear segment, urbanization, growing middle class**), we assign a **SUBSCRIBE** rating to the IPO.

Credo Brands Marketing Ltd (Mufti)

Key financial summary

Financial summary (Rs. mn)	FY21	FY22	FY23	3MFY24
Revenue	2,448	3,412	4,982	1,185
Ebitda	485	951	1,639	303
Ebitda margin	1.8%	14.4%	22.2%	13.3%
PAT	34	357	775	86
PAT Margin	1.4%	10.5%	15.6%	7.2%
ROE	1.8%	15.2%	27.6%	3.0%

Pre-issue and post-issue holding structure

	Pre-issue	Post-issue*
Shareholding pattern	Holding (%)	Holding (%)
Promoter & Promoter Group	68.82%	55.40%
Public	31.18%	44.60%
Total	100%	100%

* At upper price band

Key Risks:

- Outsourcing of Manufacturing:** While the design of mufti products are in-house, company rely on outsourcing the manufacturing of finished products to third-party manufacturing partners, without exclusivity arrangements and are dependent on them for their finished goods. As of September 30, 2023, company had a network of 48 manufacturing partners for procurement of finished products. If their existing manufacturing partners, temporarily or permanently, are unable to provide them with the finished products it may adversely affect their business operations.

Particulars	H1FY24	FY23	FY22	FY21
Number of Manufacturing Partners	48	54	50	53

- Dependence on Offline distribution channels:** The majority of the company's revenue from operations was derived from offline retail distribution channels. Additionally company intends to continue to remain reliant on offline retail distribution channels in the near future.

Particulars	% of Total revenue from operations			
	H1FY24	FY23	FY22	FY21
Number of Manufacturing Partners	13.95%	5.11%	8.22%	8.21%

Credo Brands Marketing Ltd (Mufti)

Risk (continued)

- **Dependence on franchisee owned stores:** Company's business depends on continual purchases of their products and timely payments by their franchise stores, both in short and long term. As on September 30, 2023, out of the total 404 EBOs, 32.18% are COCO i.e. 130, 41.58% are COFO i.e. 168 and 26.24% are FOFO i.e. 106.

EBO Counter Sales	% of Total EBOs Counter Sales			
	H1FY24	FY23	FY22	FY21
COCO EBOs	28.60%	28.50%	23.70%	24.60%
COFO EBOs	48.00%	47.00%	49.05%	50.30%
FOFO EBOs	23.40%	24.50%	27.25%	25.10%

Key Performance Indicators

Format of stores	% of Total Revenue from Operations			
	H1FY24	FY23	FY22	FY21
EBOs	61.00%	56.79%	51.84%	56.02%
MBOs	17.89%	30.43%	32.24%	27.61%
LFSs	2.46%	3.16%	3.36%	2.81%
Online	13.95%	5.11%	8.22%	8.21%
Others	4.70%	4.51%	4.35%	5.35%
Total	100.00%	100.00%	100.01%	100.00%

Particulars	H1FY24	FY23	FY22	FY21
Avg. Cost of Capex per EBO (Rs. Mn)	2.21	2.85	2.56	2.07
Avg. Revenue per EBO (Rs. Mn)	1.79	7.58	5.51	4.48
Avg. Revenue per Products Sold (Rs.)	1307.59	1348.21	1,207.94	1,023.25
Avg. Ticket Value per Bill for EBO (Rs.)	4411.87	4156.95	3,442.13	2,939.97

Credo Brands Marketing Ltd (Mufti)

Strengths

Strong brand equity with presence across categories:

- Company provides a wide range of products for multiple occasions in a customer’s life, with their product offerings ranging from shirts to t-shirts to jeans to chinos to jackets, which caters to all year-round clothing with a prominent focus on casual wear
- Company products range comes under the mid-premium to premium price range of clothing in India. Their product’s main competitors, in the similar price brackets, are brands such as Jack & Jones, Levi’s, Pepe Jeans and U.S. Polo.
- Further, the company have a longstanding relationship with their partners across their manufacturing, supply and distribution network with some of these partners being with them since the inception of the brand. As of September 30, 2023, company has a network of 48 fabric and accessories suppliers and 48 manufacturing partners with the top five suppliers from whom they source the raw materials and manufacturing partners being associated with them for an average of 8 years each.

Multi-channel pan-India distribution network:

The company has a pan India presence with their reach extending from Major Metros to Tier -3 cities. EBOs have traditionally been their prime distribution channel to drive their sales. Out of total 404 EBOs as of September 30, 2023, approximately 66.34% of their EBOs are on the high streets, approximately 32.18% are in malls, approximately 1.49% of their EBOs are in airports.

Channel	Central	East	North	South	West	Total
EBO	44	76	117	61	106	404
MBO	188	431	278	182	253	1332
LFS	5	12	11	17	26	71
Total	237	519	406	260	385	1807

Scalable asset light model:

Company outsources thier manufacturing operations, while all aspects of design are managed in-house. This helps them to maintain an asset-light model with respect to PPE. Company drives efficient partnerships from the back-end to front-end without a need to invest in developing manufacturing facilities. This structure provides them agility with their longstanding sourcing partners allowing them to increase or decrease their supply based on the demand from their various channels. Company’s asset light model also covers every aspect of their sales operations, with none of their stores being situated on properties owned by them. Company generally enters into long term lease agreements ranging from 5 to 9 years. Majority of their lease agreements, for their high street stores can, only be terminated at the discretion of the Company, post completion of lock-in period which is upto 3 years.

Credo Brands Marketing Ltd (Mufti)

Strategies

- **Expand domestic store network in existing and new cities:** As part of the growth strategy, company intends to continue increasing their presence by setting up new EBOs and expanding their EBO network in existing as well as additional regions across India. Company expects emerging demand from such cities will help fuel their growth. For Q1FY24 and for the FY23 , FY22 and FY21, company added 16, 67, 45 and 34 EBO stores, respectively. Further, in Q2FY24, company added 21 EBOs.
- **Deeper penetration to grow sales through online channels by capitalizing on the increasing e-commerce demand in Indian retail**
- **Focused expansion on product portfolio to become a men’s lifestyle brand:** company intends to make mufti a lifestyle brand which why the company design team is currently considering designing a line of shoes, caps and socks that will complement their existing offerings to make *Mufti* a 360° men’s lifestyle brand.

Price Points

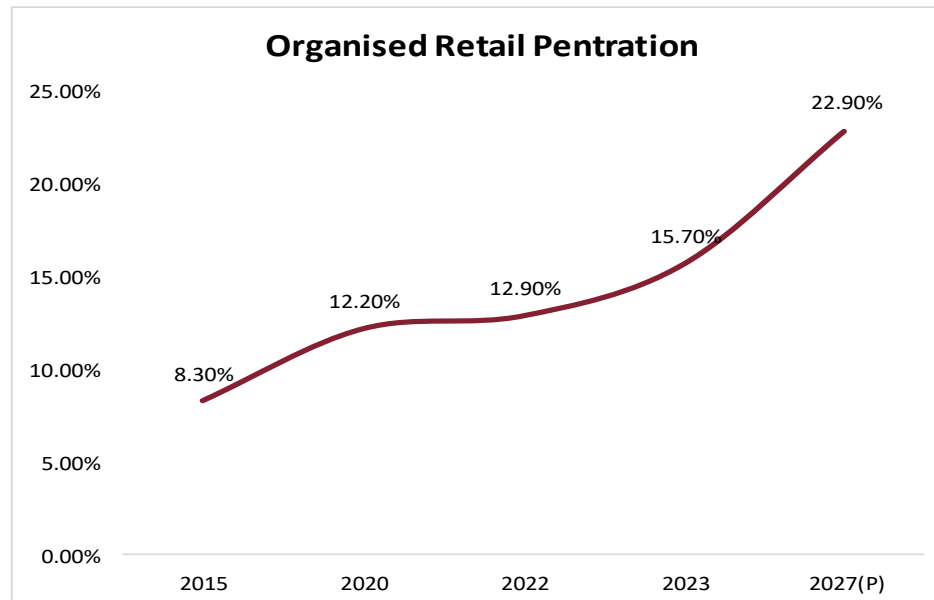
Product Type	Product portfolio	MRP
Topwear		Rs.1200-4000
Bottomwear		Rs.1700-5300
Outerwear		Rs.2800-7500

Credo Brands Marketing Ltd (Mufti)

Industry overview

Retail market in India

- The market was valued at \$951 Bn in FY23 and is projected to grow at a **CAGR of 10.4%** to reach \$1,418 Bn by FY 2027.
- In Fiscal 2023, India's retail basket was approximately **48% of its private consumption** and it is expected to maintain roughly this share in private consumption for the next four years.
- The apparel and accessories market in India was estimated at ~Rs.5,512 billion as of FY23 and was one of the largest segments of the Indian retail sector. **The share of Apparel & Accessories in overall retail is expected to reach 9.4% in 2027 from 7.2% in FY 2023, and 6.1% in FY 2022.**
- Apparel and Accessories is also **expected to be the fastest growing sector in the retail basket, with an estimated CAGR of 20.8% from FY 23-27.**

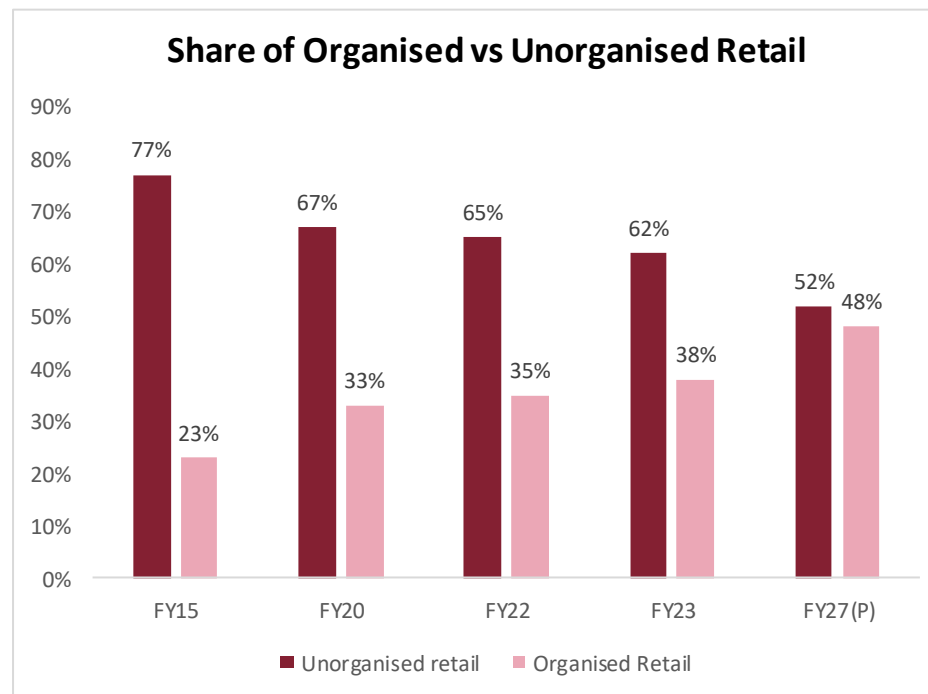


Credo Brands Marketing Ltd (Mufti)

Industry overview

Indian Apparel Market

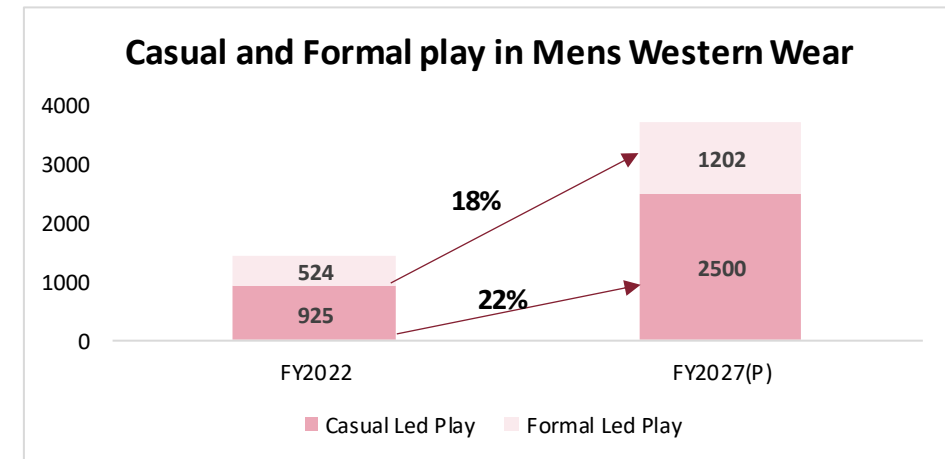
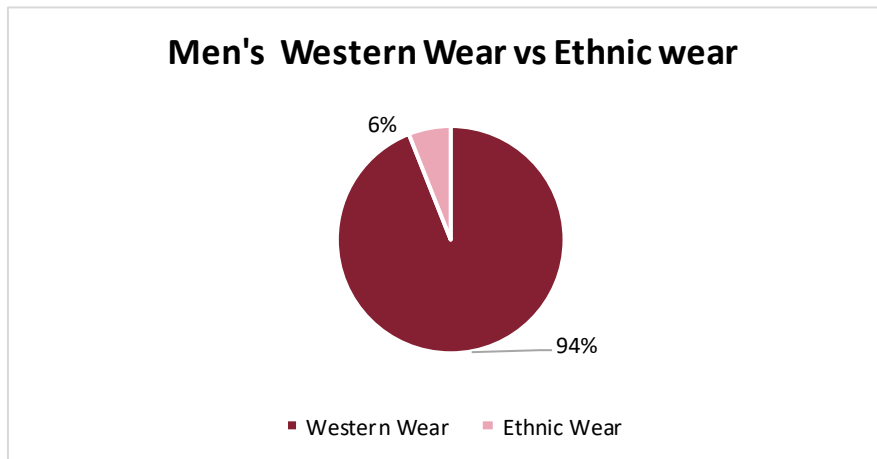
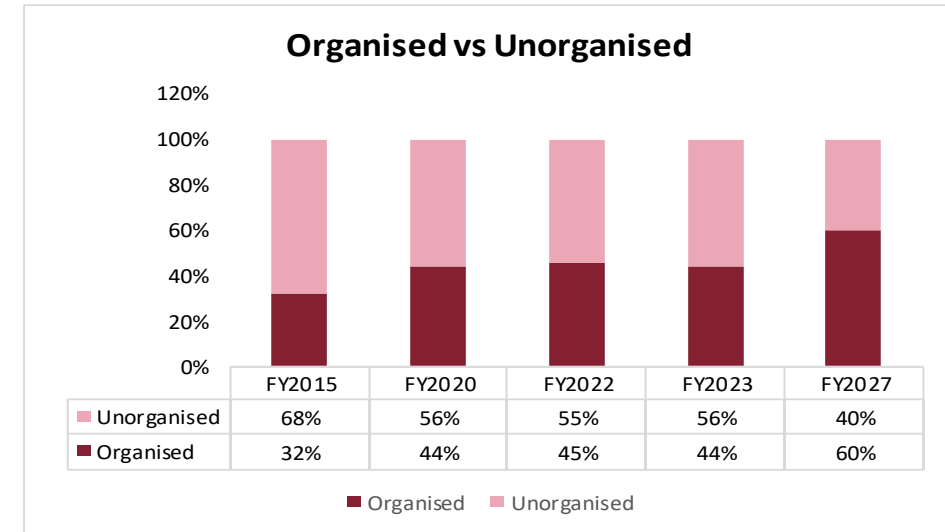
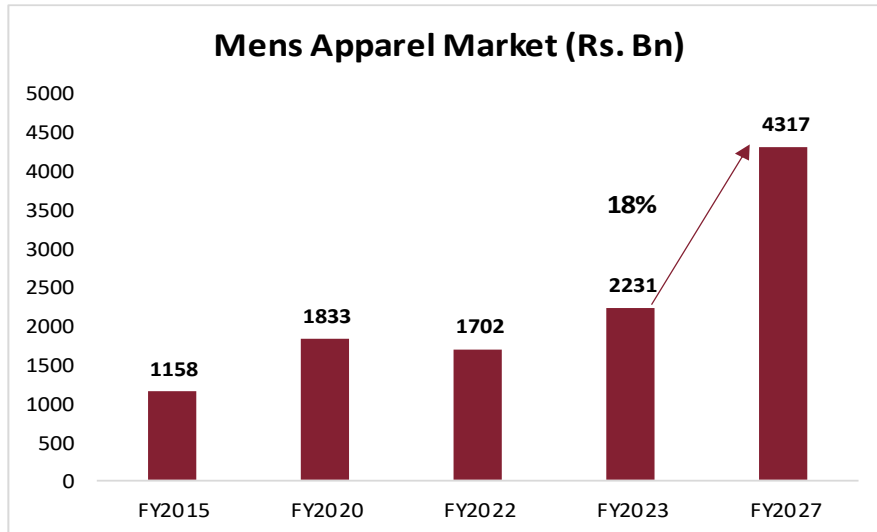
- Apparel market size in India was valued at INR 5,476 Bn (\$68.45 Bn) in FY 2023 and projected to grow at a CAGR of ~18% between FY23 and FY27 to reach INR 10,683 Bn (\$133.5 Bn) by FY27 on the back of factors like higher brand consciousness, increasing digitization, greater purchasing power and increasing urbanization. The share of organized retail in apparel has witnessed a steady increase over the past years.
- Men's apparel constituted ~41% and Women apparel share was estimated to be ~37% of the total apparel market in FY 2023. The balance ~21% was contributed by kids' apparel.
- This market is dominated by unorganized sector which was 74% of the Ethnicwear market and 62% for the Western wear market for FY 2023.



Credo Brands Marketing Ltd (Mufti)

Industry overview

Men's Apparel Market



Credo Brands Marketing Ltd (Mufti)

Peer financial matrix

Company Name	P/E (x)	Revenue (Rs mn)	EBITDA (Rs mn)	Ebitda Margin (%)	ROE (%)	Inventory Turnover days
Credo Brands Marketing Ltd (Mufti)	23.2	4,982	1,639	32.9%	27.6%	154
Aditya Birla Fashion and Retail Limited	-	125,344	15,004	12.0%	-1.2%	235
Go Fashion (India) Limited	88.2	6,772	2,123	31.3%	17.3%	326
Arvind Fashions Limited@	157.1	44,736	4,526	10.1%	4.4%	144
Kewal Kiran Clothing Limited	40.2	7,997	1,518	19.0%	23.2%	137

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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