

December 18, 2023

IPO Note

ISSUE DETAILS

Issue Details

Price Band: ₹ 266 to ₹ 280
Issue Opens on: December 19, 2023
Issue Closes on: December 21, 2023
Lot Size: 53 Shares & in Multiples thereafter

Issue Highlights

Issue Size:	₹ 549.78 Cr.
No of Shares:	19,634,960
Face Value:	₹ 2

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	-
Offer for Sale	549.78
Total	549.78

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	274.89
HNI	15	82.47
Retail	35	192.42
Total	100	549.78

Listing

BSE & NSE

Lead Managers

- Dam Capital
- ICICI Securities
- Keynote Financial

Registrar

Link Intime India Pvt. Ltd.

ANALYST

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COMPANY OVERVIEW

Brand "Mufti" was launched by the Promoter, Kamal Khushlani, 25 years ago with a vision to redefine menswear. Their products are designed to provide a youthful appearance while keeping up with the ongoing fashion trends. They are engaged in the retail sale of garments and accessories, and do not manufacture any apparel. The company's product mix has evolved significantly over the past several years from consisting of only shirts, t-shirts and trousers in the year 1998 to a wide range of products including sweatshirts, jeans, cargos, chinos, jackets, blazers and sweaters in relaxed holiday casuals, authentic daily casuals to urban casuals, party wear and also athleisure categories as on date.

Company's products are available through a pan-India multichannel distribution network comprising of exclusive brand outlets ("EBOs"), large format stores ("LFSs") and multi-brand outlets ("MBOs"), as well as online channels comprising of their website and other e-commerce marketplaces. It had 16 distributors as on September 30, 2023 for distribution to MBOs. 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 EBOs are in airports.

The company is an asset-light with respect to their plant, property, and equipment, primarily due to outsourcing of the manufacturing operations.

HIGHLIGHTS

1. Strong brand equity with presence across categories
2. Multi-channel pan-India distribution network
3. Scalable asset light model
4. Strong in-house design competencies to deliver innovative and high-quality products with end-to-end tech-enabled supply chain capabilities

OBJECTS OF THE ISSUE

1. Carry out the Offer for Sale of up to 19,634,960 Equity Shares
 2. Achieve the benefits of listing the Equity Shares on the Stock Exchanges
- Company will not receive any proceeds from the Offer.

OUR VIEW

Incorporated in 1999, Credo Brands Marketing Limited offers casual clothing for men with its flagship brand "Mufti". The company offers a wide range of products including sweatshirts, jeans, cargos, chinos, jackets, blazers and sweaters. The company operates on an asset light model primarily due to outsourcing of manufacturing operations.

The company however being a fashion brand faces a risk of change in choices, preferences, taste and demand of the consumers. The company is focused only on sale of men's casual western wear this may lead to product concentration risk. Again, the fashion clothing industry is a highly competitive market. The company is responsible for in-house designing and the final production is outsourced to third party manufacturers.

The revenue CAGR for the period FY21-23 stood at about 42.65%. The company operated on an EBITDA margin of 32.89% and PAT margin of 15.56% for year ended FY23. The number was 25.53% and 7.24% respectively for Q1FY24. Generating an ROE and ROCE of 29.98% and 28.16% respectively for FY23. Its current Inventory Turnover days have increased from 154 in FY23 to 198 as of Q1FY24.

The issue is priced at a P/BV of 6.21 based on its NAV of Rs. 45.08 as of June 30, 2023 and is asking for a PE multiple of 23.22x on the upper end of the price band and using diluted EPS for FY23 (₹ 12.06) and a PE of 52.63x annualizing diluted EPS for Q1FY24 (₹ 1.33). Compared to listed peers which are trading at P/E of Highest at 157x (Arvind Fashions Limited) and lowest at 40.24x (Kewal Kiran Clothing Limited) and Industry average is 95x.

The Company enjoys industry-leading EBITDA & PAT Margins of 30% & 15% and has also improved ROE & ROCE numbers. But, Q1FY24 performance has seen a major decline.

Looking at all the factors, risks, opportunities and valuation, cash rich investors may invest and keep an eye on upcoming financials.

Brief Financials

PARTICULARS	As at June 30, 2023	₹ in Million		
		FY '23	FY '22	FY '21
Total Income	1,194.30	5,093.22	3,548.35	2,611.54
Total Expenditure	1,081.18	4,055.10	3,070.02	2,571.46
EBITDA	302.52	1,638.50	950.97	484.82
Profit before Tax	113.12	1,038.12	478.33	40.08
Profit after Tax	85.75	775.14	357.40	34.41
E.P.S. (Diluted)	1.33*	12.06	5.60	0.54
P/E (x) (Diluted)	-	23.22	-	-
RONW (%)	3.00*	29.98	16.70	1.81

* Not Annualized

PRICE CHART (@ ₹ 280) (Retail Category)

LOT SIZE	Amount
53	14,840
106	29,680
159	44,520
212	59,360
265	74,200
318	89,040
371	1,03,880
424	1,18,720
477	1,33,560
530	1,48,400
583	1,63,240
636	1,78,080
689	1,92,920

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Small HNI	742	2,07,760
Big HNI	3,604	10,09,120

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	22/12/2023
Initiation of refunds/unblocking ASBA Fund	26/12/2023
Credit of Equity Shares to demat accounts of Allottees	26/12/2023
Commencement of trading of the Equity Shares on the Stock Exchanges	27/12/2023

For more details, Please refer RHP,

https://www.sebi.gov.in/filings/public-issues/dec-2023/credo-brands-marketing-limited-rhp_79859.html

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