

## Retail Equity Research

# Credo Brands Marketing Ltd

## Retail

**CMP Rs. ₹ 147**
**Rating: Overweight**
**NSE CODE: MUFTI    BSE CODE: 544058**

The company's financial performance over the past year reflects significant volatility, marked by a strong recovery in Q2 FY24 and Q4 FY24 after a challenging period in FY23. Sales grew by 50% YoY in Sep-24, rebounding sharply from earlier declines, primarily driven by a seasonal uptick and improved demand. Operating profit surged by 73% in Sep-24, highlighting efficient cost management and a rebound in profitability. However, the consistent rise in expenses, particularly in the last quarter (Sep-24), points to increasing inflationary pressures or rising input costs. Net profit for Sep-24 stood at INR 26.46 crores, a robust 63% growth YoY, indicating resilience despite market headwinds. The tax outflow for the quarter normalized, contributing to higher net earnings. Moving forward, while sales growth appears promising, ongoing cost management and strategic execution will be key to sustaining profitability. The company's performance in H2 FY24 will depend heavily on seasonal trends and demand recovery.

### Company Data

Market Cap (cr)		Rs.	996.76
Enterprise Value (cr)		Rs.	1,327.53
Outstanding Shares (cr)			6.52
52 week high		Rs.	278.00
52 week low		Rs.	136.00
1m average volume (lacs)			1.45
Face value		Rs.	2.00
	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>
Sales	341.17	498.18	567.33
Growth(%)	16%	46%	14%
EBITDA	106.76	174.92	165.14
EBITDA Margin(%)	31.3%	35.1%	29.1%
PAT	33.75	77.45	59.16
Growth(%)	264%	129%	-24%
EPS	105.5	242.0	9.2
P/E	0.0	0.0	18.2
P/B	0.0	0.0	3.2
EV/EBITDA	1.0	1.0	8.0
ROE(%)	14%	27.5%	17%
ROCE(%)	16%	25.7%	17.3%
ROIC(%)	11%	19.2%	13.0%
D/E	0.65	0.68	0.74

**Financial Performance:** Q2 FY'25 revenue grew by 12% YoY to INR 186 crores, with a 15% increase adjusted for returns provision. Gross profit rose by 7% YoY to INR 102.2 crores, while EBITDA showed a 1% growth to INR 57.6 crores. However, profit after tax decreased by 5% to INR 26.5 crores. For H1 FY'25, revenue increased by 9%, and profit after tax stood at INR 36.2 crores.

**Store Expansion and Strategy:** The company added 17 new stores in H1 FY'25, with a net addition of 2 stores, bringing the total to 427 stores. It plans to open 20-25 more stores in H2 FY'25, focusing on Exclusive Brand Outlets (EBOs) for better customer experience. Despite negative same-store sales growth, revenue per store increased by 1% YoY.

**Market Outlook and Growth Plans:** While the premium apparel market is currently subdued, management is optimistic about future growth, targeting 10%-12% revenue growth for FY'25. The company is focusing on enhancing its digital presence, marketing strategy, and managing inventory and returns effectively to drive profitability and cost efficiency.

## Key Highlights

### Established Legacy and Brand Identity

Founded in 1999, Credo Brands Marketing Limited is a prominent player in the Indian casual wear market, primarily known for its flagship brand "Mufti." With over two decades of experience, Mufti has successfully built a strong identity in the casual clothing segment for men through strategic marketing and consistent product innovation.

### Comprehensive Product Portfolio

The company offers an extensive range of products across various categories, including sweatshirts, jeans, chinos, jackets, blazers, sweaters, and athleisure. Mufti's collection is designed to cater to diverse fashion needs such as holiday casuals, daily wear, urban casuals, party wear, and activewear, ensuring a broad appeal to the modern, fashion-conscious consumer.

### Widespread Geographical Presence

Mufti has a strong pan-India presence, with its products available in 596 cities across the country as of Q1 FY25. This wide reach extends from major metropolitan cities to tier-3 regions, making the brand accessible to a diverse consumer base and positioning it as a leading name in the casualwear segment.

### Diverse and Expanding Retail Network

As of June 30, 2024, Credo Brands operates 1,838 touchpoints across various retail formats. These include 430 exclusive brand outlets (EBOs), 76 large format stores (LFS), and 1,332 multi-brand outlets (MBOs). The company continues to expand its footprint by adding new stores in high-traffic areas and retail hubs to enhance brand visibility.

### Asset-Light Business Model

Credo Brands follows an asset-light business model, which enables it to outsource garment manufacturing while focusing on designing and marketing. With a design team of 17 members, the company produced over 682 designs for the 6-month period of FY24, ensuring a continuous flow of fresh and trendy products to meet customer demand.

### Strong Sourcing and Manufacturing Network

The company works with 48 fabric and accessories suppliers, including industry giants like Arvind Limited and Birla Century. Additionally, it partners with more than 48 manufacturing units, ensuring high-quality production and consistent delivery of products. The long-term relationships with top suppliers and manufacturing partners reflect the company's reliability and stability in the supply chain.

### Revenue Diversification and Channel-wise Breakdown

As of Q1 FY25, Credo Brands' revenue is primarily driven by exclusive brand outlets (EBOs), which contribute 62% of the total revenue. Other revenue streams include multi-brand outlets (13.9%), large format stores (15.7%), online sales (6.4%), and additional channels (2.1%). This diverse revenue mix demonstrates the brand's ability to cater to various retail formats, ensuring growth across both physical and digital spaces.

### Strategic Expansion and Future Outlook

Credo Brands plans to expand its retail presence by opening 25-30 new EBOs in FY25, focusing on prime locations such as high streets and malls. This expansion strategy is aimed at enhancing brand visibility, strengthening customer loyalty, and further solidifying Mufti's position as a leading casualwear brand in India. The company's growing digital presence and e-commerce channels also offer significant growth opportunities in untapped markets.

## Quarterly Financial Consolidated

### Profit and loss account

(Rs Cr)

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	165.62	150.14	133.08	123.89	185.57
Growth(%)	40%	-9%	-11%	-7%	50%
Expenses	108.80	107.63	102.14	90.52	127.93
Operating Profit	56.82	42.51	30.94	33.37	57.64
Growth(%)	88%	-25%	-27%	8%	73%
Other Income	1.18	1.05	1.46	1.20	0.52
Depreciation	15.39	16.18	16.15	15.43	16.50
Interest	5.63	6.66	6.40	6.08	6.30
Profit before tax	36.98	20.72	9.85	13.06	35.36
Tax	9.00	5.14	2.82	3.28	8.89
Net profit	27.97	15.59	7.03	9.77	26.46
Growth(%)	69%	-79%	-122%	28%	63%

## Financial Consolidated

### Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	449.96	293.40	341.17	498.18	567.33
Growth(%)	14%	-35%	16%	46%	14%
Expenses	404.95	264.38	247.44	335.99	405.96
Operating Profit	45.01	29.02	93.73	162.19	161.37
Growth(%)	22%	-36%	223%	73%	-1%
Other Income	0.98	1.11	13.03	12.73	3.77
Depreciation	13.19	12.58	45.89	53.43	62.23
Interest	6.57	5.49	15.03	17.74	24.06
Profit before tax	26.23	12.06	45.84	103.75	78.85
Tax	10.76	2.80	12.10	26.29	19.70
Net profit	15.47	9.26	33.75	77.45	59.16
Growth(%)	-10%	-40%	264%	129%	-24%

**Balance Sheet**

(Rs Cr)

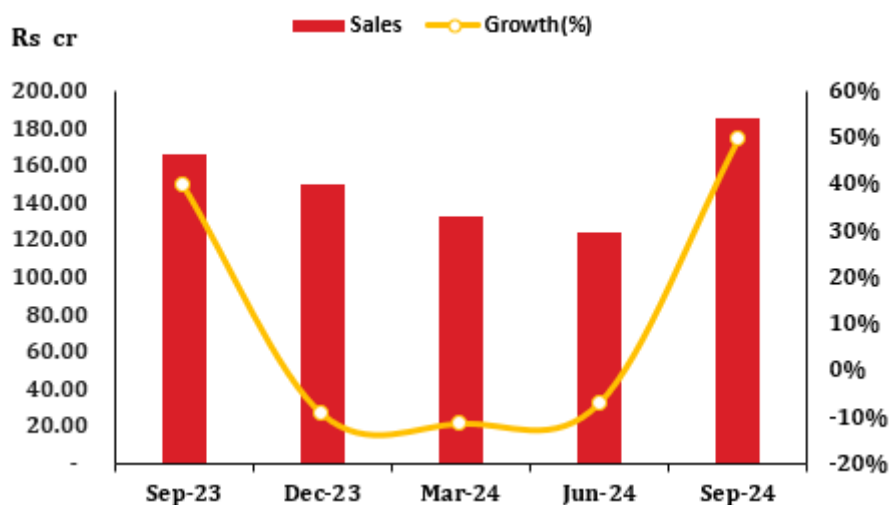
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	3.19	3.19	3.19	3.22	12.90
Reserves	184.87	194.80	232.60	278.14	328.74
Borrowings	43.37	15.16	154.18	191.92	253.18
Other Liabilities	65.60	79.30	86.06	101.20	115.06
<b>Total</b>	<b>297.03</b>	<b>292.45</b>	<b>476.03</b>	<b>574.48</b>	<b>709.88</b>
Net Block	47.48	40.66	179.30	236.75	280.59
Capital Work in Progress	0.78	0.44	0.56	0.21	0.83
Investments	-	-	0.01	-	-
Other Assets	248.77	251.35	296.16	337.52	428.46
<b>Total</b>	<b>297.03</b>	<b>292.45</b>	<b>476.03</b>	<b>574.48</b>	<b>709.88</b>

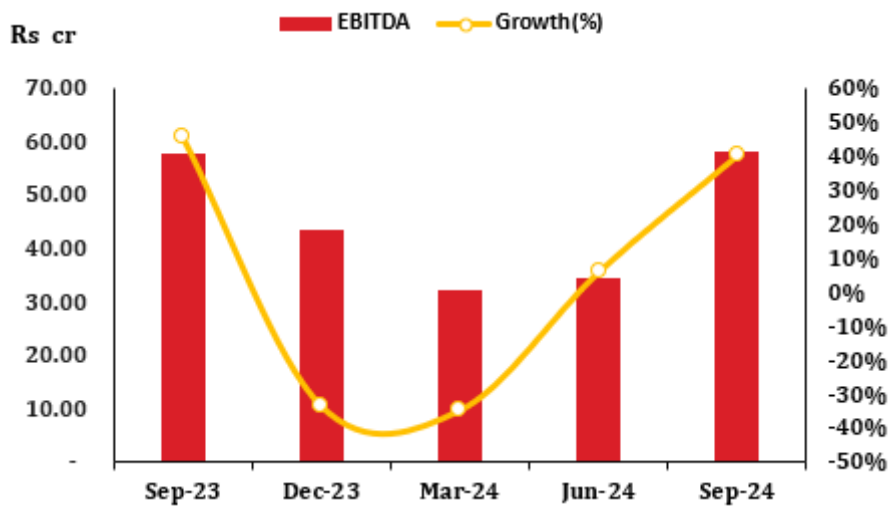
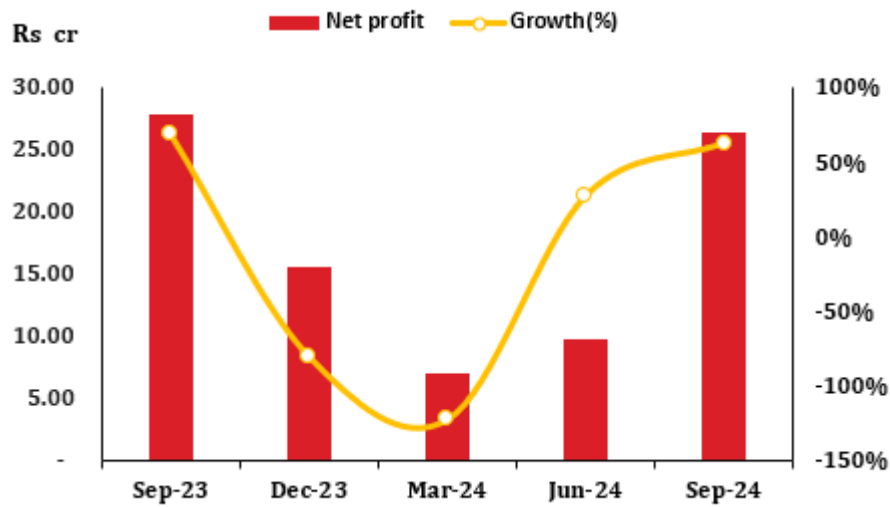
**Cash Flow**

(Rs Cr)

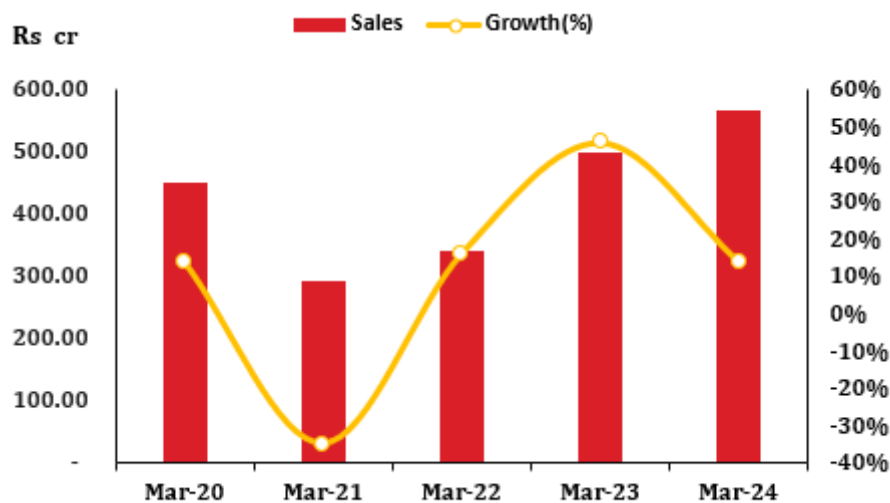
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	25.34	61.16	78.38	74.52	56.26
Cash from Investing Activity	-14.32	-6.79	-27.95	-21.21	-34.56
Cash from Financing Activity	-11.1	-30.74	-39.02	-81.8	-27.77
Net Cash Flow	-0.08	23.63	11.4	-28.49	-6.06

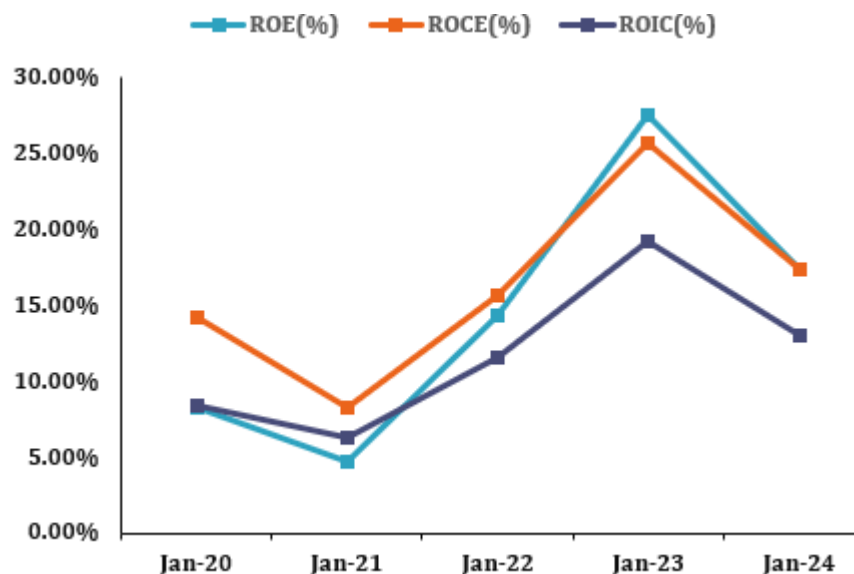
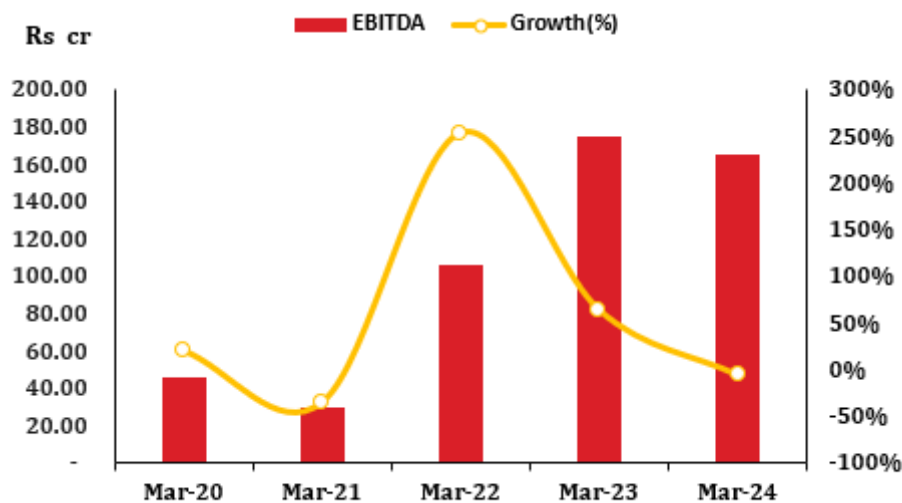
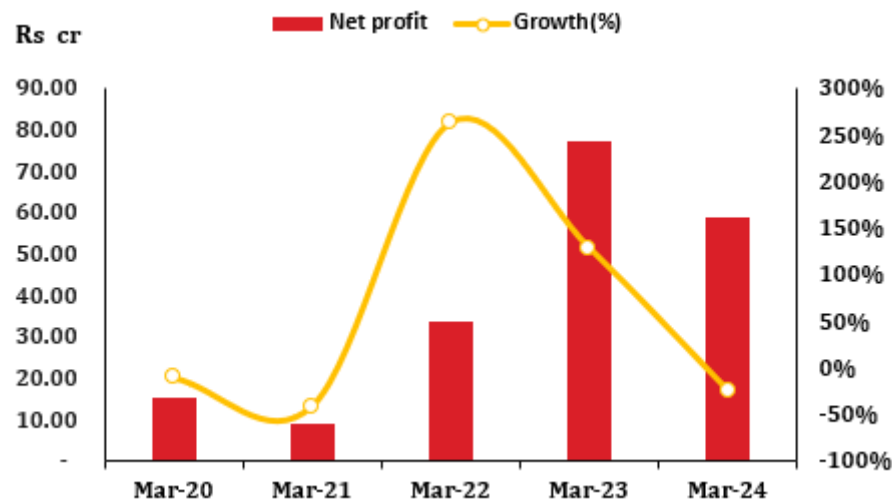
**Key Metrics: Quarterly**





### Key Metrics: Yearly





**Key Ratio:**

<b>Leverage Ratios</b>	<b>Mar-20</b>	<b>Mar-21</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24</b>
D/E	0.23	0.08	0.65	0.68	0.74
Debt/Assets	0.15	0.05	0.32	0.33	0.36
Debt/Ebitda	0.94	0.50	1.44	1.10	1.53
Debt/Capital Ratio	19%	7%	40%	41%	43%
Cash flow/Debt	0.58	4.03	0.51	0.39	0.22
Interest coverage ratio	4.99	3.20	4.05	6.85	4.28
Sales Change	14%	-35%	16%	46%	14%
Ebit Change	20%	-46%	247%	100%	-15%
Operating Leverage	1.55	1.02	13.70	1.59	-0.04
Financial Leverage	1.58	1.48	2.02	2.04	2.08

<b>Efficiency ratios</b>					
Receivable days	116	152	132	101	137
Receivable turnover	3.15	2.40	2.76	3.63	2.67
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	7	5	4	3	3
Net Fixed assets turnover	9.48	7.22	1.90	2.10	2.02
Sales/capital employed	1.94	1.38	0.87	1.05	0.95
Total Asset Turnover	1.51	1.00	0.72	0.87	0.80

<b>Profitability ratios</b>					
Ebitda	45.99	30.13	106.76	174.92	165.14
Ebitda margin	10%	10%	31%	35%	29%
Gross Profit	241.58	157.2	171.79	254.6	280.97
Gross Profit Margin	54%	54%	50%	51%	50%
EBIT	32.8	17.55	60.87	121.49	102.91
EBIT Margin	7%	6%	18%	24%	18%
ROE	8%	5%	14%	28%	17%
Net profit margin	3%	3%	10%	16%	10%
EPS	48.34	28.94	105.47	242.03	9.17
DU Pont ROE	8%	5%	14%	28%	17%
Net Profit Margin	3%	3%	10%	16%	10%
Sales/Total assets	1.51	1.00	0.72	0.87	0.80
Financial Leverage	1.58	1.48	2.02	2.04	2.08
DU PONT ROA	5%	3%	7%	13%	8%
Net Profit Margin	3%	3%	10%	16%	10%
Sales/Total assets	1.51	1.00	0.72	0.87	0.80

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	9%	6%	9%	17%	13%
EBIT Margin	7%	6%	18%	24%	18%
Sales/cap employed	1.94	1.38	0.87	1.05	0.95
NOPAT	19.34	13.48	44.80	90.70	77.20
Capital employed	231.43	213.15	389.97	473.28	594.82
ROIC	8%	6%	11%	19%	13%

Valuation Ratios					
Price/Earnings					18.20
Price/Book	-	-	-	-	3.15
Marketcap	-	-	-	-	1,076.83
Enterprise Value	41.52	-10.72	102.85	183.03	1,327.53
EV/EBITDA	0.90	-0.36	0.96	1.05	8.04



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