



MUFTI



**IPO ANALYSIS AND
OVERVIEW**

CREDO BRANDS MARKETING



HIGHLIGHTS:

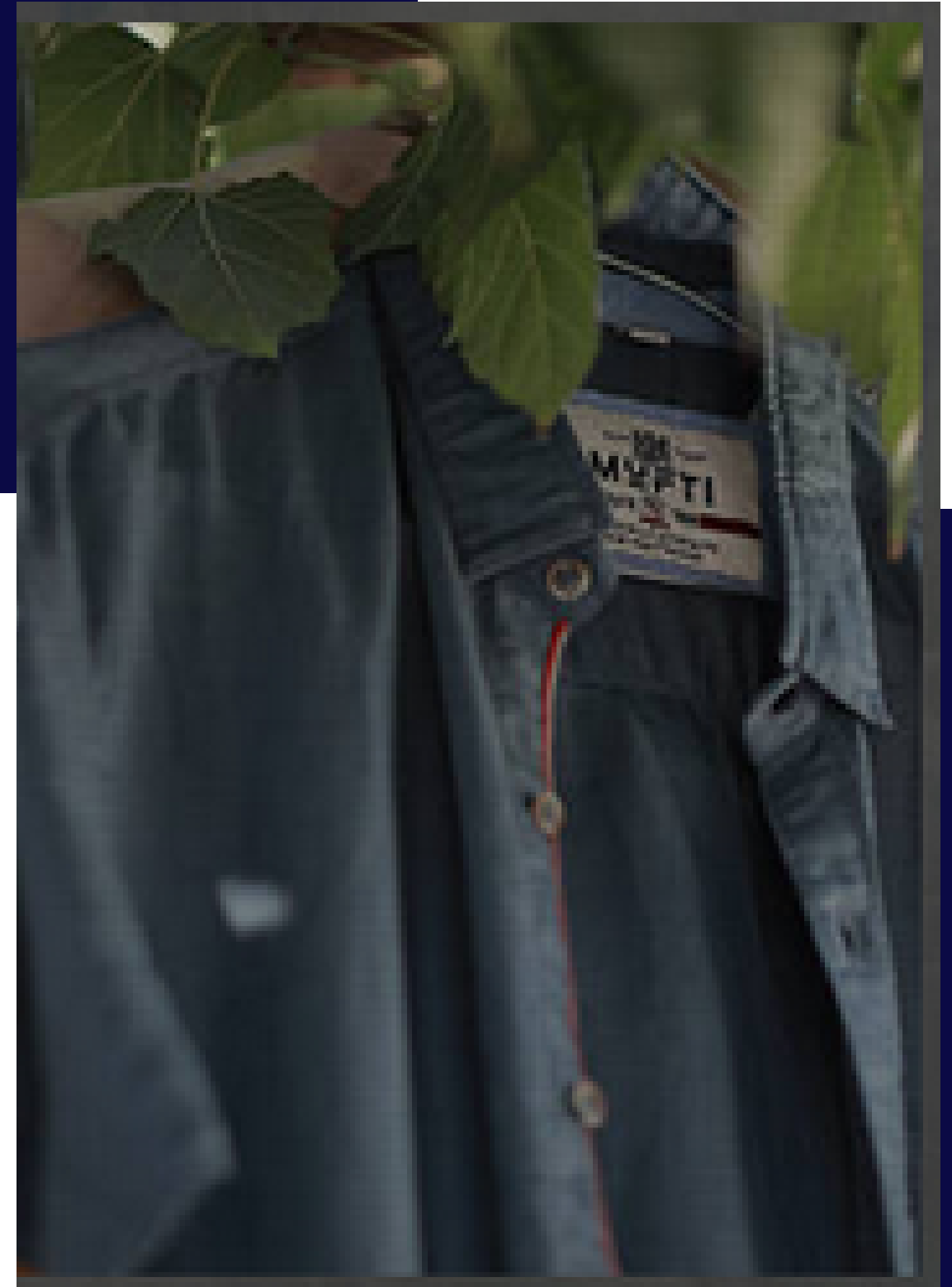
- Credo Brands Marketing is coming out with a 100% book building; initial public offering (IPO) of 1,96,34,960 shares of Rs 2 each in a price band Rs 266-280 per equity share.
- Not more than 50% of the issue will be allocated to Qualified Institutional Buyers (QIBs), including 5% to the mutual funds. Further, not less than 15% of the issue will be available for the non-institutional bidders and the remaining 35% for the retail investors.
- The issue will open for subscription on December 19, 2023 and will close on December 21, 2023.
- The shares will be listed on BSE as well as NSE.
- The face value of the share is Rs 2 and is priced 133 times of its face value on the lower side and 140 times on the higher side.
- Book running lead managers to the issue are DAM Capital Advisors, ICICI Securities and Keynote Financial Services.
- Compliance Officer for the issue is Sanjay Kumar Mutha.

PROFILE OF THE COMPANY

The company provides a meaningful wardrobe solution to 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. The company's products are designed to provide a youthful appearance while keeping up with the ongoing fashion trends. The company is engaged in the retail sale of garments and accessories, and it does not manufacture any apparel. The company's brand "Mufti" was launched by its Promoter, Kamal Khushlani, 25 years ago with a vision to redefine menswear. The brand was created as an alternative dressing solution and was designed to deliver a casual alternative with a focus on creative, bold, and expressive clothing for the contemporary Indian man who wanted something more stylish than what was commonly available.



In order to keep pace with these evolving fashion trends, 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. The company's design team is constantly focusing on expanding its product range to meet a varied range of consumer needs. The company's products are available through a Pan-India multichannel distribution network that it has built over the years comprising of its exclusive brand outlets (EBOs), large format stores (LFSs) and multi-brand outlets (MBOs), as well as online channels comprising of its website and other e-commerce marketplaces. The company's multi-channel presence is planned strategically in a manner that its products across categories are available at consumers' preferred shopping channels.





The company had 16 distributors as on September 30, 2023 for distribution to MBOs. The company's well-established EBO network offers a holistic shopping experience for its customers. The company's EBOs are located nationwide across high streets, malls, airports and residential market areas. It also has an online presence which is rapidly growing wherein its customers can shop through its website, www.muftijean.in, as well as through various e-commerce marketplaces.

PROCEED IS BEING USED FOR:

- Achieving the benefits of listing the Equity Shares on the Stock Exchanges
- Carrying out the offer for sale of up to 19,634,960 Equity Shares.





INDUSTRY OVERVIEW

The Indian men's apparel market was estimated at Rs 2,231 billion in FY 2023. The market has grown with a CAGR of 9.6% from FY 2015 to FY 2020 but with the restrictions imposed due to pandemic, the Indian men's apparel market witnessed a degrowth of 3.6% from FY 2020 to FY 2022. However, the market is expected to grow at a CAGR of 18% for the next four years to reach Rs 4,317 billion by FY 2027. Moreover, the organised retail in Indian men's apparel market held a share of 45% valued at Rs 975 billion for FY 2023. The contribution from organised retail to total men's apparel is expected to reach ~60% by FY 2027. Within organised, EBOs are expected to grow at a CAGR of 37% from FY 2023 to FY 2027.



Men's western wear market contributes nearly 94% of the total Indian men's apparel market and rest 6% of the market is contributed by Indian men's ethnic wear. The Indian men's western market was valued at Rs 2,091 billion in FY 2023. The market grew with a CAGR of 9.5% from FY 2015 to FY 2020. The market is expected to grow at a CAGR of 19.5% for the next five years to reach Rs 4,051 billion by FY 2027. The Indian men's ethnic wear market stood at Rs 140 billion in FY 2023. The market has grown with a CAGR of 10.6% from FY 2015 and FY 2020 and the same is expected to grow with a CAGR of 17.4% to reach Rs 266 billion by FY 2027.

The acceptance of men's western and particularly casual wear as an apparel of choice for daily wear purposes has been a key growth driver for this category in the last decade. This is reflected in the rising share of casual wear in the overall men's wear sales. The organized players' ability to contemporize and make products with high quotient of functionality, comfort and affordable prices has led to the growth of the casual wear category. T-Shirts, Casual Shirts and Denims are key categories that make up the Men's Casual Wear offering. Brands like Mufti, Levi's and Pepe are among those brands that offer the most balanced mix of products across all these three categories. Brands like Tommy Hilfiger, Calvin Klien, U.S Polo and Indian Terrain, however, have a product offering portfolio that is skewed towards T-Shirts and Casual Shirts. Such a product mix of various brands is an outcome of individual strategies of respective brands and their approach to the brand equity they propose to create among their target consumers.



PROS AND STRENGTHS

- **STRONG BRAND EQUITY WITH PRESENCE ACROSS CATEGORIES:**

Launched in the year 1998, the company's brand "Mufti" is a recognized brand with 25 years of presence in India. The company provides a wide range of products for multiple occasions in a customer's life, with its 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. The company's products are designed to provide a youthful appearance while keeping up with the ongoing fashion trends. The company's product mix has evolved significantly over the past several years from consisting of only shirts and trousers in the year 1998 to a wide range of products including t-shirts, 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. The company's design team is constantly focusing on expanding its product range to meet a varied range of consumer needs.



**MUFTI**



- **SCALABLE ASSET LIGHT MODEL**

As a wardrobe solutions provider for multiple occasions in a customer's life, the company focuses on designing its products in line with global fashion trends in casual wear. With a focus on creation of a holistic casual wear brand, the company outsources its manufacturing operations, while all aspects of design are managed in-house. This helps it to maintain an asset-light model with respect to plant, property, and equipment. Using its economies of scale, the company drives efficient partnerships from the back-end to front-end without a need to invest in developing manufacturing facilities. This structure provides the company agility with its longstanding sourcing partners allowing it to increase or decrease its supply based on the demand from its various channels. While the company outsources its manufacturing, it continues to maintain oversight over each stage of the process, with centralized ordering of fabric and accessories to meet timelines for each stage of production by its manufacturing partners.



- **STRONG IN-HOUSE DESIGN COMPETENCIES TO DELIVER INNOVATIVE AND HIGH-QUALITY PRODUCTS:**

The company's focus on expressiveness and boldness in its designs, differentiates it from its competition and helps it in targeting shoppers who want something more stylish than other mainstream brands. Further, the company's designs are in line with the global trends in casual wear. To ensure this, the company has an experienced in-house textile print and pattern team, comprising of experienced graphic designers, illustrators, textile designers, and technicians. This allows it to deliver different designs to its consumers' season on season. As of September 30, 2023, the company's design team has 17 members. They have enabled it to create and produce more than 682 designs during the six-month period ended September 30, 2023. The company's designers have cumulative experience of more than 202 years having worked in domestic retail as well as international markets, providing an understanding of global trends and design practices.

- **EXPERIENCED PROMOTER AND SENIOR MANAGEMENT TEAM:**

The company is led by its Promoter, Kamal Khushlani, a first-generation entrepreneur who launched “Mufti” in 1998 and has an experience of over 25 years in the apparel industry. He is involved in product development, brand building, marketing and overall management while providing strategic direction to the company. The Promoter, Kamal Khushlani, has put together a team which is committed to the brand’s philosophy. He is supported by the senior management team with an experience in the consumer, apparel and retail industry. Its senior management team, along with the vision and guidance of its Promoter, have the expertise to manage and grow its business, while keeping its objectives in mind. The company’s senior management team includes 9 members who have a cumulative experience of over 235 years across various industries. The company’s senior management team contributes to its overall strategic planning and business development and the growth in its revenues and operations.



RISKS AND CONCERNS

- **MAJOR REVENUE COMES FROM OFFLINE RETAIL DISTRIBUTION CHANNELS:**

The majority of the company's revenue is derived from offline retail distribution channel. The company envisages that it may continue to remain reliant on offline retail distribution channels in the near future, especially if it fails to grow revenues from online sales channels. The company's online presence is through its website, www.muftijean.in, and various e-commerce marketplaces. The majority of its revenue from operations is derived from its brick-and-mortar presence and it will continue to remain dependent on offline distribution channels in the near future and any attendant risks, including supply chain disruptions, maintenance costs, store relocation requirements or lower than estimated footfalls. Accordingly, if it does not increase its revenues from online sales, it may not be able to compete with its competitors having a higher percentage of revenues from online sales channels. This may have an adverse impact on its future revenue from operations, profitability and business.




MUFTI



- **BUSINESS PRIMARILY CONCENTRATED ON THE SALE OF MEN'S CASUAL WESTERN WEAR:**

The company is engaged in the retail sale of garments and accessories, and it does not manufacture any apparel. The company's business is currently dependent primarily on sale of garments and accessories catering to the casual western wear market for men. Since it specifically caters to the market of men's casual western wear, which is a segment of the vast apparel market, if its customers are not satisfied with its products, or there is lack of customer demand for its products, it may adversely affect its business, financial conditions, and results of operations. In particular, the company's business is impacted by rapidly changing customer preferences. The company's results of operations are dependent on its ability to attract customers by anticipating and responding to customer preferences and demand while consistently modifying its existing products in line with such changes and introducing new products from time to time.

- **COMPANY SELLS ALL PRODUCTS UNDER A SINGLE BRAND 'MUFTI':**

Brand awareness is essential to its continued growth and financial success, and its operations are influenced by its brand marketing and advertising initiatives. The 'Mufti' brand is integral to its business strategy and its ability to attract and engage customers. As a result, the company's success depends on its ability to maintain and enhance the value and reputation. of the 'Mufti' brand. Maintaining, promoting, and positioning its brand will depend largely on the success of its design and marketing efforts, including advertising and customer campaigns, as well as its product innovation, product quality, and sustainability initiatives. The company cannot assure that it will be able to protect its intellectual property rights in relation to its brand. Further, the company may fail to penetrate new target markets if its marketing and advertising initiatives are not successful or not tailored in a manner to attract the customers in such target markets or if its competitor brands advertise and conduct marketing campaigns which are more effective than it. In such cases, the company's brand awareness and position in the market could be adversely affected and have a direct impact on its business, results of operations and financial condition.

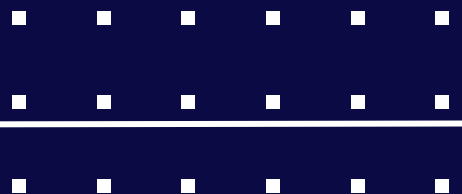


- **BUSINESS IS SUBJECT TO SEASONALITY:**

Few of the company's products, such as jackets and sweaters are specifically made for the winter season causing its sales for such products to increase due to the seasonal customer demand during such period. These products may not have the same level of customer demand during the other seasons of the year, at which point of time, other kinds of products may be in demand. Inability to accurately predict demand for different kinds of products may cause inventory build-up for its manufacturing partners or lead to inadequate supplies of products in demand, each in turn leading to lower sales of its products and decrease in revenue from operations. Further, depending on timing of festive / wedding seasons, the sales in a particular quarter varies from sales in another quarter. Therefore, its sales are impacted by seasonal variations, which may cause its revenues to vary significantly between different quarters in a Financial Year. The company's results of operations and cash flows across quarters in a Financial Year may not be comparable and such comparisons may not be indicative of its annual financial results or its results in future quarters.

OUTLOOK

Credo Brands Marketing offers casual clothing for men with its flagship brand 'Mufti'. 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. On the concern side, the majority of its revenue from operations (more than 90% in each of the previous three Fiscals) was derived from offline retail distribution channels. If the company fails to grow its revenues from online sales, it will continue to remain dependent on offline sales channels and any attendant risks. Moreover, the company's business depends on continual purchases of its products and timely payments by its franchise stores, both in short and long term. Any delay or failure in sale of products or payments at its franchise stores or any disputes with franchisees may adversely impact its business, cash flows and results of operations.



The issue has been offered in a price band of Rs 266-280 per equity share. The fresh issue size is targeted to raise Rs 550 crore. Minimum application is to be made for 53 shares and in multiples thereon, thereafter. On performance front, the company's revenue from operations increased by 46.02% from Rs 3,411.72 million in Fiscal 2022 to Rs 4,981.82 million in Fiscal 2023. This increase is primarily attributed to revenue generated from its sales of products (retail sales net of discounts and gift vouchers provided during the year). Moreover, the company recorded an increase of 116.88% in its profit for the year from Rs 357.40 million in Fiscal 2022 to Rs 775.14 million in Fiscal 2023. Meanwhile, the company intends to continue increasing its presence by setting up new EBOs and expanding its EBO network in existing as well as additional regions across India. The company expects emerging demand from such cities will help fuel its 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.





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