CREDO BRANDS MARKETING LIMITED
(fka Credo Brands Marketing Private Limited)
Plot No. B-8, MIDC Central Road, Marol MIDC,
Andheri (E), Mumbai - 400093. INDIA
Tel. No.: +91 22 6141 7200 Email: helpdesk@mufti.in
Website: Corporate: www.credobrands.in
Ecommerce: www.muftijeans.in
CIN : L18101MH1999PLC119669

**February 22, 2025**

**To**
**BSE Limited**
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001

**Scrip Code: 544058**

**To**
**National Stock Exchange of India Limited**
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

**Scrip Symbol: MUFTI**

Dear Sir/Madam,

**Sub: Update on Credit Rating for existing Bank facilities of the Company**

Pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that the CARE Ratings Limited reaffirmed its ratings for existing Bank facilities of the Company, as follows:

| Facilities | Amount (Rs. crore) | Rating | Rating Action |
|---|---|---|---|
| Long-term / short-term bank facilities | 70.00 | CARE A+; Stable / CARE A1+ (Single A Plus; Outlook: Stable / A One Plus) | Reaffirmed |
| Long-term bank facilities | 0.00* | Withdrawn | Withdrawn |

*Fully repaid by the Company.

Please find enclosed herewith a Press Release issued by CARE Ratings Limited in this regard on February 21, 2025.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For **Credo Brands Marketing Limited**

Sanjay Kumar Mutha
Digitally signed by Sanjay Kumar Mutha
Date: 2025.02.22 14:14:18 +05'30'

**Sanjay Kumar Mutha**
**Company Secretary and Compliance Officer**

**Encl. As above**

# Credo Brands Marketing Limited

February 21, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term / Short-term bank facilities | 70.00 | CARE A+; Stable / CARE A1+ | Reaffirmed |
| Long-term bank facilities | - | - | Withdrawn |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Credo Brands Marketing Limited (CBML) reflects stable operating and financial performance in FY24 (refers to April 01 to March 31) and 9MFY25 and CARE Ratings Limited's (CARE Ratings') expectations of sustained performance in the medium term driven by its established brand name 'Mufti' in the domestic menswear industry. Ratings also factor CBML's wide product portfolio and pan-India distribution network while maintaining a comfortable financial risk profile. CBML's revenue grew by ~14% YoY to ~₹569 crore in FY24 with stable gross margin and profit before interest, lease rentals, depreciation, and tax (PBILDT) margin sustaining above 28% translating gross cash accruals (GCA) of ~₹115 crore. While reaffirming ratings, CARE Ratings notes the elongation in CBML's operating cycle to 202 days in FY24 against 160 days in FY23 largely attributable to higher year-end inventory and receivables. The company's working capital utilisation remains low for the last 12 months ending December 2024 since the company was able to manage its working capital requirements through internal accruals. Ratings continue to factor in CBML's comfortable financial risk profile characterised by healthy net worth, steady cash flows, and strong liquidity with overall gearing of 0.74x and total outside liabilities to tangible net worth (TOL/TNW) of 1.08x as on March 31, 2024. CARE Ratings expects CBML's revenue to grow by 10-15% annually in the next 2-3 years supported by planned store additions with PBILDT margin sustaining in current levels.

However, ratings remain constrained by CBML's dependence on a single brand, working capital intensive operations driven by high operating cycle, inherent risks associated with the lifestyle retailing industry in the backdrop of changing consumer preferences, and prevailing intense competition in the apparel segment.

CARE Ratings has withdrawn the rating outstanding on the long-term bank facilities (term loans) of CBML with immediate effect based on the request received from the company and no dues confirmation received from the lenders, in accordance with CARE Ratings' withdrawal policy.

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors**

- Increase in scale of operations above ₹650 crore with PBILDT margins above 30% on a consistent basis leading to cash accruals of above ₹150 crore.
- Maintenance of conservative capital structure and healthy debt coverage metrics with PBILDT interest cover above 8.5x on a sustained basis.

**Negative factors**

- Substantial decline in revenue and profitability translating into pressure on liquidity position.
- Increase in working capital intensity with gross current assets above 350 days on a sustained basis.
- Increase in TOL/TNW above 1.2x and/or deterioration in PBILDT interest cover below 5.5x on a sustained basis.

**Analytical approach:** Standalone

**Outlook:** Stable

The Stable outlook on the long-term rating reflects CARE Ratings' expectations that CBML will maintain a comfortable financial risk profile on the back of its established brand and distribution network in the domestic apparel business while benefitting from its promoters' experience.

## Detailed description of key rating drivers:

### Key strengths

**Asset-light business model and extensive experience of its promoters**

CBML operates with an asset-light business model wherein its entire manufacturing is outsourced to trusted job workers and third-party suppliers with the company keeping a tight control over product designing and quality of fabrics. This model lends greater operating flexibility by keeping fixed costs under check and reducing the capital required for scaling up of business. The

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

company also benefits from more than two decades of experience of its promoter, Kamal Khushlani, and the top management comprising qualified professionals.

**Established brand name and widespread distribution network**
The brand 'Mufti' is targeted towards the youth in the mid premium to premium segment within the men's casual wear category shirts, jeans/ trousers, and T-shirts. The company enjoys the established brand name in the domestic market through its consistent efforts on advertisement and promotion. The company sells through various channels and has been focussing on increasing retail presence. The company sells its products primarily through exclusive brand outlets (EBO), multi-brand outlets (MBO), large format stores (LFS) and E-business. As on December 31, 2024, total number of touchpoints is 1,861 that includes 435 EBOs, 94 LFSs, and 1,332 MBOs.

**Healthy cash accruals driven profitability margins**
CBML has reported sustained increase in total operating income (TOI) marked by compounded annual growth rate (CAGR) of 24.5% in the last three years ended March 31, 2024, to ₹568 crore in FY24 compared to ₹294 crore in FY21. It improved y-o-y by ~14% to ₹~568 crore in FY24 compared to ₹~500 crore in FY23 considering growth in volume driven by brand presence despite moderation in apparel market during the year. Gross margin remained stable YoY in FY24. PBILDT margin moderated to 28.54% in FY24 compared to 33.05% in FY23, primarily considering increase in provision of sales return along with increase in selling expenses, employees, and manpower costs. PBILDT margin remained at healthy levels, leading to GCA at healthy levels of ₹~115 crore in FY24 (PY: ₹~126 crore). CARE Ratings expects CBML's revenue to grow by 10-15% annually in the next 2-3 years, supported by planned store additions, with PBILDT margin sustaining in similar range resulting into adequate cash accruals.

**Comfortable financial risk profile**
The company's financial risk profile is comfortable characterised by healthy net worth, cash accruals, and strong liquidity. Net worth of the company stood at ₹~341 crore as on March 31, 2024, with limited reliance on bank borrowings. In FY25, the company has fully repaid its outstanding term loan of ₹~6.75 crore. Capital structure stood at comfortable levels marked by overall gearing at 0.74x (PY: 0.68x) and TOL/TNW at 1.08x (PY: 1.04x) as on March 31, 2024. In FY24, debt coverage metrics stood at comfortable levels, despite some moderation considering lower profitability, marked by PBILDT interest coverage at 6.78x (PY: 9.68x) and TDGCA at 2.20x (PY: 1.52x). CARE Ratings expects financial risk profile to remain comfortable in absence of debt-funded capex and addition of stores each year will be funded entirely through internal accruals.

## Key weaknesses

**Working capital intensive nature of operations**
The company's operating cycle remains elongated at 202 days in FY24 and 160 days in FY23, mainly driven by inventory and collection days. Average collection period (from its distribution network) elongated to 123 days in FY24 from 109 days in FY23, considering end of season sales being stretched. In FY24, average inventory days stood at 123 days (PY: 109 days) and average creditors' days stood at 32 days (PY: 43 days). The company has to maintain inventory at its warehouses in Bengaluru and Mumbai from where the supplies are made to its stores across all locations. Despite high operating cycle, the company's working capital utilisation remains low for the last 12 months ending December 2024 since the company was able to manage its working capital requirements through internal accruals.

**Concentration of revenue in single brand and intense competition in domestic menswear industry**
CBML's revenue demonstrates high concentration with a single brand name and dependence on casual menswear category, which exposes it to the risks arising from demand slowdown in the category and disruptions from new market entrants. The company offers a wide product portfolio across casual wear comprising t-shirts, shirts, jeans, trousers, and accessories, among others, which limits the risk to an extent. Moreover, the company faces competition from the players in the unorganised sector as the entry barrier is low and also from the large apparel players with the established Indian and foreign brands, which limits pricing flexibility.

**Exposure to changing consumer preferences and evolving discretionary spending trends**
Apparel retail industry is closely linked to macroeconomic conditions, consumer confidence, and spending patterns. It remains susceptible to economic downturns owing to the discretionary nature of its products and hence revenue and profitability remains vulnerable to economic cycle. CBML is also exposed to changing consumer preferences and fashion trends, which necessitate continuous design innovation and increase the risk of inventory markdowns.

## **Liquidity:** Strong

Liquidity is strong marked by projected healthy cash accruals in the range of ₹125-150 crore p.a. against debt repayment obligation (majorly lease payments) of ₹40-50 crore p.a. over the next three years. There are no major debt-funded capex plans of the company in the near-to-mid term. It had free cash balance of ~₹1.77 crore as on September 30, 2024, and a healthy buffer from unutilised working capital facilities (with commensurate drawing power). The average working capital utilisation stood low at ~4% for the 12 months ending December 2024, which provides a liquidity cushion. Net CFO stood at ₹~55 crore in FY24 (PY: ₹~70 crore) and has remained positive in the last five years. As on March 31, 2024, current ratio stood at 2.50x (PY: 3x) and quick ratio stood at 1.65x (PY: 1.82x).

## Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Financial Ratios – Non financial Sector]
[Withdrawal Policy]
[Retail]
[Short Term Instruments]

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Consumer discretionary | Consumer services | Retailing | Distributors |

Incorporated in 1999, CBML is engaged in marketing men's fashion garments in the lifestyle category under the brand name "MUFTI", which offers a range of T-shirts, shorts, joggers, outerwear, blazers, and accessories. The company is promoted by Kamal Khushlani, who has over 25 years of experience in the fashion industry. CBML has outsourced its garment manufacturing activities and focusses on designing/branding/marketing through its network of stores across India, including EBOs, MBOs, and LFS. CBML is listed on NSE and BSE since December 2023.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 9MFY25 (UA) |
|---|---|---|---|
| Total operating income | 499.65 | 568.29 | 464.97 |
| PBILDT | 165.11 | 162.21 | 138.68 |
| PAT | 77.45 | 59.16 | 54.58 |
| Overall gearing (times) | 0.68 | 0.74 | NA |
| Interest coverage (times) | 9.68 | 6.78 | 7.30 |

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details:** Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Term loan | - | - | - | 03-02-2026 | 0.00 | Withdrawn |
| Fund-based - LT/ ST-Cash credit | - | - | - | - | 70.00 | CARE A+; Stable/ CARE A1+ |

**Annexure-2: Rating history for last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT/ ST-Cash credit | LT/ST | 70.00 | CARE A+; Stable / CARE A1+ | - | 1)CARE A+; Stable / CARE A1+ (21-Feb-24) | 1)CARE A+; Stable / CARE A1+ (20-Mar-23) | 1)CARE A+; Stable / CARE A1+ (07-Mar-22) |
| 2 | Fund-based - LT-Term loan | LT | - | - | - | 1)CARE A+; Stable (21-Feb-24) | 1)CARE A+; Stable (20-Mar-23) | 1)CARE A+; Stable (07-Mar-22) |

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Term loan | Simple |
| 2 | Fund-based - LT/ ST-Cash credit | Simple |

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please click here

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

| Media Contact | Analytical Contacts |
|---|---|
| Name: Mradul Mishra<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in<br><br>**Relationship Contact**<br><br>Ankur Sachdeva<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: 91 22 6754 3444<br>E-mail: Ankur.sachdeva@careedge.in | Krunal Pankajkumar Modi<br>Director<br>**CARE Ratings Limited**<br>Phone: 079-40265614<br>E-mail: krunal.modi@careedge.in<br><br>Raunak Modi<br>Assistant Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3537<br>E-mail: raunak.modi@careedge.in<br><br>Smith Jain<br>Lead Analyst<br>**CARE Ratings Limited**<br>E-mail: smith.Jain@careedge.in |

**About us:**
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



**For detailed Rationale Report and subscription information, please visit www.careedge.in**