CREDO BRANDS MARKETING LIMITED
(fka Credo Brands Marketing Private Limited)
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Website: Corporate: www.credobrands.in
Ecommerce: www.muftijeans.in
CIN : L18101MH1999PLC119669

February 06, 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 Sirs,

Sub: Transcript of the investor/analyst conference call

Pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the investor/analyst conference call held on February 03, 2025 on unaudited financial results of the Company for the quarter and nine months ended December 31, 2024, is enclosed herewith.

The same is also available on the Company's website at https://www.credobrands.in/investors/financials/#acc_42.

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: 2025.02.06 15:30:39 +05'30'

Sanjay Kumar Mutha
Company Secretary and Compliance Officer

Encl. As above

"Credo Brands Marketing Limited

Q3 & 9 Months FY '25, Earnings Conference Call"

February 03, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on February 03, 2025 will prevail.

MANAGEMENT:

MR. KAMAL KHUSHLANI - CHAIRMAN AND MANAGING DIRECTOR
MR. RASIK MITTAL - CHIEF FINANCIAL OFFICER

INVESTOR RELATIONS ADVISORS:

STRATEGIC GROWTH ADVISORS

Moderator: Ladies and gentlemen, good day, and welcome to Credo Brands Marketing Limited Q3 and 9 Months FY '25 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kamal Khushlani, Promoter and Managing Director, Credo Brands Marketing. Thank you, and over to you, sir.

Kamal Khushlani: Thank you, Nirav. Good afternoon, everyone. I have with me Mr. Rasik Mittal, our Chief Financial Officer; and SGA, our Investor Relations Advisors. I hope you all have received the investor deck. If not, you can view them on the stock exchange or the company website.

Our unwavering commitment to achieving sustainable growth and profitable growth is reflected in our performance during Q3 FY '25, where revenues grew by 4%, EBITDA grew by 12% and PAT grew by 17%. Despite facing challenges such as subdued demand for premium and mid-premium branded apparel, primarily driven by reduced discretionary spending and weaker consumer sentiment, impacting overall industry consumption. However, we managed to achieve a growth of 4%.

Additionally, our performance led to an expansion in gross margins by 210 basis points, reaching 61.9% for this quarter. For the first 9 months of FY '25, our revenue grew by 7%, reaching INR465 crores, while EBITDA also grew by 7%, reaching INR139 crores with an EBITDA of 29.8%. PAT increased by 5%, totalling to INR55 crores. This performance is in line with our strategic objectives for the year with a focus on achieving profitable growth.

Our proactive efforts to efficiently manage inventory have contributed to this performance with inventory days being reduced from 77 in March 2024 to 66 days in Dec 2024, demonstrating our capability to optimize working capital without compromising on growth. This also highlights the customer loyalty and enduring appeal of the brand we have built, and we want to continue prioritizing profitability while growing our business.

Our performance underscores our ability to navigate market challenges, while maintaining financial discipline and operational excellence. We remain focused on strengthening our business fundamentals and driving sustainable growth, ensuring long-term value creation for all stakeholders. Till December, we have opened 27 new stores on a gross basis, 10 new stores on a net basis, taking our total count to 435 stores across 243 cities in India.

Our store expansion has been selective with a focus on better locations as per changing market dynamics. With a strong commitment to building a distinctive and recognizable brand identity, we have been strategically implementing a cohesive advertising approach, while rolling out a series of targeted marketing campaigns. Our efforts are focused on enhancing brand visibility, strengthening consumer engagement and ensuring a deeper connection with our target audience.

As part of our broader strategy to expand our presence in the direct-to-consumer segment, we have been actively working towards strengthening our digital footprint. Our primary focus has been on leveraging key online platforms, particularly Google and Meta to attract new customers, drive traffic and enhance conversion rates. This digital-first approach has been instrumental in scaling our business in this space.

Our sustained efforts in this direction have yielded promising results. We successfully achieved a business turnover of INR8.64 crores in the first 9 months of FY '25, a significant improvement compared to INR3.62 crores recorded during the same period in FY '24. This growth reflects the effectiveness of our digital strategy and increasing traction of our brand among online consumers. Our focus will remain on leveraging data-driven insights, optimizing our online presence and strengthening the brand positioning to unlock new opportunities and achieve long-term business success.

Our strategy revolves around providing high-quality products to our customers and continue being the bridge between the mass and premium consumer segments. And our asset-light business model, robust cash flows and low debt position provide a solid foundation to execute our multipronged strategy, whilst maintaining profitability and healthy margins. In the recently announced budget, a key focus has been placed on stimulating economic growth by enhancing the purchasing power of the middle class.

One of the significant measures introduced to achieve this objective is the reduction in tax rates aimed at providing financial relief to middle-income households. By lowering the tax burden, the government seeks to encourage higher disposable income, which in turn is expected to drive greater consumer spending. Increased consumption among middle-class households can have a positive ripple effect on our sector.

Going ahead, our company is aiming for mid-teens revenue growth for the next couple of years, driven by the expansion of new store locations across both new and established markets, depending upon a rebound in the industry demand for premium and mid-premium brands.

Additionally, we expect consumption to improve with the recent boost given by tax reductions. We are focusing on enhancing profitability and maintaining healthy inventory levels. We are confident in our capability to handle short-term fluctuations and achieve sustainable and consistent growth in the future.

With this brief, I'd like to hand over the call to our CFO, Mr. Rasik Mittal, for the update on the financial performance. Thank you, everyone.

Rasik Mittal: Thank you, Kamal. Good afternoon, everyone. First, I will give you financial highlights for Q3 FY '25. The revenue for Q3 FY '25 grew by 4% year-on-year to INR155.6 crores. Gross profit grew by 7% year-on-year to INR96.3 crores with a GP margin of 61.9% for the quarter. EBITDA for the Q3 FY '25 stood at INR47.6 crores, that is a growth of 12% year-on-year. Our EBITDA margin stood at 30.6%, which is an increase of 230 basis points.

Profit after tax for the quarter stood at INR18.3 crores, that is a growth of 17%. Our cash flow from operations was INR139.5 crores in December 2024. Now I'll give you the financial highlights for 9 months FY '25. Revenue for 9 months FY '25 grew by 7% year-on-year to INR465 crores. Gross profit grew by 8% year-on-year to INR271.2 crores with a GP margin of 58.3% for the 9 months.

EBITDA for the 9 months FY '25 stood at INR138.6 crores as compared to INR129.6 crores in FY -- 9 months FY '25, that is a growth of 7%. Our EBITDA margin stood at 29.8%. Profit after tax for the 9 months stood at INR54.5 crores. Our inventory days have decreased by 11 days from March 2024 to 66 days as on 31st December 2024. As mentioned earlier, we continue to aspire to reduce our inventory days. ROCE and ROE stood at 20.4% and 19.9%, respectively. Our net debt to equity stands at negative 0.13x.

With this, we now open the floor for question and answer. Thank you.

Moderator: The first question is from the line of Garvita from Seven Islands PMS.

Garvita: Am I audible? Yes. Sir, my question is on the inventory. The first thing I would like to ask is how do we account for the inventory? Do we account for the inventory on company level or on the stores level?

Rasik Mittal: We account for the inventory which is on the books of the country -- of the company basically in our warehouse and as well as the company run stores.

Garvita: So is it like the inventory, which is in the warehouse as well as inventory left at the stores as well?

Kamal Khushlani: Yes. The stores which are run by the company. The stores which are run by the franchisee are in their books.

Garvita: Okay. And sir, by when do we expect a further reduction in the inventory level, inventory days?

Kamal Khushlani: We are not expecting further reductions in the inventory days. We are at a very healthy level of inventory as of now.

Garvita: Okay. Sir, this level of inventory is what we expect to maintain going forward as well?

Kamal Khushlani: Yes, yes, absolutely.

Garvita: Okay. And sir, one more question. What do you do with the unsold inventory, which is left at the warehouse and at the stores as well because that must be -- that would be returned to the company if it is at the store level?

Kamal Khushlani: So Garvita, as we have mentioned in the past, in the history of the company over the last so many years, we have never had to sell inventory at a loss. whatever inventory we produce, we are able to liquidate that profitably. So there is typically no unsold inventory. At the end of every season sale, there is some unsold inventory that is left with us.

But that's the art in which we manage our business and manage to liquidate this inventory profitably, and we do it through our factory outlets and our e-commerce partner channels. So we, as a business, have a multichannel -- we are a multichannel retail brand, and we look at -- whatever we have produced, we have to be able to liquidate that merchandise profitably. And that is something which we have historically demonstrated, and we are confident that we shall continue to do that.

Moderator: Next question is from the line of Apurva Mehta from AM Investments.

Apurva Mehta: Yes, sir. Just wanted your thoughts on this budget. What are your plans going ahead to open new EBOs because we think that a lot of government has almost given INR1 lakh crores on the hands of consumer. So are we planning for that? What should we do? Or are we still keeping our eye on what's happening in the market?

Kamal Khushlani: We are certainly going to keep our eye on what's happening in the market, Apurva. And we are hoping for a good rebound in the market, thanks to the tax reductions that the government has proposed in the hands of the middle class. And it will be a wait-and-watch strategy. And as a company, we don't have to have any immediate reactions today. The way we are going to do this is look at it, and we're going to keep our eye keenly on the market and how it's performing.

And depending upon market conditions, we are absolutely ready to fulfill the demand that is generated by the market. And as a brand, we are -- as per the Technopak report released just before we had got listed, we are among the top 3 brands in the country. I'll refrain from naming them. It's there in the report.

It can be checked. And if you remove the other categories of the brands like footwear, womenswear and other categories and only compare men's apparel, you'd see that all these 3 brands are neck to neck or shoulder to shoulder with each other.

So we are among the top brands anyway. Now being here, we have to ensure that we don't lose out on our market share, and we are able to maintain our gross margins and continue to grow the business profitably. So that's what we are going to -- that's going to be our endeavor going forward as well.

Apurva Mehta: Okay. And on the EBO front, we just added 10 EBOs in this first 9 months and typically, we would add around 30, 40 stores or maybe 50 stores. What is your sense for next year when you see this budget coming? Are you preparing for the healthy EBO growth? And how easy is to put an EBO? And what's the time line to start from scratch day 1 of EBO to -- when we complete the -- when we commence from the EBO. So is it like a month of time or a 2-month time where we plan with -- what is your thought on that?

Kamal Khushlani: So Apurva, typically, we have certain markets that we target where we want to open our EBOs. And some of them in our language internally, we call them wildcards, which are markets where EBOs are not really available, but we've been on the lookout for that. So whenever there's an opportunity, we quickly have to grab it. Besides that, there are emerging markets that we have to keep looking at. Now between both of these, we are going to take a cautious approach even now because of the way the last 2 years have panned out or the way the last 1.5 years has panned out post '22, '23.

And at the same time, we have a very, very strong on-ground presence and an intelligence in the field. As the market picks up, we're going to be ready to expand at the rate at which the market demands. Like I said, we are a multichannel retail brand. I'll elaborate on that. We retail through MBOs, we retail through EBOs, we retail through large format stores and we retail through the e-com channel partners and our own D2C website.

Basically, we want to ensure that wherever there is a demand for mid-premium to premium menswear, our brand is present and is offered to the consumer and then up to him to make the choice. So we ensure that we are present in most of the markets. As a brand, we have one of the largest penetration as far as the number of cities is concerned. We have one of the largest fleet of stores as EBOs. We are present among -- I mean, we have one of the largest presence in this mid-premium to premium space in MBOs.

And that's how -- we will look at how the market is responding, and we are absolutely ready to grow the market. And typically, a store, once we get it, depending on store to store, but we can refurbish the store and get it up and running within 30 days without any problem. And that's the rate at which we can start the stores whenever they come by.

Apurva Mehta: Okay. And how do you see this January spanning? What is your take on where we'll end this year? Because next year, you have guided of mid-teens. But this year, we were guiding at 12% to 15% kind of growth. But it's -- where we currently are and where do we see ending quarter this year end?

Kamal Khushlani: See as of -- I've also mentioned earlier, we should not look at our growth on a Q-on-Q basis. As a business and as a brand, we are a business that should be looked at an annual basis only because quarter-to-quarter, business keeps fluctuating. In fact, annually also, it fluctuates. As long as you're able to liquidate whatever you have made profitably and grow the business and make more money than you made in the past, you're on a track being at the level at which we are.

Now the growth that we demonstrated in this quarter is we saw the opportunity and we grabbed it. However, January has not panned out exactly after that the way the Q3 did. So by end of this year, we are expecting it to be kind of very little growth in terms of same-store growth and higher single-digit growth by the end of the year.

Apurva Mehta: So which we are currently at 7% new guide and around 8%, 9% kind of growth?

Kamal Khushlani: Something like that, yes.

Apurva Mehta: Okay. And next year, how confident are we to -- what are we doing to achieve the 15% to what is double -- mid-teens kind of growth? What are we doing different? And what is your take for it? Like you will be spending more on advertisement or maybe changes in the product mix or opening new EBOs. How will we achieve this mid-teens kind of growth?

Kamal Khushlani: It's a combination of all of this, Apurva. Changes in product is an ongoing process that keeps on happening all the time. And besides that, as far as our overall strategy, the broader strategy to achieve growth is that we are increasing and we have increased our presence on the digital platforms because that is where we expect the ripple effect to come and the demand to generate in offline as well because most of the consumers, we can -- I mean, fairly say that all consumers today are there on the social media platforms.

So to catch them there with the brand in its new avatar so that they see it and repeatedly showing them our brand and the products that we make is something that will create a perception of need in their minds and drive footfalls to our stores also and also drive traffic to our website. And then this is an ongoing process of increasing our business even in the D2C space. But however, even that business, we are always going to keep our eye on the profitability and grow that business.

As and when the consumer gets ready for buying full-price merchandise in the online space within India, as it has happened in some of the Western markets in the world, we will also get ready and ready ourselves to be able to meet that demand by the consumers and catch them in the online space.

Moderator: Next question is from the line of Ruchita Maheshwari from Ace Lansdowne Investments.

Ruchita Maheshwari: Just wanted to understand, if I see your financials, it's a just around 4% year-on-year growth. But if I see the other value retail companies, be it V2 Retail or other likes, they have grown more than 20%. So what went wrong? Are we seeing a downgrading in the consumption of the consumers that they are preferring more of the value fashion and that's where it's taking us a hit? What's your thoughts on that?

Kamal Khushlani: See, as far as the mid-premium to premium space is concerned, there has been a tightness that we have felt in demand. And the discretionary spend on this category in this band of mid-premium and premium brands has been lower. And like we grow our -- believe in growing our business profitably, and that's what we keep our eye on. And we are not a value brand. We are a bridge between the mass and the premium brands.

And that's -- we are an aspirational brand to the middle and upper middle class, and that's where we intend to remain and exploit that consumer. So that's the space where we are. So I don't see anything has gone wrong. It's a different segment that you're comparing us with, Ruchita.

Ruchita Maheshwari: No, I know I'm not trying to compare as apple-to-apple. I know that. What I'm trying to understand is that why the growth which we supposed to have has not been visible in our financials, whereas if I see about the -- about other value retail companies, they have been growing tremendously. So that's what I wanted to understand, is the consumption shift we are seeing that consumers are preferring more of value fashion where they can turn around and be on trend, whereas compared to the mid-premium and premium where the consumption has been slowed down. Are we seeing that kind of consumption going forward?

Kamal Khushlani: No, no, no. The spending power has been a little lower in the hands of the middle and upper middle class. And as a country, as we grow richer, the demand for the space where we are is likely to grow. It's not likely to go towards value brands and things like that.

However, it's difficult to put a finger on the pulse and exactly answer your question because that's very, very relative from company to company, the companies that you're talking about, where they were, at what position they were, what's the base effect, where they started from, how was the previous year and what's the growth that we are taking. All of that will count.

Yes, we have seen significant growth in some companies in the value segment, but that is not undermining the potential of the business for mid-premium to premium brands because the middle class and the upper middle class that seeks fashion and as a consumer acquires wealth and grows richer, wants to acquire brands that he could not afford in the past.

So we, like I said, are the bridge to the premium international brands. We are the bridge between the mass and the premium consumer brands. And we are going to be a part of that life cycle of the journey of the consumer as they climb up the social ladder.

Ruchita Maheshwari: What kind of visibility you have for FY '26, where the other players -- again, I'm taking the value fashion companies as a base, they are becoming very aggressive in terms of opening stores. And what's our plan in terms of opening stores? And just to understand, as they have been more available in the vicinity of the consumption, do we again see some kind of a threat where the consumers might shift towards the value fashion because the stores are in abundance, whereas compared to us, if we are going for -- on a very slow track of opening stores?

Kamal Khushlani: Ruchita, we intend to even now this year, open about 20, 25 stores, and we will be ready to open even 40 or 50 depending on how the market pans out. To respond to your question that those brands being a threat to us is not true at all. That is something you -- I have said it in the past, and I urge our investor partners or analysts to visit the market, look at what the other brands have to offer and what's the value proposition that we have to offer.

And we can very confidently say that the type of variety and the type of fashion that we have in our brand is very unique, and you will not find it in any other brand at that price point, the type of unique expressive fashion that we make and we stand for, and we have a following of a tribe.

So those brands don't make those kind of products. Our products are different, and we are unique, and we are very, very confident that we should be able to ride this wave and, we are hoping that the budget that the government has come out with should propel demand in this segment.

And whenever the demand is picking up -- seen picking up, we'll be able to ride that. And we've said it in the past, our company is not one of those where if the market is good, we will bolster and do some bundles because we are not at a base. And even if the market is bad, we won't go completely down. These are cycles, ups and downs that keep coming where the market is good and the market is bad, but we know how to ride these waves.

We are more a stable company. We have been a dividend-paying company for the last 10, 12 years and shall continue to do so. And we will always look at growing the business profitably, and we are confident we will be able to have sustainable growth even going forward.

Ruchita Maheshwari: So if I see your past historical, Q3 is kind of a very good quarter for you, but this quarter was not as good as it should have been. So Q4 will again be kind of a muted quarter for you. So overall, FY '25, you will be closing in a year-on-year types very muted growth?

Kamal Khushlani: Ruchita, please, I urge you not to look at our brand on a Q-on-Q basis. We are not...

Ruchita Maheshwari: No, no. I'm not saying Q-on-Q. I'm just comparing year-on-year Q3 FY '25 versus Q3 FY '24. So Q3 of -- yes.

Kamal Khushlani: So I'm telling you don't look at us as a quarter. You will never be able to judge our business. You have to look at it on an annual basis. Are we growing profitably? Are we optimizing working capital? Are we able to generate operating cash flow? Are we managing our inventory levels well? Are we able to liquidate everything that we have made profitably? Are we able to maintain our gross margins? Profitable growth is what our company strives and endeavors to do. And that is something we are confident we will continue doing. We are a stable company, Ruchita.

Ruchita Maheshwari: Okay. Sir, if you can share your ASP for Q3 FY '25 versus last year and the last quarter?

Rasik Mittal: We'll get back to you on that.

Kamal Khushlani: We'll get back to you on that, Ruchita. We don't have that handy right now.

Ruchita Maheshwari: And if you can share revenue per square feet?

Kamal Khushlani: Revenue?

Rasik Mittal: Per square feet.

Ruchita Maheshwari: Revenue per square feet for you...

Kamal Khushlani: Okay. I can share that also. It's not a problem. But that's the same thing. You're looking at same-store growth, which is something we refrain from giving out this quarter because it appears to be much, much better than what it was last year. But that will even out by the time we reach the end of the year. We are not a brand that has to be looked at on revenue per square feet, et cetera, because we have to look at overall growth that the brand is achieving.

We retail through MBOs, we retail through EBOs, we retail through large format stores. So in a city, there are MBOs also, there are EBOs also, there are large format stores also. And if one city opens more large format stores, opens more EBOs and opens more MBOs, we may not see same per square feet growth or same-store growth in that city. But we see a growth happening in the overall demand of the brand and consumption of the brand in that city, which is what we have to ensure that as a brand, we are among the top 3 brands, and we don't end up losing market share, and we are able to maintain the position of the brand.

Ruchita Maheshwari: Sir, if you can share your revenue per square feet for -- in your older store versus your newer stores, if that's possible?

Kamal Khushlani: We'll share it. Yes, yes.

Ruchita Maheshwari: Sir, do you -- like, can you share it right now? Or do I have to get back to the...

Kamal Khushlani: I don't have it right now, Ruchita.

Ruchita Maheshwari: Okay. For FY '26 guidance, how many stores you are envisaging to open?

Kamal Khushlani: 20- to 25-odd stores.

Ruchita Maheshwari: And in this quarter, have we closed any stores?

Kamal Khushlani: This quarter, we have closed 2 stores. By the end of the year, I think we are confident that we should be able to open between -- at a gross level -- I mean, net level, sorry, about 18 to 20 stores.

Ruchita Maheshwari: That is for FY '25, right?

Kamal Khushlani: The current year, yes.

Ruchita Maheshwari: Okay. And for FY '26, what kind of a revenue guidance and EBITDA guidance, if you can share?

Kamal Khushlani: We are aiming for mid-teens growth.

Rasik Mittal: EBITDA should be in the range of 27% to 30%, Ruchita.

Ruchita Maheshwari: The mid-teens growth, that will be more towards the SSG or it will be price hike as well?

Kamal Khushlani: Could be a slight level of price hike. There hasn't been any price hike in the last year. But depending on the raw material costs and inflation, et cetera, price hike is a function of that. Right now, we don't have a view on that. However, there is a constant premiumization that's happening in the brand in terms of the product mix, et cetera, which is a constant work in progress and -- something that keeps going on. But the growth that we look at is overall growth. It's not going to be a price hike growth.

Ruchita Maheshwari: Okay. Fair enough. And this digital which you spoke about, can you just throw more light on that? What kind of margin do we make in digital versus the offline sales?

Kamal Khushlani: Of course, we make better margins in the offline space, but that's what we are growing our digital business in a manner where we grow that business also profitably. And we look at it in 2 ways in terms of creating awareness for the brand and generating footfall even in the offline space.

And it's very difficult for any brand as of now to be able to measure the return on the investment that they are making there because there aren't exact ways that you have to monitor the kind of growth that your offline business is getting due to the monies that you spend in the online space.

But however, whatever business we do, online or offline, we managed to do that profitably. We don't make a loss even in the online space.

Ruchita Maheshwari: Sir, this online, is it...

Moderator: Can I request you to come back...

Ruchita Maheshwari: Just one more question, please. This online which we sell, is it through our own website or we have a third party like Flipkart or Amazon?

Kamal Khushlani: Both, both.

Moderator: Ruchita, kindly come back for a follow-up question. Next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar Okay. Sir, if I have to look at last, I mean, 4, 5 years -- I mean, in the year FY '22, '23, we used to grow at around 40%, 45%. And now in last 2 years, we are growing at in the range of maybe 7%, 8% or 10%, 12%. So I mean, what is the key change that has happened. I mean, which -- I mean reduced our growth trajectory? And now going forward also, we are talking about mid-teens kind of a revenue growth, right? So some thought process would be helpful, yes.

Kamal Khushlani: The -- see, I'll put -- in 2, 3 parts, I'll break it up. As I told you that during the report that was released by Technopak, we are among the top 3 brands in the country in the mid-premium to premium space already, number one. Number two, the 40% to 45% that you are catching is post-COVID.

And number three, the higher inflation that has happened, which led to lower disposable incomes in the hands of the middle and upper middle class is what we believe led to a crunch in the spending on this category, in the mid-premium to premium space as far as discretionary spending in this category was concerned.

Deepak Poddar Okay. Okay. Understood. Understood. And on the margins front, I mean, we spoke we are focusing on enhancing profitability, right? So currently, we are at about 30% odd and the range we are talking about for next year is 27% to 30%. So I mean, why are we talking about reduced range? Or is there any aspiration to increase our EBITDA margin from 30% also, yes?

Kamal Khushlani: This is probably the first call that you present. We have always been maintaining that if a market is bad, our profits could fall down to 27%. If they are good, it may go up to 31%, 32%. That's the range in which our company is going to play out. We are a stable company. There's nothing going to be that takes us majorly south or majorly north.

Deepak Poddar Okay. Okay. So if the market is good, 30% is a fair number. And if market is a little on the bad side, then maybe a 27% is...

Kamal Khushlani: Absolutely. Yes. We will be able to ride a bad and a good wave and yet sustain and grow the business profitably.

Moderator: Next question is from the line of Rahul Dhruv from Pegasus Growth.

Rahul Dhruv Yes, okay. So the 15% growth that you -- or the mid-teens growth that you mentioned, how much would that be -- when you do that number, how much would that be from growth in stores? And how much would it be from growth in value per store?

Kamal Khushlani: So Rahul, like we said, we are keeping a conservative approach of growing the business even this year, and we look to opening 20, 25 stores. However, we see the potential to open more number of stores. Depending on how the market pans out this year, we would end up probably opening more stores than the guidance that we've given right now. So it would be a combination of opening new stores and some same-store growth.

Rahul Dhruv And you would, through that period, maintain the 5% advertising and sales promotion cost...

Kamal Khushlani: Yes. Yes. And also, see, like I said, that we are a multichannel retail brand. It's EBO, LFS, e-commerce, everything put together. So you have to look at the growth of the brand in totality.

Rahul Dhruv No, sir, I fully agree with you, and I fully appreciate that. But I guess more than 50% comes from the EBOs and that's the reason I was focusing on the EBOs and especially given the fact that their revenue per store is as high as INR80 lakhs compared to whatever, INR18 lakhs, INR20 lakhs for MBOs, right? So that's the reason I was focusing on that. And I was just -- the next question is exactly about that is that do you think this INR80 lakhs per store is something which is now flattened out as it cannot grow any further? Or do you think it can grow very, very slow?

Kamal Khushlani: No, it's not flattened out, and that is something which will grow. It again depends on clusters and the number of stores that we have in a city. And it also depends upon how the market pans out in that year and that season.

Moderator: Next question is from the line of Nilesh Doshi from Prospero Tree Asset Management.

Nilesh Doshi: Sir, the first participant had asked about the inventory valuation. And you said that the inventory at the warehouse level plus COCO level will be considered for inventory at the company level. So I would like to ask what accounting treatment is given when the goods are dispatched from the company to the COCO. Is the company prepare any bill and recognize that?

Rasik Mittal: So see, when the goods are transferred from warehouse to COCO stores, this is a stock transfer basically. So it remains in the books of the company at cost only.

Nilesh Doshi: Okay. So whatever the amount of the revenue is reported, it is when actual sales has happened, not only when the transfer of goods has happened. Is it correct, sir?

Rasik Mittal: Absolutely. When the goods are sold at the COCO counter, then only the revenue is recognized. Otherwise, the stock is carried at cost.

Nilesh Doshi: Okay. Sir, and my second question is how the company will utilize the cash flow at the firm level -- free cash flow at the firm level? Because in September, the first 6 months, there was -- I think the INR64 crores to INR65 crores is the -- cash flow is available. So in future, will it be utilized for the working capital purpose or to -- expansion of the EBOs company on EBOs? Or will it be distributed to the investor?

Rasik Mittal: So it will be all the 3 basically. See, we will use the money for internal -- this expansion of the stores also from internal accrual of the funds as well as we -- there will be some payout to shareholders also.

Nilesh Doshi: Yes. But I think the INR64 crores, if I double for the full year, not necessarily, it will be double, but around INR120 crores. So does we require INR120 crores every year for the working capital purpose?

Rasik Mittal: Not necessarily. See, it will -- see the dividend payout will be decided by the Board as and when it comes up. And the working capital requirement and the store addition keeps on happening. It's a normal –

Kamal Khushlani: it's a constant exercise depending on how the market is panning out. Even if we are opening 50 stores, we are able to easily open it through our own internal accruals. And in the past, we have also been able to pay dividends in spite of doing that.

Nilesh Doshi: Okay. And sir, what is the amount of the inventory and the net debt for the -- as on 31st December?

Rasik Mittal: See, this number is not required to be this thing reported for December quarter, Q3. But however, we can get back to you offline.

Moderator: Next question is from the line of Sayam Jain from SLR Securities. Due to no response, we move on to the next participant. Next question is from the line of Kimberly Paes, from Envision Capital.

Kimberly Paes: So I just wanted to understand a little bit on the longer-term aspiration with the brand. We're currently a INR600 crores kind of brand. So what is the potential for Mufti as well as the store potential, say, in the next 3 to 5 years? Basically, what are we looking at internally?

Kamal Khushlani: See internally double in the 5-year period. However, depending on market, it could take a year less or a year more to achieve that. Like I said a little earlier during this call that we are among the top 3 brands, and we intend to maintain our position in all the channels that we are present, whether it's EBOs, whether it's MBOs. Both places -- both of these contribute to roughly 55%, 45 percentage in that way, respectively, in our business.

In both places, we are very prominent players as far as our penetration is concerned and the consumption of the brand is concerned in the mid-premium to premium category. And we intend to maintain that.

Kimberly Paes: Okay. And so currently, we're at 435 stores. How do we see this in the next 3 to 5 years? Do we see the potential of going to, say, 1,000 stores in the next 5 years?

Kamal Khushlani: I wish I had a crystal ball to gaze into and tell you that. But yes, definitely, as the opportunity comes up, we would -- we definitely have -- leaving last year, we have opened even 50-odd stores and slightly more than 50 stores….

Moderator: Next question is from the line of Rishabh, Individual Investor.

Rishabh: Sir, I would be just asking that how would you -- if the things didn't go as per the plan, then how would be expanding the -- means would you be entering into new product categories such as women or kids? Or would you be launching some brands like other fellow competitors do, means launching a brand for value products and all?

Kamal Khushlani: As of now, we don't intend to launch value products. The core competence and the strength of the brand is to provide fashion that is unique and different from other brands and what's available in the market. So that's what we intend to continue doing, and we still see potential in the space that we are in menswear. However, at the right time and the right point, we would probably look at going into other categories also, but that's not in the view for the next 2 to 3 years.

Moderator: Next question is from line of Jaimin, Individual Investor.

Jaimin: So basically, I have a few questions. And let me ask you first question is like for financial year '25, we have a guidance like we will grow with the 10% to 12%. But for the last 9-month growth, it's 7.37%. So do you think we can beat that growth which we already have predicted?

Kamal Khushlani: We already mentioned that we would grow in high single-digit growth.

Jaimin: Like what do you mean by single-digit growth? Like this whole financial year or you are talking about the...

Kamal Khushlani: The whole financial year.

Jaimin: Okay. So towards the financial year, you predicted...

Kamal Khushlani: That's what I mentioned earlier.

Jaimin: Okay. Then what's your outlook for financial '26? Like what will be the -- like your growth rate will be?

Kamal Khushlani: Depending on market conditions again, but we are aspiring for mid-teens growth in the next financial year.

Jaimin: Yes. So for like you are filling like in single digit or double digit approximately, what do you think?

Kamal Khushlani: Mid-teens.

Jaimin: Sorry?

Kamal Khushlani: We are aspiring for mid-teens, Jaimin.

Jaimin: Okay. Okay. Got it. And one more question from my end is like are you planning to scheduling any kind of the buyback because of the like current price -- share price is already trading below the IPO price. So do you think -- or do you have any plans -- future plans for doing any kind of the buyback or something like that?

Kamal Khushlani: We haven't thought about it for the moment, Jaimin.

Jaimin: Okay. And what will be your upcoming 3 years guidance, like up to financial year '28?

Kamal Khushlani: I already mentioned earlier, Jaimin, that we look to -- we are looking to grow the business at mid-teens growth per annum. And depending on market conditions is how that would pan out. We calibrate growth of our company profitably. We have been a dividend-paying company for the last many years and we will endeavor to continue doing that, grow the business profitably and be a dividend-paying company.

Moderator: We'll take that as the last question. With that, I would now like to hand the conference over to Mr. Kamal Khushlani for closing comments.

Kamal Khushlani: Thank you. Thank you, everyone, for joining us. I hope we've been able to answer all your queries. We look forward to such interactions in the future. In case you require any further details, you may contact Mr. Deven Dhruva from SGA, our Investor Relations partner. Thank you very much, and good day.

Moderator: Thank you very much. On behalf of Credo Brands Marketing Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.