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

May 30, 2025

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

Scrip Code: **544058**

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: 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 May 23, 2025 on audited financial results of the Company for the quarter and year ended March 31, 2025, 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: 2025.05.30 15:17:59 +05'30'

Sanjay Kumar Mutha
Company Secretary and Compliance Officer

Encl. As above

Credo Brands Marketing Limited

Q4 & FY '25, Earnings Conference Call

May 23, 2025

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 23, 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 the Credo Brands Marketing Limited Q4 and 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 involves risks 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 the 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 MD. Thank you, and over to you, sir.

Kamal Khushlani: Thank you. Good afternoon, everyone, and welcome to the annual call of Credo Brands Marketing Limited. I have with me Mr. Rasik Mittal, Chief Financial Officer; and SGA, our Investor Relations Advisors. I hope you all have received the investors' deck. If not, you can view them on the stock exchange or the company website.

This being our annual call, I would like to begin this call by providing a brief overview of the past few years with some context on the current state of our business. Post-COVID in FY '22, there was a significant surge in demand for mid-premium to premium menswear across the industry. Soon after that, volatility in cotton prices led to a corresponding rise in product prices at an industry-wide level, which was also well absorbed by the market. This momentum continued through FY '23 during which Mufti recorded exceptional growth across all segments.

However, as the market conditions began to normalize, consumer spending power declined due to rising interest rates and increasing inflation. This is part of a recurring economic cycle. As a result, consumer demand decreased compared to the previous years, which impacted Mufti's growth trajectory in FY '24 and FY '25.

There have been a few challenging seasons for us, but such cycles have always been part of Mufti's journey. We've faced them before and emerged stronger each time. We remain fully confident in our ability to navigate these challenges and are committed to positioning Mufti as one of the leading premium apparel brand in the country.

For FY '25, our primary objective for this year was to drive sustainable growth without compromising on profitability. And I'm pleased to share that we've successfully achieved that goal. Revenue for the year grew by 9%, while EBITDA grew by 12% and PAT by 15%.

Coming to Q4 FY '25, our revenue grew by 15%, reaching INR153 crores, while EBITDA also grew by 33%, reaching INR41 crores with an EBITDA margin of 26.8%. PAT grew by 96% to INR13.8 crores. The performance has been good given the challenging market conditions, including subdued demand in the premium and mid-premium branded apparel segments, largely due to reduced discretionary spending and weak consumption sentiment across all consumer businesses.

Another key focus area for us was optimizing inventory levels. I'm happy to report that we successfully reduced our inventory days to 67 days, which is a reduction of 10 days compared to the previous year. I'd like to take a moment to share how we approach inventory and working capital management differently from others in the industry.

Credo follows an unique merchandise life cycle with off-line channels that is EBOs, MBOs and large format stores. Fresh stock is initially sent to these stores where it is sold during the fresh sales period. As the season progresses, the brand transitions to a discount phase to clear inventory as per the industry norms.

Post discount, any unsold merchandise is returned to Credo. Instead of holding on to this excess inventory unsold at the point of sale, the company efficiently sells it through online channels and factory outlets, ensuring sell-through and generating profit even from previously unsold stock. This business model leads to higher inventory for some time, but it is compensated by higher EBITDA margins, resulting at approximately 20% ROCE, one of the best in the industry, as our business partners do not have to bear the risk of unsold inventory.

At Mufti, we prioritize long-term relationships with our distributors, EBO franchisees and large format store partners, building trust and mutual growth over time. While this business model leads to slightly longer receivable cycles, it allows us to enjoy higher margins. However, there have been no material write-offs on account of bad debts in the history of Mufti even though we may have given or supported our partners during trying times in the market.

For the year gone by, the company has generated an operating cash flow of INR166 crores this year. As we look ahead, we remain confident in our ability to sustain this performance through our disciplined approach to inventory management and our continued focus on working capital efficiency.

This year, we have opened 16 new stores on a net basis, taking our total count to 441 stores across 247 cities in India. Our store expansion has been selective and cautious with a focus on better locations.

In today's fast-evolving market landscape and with the growing influence of e-commerce, we remain committed to building a strong and distinctive brand. 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 our conversion rates. This digital-first approach has been instrumental in scaling our business in this space.

Our focus remains on enhancing brand visibility, deepening customer engagement and effectively communicating Mufti's premiumized brand identity to the modern consumer. We believe that the Indian consumer is increasingly opening up to shop online during a fresh season. Recognizing this shift, we are positioning ourselves to capitalize on this behavior. We have significantly expanded our presence across online platforms. These sustained efforts have already begun to deliver strong profits -- strong results, I'm sorry.

I'm pleased to share that we've successfully more than doubled our turnover in FY '25 through our own website, a significant and encouraging leap. This growth is a testament to Mufti's agility and its ability to adapt to the changing dynamics of consumer behavior.

Looking ahead, we are optimistic about continuing this upward trajectory and establishing our online channel as a higher contributor to the overall revenue, moving more and more towards omnichannel. We firmly believe that this strategy will play a pivotal role in scaling the business and achieving long-term success in the evolving retail ecosystem.

While this strategy may lead to an increase in advertising and marketing expenses, we plan to maintain our brand-building investment at approximately 5% of our revenues even for FY '26. We strongly believe that the Indian market is steadily moving towards premium products, and our vision is to establish Mufti as the go-to premium apparel brand for Indian consumers.

In line with our endeavor to premiumize our brand experience, we have begun reinventing our retail identity. We will be upgrading several of our flagship stores to better reflect the premium positioning of our brands. These refreshed store formats will allow us to deliver an elevated high-quality shopping experience that resonates with the modern customer.

While these upgrades will result in higher costs in the short term, we view them as strategic investments that will yield substantial returns in the years to come. Our commitment to offering high-quality products remains unwavering, and this initiative marks a significant milestone in our journey towards becoming a truly premium brand. Our asset-light business model with robust cash flows provides a solid foundation to execute our multipronged strategy whilst maintaining profitability and healthy margins.

In the recently announced budget, a clear emphasis has been placed on driving economic growth by boosting the purchasing power of the middle class. One of the measures introduced is the reduction in tax rates aimed at offering financial relief to the middle income households. As disposable incomes rise and consumer sentiment improves, we expect to see increased demand. This presents a strong opportunity for Mufti to grow alongside this macroeconomic trend and further strengthen its position as a preferred premium apparel brand for the Indian consumer.

Going ahead, our company aspires for mid-teens revenue growth for the next year, driven by the expansion of new store locations across both new and established markets. However, depending upon rebound in the industry demand for premium and mid-premium brands, we will take a cautiously optimistic approach.

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.

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 Q4 FY '25. Revenue for quarter grew by 15% year-on-year to INR153.2 crores, gross profit grew by 11% year-on-year to INR82.8 crores with a GP margin of 54% for the quarter. EBITDA grew by 33% year-on-year to INR41.1 crores. Our EBITDA margin stood at 26.8%, which is an increase of 360 basis points. Profit after tax for quarter grew by 96% and stood at INR13.8 crores. Our PAT margin stood at 9%, which is an increase of 370 basis points.

Now I will give you financial highlights for the FY '25. Revenue for the FY '25 grew by 9% year-on-year to INR618.2 crores. Gross profit grew by 9% year-on-year to INR353.9 crores with a GP margin of 57.2%. EBITDA for FY '25 grew by 12% to INR179.7 crores. Our EBITDA margin stood at 29.1%, which is an increase of 80 basis points.

Profit after tax grew by 15% to INR68.4 crores. Our PAT margin stood at 11.1%. Our inventory days has decreased by 10 days from March '24 to 67 days as of 31st March 2025. As mentioned earlier, we continue to aspire to reduce our inventory days.

ROCE and ROE stood at 18.9% and 18.2%, respectively. Our cash flow from operations was INR165.9 crores in March 2025. With this, we will now open the floor for question and answers. Thank you.

Moderator: Thank you very much. The first question is from the line of Anuj Rathi from Sunrise India Growth Fund. Please proceed.

Anuj Rathi: I just wanted to understand, are we considering export or any opening of store outside India also?

Kamal Khushlani: Hi, Anuj, as of now, we see enough headroom for growth in India itself. So in the immediate near future, we are not looking to export or open stores. However, in future, at the right time, we would definitely expand beyond borders.

Anuj Rathi: Congratulation on the great set of numbers.

Kamal Khushlani: Thank you.

Moderator: The next question is from the line of Lakshminarayanan from Tunga Investments.

Lakshminarayanan: From the rent expense point of view, I just want to understand what have been your rental expenses, we're essentially trying to understand what is your pre-Ind AS EBITDA? That's my first question. Second question is that I think that...

Kamal Khushlani: Excuse me, Lakshminarayanan, could you please speak a little louder and clearly, please?

Lakshminarayanan: Yes. I have a couple of questions. The first question is that I just want to understand from a pre-Ind AS EBITDA point of view, what has been our rental expenses? And how the pre-Ind AS EBITDA has actually moved in the last 2, 3 years? That's number one.

The second question is that when I see that the value per bill has actually gone up significantly. Is it because people are buying more units per bill?

And the third question is from an MBO point of view, what is our -- what's the structure of MBOs, how we've expanded MBOs in the last 1 year in terms of appointing distributors or touch points. I just want to understand this. So these are the 3 questions.

Rasik Mittal: Lakshmi, the rent paid out is around INR63.7 crores and the EBITDA Pre Ind AS is around INR124 crores.

Kamal Khushlani: Laxmi, this is Kamal here. And to respond to your question on the average bill value going up. See, this year, the market has been muted. And during such times, you have to try to do the best you can with the footfall that you receive at stores. However, there are a lot of endeavors that have been taken at the front end to ensure that we end up selling more number of pieces than we were in the past to increase our average basket value. And yes, that's what has happened.

Coming to the MBO expansion, that is something which is relatively, relatively I'm using the word, less under our control. And all the territories that we have been doing business with, we have been doing business with them over the last few decades. And we have great long-standing relationships across the company, starting from our suppliers going all the way to our retailers and to our MBO partners.

We have not really expanded distributors, but what we have done is we have split 2 territories. One is we split Punjab and Haryana into 2 parts during this time. And we also split UP and Uttarakhand, which was earlier both led by one distributor each. So we have done that as a change. And as far as stores are concerned, we are pretty much at the same number of stores. And this is a business as usual that keeps going on. But what mostly is under our control is the EBO business and the expansion and the growth at these stores.

With the MBOs also, we very, very strongly and closely work with approximately 800-odd shop-in-shops where we monitor what to supply exactly, what is being sold and exactly what is left over, etcetera.

So that's the quality of our supply and the quantity of supply both is well in line with what we expect to clear the next season so that the returns are well under control because we like to pick up everything that is left over at any of the points of sale at the end of -- after the end of season sale because we want to know exactly what was sold and what didn't sell so that helps us in supplying in the future season. And also, we are able to calibrate and liquidate these products, albeit at a discount, but in a manner in which it does not erode the value of the brand.

Lakshminarayanan: Got it. Got it. So just to understand, you've done so well this year, and what has been your full price sell-through because you alluded to your distribution policy and that you don't want your distributors to lose money on the inventory and so on. Just to understand what is your full price sell-through this year...

Kamal Khushlani: Fresh period, roughly half and half.

Lakshminarayanan: Okay. Half sold on full price.

Kamal Khushlani: Yes. Half fresh price sales and half season sales. This is typically what's going on in the industry now.

Lakshminarayanan: Got it. And the sales reported is actually net of discounts, I believe, right?

Kamal Khushlani: Yes, yes, yes. Sales are what you see is net of discounts. In fact, the sales that you see does not truly, truly represent what business we do at the front end because that already covers for the margins that we give to our franchisee partners and our MBO partners and our large format store partners. So statute numbers that you see in terms of our ASPs, et cetera, don't truly reflect the brand.

In the presentation, we have put forth the -- no, we have -- okay. The realization at the front end is higher than what is visible in the statute by approximately 50%.

Moderator: The next question is from the line of Vikram Kotak from Ace Lansdowne Investments Services.

Vikram Kotak: I had a couple of questions, a good set of numbers. And you mentioned about the upgrading the flagship stores. And this is how -- what kind of period are you going to spend on that, what kind of cost? Any budget on that? And in how many months you're going to finish this?

Kamal Khushlani: Vikram, Kamal here. The endeavor to upgrade the identity of the brand in line with the premiumization that India is going through has always been on. And we have come up with a new retail identity in line with that to justify what the brand truly stands for today and wants to going forward, we just created new identity. And in fact, we are in the process of creating the first store right now and the 2, 3 stores also in the pipeline that we are working on.

We aim to renovate may be 30-odd stores during this year, but it's a little too premature to be saying this, Vikram, because we're going to do it, and we are going to cautiously look at the response, check it and this is done in a little calibrated manner. It's not something that's decided in the boardroom and will be done day after tomorrow.

So we are going to do this in a few stores, test it, check it. So I'm unable to give you an exact number now that how we'll do it, but one thing I can tell you that we will approach it with caution and optimism, and we'll do what's best to grow the business profitably. That's what I can tell you right now.

But net-net we have an intention of doing it across 30 stores, hopefully, by the end of the year. It also depends on how many flagship stores that we are intending to open, etcetera, can be gotten by us during the year. So it will be a mix of that.

Vikram Kotak: Yes, it's a good prudent strategy, yes. The second question, Kamal, you said about the outlook of the market looks very -- a lot of slowdown in the system and economy. How do you see the next 1 year in terms of your products, what you say, innovation or you can say branding, what are the changes you are seeing? And also, though we also assume that with the new kind of format or premium format coming in, you're going to up the value chain. Is that the message you are giving to the market or shareholders?

Kamal Khushlani: Certainly, we are going to -- I don't know what you exactly mean by up the value chain?

Vikram Kotak: I mean going to a little more premium than what you're doing today, going to the next level of customers.

Kamal Khushlani: It's only nuanced. It may not necessarily mean -- it certainly means attracting the next set of customers, but do it without intimidating the customers whom we already address. See, we are a brand which is very accessible and available across 247 cities through 441 EBOs. So we are available in Tier 3 towns as well.

And we shall remain very, very conscious of that, that when we are trying to attract one customer, it should not happen at the cost of intimidating another customer. So we're going to be very cautiously doing this as well. And this is something we have done over the last 27 years as the brand has evolved along with nation.

The premiumization that we have gone through that we can see all around us today, whether it is through our airports, through our restaurants, through our residential apartments or any other experience that the customer has at any touch point, whether it's your kirana store or your wine store or whatever it may be, we are seeing how the customers interaction and his experiences are changing.

So what we are looking to do is just evolve that to the next level so that we remain relevant in the table of brands in the pyramid where we remain a bridge to the international premium brands, which are a bridge to luxury brands.

And we intend to remain there and not go down there as consumer aspires for more and more as they acquire wealth and want to acquire more socially. So the elasticity will be such that we would be aspirational for some, and we will be a comfort brand for some. And at some point, when the consumer moves on and acquires much more, then he may move on to brands which are slightly more expensive.

I hope I've been able to answer your question. The thing is that the brand has been premiumized and to meet the aspirations of the consumer so that as they acquire wealth, they leave us as late as possible, and we acquire more and more from below as soon as possible.

Vikram Kotak: Fair. Great point. And last very important is on the EBITDA margin. Do you see this EBITDA margin which you reported last quarter is likely a trend or is a one-off and you see again the range moving up to the 28%, 30% kind of number? What's your view on the EBITDA margin? I'm not asking quarter-on-quarter, but generally, I would just want to say trend.

Rasik Mittal: Vikram, Rasik here. We very much think we'll be able to maintain the EBITDA margin and the range will be 28% to 30%. It will move in that range only.

Kamal Khushlani: Vikram, in fact, I have said it in the past on a few more calls that we are -- in a sense, the way we manage our business, it's a more steadier ship in that sense. In a really bad market condition, it maybe 27%. And in a really good market condition, it will be 30% and thereabouts, maybe a little bit plus or minus. But if it's really bad, it's not that it's going to go down drastically or if it's good, it's going to go up drastically. The range roughly would be 28% to 30%, as Rasik mentioned.

Moderator: The next question is from the line of Samir Palod from AUM Fund Advisors LLP.

Samir Palod: Good set of numbers. Just my question was on EBITDA margin, which you have answered. Can you just talk a little bit about working capital and how you are seeing that in the sort of tougher environment that you're currently in? What can we expect in terms of the cash conversion cycle for next year? Working capital day is about 180. Where do you see that going in the coming year?

Rasik Mittal: Samir, so the working capital days, as per our business model that we follow, will pretty much remain around 175 to 185, means we try and control our inventory days, but receivables days may be higher or lower depending on the market conditions, as see we generally support our customers. If the delay payment by 8-10 days or 15 days, we'll allow them. So that may affect the working capital receivable days in a few other things basically.

Kamal Khushlani: But just to nuance that, that the debtors that we have are pretty much risk free. There haven't been any material write-offs on account of debtors. These are long-standing relationships that we have with them. And that's what I have tried to cover this time for people to understand our business model.

We do support them in these ways. We do make it risk-free from our customers and take back whatever is unsold. That helps us enjoy better margins. And also, on the other hand, that gives us a solid control over the inventory that is there in the entire pipeline. We ensure that the front end receives fresh merchandise every season.

Whereas if we look at any business of any other peer also, I mean, in the industry, it's typical that something or the other is bound to be left over. You have an option that you leave it at your front end at your point of sale for your customer to see, even though he's not purchased it during end-of-season sale, or you have the other option that we take.

We much rather take it back and have full control over what is selling, what is not. As long as I'm able to liquidate that without losing money, I'm on a good wicket. So that's the way we operate. So working capital days do get impacted by that, but that gets compensated by higher EBITDA margins.

Samir Palod: Sure. And the second question is that you seem to have a lot of operating leverage in your business. Your employee costs have broadly remained flat between '24 and '25 and your other expenses also not grown proportionately in line with growth in your gross profit or your revenues. Is that trend likely to continue that as you move, let's say, if you do mid-teen type of growth rate in the coming year, hopefully, the cost will remain -- will they increase, get elevated and hence you will not have as much operating leverage as you've had in the current year?

Rasik Mittal: So Samir, there's always an endeavor to control costs. That continues. That's why it's a continuous process basically. So whenever we can control costs, we will control costs. So salary going up also is a normal -- as per inflation, it will go up. It may like go up slightly more or less, it depends on the condition...

Kamal Khushlani: And the new people whom we tend to employ. So the -- it should remain pretty much in line with what we are doing. It's not something unusual that has happened this time. And however, there are -- that also has been kind of specified earlier that we are looking to take the brand in the new avatar to our consumers, and we are working very, very closely and very strongly on the digital platform.

And wherever we see the inflection, we will make investments in that as well. And at some point, it may be deeper investments than what we have done this year, and we are working very, very closely with our partners, Google and Meta on that.

Samir Palod: So would it be fair to say that if you grow mid -- sort of mid-teens on revenue, assuming constant gross profit margin and your costs will maybe marginally increase so we can look forward to a higher EBITDA growth rate, the one that you displayed in your fourth quarter wherein sales and gross profit are only teen growth, whereas your EBITDA has grown much faster?

Kamal Khushlani: See Samir, as I mentioned earlier, also to Vikram, who asked me a question on the EBITDA, I told you if the market is good. We will range between 30%, 31-odd percent to 28%, 29%. Depending on market conditions, it all depends on how much you are able to clear in fresh period and how much you have to liquidate. So it all ultimately boils down to, a, what's the quantum you sell? And out of that, what's the amount you're able to realize on the MRPs.

At an average, if you have to give a higher discount to liquidate, because whatever made is, whatever is produced has to be sold at the end of the day. And whatever is unsold is something which we already mentioned that we take back, and that also luckily, we have a channel and a format with which we are able to clear it through in a calibrated manner such that we don't lose money there as well.

So it all depends on how the season goes. We are aspiring for mid-teens growth. Right now, the market still is a little low, the sentiment is still low. However, we will do whatever it takes to grow profitably. And this is something which we have done for the last many years. We've always maintained that we have been a company which has calibrated our growth through the profitability lens and shall continue to do that in the future.

The moment we see an uptick in demand, we will not even stop at mid-teens, we could even go higher. And if we see that it's going to be at the cost of profitability, we may even slow that down a little, and these are not times where you have to put your -- put a gun to your head for growth.

These are times where you ensure that you consolidate and you make sure that you're growing profitably in the right way. So we're going to continue to do that. I hope I've answered your question. There will be marginal shift here and there, but it's very difficult to say right now. It's all going to depend on how the sentiment in the market plays out.

Moderator: The next question is from the line of Naitik from NV Alpha Fund.

Naitik: Sir, my question is, when I look at your gross margins, I just wanted to understand is 56%, 57% is kind of the range where we would be stable and be able to maintain that with some quarterly variations, but on a full year basis, that is a sustainable margin that we aspire to maintain?

Rasik Mittal: Naitik, yes, the gross margins on an annualized basis, we should be able to maintain this at this range around 56% to 58%. Quarter-wise, there may be some fluctuations.

Naitik: Right. Got it. Sir, my second question is you are seeing some improvement in your other expenses during this quarter. So just wanted to check which items has this come from?

Rasik Mittal: So there's a constant endeavor to control costs. We keep looking at each and every head, Naitik, to see whatever can be controlled. So it will be difficult for me to point out head-wise, basically, on this call.

Naitik: Right. Right. Okay, sir. No problem. Sir, my next question is what sort of capex are we looking for in the next year given that you're going to increase some of our stores and going to add 20, 25 new stores?

Kamal Khushlani: I, Naitik, mentioned earlier, so we could end up renovating maybe 8 stores, we could end up renovating maybe 30 stores, and we could end up opening another 20 stores. Very difficult to exactly predict it right now because I've told you we're going to calibrate our growth very carefully during this time.

It will all depend on how the market pans out. But there is one thing, Naitik, that whether I open and renovate new stores, I mean, existing stores and even if I end up doing it to 50, 60 stores, it will be done from the cash flow that we have in the company, we would be very comfortable to be able to make enough money to use it for the renovations and capex will not be a problem at all.

We have, in fact, historically been doing this capex as well as we have been a dividend-paying company historically for the last 10 years except, of course, barring a couple of COVID years.

Naitik: Right. Right. No sir, I just wanted to get any sort of read that you are looking at, if that is possible, if not then that's okay.

Kamal Khushlani: Pardon?

Naitik: Any sort of broad range of capex that you are planning to spend, if that is possible, if not, that's okay?

Kamal Khushlani: Sure, just broad range.

Naitik: You're giving the broad range?

Rasik Mittal: Yes, maybe around INR12 crores to INR15 crores.

Naitik: Okay. Got it. And sir, my last question is when I look at your online sales as a percentage of total sales, I just wanted to get a sense on where do you see this moving? And how do you see this moving? And given that we sell our merchandise online at sort of discounted levels, so is lower online sales better?

Kamal Khushlani: Again good question, but very difficult to exactly answer it, Naitik. Again, the answer will be through the profitability lens Naitik, we will grow every business -- every channel of business will be grown through the profitability lens. There's a huge focus now that we are putting on D2C and also online. But that, too, we shall grow very, very celibately, and I have even mentioned it earlier to people who know us that even in the online space, we are not in any kind of hurry feeling that we will miss the bus.

We shall start increasing our business in a manner where we see that customers are becoming conducive to buying on full price, fresh price, et cetera. And that's how we'll slowly, slowly go on increasing our spends there to acquire new customers, to acquire business and to generate demand even for existing customers.

So this is roughly the range that -- where it's going to be and we are going more and more, making more and more investments towards omnichannel, but none of it will happen very suddenly. You'll see this trajectory going up slowly.

Naitik: Got it, sir. Sir, in terms of EBOs, we're broadly looking at adding, say, 20 25, that sort of range, right?

Kamal Khushlani: Yes.

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

Apurva Mehta: Yes, sir, congratulations on great set of numbers. Yes, so my question was on your growth strategy of mid-teens, what brings you, gives you feel you're confident to grow at mid-teens and what are the levers for that, what you are planning for that?

Kamal Khushlani: So Apurva, we are aspiring for mid-teen growth. In this market condition, it's very difficult today to say what you're going to do. It all depends on how the sentiment picks up. I mentioned earlier, and I'll repeat again that we may grow at a lower pace, but we will ensure we grow profitably. The sentiment continues to be low and the growth that we will achieve will be by new store expansion, by opening some flagship stores also.

We intend to renovate new stores. But all this is -- it's a little too early to say. And of course, we intend to grow through same-store sales growth. So it's same-store growth and opening up of new stores that gives us the belief that this is something that we can aspire for.

Apurva Mehta: Because the point was that last year, we only opened 16 stores net-net. And it was too low. Normally, we would try to open more stores around 40, 50 stores. But seeing the market conditions, we have always told that we'll look at the market condition and open new stores. So just wanted your thoughts on this mid-teens kind of growth, what are your levers here?

Kamal Khushlani: It's pretty much going to be the same, Apurva. Even going forward, we are going to have the same cautiously optimistic approach. If we see the market, an uptick in the market, nothing will be stopping us from opening 50 stores. We've demonstrated it in the past. We opened -- on the trot, we opened 50 stores.

So that's not something that stops us. But it has to be done not for the sake of opening a store, it has to be done where every stakeholder, right, from the customer to the franchisee, to the employee, to the company, to the brand, everyone must gain. We don't need to open stores in a hurry because market is not running away. We're going to do it in a calibrated manner and we're going to do it profitably.

Apurva Mehta: And what is -- how is the first 2 months when you see market conditions, is there any improvement or no it's still the same sluggish market?

Kamal Khushlani: It is sluggish.

Apurva Mehta: Okay. Okay. Okay. And on the distribution side, we distributed INR3 kind of 30% of distribution policy. That will continue. Is the -- is that what we are looking at? You will distribute 30% of your PAT?

Rasik Mittal: So dividend, Apurva, we'll see the cash flow situation of the company. And accordingly, we'll decide on the dividend year-on-year.

Moderator: The next question is from the line of Megh Shah from Prospero Tree.

Megh Shah: Sir, first of all, congratulations for the good set of financial numbers. And second thing, I like your clarity about the focus on the profitability growth -- profitable growth. Sir, in that connection, I would like to know that this year, the EBOs, SSSG is only 1.8% and overall revenue growth is 9%.

It means the EBOs, SSSG is lower than the revenue growth. In that connection, why anybody would like to open the new EBOs or whether even the -- company-operated EBOs because from the next year or from the third year, the SSSG is only 1% or 2%, what triggers to open the EBOs, sir?

Kamal Khushlani: Megh, that's a very good question. EBOs are not typically opened for a window of 1 year, 2 years or 3 years. Typically, when EBOs are newly opened, there is a higher growth trajectory there. Once they mature, the growth trajectory kind of comes down. Just to point out over the last 5 years, there would be a CAGR growth of over 4.5-odd percent that the company may have seen. This includes 2 years of almost static same-store growth.

We don't look at a same-store growth only. We look at the overall market share that we keep. We look at the health of the brand in the market. And we see how the brand has to be -- we are an accessible brand. So we ensure that we are available to our customers, whether it's in the off-line or the online space, wherever there is a demand for mid-premium to premium casual wear for men.

So we are very, very accessible as a brand, and we'll continue to do that. However, 1% or 2% growth could be during bad market conditions. This is not how it's going to remain forever. And that we are very, very strong and hopeful about the future of India, and that's a point where we believe in the country and we believe in the brand. And if India doesn't pick up at all, then we would see these kind of numbers panning out because this is not something which is going to be there forever.

So we're very, very hopeful that we will end up doing more same-store growth going forward. However, we believe in under-committing and over-delivering rather than just chasing growth at the cost of profit. We will never do that because eventually, that hands -- that haunts the value of the brand and you're able to realize less and less as you go forward, if you chase too much growth in these kind of market conditions.

Megh Shah: Okay. Okay. Sir, any number of EBOs closed during the FY '25?

Kamal Khushlani: Yes, we did close.

Megh Shah: So sir, something is clear that to present our brand, our EBOs are necessary. But what the franchises who operated EBOs trigger, what are the attractions for the franchisees to open the Mufti's EBO and to run profitable for them if they achieve only 2% or 3% growth?

Kamal Khushlani: 2% or 3% growth is not a lifelong phenomenon, which has happened during extremely tough market conditions. And at such time also, the franchisees, the way we deal with them, do not have a risk of losing money. They may make a little less money when the market conditions are bad, but they're never going to lose money doing business with them. We ensure that.

Megh Shah: So net-net, if the -- sir, so the company is achieving the revenue growth through the expansion of the EBOs or through multichannel, not from the same-store sales growth? Is it the condition right now?

Kamal Khushlani: Sir, it is 1.8% same-store sales growth over the last year and then through some expansion of stores. However, the revenue per square foot has gone up in all stores. Same-store store growth is not the only way. One city, I have got 6 stores, and I have gone and opened another 2 additional stores in that city. I may have cannibalized my business of 1 store by a little. But like I said, I am an accessible brand, wherever a new mall opens up.

Like for example, in Pune in the area of Wakad, a new mall, Phoenix Mall of the Millennium opened up. I have one option. I don't open a store there, and I'll lose out on some business. And I will have same store growth in my other stores. So same store growth is not the only way to look at the health of a business like us. As long as we are able to grow the business profitably, as long as whatever is leftover with me, I'm able to liquidate that, not lose money. I'm on a good business.

Megh Shah: Yes, fully agreed, sir. These are the 2 points which like to remain as an investor because you can -- you are able to successfully liquidate all inventory in profits and you are focusing on the profit. That is good for the investor, sir. This is my only question.

Kamal Khushlani: Thank you, Mr. Megh.

Moderator: The next question is from the line of Resha Mehta from GreenEdge Wealth Services.

Resha Mehta: So the first one is I just missed the number. What are the number of store openings that we are looking to do in this current financial year?

Kamal Khushlani: 20 to 25.

Resha Mehta: Right. And...

Kamal Khushlani: We may, however, I'll nuance that, looking at the uptick in the sentiment -- in the market sentiment, we may even end up opening more stores.

Resha Mehta: Right. And the inventory days have come off quite a bit in this financial year, so is there anything different that we've done? Or is it the standard cycle that we follow that even you elaborated on in your opening remarks?

Kamal Khushlani: Resha, this is a very standard cycle. This is business as usual. During -- if the market conditions are bad, inventory goes up, then we have our ways to control the inventory, bring it back on track. So this is business as usual. This keeps happening. As long as I'm not selling off my goods below my cost, as long as I'm not losing money, I'm okay.

Resha Mehta: Right. And can you help me with the gross store opening number for FY '25?

Kamal Khushlani: 35 opened and 19 closed. This also is business as usual. We will -- wherever we see the productivity of stores coming down, and there are many reasons for this, market shift, some of them are even closing of one and opening of another, etcetera, where the markets evolve, a city's character changes, as the city expands horizontally, markets move typically in smaller towns, etcetera. So we end up closing stores and opening new stores.

Resha Mehta: Got it. And so this implies the capex per store is around INR60 lakhs. Is that number right?

Kamal Khushlani: INR30-odd lakhs.

Resha Mehta: We've done INR21 crores capex in last year. So can you share the breakup of that? Like I would assume most of it would be towards store openings?

Kamal Khushlani: Yes store openings and some of it towards renovations as well...

Resha Mehta: Okay. And typically, how much does it cost to renovate a store?

Kamal Khushlani: More or less similar because then the store is completely re-hauled.

Resha Mehta: Okay. And this -- and so for a new store, basically INR30 lakhs of capex and then inventory typically would be in what range?

Rasik Mittal: Inventory would be around INR15 lakhs to INR20 lakhs.

Moderator: Ladies and gentlemen, due to interest in time, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Kamal Khushlani: Right. Thank you, everyone, for joining us. I hope we have 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 our Investor Relations partner, SGA. Thank you very much, everyone, and have a good day.

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