

MARCH 16, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF CREDO BRANDS MARKETING PVT. LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities (Fund-based)	23	CARE AA- (Double A Minus)	Reaffirmed
Short-term Bank Facilities (Non-fund-based)	40	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	63 (Rupees Sixty Three lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Credo Brands Marketing Pvt. Ltd. (CBMPL) continue to derive strength from CBMPL's well-established brand name 'MUFTI', business model involving franchisee partners resulting in low capital intensity of operations, healthy operational performance exhibited by the company over the years and strong financial risk profile marked by limited reliance on debt and comfortable liquidity profile.

The ratings, however, continue to be constrained by the relatively moderate scale of operations, dependency on the single brand and risks associated with the lifestyle retailing industry in the backdrop of changing consumer preferences.

The ability of the company to demonstrate healthy growth in the operations, withstand increase in the competition within the branded apparels segment while maintaining comfortable capital structure remain the key rating sensitivities.

Background

CBMPL incorporated in 1999, is engaged in the marketing of men's fashion garments targeted towards youth in the lifestyle category under the brand name of "MUFTI – Alternate Clothing". CBMPL is promoted by Mr Kamal Khushlani, who has over 20 years of experience in the industry. The company has outsourced the garment manufacturing activities and manages only designing/branding/marketing through the various stores across India. As on March 31, 2015, the company had presence through 231 Exclusive Brand Outlets (EBOs), 1000+ Multi Brand Outlets (MBOs) and 106+ Large Format Stores (LFS) across India.

The company reported a PAT of Rs.36.93 crore on a total income of Rs.333.07 crore during FY15 (refers to the period April 1 to March 31) as compared to a PAT of Rs.47.01 crore on a total income of Rs.314.78 crore during FY14. In H1FY16, the company reported a PAT of Rs.19.35 crore on a total income of Rs.185.04 crore.

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¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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