

CAMPUS ACTIVEWEAR LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.338.70 (As on 13th Apr 2023)

TARGET PRICE : Rs.424.00

FACE VALUE : Rs.5

BSE CODE : 543523

NSE CODE : CAMPUS





Campus Activewear Ltd. is one of India's leading sports and athleisure footwear brand offering various products that addresses the needs of each family member.

ABOUT THE COMPANY

The Company offers multiple choices across styles, color palettes, price points and an attractive product value proposition. In terms of value and volume in fiscal 2021, the Company is India's largest sports and athleisure footwear brand. 'CAMPUS' was launched in 2006 as a Company that specialises in athleisure and sports footwear with a lifestyle-oriented focus.

CAMPUS - India's Largest & Fastest Growing Scaled Sports & Athleisure Footwear Brand

#1

Sports & Athleisure (S&A)
Footwear Brand in India ⁽¹⁾

20,000+

Retailers across
650+ cities and 28 states

Revenue from Operations

Q3 FY23: INR 4,656.2 mm
(c.7.4% YoY growth)
TTM 9MFY23: INR 14,888.3 mm
FY22: INR 11,941.8 mm

~17%

Market Share in
Branded S&A Footwear Market ⁽²⁾

43.3%

Revenue Contribution from
Direct to Consumer Channels ⁽³⁾
- FY19-22 CAGR of 133.0%

EBITDA⁽⁵⁾

Q3 FY23: INR 927.9 mm (19.9%)
TTM 9MFY23: INR 2,779.2 mm (18.7%)
FY22: INR 2,443.7 mm (20.5%)

c.23.6 mm pairs sold in TTM 9MFY23
(7.0 mm pairs sold in Q3 FY23)

Annual Assembly Capacity – 34.8 mm pairs

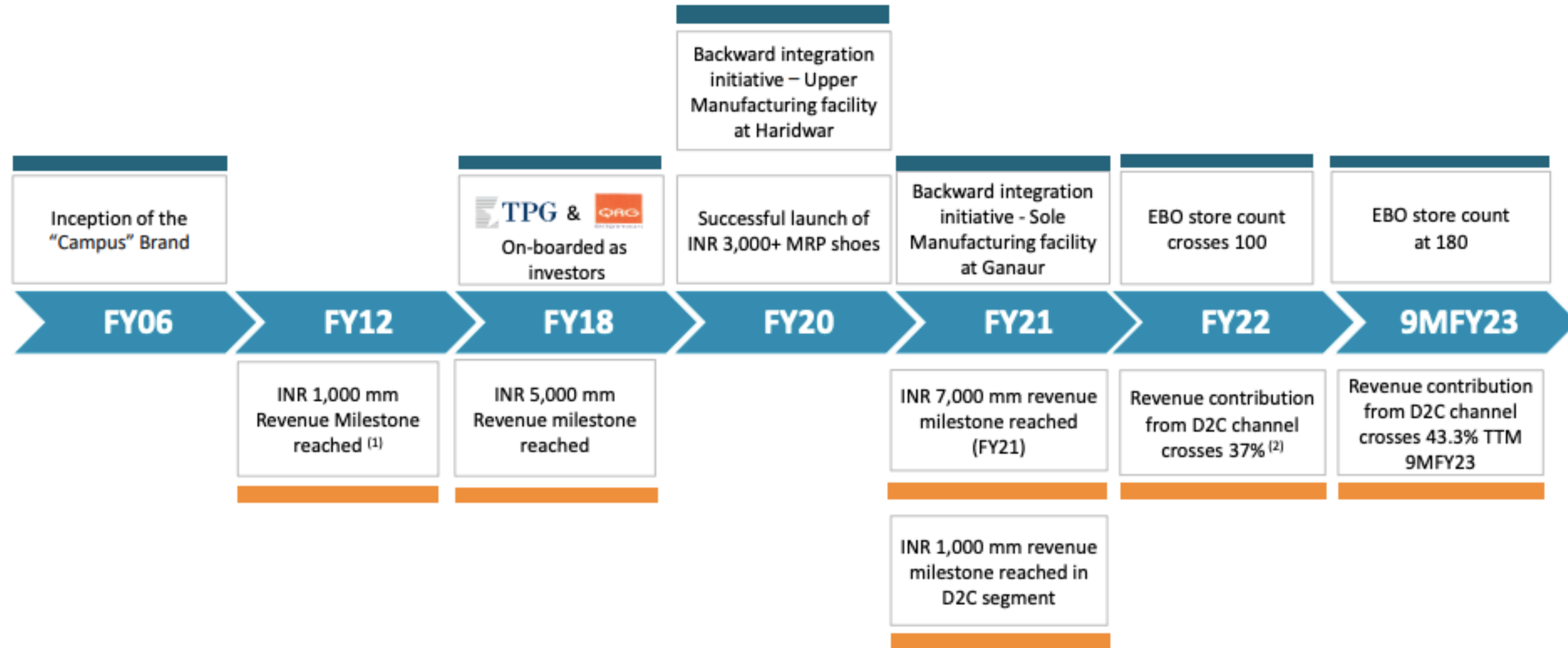
30.6%

Return on Capital Employed ⁽⁴⁾

Profit After Tax⁽⁵⁾

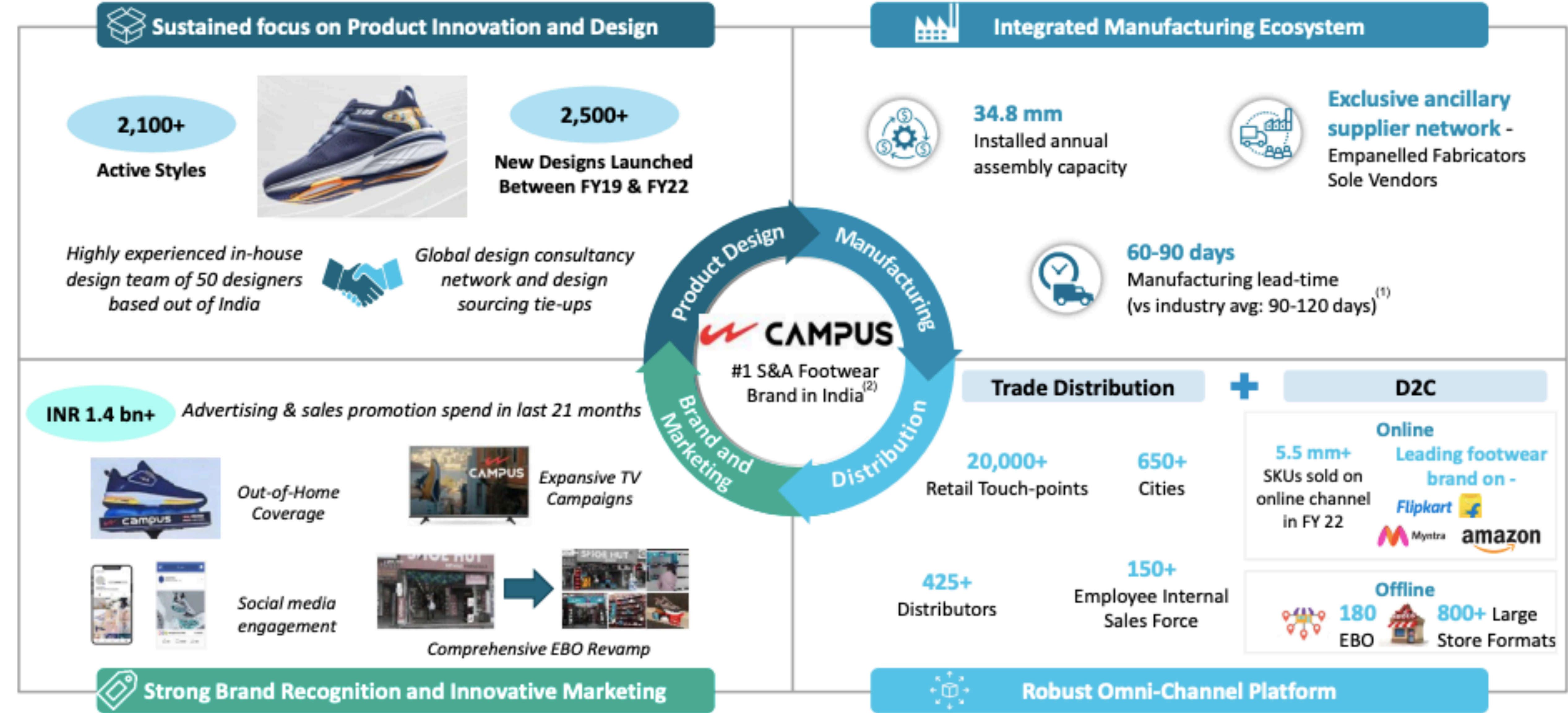
Q3 FY23: INR 483.1 mm (10.4%)
TTM 9MFY23: INR 1,171.3 mm (7.9%)
FY22: INR 1,085.4 mm (9.1%)

Our Journey to Become India's #1 S&A Footwear Brand

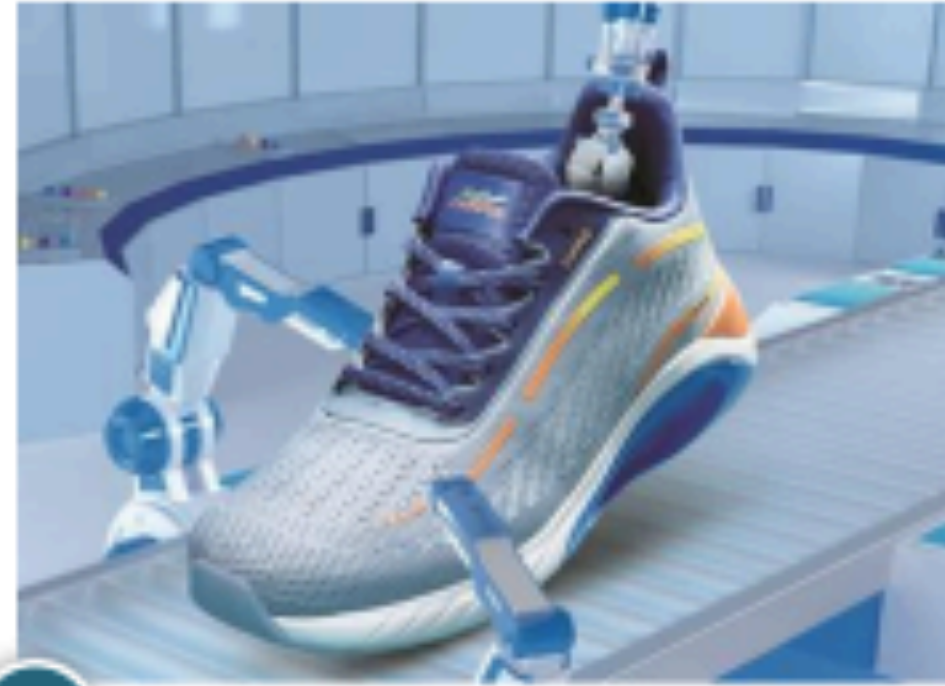


Product – Placement – Promotion Interplay Generating Business MOAT

Internal Strengths Curated Over the Years Across Product Design, Supply Chain, Distribution and Marketing is Onerous to Replicate



Key Pillars of Business MOAT



1

Superior Product Innovation and Design Capabilities

Innovation, partnerships, exclusives enabling differentiated offerings, latest designs **customised for the Indian market**



2

Vertically Integrated Manufacturing Ecosystem

Annual installed assembly capacity of **34.8 mm pairs** enabled through blend of in-house manufacturing and outsourcing with commitment to **product quality**



3

Omni-Channel Customer Experience

Pan-India omni-channel distribution to meet our customers where they are



4

Innovative Marketing Capabilities

Move from stand-alone trade led marketing to consumer-oriented marketing enabling consumers to **discover our brand & product offerings** and **increase brand acceptance**



5

Digitization of Sales Process

Advanced technology solutions across functions enabling **digitization of our sales process** and **agile product flow**

Deliver New and Differentiated Offerings for the Indian Market through Nimble, Fashion Forward and Segmented Approach to Curate our Product Lines

All Processes from Product Conceptualization to Product Launch typically Managed within 120-180 days

CAMPUS

① Superior Product Innovation and Design Capabilities

Highly experienced in-house team of 50 designers



Global Design Consultancy Network and Design Sourcing Tie-ups



Identify emerging international fashion trends and customize it for local market



Flagship Collection

Spring – Summer Collection (Feb / Mar) & Autumn – Winter Collection (Aug / Sept)



Design Fast track

Quick Design, Development and Production outside the normal go-to-market process.



In-season Replenishment

Allows capturing any demand upside & cater with certain high velocity styles

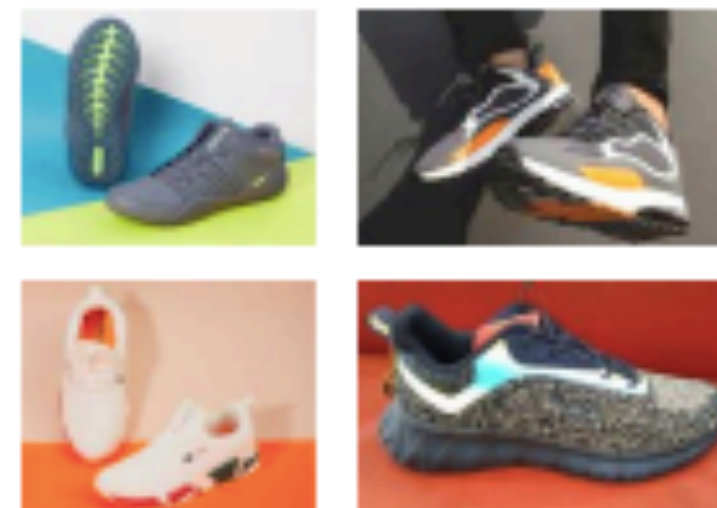


Never out of Stock

Core replenishment of products ensures evergreen models are always in stock & continuously replenished

Design Innovation

Multiple different features like shock absorption and reflect technology launched across price categories



Product Launches

2,500+
new designs launched between FY 2019 and FY 2022



2 Vertically Integrated Manufacturing Ecosystem



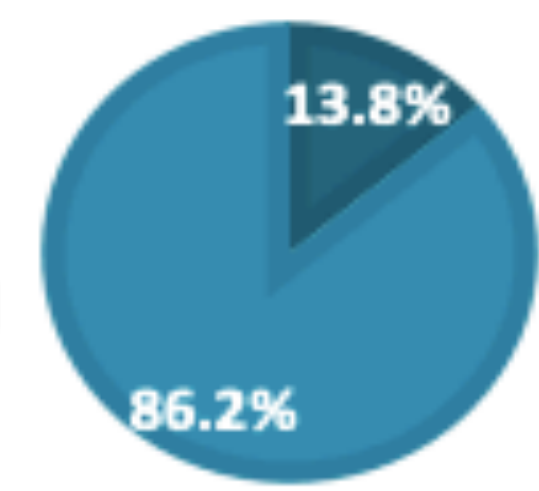
Strategic Blend of In-house Capacity and Backward Integration Enabling Flexibility in Design, Quality Control, Cost Controls and Timing to Market

CAMPUS

Annual Assembly Capacity of **34.8 mm** pairs ⁽¹⁾

Uppers

- In-house
- Outsourced

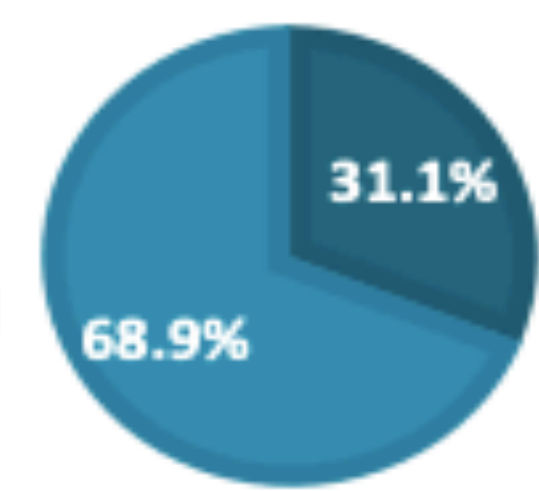


Haridwar

- ✓ c.90% domestic raw material sourcing
- ✓ Exclusive ancillary network

Shoe Sole

- In-house
- Outsourced



Ganaur

- ✓ Ability to manufacture 31.1% sole in-house - faster turn-around and IP protection
- ✓ Sole ancillary supplier network in India

Assembly of Shoes

- In-house



CAL Baddi I
 CAL - Baddi II
Dehradun

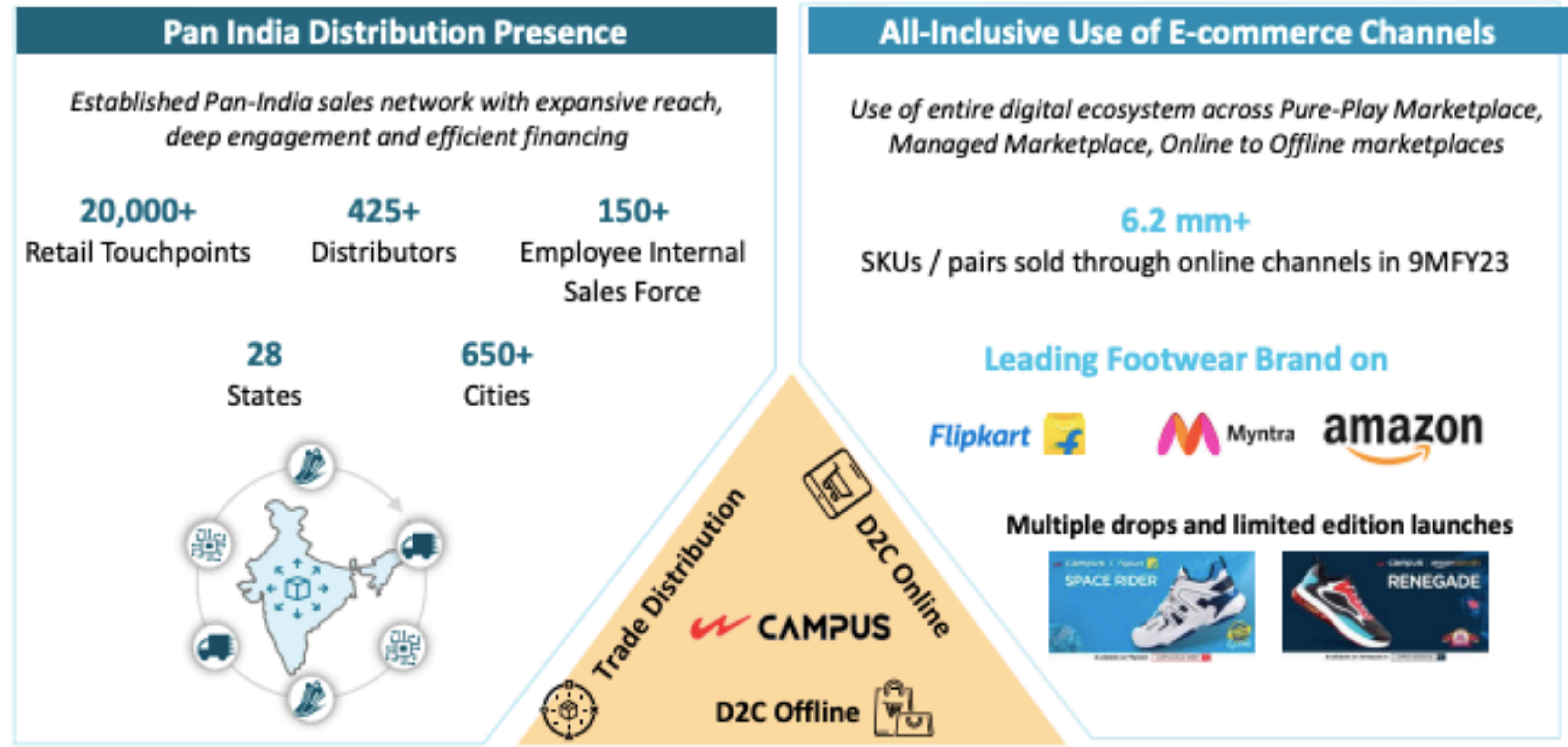
- ✓ Manufacturing lead-times of 60-90 days (vs industry average of 90-120)
- ✓ Final assembly managed 100% in-house to ensure adherence to manage cost, time to market and quality

In-house Manufacturing Outsourced Capacity In-house Facilities

Source: Company data
(1) Capacity as of Dec 31, 2022

3 Omni Channel Platform to Reach Customers Where They Are

- **Pan-India Distribution Presence (20,000 Retail Touchpoints in more than 650 Cities)**
- **Dominant Online Presence: Leading Footwear Brand on Flipkart, Myntra and Nykaa**
- **Developing Offline D2C Presence through Large Format Stores & growing EBO Network**



| Channel | Revenue Contribution ⁽¹⁾ | | | |
|--------------------|-------------------------------------|-------|-------|-------------|
| | FY20 | FY21 | FY22 | TTM 9M FY23 |
| Trade Distribution | 87.7% | 75.4% | 62.6% | 56.7% |
| D2C Online | 7.8% | 21.1% | 32.9% | 36.8% |
| D2C Offline | 4.5% | 3.5% | 4.5% | 6.5% |



4 Strong Brand Recognition & Innovative Marketing

Creating India's Largest S&A Footwear Brand

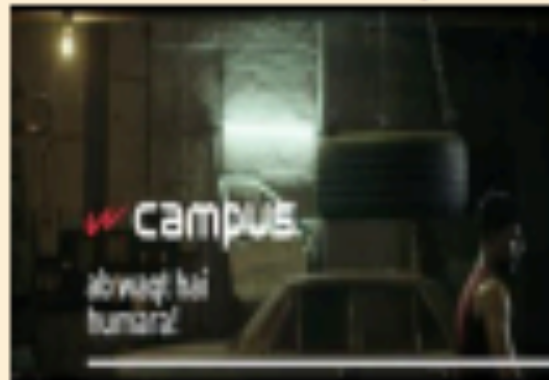
Brand building initiatives among all segments with acceptance levels across target customers groups

Marketing Strategy

Pivoted away from stand-alone trade channel-oriented marketing to consumer-oriented marketing techniques

Expansive TV campaign

Thematic TV campaigns such as "Ab Waqt Hai Humara" and "Campus Crazies" among others



Social media engagement

Confluence of celebrity and influencer-based engagement directed towards objectives of social community building and following



Out-of-Home coverage

Expansive out-of-home billboard coverage on a Pan-India level



Comprehensive MBO Revamp

Rebranding and updation drive undertaken across the entire geo-tagged MBO network

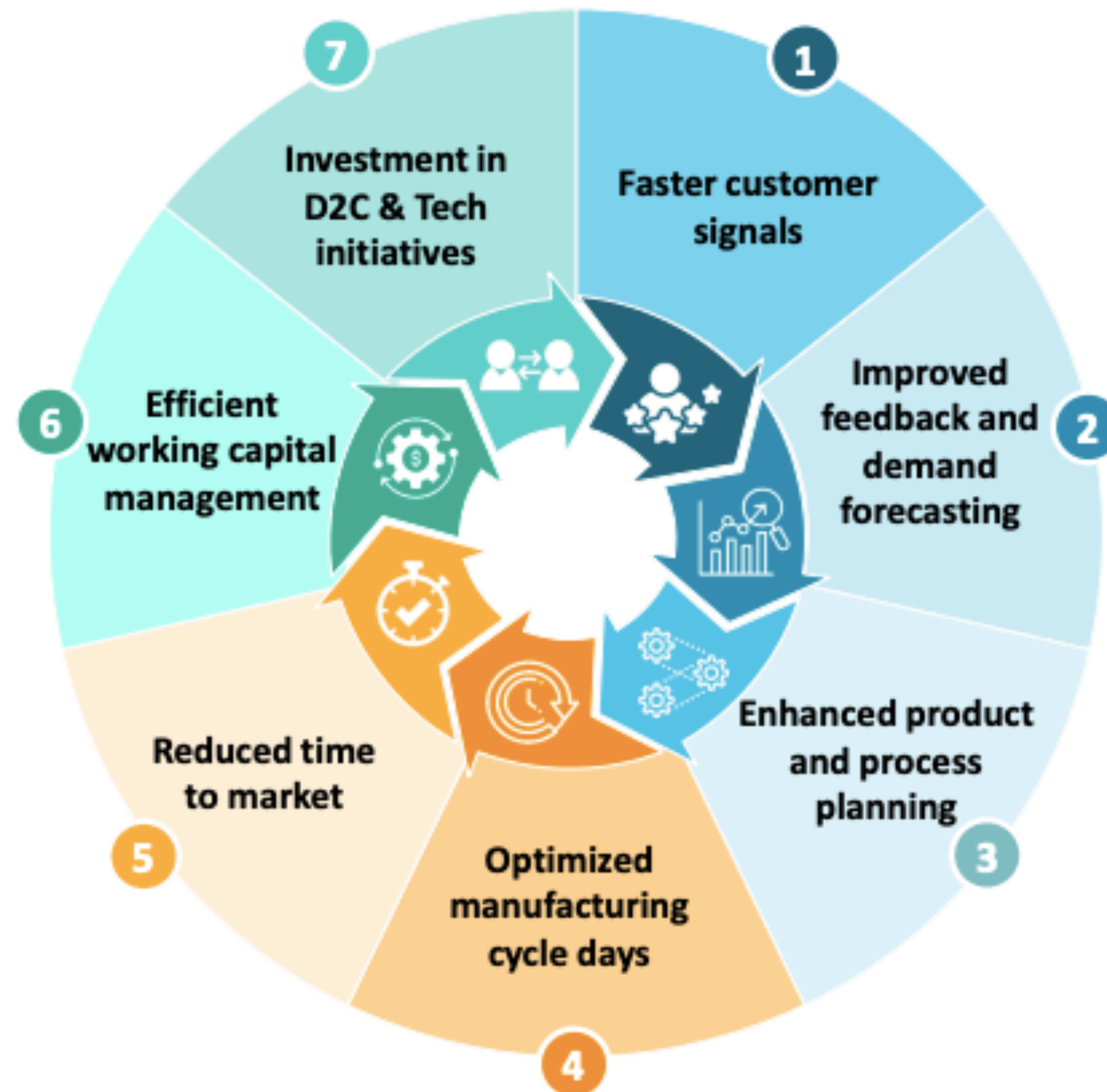


Before

After



5 Digitization of Sales Process has Generated a Virtuous Flywheel enabling Faster Speed to Market



Our Data Centric Approach allows us to understand Consumer Demand Trends, Design & Colour Preferences, Response to New Designs & Price Movements across Categories on an ongoing basis

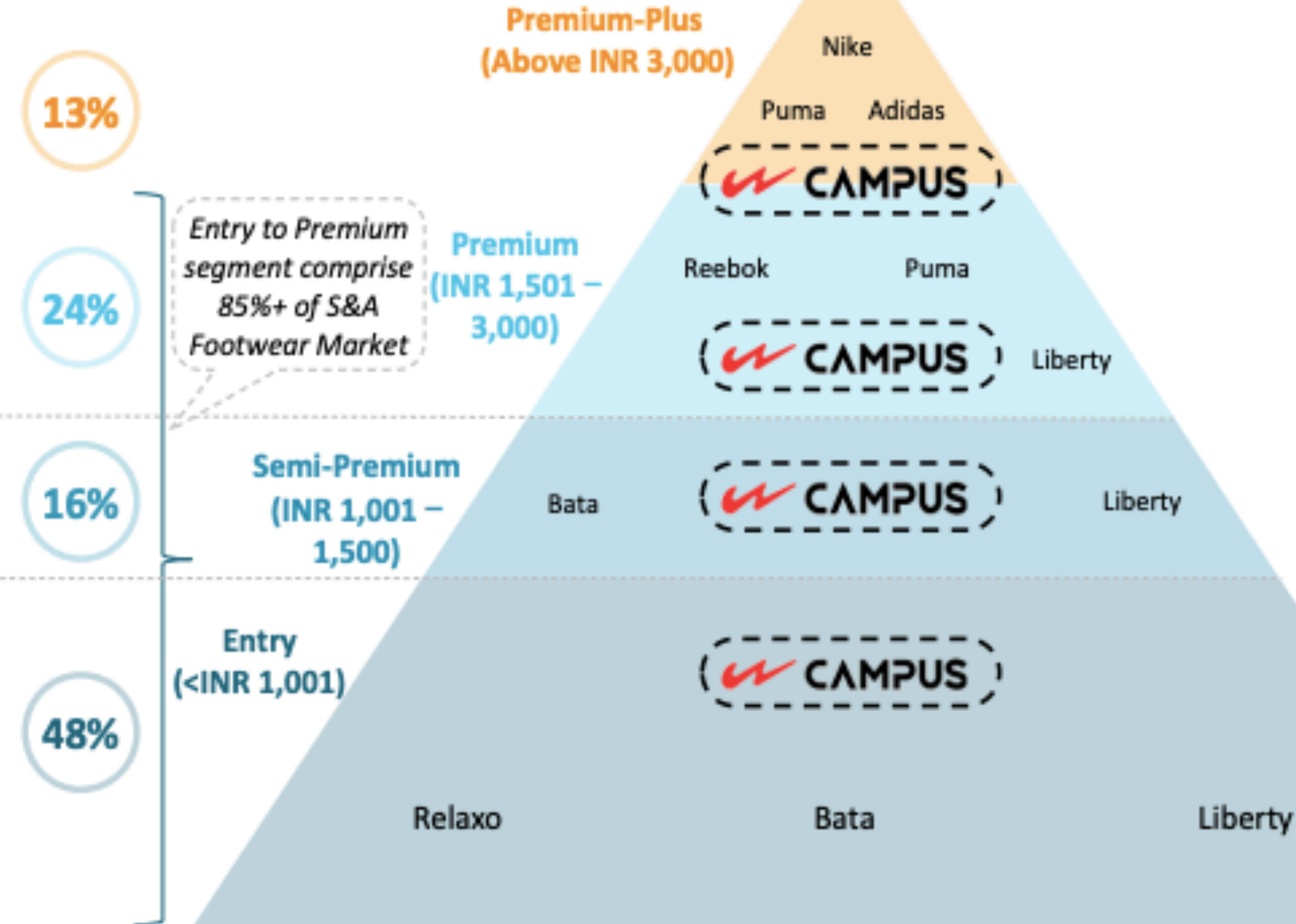
Digitization of Sales process has Enabled Faster Speed to Market, Better Merchandising, and Greater Efficiency in Design, Manufacturing and Sale

Widest Presence Across Price Segments

Largest Market Coverage Addressing 85%+ of the S&A Footwear Market

S&A Footwear Market (FY21)

INR 90bn



Revenue Contribution for CAMPUS

FY19

FY22

Priced above INR 1,500

31.3% 41.0%

Priced INR 1,050 to 1,499

21.1% 23.4%

Priced below INR 1,050

47.6% 35.6%

Expansive and Diverse Product Portfolio across the Price Spectrum with Largest Market Coverage Focused on 85%+ of the S&A Footwear Market

Impact of Merger

Campus Activewear Limited has announced the approval of the merger of its wholly owned subsidiary Campus AI Private Limited with the Company by National Company Law Tribunal, New Delhi (NCLT) vide its order dated 11th August 2022.

The revised audited financial results for the year ended on March 31, 2022, have been approved by the Board of Directors in the meeting held on 23rd September 2022. The key changes are as under:

- The Merger Order is effective from 1st April 2020 being the Appointed Date and accordingly, the tax computations for FY'21 and FY'22 have been revised. Full impact of merger has been assessed and adjusted in revised FY'22 financials along with comparative numbers for the year ended March 31, 2021. The year-wise breakup of the adjustment due to merger is as under:

| (Impact in INR. Millions) | FY'21 | FY'22 |
|---|---------------|-------------|
| Current Tax (Cash outflow) /saving | 58.1 | -17.4 |
| Impact on Deferred Tax – (additional P&L charge) / saving | -247.9 | 37.6 |
| Net Impact | -189.7 | 20.3 |

Impact of Merger

- For FY'21, the **one-time additional tax** impact of INR. (189.7) million has been captured as "Impact on Deferred tax / Current tax for earlier years" in the revised financials for FY'22.
- The company has adopted the lower tax regime of 25% from FY'22 onwards.
- Details of change in Revenue from Operations, EBITDA and PAT for pre and post merger are given below:

INR in Millions

| Period/ Year | FY'21 | | | FY'22 | | | Q1 FY'23 | | |
|-------------------------|------------|-------------|--------|------------|-------------|--------|------------|-------------|--------|
| Descriptions | Pre Merger | Post Merger | Change | Pre Merger | Post Merger | Change | Pre Merger | Post Merger | Change |
| Revenue from Operations | 7,112.8 | 7,112.8 | - | 11,941.8 | 11,941.8 | - | 3,377.1 | 3,377.1 | - |
| EBITDA | 1,198.1 | 1,193.0 | -5.1 | 2,439.2 | 2,443.7 | 4.5 | 622.4 | 622.4 | - |
| PAT | 268.6 | 268.7 | 0.1 | 1,244.1 | 1,085.4 | -158.7 | 286.6 | 313.2 | 26.6 |



Yearly Results

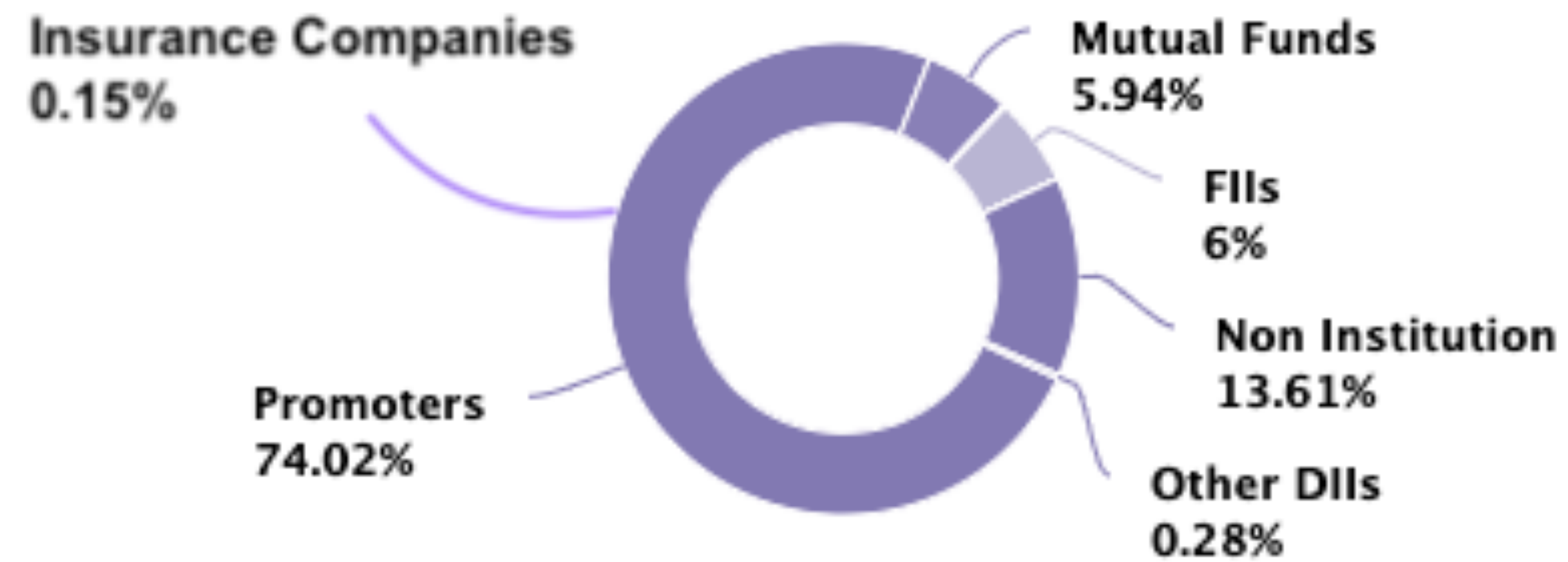
| Indicator | Mar-2022 | Mar-2021 | Mar-2020 | Mar-2019 |
|--|----------|----------|----------|----------|
| Total Revenue Annual Cr | 1196.6 | 715.1 | 734.1 | 596.7 |
| Operating Revenues Annual Cr | 1194.2 | 711.3 | 732 | 594.9 |
| Other Income Annual Cr | 2.4 | 3.8 | 2.1 | 1.8 |
| Operating Expenses Annual Cr | 952.7 | 595.3 | 595.8 | 494.8 |
| Operating Profit Annual in Cr | 241.5 | 116 | 136.3 | 100 |
| Operating Profit Margin Annual % | 20.18% | 16.22% | 18.56% | 16.77% |
| Total Expenses Annual Cr | 1025.5 | 645.1 | 635.4 | 530.4 |
| Other Expenses Annual Cr | 287.4 | 165.7 | 158.6 | 130.5 |
| Employee Expenses Annual Cr | 67.9 | 55.2 | 57 | 43.1 |
| Cost Of Power Purchased Annual Cr | 0 | 0 | 0 | 0 |
| Cost Of Fuel Annual Cr | 0 | 0 | 0 | 0 |
| EBIDT Annual Cr | 243.9 | 119.8 | 138.3 | 101.9 |
| EBIDT Annual margin % | 20.38% | 16.75% | 18.84% | 17.07% |
| Interest Annual Cr | 19.6 | 17.2 | 16.5 | 21.2 |
| Depreciation Cr | 53.2 | 32.7 | 23.1 | 14.4 |
| Profit Before Tax Annual Cr | 171.1 | 69.9 | 98.8 | 66.3 |
| Tax Annual Cr | 63.4 | 43.1 | 36.4 | 27.7 |
| PAT Before ExtraOrdinary Items Annual Cr | 107.8 | 26.9 | 62.4 | 38.6 |
| Minority Interest Income Annual Cr | 0.8 | 0 | -0.8 | -0.2 |
| Net Profit Annual Cr | 108.5 | 26.9 | 61.6 | 38.4 |
| Net Profit Margin Annual % | 9.02% | 3.77% | 8.51% | 6.48% |
| Basic EPS Annual Rs | 3.6 | 0.9 | 2 | 1.3 |



Key Financial Ratios

| Indicator | Mar-2022 | Mar-2021 | Mar-2020 | Mar-2019 |
|-----------------------------------|----------|----------|----------|----------|
| Book Value Per Share Annual Rs | 14.1 | 20.6 | 18.8 | 20530.3 |
| RoA Annual % | 11.30% | 3.92% | 8.56% | 7.59% |
| ROE Annual % | 25.38% | 8.59% | 21.63% | 19.03% |
| ROCE Annual % | 32.89% | 20.72% | 30.06% | 35.36% |
| Profitability Ratio | | | | |
| EBDIT Annual Margin % | 20.42 | 16.84 | 18.89 | 17.12 |
| EBIT Annual Margin % | 15.97 | 12.24 | 15.74 | 14.7 |
| PBT Annual Margin % | 14.32 | 9.83 | 13.49 | 11.15 |
| Net Profit Margin Annual % | 9.02 | 3.77 | 8.51 | 6.48 |
| Asset Turnover Ratio Annual | 1.5 | 1.2 | 1.1 | |
| Liquidity Ratio | | | | |
| Current Ratio Annual | 1.6 | 1.4 | 1.3 | 1.2 |
| Quick Ratio Annual | 0.7 | 0.7 | 0.8 | 0.8 |
| Dividend Payout to NP Annual % | 0 | 0 | 0 | 0 |
| Dividend Payout CP Annual % | 0 | 0 | 0 | 0 |
| Earning Retention Annual % | 0 | 0 | 0 | 0 |
| Cash Earning Retention Annual % | 0 | 0 | 0 | 0 |
| Cash Earning Retention Annual % | 0 | 0 | 0 | 0 |
| Valuation Ratio | | | | |
| EnterpriseValue Annual Cr | 0 | 0 | 0 | 0 |
| EV Per Net Sales Annual | | | | |
| Price To Book Value Annual | | | | |
| EV Per EBITDA Annual | | | | |
| Market Cap Per Sales Annual | | | | |
| Retention Ratio Annual % | 0 | 0 | 0 | 0 |
| Earnings Yield Annual | 0 | 0 | 0 | 0 |
| Total Debt to Total Equity Annual | 0.4 | 0.4 | 0.9 | 0.9 |

Shareholding Pattern an on Dec'22



Summary

- ❖ On standalone basis, in Q3 of FY'23, the Company has delivered robust performance, with Net Sales up by 0.65% i.e. Rs.465.62 crs in Dec'22 as compared to Rs.462.57 crs in Dec'21. However, the Net Profits mushroomed by 105.31% i.e. Rs.48.31 crs in Dec'22 versus Rs.23.53 crs in Dec'21. In addition to this, the Statement of Changes in Equity witnessed an increase in the Equity Capital i.e. Rs.152.33 crs in Dec'22 on contrary to Rs.152.16 crs in Dec'21.
- ❖ Viewing fine financials and fair fundamentals, the Company is available at a good price of Rs.338.70 with its 52 week low of Rs.292.00 and 52 week high of Rs.639.30.
- ❖ Since the Promoters are holding majority stake around 74.02% as well as its consistent performance, it is fair to assume that the Management is committed to growth of the Company.
- ❖ In Public Shareholding as on Dec'22, the FIIs and the Other DIIs altogether stood with 6.28% stake. Whilst, the Mutual Fund Houses own 5.94% holdings in the Company.
- ❖ It is reassuring to see that Campus Activewear Ltd. is held by MOSL MF, ABSL MF, NIPPON INDIA MF, FRANKLIN TEMPLETON MF, DSP MF, INVESCO MF, HDFC MF, EDELWEISS MF, WOC MF, ICICI PRU MF, UNION MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 25.38% & 32.89% respectively as on Mar'22.

Disclosure

Copyright © Amiteshwar Singh Proprietor of M/S Amiteshwar.in. Any act of copying or distributing this report in part or in full, for any purpose, without my permission, is strictly prohibited and would be a copyright infringement.

Disclosures as required under SEBI (Research Analyst) Regulations, 2014

Introduction:

I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website www.Amiteshwar.in which is primarily focused on research of Multi-Cap stocks of India.

Business Activity:

I provide research services on equity stocks listed on Indian stock exchanges. The research is based on funda-mental analysis. I do thorough research and analysis on fundamentals of companies. As such, I undertake extensive scrutiny of major Company statistics like Balance Sheet, Profit & Loss Account, Key Financial Ratios (ROE, ROCE and Debt to Equity etc.), Quarterly, Half-yearly & Annual Results, Cash Flows, Annual Reports and Shareholding Pattern etc. Each Company's Business Model, Future Projections, Competitive Advantages & other Moats are thoroughly checked before recommending their Stock.

I offer services to the subscribers through the following:
www.amiteshwar.in

Disciplinary History

There is no disciplinary action which is / was running / initiated against me or my firm and there are no out-standing litigations against me.

General Terms and Conditions for Amiteshwar.in:

1. Every week, 2 stock recommendations will be provided to the subscribers.
2. The subscribers have to login in their account through login credentials provided to them at the time of subscription.
3. The reports should not be considered as an investment advice or personal recommendation.
4. I and my team members will not be liable for any loss or liability incurred to the user due to investments made or decisions taken based on the information provided in the reports.
5. All of the views and opinions expressed in research reports, issued after due diligence and careful study, reflect my unbiased analysis of the Company or Companies as on the date of the report.
6. Still, it is advised that the users should rely on their own research and analysis as well as consult their own investment advisors to determine the suitability of recommendation.
7. Past performance of a Company is no guarantee for future performance or future results.
8. My service is not suitable to investors who are looking for intraday calls i.e. day trading or futures & options in stocks and indexes on basis of technical analysis.

[Click here](#) to view the terms and conditions of the website.

List of Associates / Relatives:

1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

Note: Subject Company is a company on which buy/sell recommendation or target price is given or changed in the research report.

Disclosure with regards to ownership and material conflicts of interest:

1. Neither I nor my associates / relatives have financial interest in the subject company.
2. Neither I nor my relatives / associates have actual/beneficial ownership of 1% or more in securities of the subject company, at the end of the month immediately preceding the date of publication of the document.
3. Neither I nor my relatives /associates have any other material conflict of interest at the time of publication of the document.

Disclosure with regards to receipt of compensation:

1. Neither I nor my associates / relatives have received any compensation from the subject company in the past 12 months.
2. Neither I nor my associates / relatives have managed or co-managed public offering of securities for the subject company in the past 12 months.
3. Neither I nor my associates / relatives have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.
4. Neither I nor my associates / relatives have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.
5. Neither I nor my associates / relatives have received any compensation or other benefits from the subject company or third party in connection with the document.

General Disclosures:

1. I have not served as an officer, director or employee of the subject company.
2. I am not engaged in market making activity for the subject company.

Definition of terms used:

1. **Buy Recommendation:** The subscribers can buy the shares of the subject company at the current market price. I expect a return of around 25% in the next 4 months.
2. **Sell Recommendation:** The subscribers can sell the shares of the subject company when they receive a return of 25% on the market price when the subject company was recommended.