

November 12, 2024

RESULT REPORT Q2 FY25 | Sector: Footwear

# Campus Activewear Ltd

**Liquidation of non-BIS inventory dents ASP and margins; maintain ADD!**

## Result Synopsis

Campus Activewear Ltd (CAMPUS) registered a topline growth of 29%YoY (low base) & decline of 2%QoQ, wherein volumes grew by 36%YoY (low base) & declined by 7%QoQ to 5.36Mn pairs (2 year CAGR stood at -1%). ASP decreased by 5.5%YoY to Rs622/pair in Q2FY25 owing to liquidation of non-BIS inventory by the company resulting in a decline of GPM by 50bps. Margins reduced further by 50bps due to trade promotion & schemes offered to retailers during the meet. Higher adv-spend & Rs20-25Mn higher commission for online sales also weighed on EBITDA margins. Hence, EBITDA margin came in at 11.5% Vs 15.3% in previous quarter and EBITDA/pair came in at Rs71, a degrowth of 20% sequentially. During the quarter, the company expanded its pan-India store network by 9 stores (including conversion of 5 stores from FOFO to COCO) to 288 stores.

## Management Guidance

Management stated that demand has shown signs of improvement post Q2FY25 however, company's ASP would remain flattish for FY25 as company liquidates its non-BIS inventory. Management expects margins to be higher than FY24 but lower than the earlier guidance of 17-19% for FY25.

## Our View

We believe CAMPUS will benefit from the rapid growth that is expected in S&A segment. However, owing to sluggish growth in H1FY25 & higher competitive intensity, we have revised our volume growth estimate for FY25 from 12% to 9%YoY. We reckon company should register volume growth of 11%CAGR over FY24-FY27E. We do not foresee any major improvement in ASP as company aims to liquidate its non-BIS inventory completely by FY25 end. However, ASP should normalize to Rs650/pair by FY26 onwards. Consequently, we expect a topline growth of 11%CAGR over FY24-FY27E. Furthermore, we expect margins to normalize to ~16% for FY26E & FY27E. Hence, EBITDA is expected to grow by 15%CAGR over similar period. At CMP, stock trades at a P/E(x) of 52x on FY27E EPS of 5.9. We continue to value the company at P/E(x) of 60x, arriving at a target price of Rs354. Hence, we maintain our ADD rating on the stock.

## Result Highlights

- Revenue stood at Rs3.33Bn (5% below est), a growth of 29%YoY (low base) & remained flattish QoQ.
- EBITDA margins came in at 11.5% (Vs est of 15.5%), Vs 15.3% in previous quarter & 9.5% in Q2FY24. Absolute EBITDA stood at Rs382Mn, a growth of 56% (base impact) & decline of 26%QoQ.
- Net profit stood at Rs143Mn Vs Rs3Mn in Q2FY24 & a sequential decline of 44%.

## Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	3,333	3,493	3,399	(4.6)	(1.9)	
EBITDA	382	541	502	(29.5)	(24.0)	Below estimates on all fronts
EBITDA Margin (%)	11.5	15.5	14.8	(405 bps)	(332 bps)	
Adjusted PAT	143	274	224	(47.8)	(36.2)	

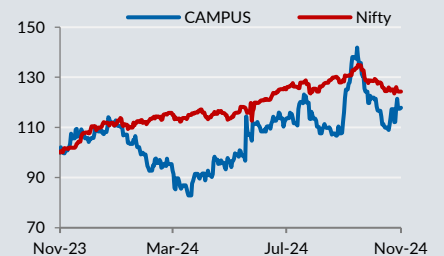
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 305
Target Price	: Rs 354
Potential Return	: +16.1%

## Stock data (as on Nov 12, 2024)

Nifty	24,140
52 Week h/l (Rs)	372 / 213
Market cap (Rs/USD mn)	92,841 / 1,100
Outstanding Shares (mn)	305
6m Avg t/o (Rs mn):	490
Div yield (%):	-
Bloomberg code:	CAMPUS IN
NSE code:	CAMPUS

## Stock performance



	1M	3M	1Y
Absolute return	-3.3%	4.6%	15.4%

## Shareholding pattern (As of Sep'24 end)

Promoter	73.9%
FII+DII	17.5%
Others	8.6%

## Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	354	323

## Δ in earnings estimates

	FY25E	FY26E	FY27E
EPS (New)	3.0	5.0	5.9
EPS (Old)	4.4	5.4	-
% change	-30.7%	-6.5%	-

## Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	15,003	17,801	19,972
YoY Growth	3.6	18.7	12.2
EBITDA	2,025	2,848	3,196
EBITDA (%)	13.5	16.0	16.0
PAT	931	1,541	1,801
YoY Growth	4.0	65.6	16.9
ROE	13.3	18.8	18.2
EPS	3.0	5.0	5.9
P/E	100.1	60.4	51.7
BV/Share	24.4	29.4	35.3
P/BV	12.5	10.4	8.6

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## Exhibit 2: Quarterly Snapshot:

Rs mn	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	% yoy	% qoq	H1 FY24	H1 FY25	% yoy
Revenue	3,538	2,587	4,720	3,639	3,392	3,333	28.9	(1.7)	6,124	6,725	9.8
Expenditure	2,876	2,342	4,158	3,000	2,874	2,951	26.0	2.7	5,218	5,825	11.7
- RM	1,650	1,181	2,300	1,824	1,595	1,588	34.5	(0.4)	2,831	3,183	12.4
- Staff Cost	237	240	267	272	287	292	22.0	1.9	477	579	21.4
- Other cost	988	922	1,591	904	992	1,071	16.2	7.9	1,910	2,063	8.0
Operating Profit	662	245	563	639	517	382	56.0	(26.2)	907	899	(0.8)
OPM(%)	18.7	9.5	11.9	17.6	15.3	11.5	199 bps	(380 bps)	14.8	13.4	(143 bps)
Other Income	2	4	14	25	23	34	679.5	51.1	7	57	776.9
Depreciation	171	181	184	186	162	176	(2.9)	8.1	352	338	(3.9)
Interest	69	65	58	40	37	45	(31.1)	20.9	134	81	(39.3)
PBT	424	4	335	438	341	196	5,197.3	(42.5)	428	537	25.5
Tax	109	1	86	110	87	53	10,500.0	(39.2)	110	140	27.7
PAT	315	3	249	328	254	143	4,368.7	(43.7)	318	397	24.8

Source: Company, YES Sec

## Exhibit 3: Operational Highlights:

Particulars	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	% yoy	% qoq	H1 FY24	H1 FY25	% yoy
Volume (Mn pairs)	5.6	3.9	6.9	5.7	5.8	5.4	36.4%	(7.6%)	9.5	11.2	17.1%
ASP (Rs/pair)	632	658	684	636	585	622	(5.5%)	6.3%	643	603	(6.2%)
GP/pair (Rs)	337	358	351	317	310	326	(9.0%)	5.1%	346	317	(8.2%)
EBITDA/pair (Rs)	118	62	82	112	89	71	14.4%	(20.2%)	95	81	(15.3%)
Assembly Capacity (Mn pairs)	34.8	35.8	35.8	35.8	35.7	35.7	(0.3)	0.0	35.8	35.7	(0.3)
EBOs	225	240	250	250	275	288	20.0	4.7	240	288	20.0

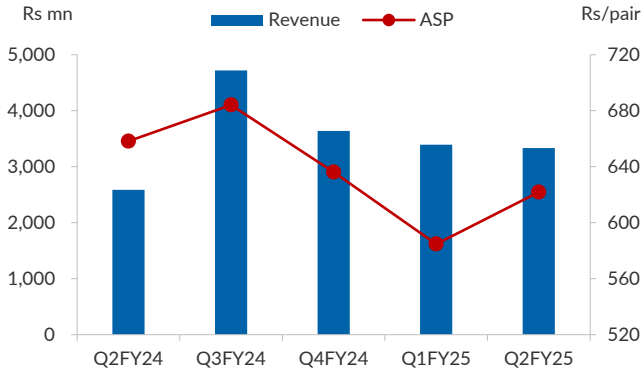
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- Overall demand has opened up as compared to Q2FY25 however, company plans to liquidate all non-BIS inventory in FY25 i.e., inventory produced before Dec'23 and hence expects ASP to remain flattish for the year. Moreover, company expects margin to be lower than earlier guidance of 17-19% but higher than FY24 margin of 14.6%.
- No Chinese finished goods have been imported from Nov'23 owing to BIS implementation despite companies having till Jul'26 to liquidate all non-BIS compliant inventory. Only some raw materials including soles & uppers continue to be imported.
- ASP was lower by Rs8-10/pair (1-1.5%) on account of liquidation of remaining non-BIS inventory by 25% that reduced gross margin by 50bps. Additionally, gross margin was lower by another 50bps due to higher trade promotion & schemes offered during the retailer meet that was paid via credit note. In addition to the above, operating margin was also lower due to an increase in ad spend by 1% and a Rs20-25Mn higher online sales commission (6-10% of online marketplace sales) Vs previous quarter.
- Company opened 9 new stores (including conversion of 5 from FOFO to COCO) in the quarter taking the total EBO count to 288. Company plans to open 70-80 stores per year.
- Total retail touchpoints were increased by 800 from 22,200 to 23,000 in Q2FY25 out of the total universe of 40,000-45,000 outlets for closed shoes and ~70,000 outlets overall. Company plans to add 5-10% new outlets every year.
- Company is undertaking a capacity expansion at Gannaur & Haridwar to increase the capability of backwardly integrated soles & uppers respectively by 10-12% at a capex of Rs350Mn, that is expected to commence operations by Q4FY25 end. Uppers would be used to manufacture high quality sneakers while company is adding EVA soles.
- Of the 87 new products launched in the quarter, ~30% were sneakers.
- Company sees an opportunity gap in the price range of Rs1,500 to Rs3,000 and is planning to introduce a premium range within these price points.
- Company saw a 44% volume growth in trade segment that led to a value growth of 36%.
- North/West/Central/South mix shifted from 64.1%/20.8%/10%/5.1% in Q2FY24 to 62.3%/24.4%/10%/3.3% in Q2FY25 respectively.
- Men/Women/Kids mix was 78%/14%/8% in Q2FY25. Women & kids contribution increased from 21% in Q2FY24 to 22% in Q2FY25.
- Inventory days declined from 126 in Q2FY24 to 110 in Q2FY25. DSO has decreased from ~35 days to ~30 days over similar period.
- During the quarter, company onboarded Vicky Kaushal as its new brand ambassador.

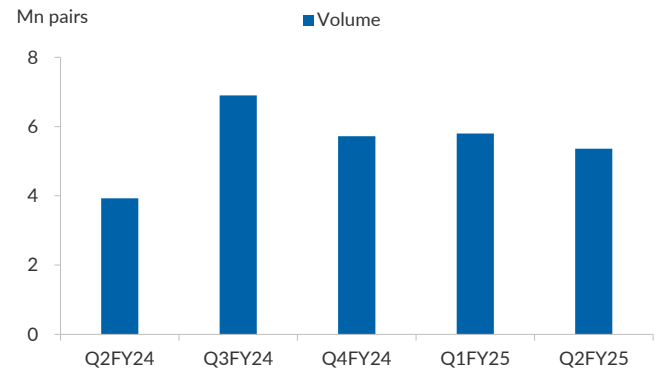
## QUARTERLY TRENDS

**Exhibit 4: ASP decreased by 7%YoY...**



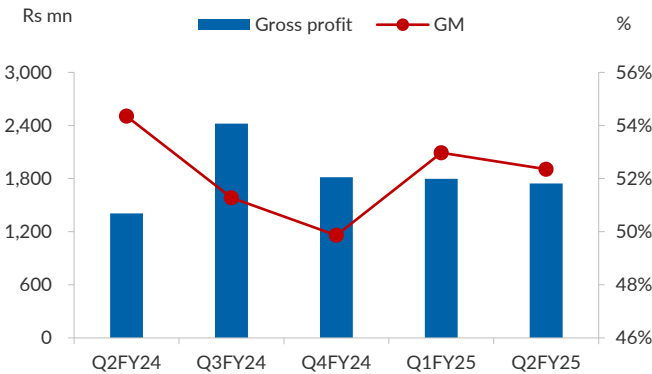
Source: Company, YES Sec

**Exhibit 5: Volume increased by 38%YoY (low base)...**



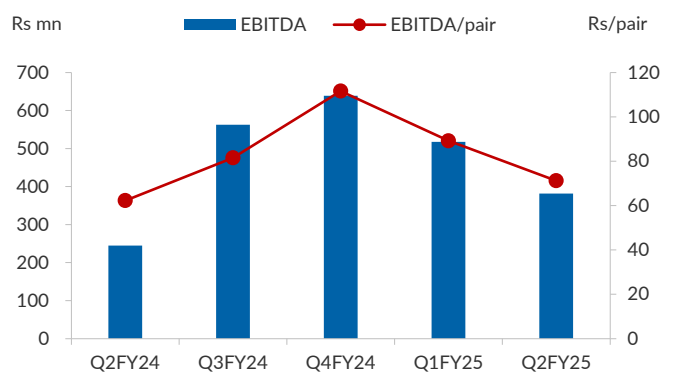
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**Exhibit 6: Gross margin came in at 52%...**



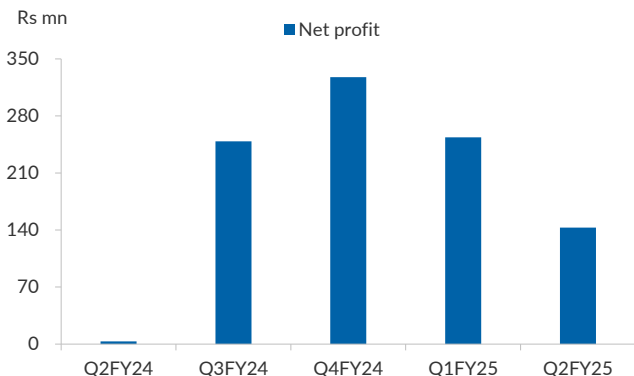
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**Exhibit 7: EBITDA/pair improved by 13%YoY...**



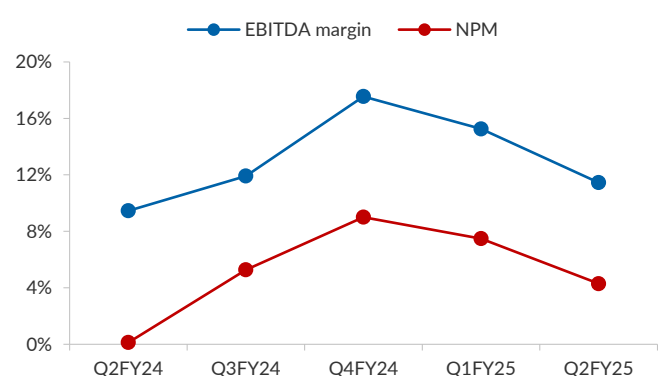
Source: Company, YES Sec

**Exhibit 8: Net profit stood at Rs143Mn...**



Source: Company, YES Sec

**Exhibit 9: OPM & NPM were 11.5% & 4.3%...**



Source: Company, YES Sec

## FINANCIALS

### Exhibit 10: Income Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Sales	14,843	14,483	15,003	17,801	19,972
COGS	7,520	6,955	6,964	8,183	9,032
COGS %sales	50.7	48.0	46.4	46.0	45.2
GP	7,323	7,528	8,038	9,618	10,940
GP%	49.3	52.0	53.6	54.0	54.8
EBITDA	2,536	2,108	2,025	2,848	3,196
EBITDA%	17.1	14.6	13.5	16.0	16.0
Depreciation	710	721	743	775	827
Finance Cost	287	232	155	153	148
Other Income	28	45	114	136	181
PBT	1,566	1,200	1,241	2,055	2,402
Tax	395	306	310	514	600
PAT	1,171	894	931	1,541	1,801
PAT%	7.9	6.2	6.2	8.7	9.0

Source: Company, YES Sec

### Exhibit 11: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
Share Capital	1,523	1,526	1,527	1,527	1,527	1,527
Reserves	3,998	4,990	5,404	5,921	7,462	9,263
Equity	5,521	6,517	6,930	7,447	8,988	10,790
<b>Liabilities</b>						
Borrowings	1,808	243	496	243	243	243
Lease	1,542	1,535	1,695	1,480	1,365	1,214
Payables	2,143	2,002	2,390	2,005	2,355	2,600
Others	744	670	565	670	670	670
<b>Total Equity &amp; Liab</b>	<b>11,759</b>	<b>10,966</b>	<b>12,076</b>	<b>11,844</b>	<b>13,621</b>	<b>15,517</b>
<b>Assets</b>						
Gross Block	3,576	3,859	4,123	4,159	4,529	5,032
Acc Dep	1,358	1,773	2,111	2,221	2,709	3,251
Net Block	2,218	2,085	2,012	1,938	1,820	1,781
CWIP	38	183	180	183	183	183
Right of Use	1,501	1,437	1,572	1,398	1,367	1,376
Other non-current assets	518	628	669	628	628	628
Inventory	4,490	3,963	4,339	3,968	4,663	5,146
Receivables	1,766	1,183	1,470	1,225	1,454	1,631
Cash & Bank	240	248	183	1,265	2,268	3,533
Loans	8	11	21	11	11	11
Other current assets	980	1,228	1,631	1,228	1,228	1,228
<b>Total Assets</b>	<b>11,759</b>	<b>10,966</b>	<b>12,076</b>	<b>11,844</b>	<b>13,621</b>	<b>15,517</b>

Source: Company, YES Sec

## Exhibit 12: Cash Flow

Y/e 31 Mar (Rs mn)	FY23	FY24	H1FY25	FY25E	FY26E	FY27E
PBT	1,566	1,200	537	1,241	2,055	2,402
Depreciation	710	721	338	743	775	827
Finance cost	287	232	81	155	153	148
(Incr)/Decr in Working Capital	(954)	560	(287)	192	(335)	(146)
Taxes	(525)	(350)	(241)	(310)	(514)	(600)
Cash from ops.	1,265	2,645	419	2,021	2,135	2,631
(Incr)/ Decr in PP&E	(667)	(397)	(203)	(557)	(627)	(796)
Cash Flow from Investing	(696)	(745)	(514)	(557)	(627)	(796)
Lease payment	(156)	(231)	(118)	(292)	(352)	(421)
Interest paid	(277)	(226)	(80)	(155)	(153)	(148)
Cash Flow from Financing	(331)	(1,925)	64	(447)	(506)	(570)
Incr/(Decr) in cash	238	(25)	(32)	1,017	1,003	1,265
Cash and cash equivalents at beg of year	3	240	215	248	1,265	2,268
Cash and cash equivalents at end of year	241	215	183	1,265	2,268	3,533

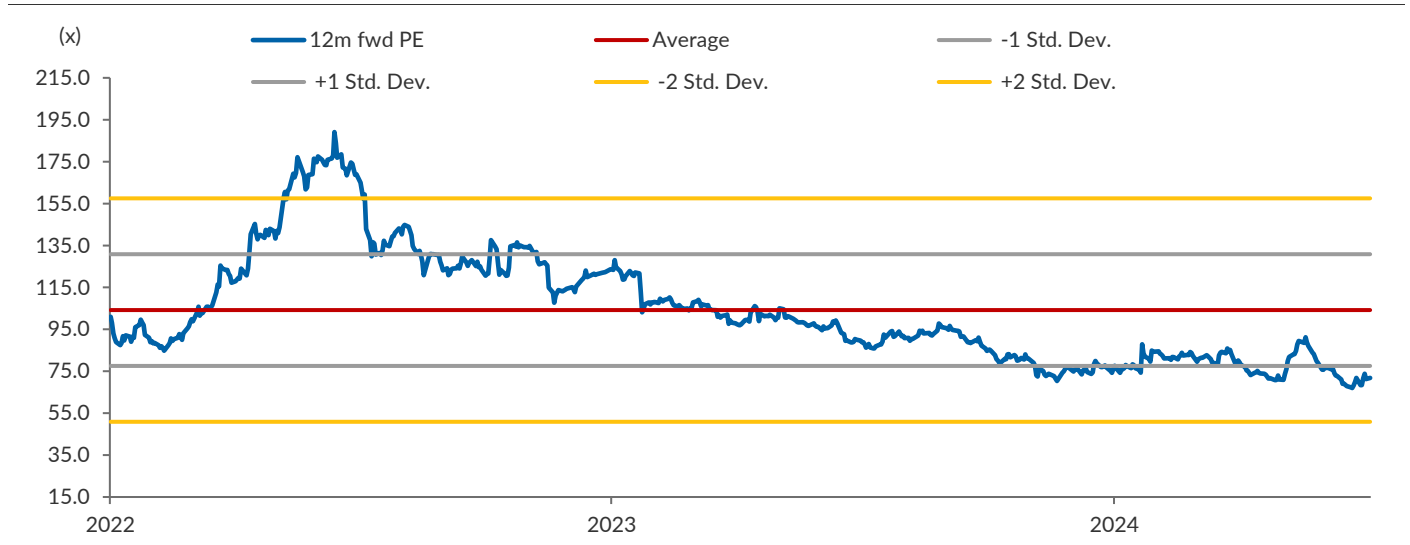
Source: Company, YES Sec

## Exhibit 13: Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Matrix (%)</b>					
Revenue growth	24.3%	(2.4%)	3.6%	18.7%	12.2%
EBITDA growth	4.8%	(16.9%)	(3.9%)	40.6%	12.2%
EBIT growth	(3.2%)	(22.7%)	(2.5%)	58.2%	15.5%
PAT growth	7.9%	(23.6%)	4.0%	65.6%	16.9%
<b>Profitability ratios (%)</b>					
GP margin	49.3%	52.0%	53.6%	54.0%	54.8%
EBITDA margin	17.1%	14.6%	13.5%	16.0%	16.0%
EBIT margin	12.5%	9.9%	9.3%	12.4%	12.8%
PAT margin	7.9%	6.2%	6.2%	8.7%	9.0%
RoCE	28.5%	18.6%	16.1%	22.5%	22.4%
RoE	23.9%	14.9%	13.3%	18.8%	18.2%
<b>Per share values</b>					
EPS	3.8	2.9	3.0	5.0	5.9
CEPS	6.2	5.3	5.5	7.6	8.6
BVPS	18.1	21.3	24.4	29.4	35.3
<b>Valuation ratios (x)</b>					
P/E	86.7	73.2	100.1	60.4	51.7
P/CEPS	54.0	40.5	55.6	40.2	35.4
P/B	18.4	10.0	12.5	10.4	8.6
EV/EBITDA	40.7	31.1	45.5	32.0	28.1
<b>Leverage ratios (x)</b>					
Debt/ Equity	0.3	0.0	0.0	0.0	0.0
Net debt/Equity	0.3	(0.0)	(0.1)	(0.2)	(0.3)
Net debt/EBITDA	0.6	(0.0)	(0.5)	(0.7)	(1.0)
Int coverage	6.5	6.2	9.0	14.4	17.2
<b>NWC days</b>					
Receivables	43	30	30	30	30
Inventory	218	208	208	208	208
Payables	104	105	105	105	105

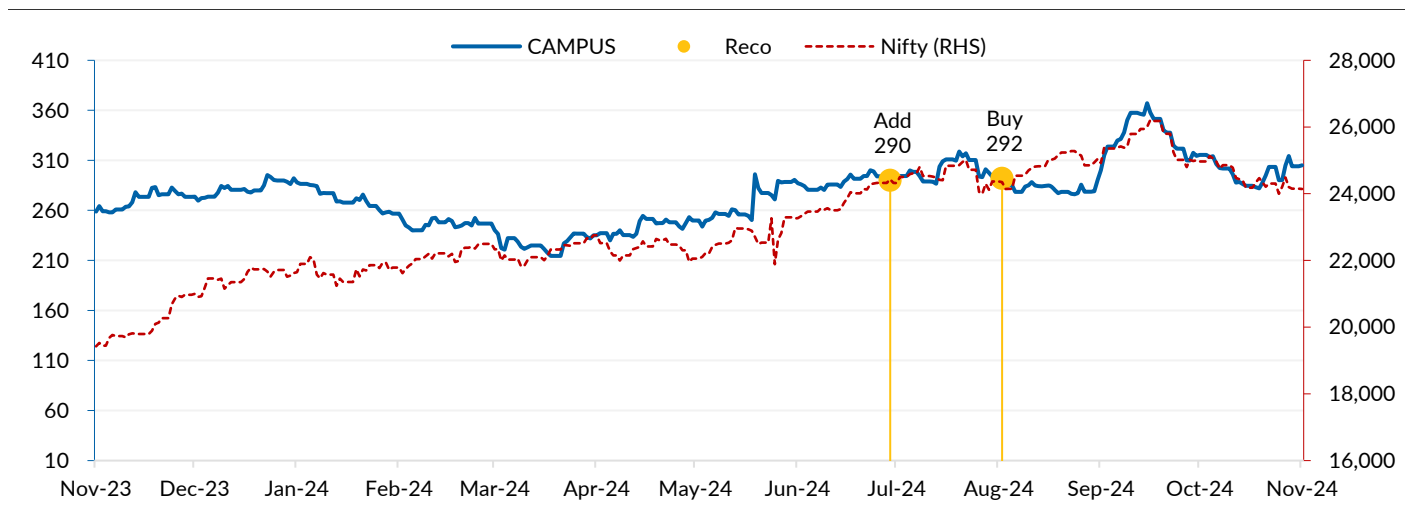
Source: Company, YES Sec

**Exhibit 14: 1-year forward P/E (x) chart**



Source: Company, YES Sec

## Recommendation Tracker



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Analyst signature

Analyst signature

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