

# Campus Activewear | BUY

## Revenue growth outlook robust; maintain BUY

Campus' revenue growth was robust, rising 29% YoY to INR 3.3bn on the back of strong volume growth (36% YoY) led by 5% YoY fall in ASP. EBITDA was up ~56% YoY as margin expanded ~200bps YoY to 52.4%. Margin expansion would have been even higher if not for gross margin contracting ~200bps YoY due to (i) higher schemes and promotions in the distribution channel towards retailers' meet, and (ii) liquidation of non-BIS inventory. Other expenses were higher by 16% YoY due to (1) phasing of performance marketing spends and (2) higher online commission. In terms of channel mix, trade distribution channel and D2C online sales grew by ~36% YoY each, while D2C offline sales grew 6% YoY. 3Q has started on an encouraging note led by festive demand; this, coupled with multiple management initiatives such as (i) new launches, (ii) increased brand spends, (iii) renewed thrust on mid-economy segments, and (iv) consolidation of distribution channel should help sustain revenue recovery. Margins and ASP are expected to improve from 2H led by higher share of closed footwear in the mix and lower channel discounts. We increase our EPS estimates by 1-4% for FY25-27E factoring in better-than-expected volume-led performance in 2Q. We maintain our BUY rating on the stock with a revised target price of INR 340 (50x Dec-26E EPS – Pre Ind AS).

- Strong revenue performance; margins impacted:** Campus' sales grew by 29% YoY to INR 3.3bn led by 36% YoY volume growth as ASP declined by 5% YoY. EBITDA margin expanded 200bps despite gross margin contracting by ~200bps YoY to 52.4% as other expenses and employee expenses shrank ~350bps and ~50bps YoY respectively. Gross margin was impacted on account of higher distributor schemes and mark-down on non-BIS inventory. PAT increased 45x YoY to INR 143mn led by higher other income (8x increase YoY to INR 34mn) and lower interest (31% decline YoY) and depreciation expense (3% decline YoY).
- Trade distribution channel witnessed robust growth; EBO sales tepid:** Volumes in 2Q grew by 36% YoY to 5.4mn pairs while ASP declined by ~5% YoY to INR 622/pair due to (i) higher schemes/promotions in distribution channel, and (ii) liquidation of non-BIS inventory. Trade distribution value grew 36% YoY led by 44% volume growth, while D2C offline sales grew only by 6% YoY. D2C online revenue grew by ~36% YoY led by strong B2B online sales while market place grew only by 9%.
- 3Q demand outlook robust; margins to recover in 2H:** Revenue growth in 2Q remained robust and the management expects demand momentum to sustain in 3Q and beyond led by multiple initiatives towards (1) Channel consolidation and placement of focus products, (2) marketing/branding initiatives and (3) encouraging festive demand. Although margins were impacted in 2Q, they are expected to revive from 3Q onwards due to upfront expenses on marketing and online commission sales, which will be accounted in 3Q. In addition, higher operating leverage should also aid overall margins.



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	340
Upside/(Downside)	10.6%
Previous Price Target	325
Change	4.6%

### Key Data – CAMPUS IN

Current Market Price	INR307
Market cap (bn)	INR93.9/US\$1.1
Free Float	26%
Shares in issue (mn)	305.3
Diluted share (mn)	305.3
3-mon avg daily val (mn)	INR450.5/US\$5.3
52-week range	372/213
Sensex/Nifty	79,496/24,141
INR/US\$	84.4

### Price Performance

%	1M	6M	12M
Absolute	-2.6	23.1	18.8
Relative*	-0.3	12.5	-3.0

\* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	14,701	14,359	15,878	18,457	21,132
Sales Growth (%)	23.8	-2.3	10.6	16.2	14.5
EBITDA	2,536	2,108	2,568	3,207	3,821
EBITDA Margin (%)	17.1	14.6	16.0	17.2	17.9
Adjusted Net Profit	1,171	894	1,330	1,757	2,151
Diluted EPS (INR)	3.8	2.9	4.4	5.8	7.0
Diluted EPS Growth (%)	7.8	-23.8	48.7	32.1	22.4
ROIC (%)	17.3	12.4	16.8	20.1	21.8
ROE (%)	23.9	14.9	18.6	20.2	20.2
P/E (x)	79.9	104.8	70.5	53.3	43.6
P/B (x)	16.9	14.4	12.0	9.8	8.0
EV/EBITDA (x)	38.2	45.1	36.7	29.1	24.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 11/Nov/2024

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## Exhibit 1. Quarterly consolidated performance (INR mn)

	Quarterly			Chg (%)		Reported		Chg (%)
	Q2FY24	Q1FY25	Q2FY25	YoY	QoQ	H1FY24	H1FY25	YoY
<b>Net operating revenues</b>	<b>2,587</b>	<b>3,392</b>	<b>3,333</b>	<b>29</b>	<b>(2)</b>	<b>6,124</b>	<b>6,725</b>	<b>10</b>
Cost of materials	(1,181)	(1,595)	(1,588)	34	(0)	(2,831)	(3,183)	12
<b>Gross profit</b>	<b>1,406</b>	<b>1,797</b>	<b>1,745</b>	<b>24</b>	<b>(3)</b>	<b>3,294</b>	<b>3,541</b>	<b>8</b>
Employee costs	(240)	(287)	(292)	22	2	(477)	(579)	21
Other expenses	(922)	(992)	(1,071)	16	8	(1,910)	(2,063)	8
<b>EBITDA</b>	<b>245</b>	<b>517</b>	<b>382</b>	<b>56</b>	<b>(26)</b>	<b>907</b>	<b>899</b>	<b>(1)</b>
Other income	4	23	34	680	51	7	57	777
Interest expense	(65)	(37)	(45)	(31)	21	(134)	(81)	(39)
D&A	(181)	(162)	(176)	(3)	8	(352)	(338)	(4)
<b>PBT</b>	<b>4</b>	<b>341</b>	<b>196</b>	<b>NA</b>	<b>(43)</b>	<b>428</b>	<b>537</b>	<b>26</b>
Provision for taxes	(1)	(87)	(53)	NA	(39)	(110)	(140)	28
<b>PAT</b>	<b>3</b>	<b>254</b>	<b>143</b>	<b>NA</b>	<b>(44)</b>	<b>318</b>	<b>397</b>	<b>25</b>
Extraordinary items	-	-	-	-	-	-	-	-
<b>PAT after EO items</b>	<b>3</b>	<b>254</b>	<b>143</b>	<b>NA</b>	<b>(44)</b>	<b>318</b>	<b>397</b>	<b>25</b>
<b>Recurring EPS (Rs/share)</b>	<b>0.0</b>	<b>0.8</b>	<b>0.5</b>	<b>NA</b>	<b>(44)</b>	<b>1.0</b>	<b>1.3</b>	<b>25</b>
<b>% of net operating revenues</b>								
<b>Gross margin (%)</b>	<b>54.3</b>	<b>53.0</b>	<b>52.4</b>	<b>-200 bps</b>	<b>-63 bps</b>	<b>53.8</b>	<b>52.7</b>	<b>-112 bps</b>
<b>EBITDA margin (%)</b>	<b>9.5</b>	<b>15.3</b>	<b>11.5</b>	<b>199 bps</b>	<b>-381 bps</b>	<b>14.8</b>	<b>13.4</b>	<b>-144 bps</b>
Cost of materials	45.7	47.0	47.6	199 bps	62 bps	46.2	47.3	111 bps
Employee cost	9.3	8.5	8.8	-49 bps	31 bps	7.8	8.6	82 bps
Other expenditure	35.6	29.3	32.1	-351 bps	286 bps	31.2	30.7	-51 bps
Income tax rate (% of PBT)	13.5	25.6	27.0	NA	NA	25.6	26.1	44 bps

Source: Company, JM Financial

## Exhibit 2. We increase our EPS estimates by 1-4% over FY25-27E led by strong 2Q performance

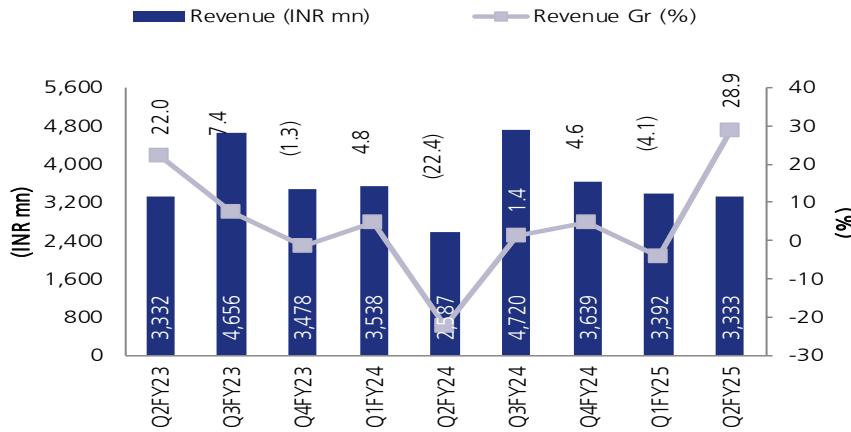
	FY25E			FY26E			FY27E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Revenues (Rs mn)	16,015	15,802	1.3	18,617	18,190	2.3	21,314	20,754	2.7
EBITDA (Rs mn)	2,568	2,570	(0.1)	3,207	3,175	1.0	3,821	3,767	1.4
EBITDA (%)	16.0	16.3		17.2	17.5		17.9	18.2	
PAT (Rs mn)	1,330	1,318	0.9	1,757	1,701	3.3	2,151	2,079	3.5
EPS (Rs)	4.4	4.3	0.9	5.8	5.6	3.3	7.1	6.8	3.5
<b>Pre IND AS</b>									
EBITDA (Rs mn)	2,209	2,209	(0.0)	2,783	2,749	1.2	3,330	3,274	1.7
EBITDA (%)	13.8	14.0		15.0	15.1		15.6	15.8	
PAT (Rs mn)	1,329	1,316	1.0	1,765	1,704	3.6	2,175	2,095	3.8
EPS (Rs)	4.4	4.3	1.0	5.8	5.6	3.6	7.1	6.9	3.8

Source: Company, JM Financial

### Key highlights from concall

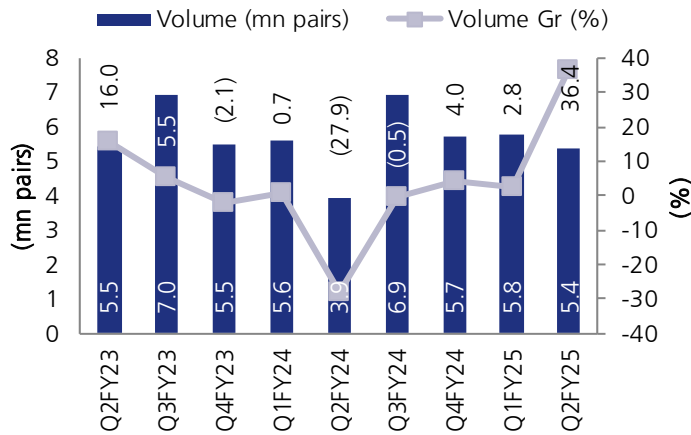
- **Demand/Growth** – The management stated that demand has improved in 3Q vs. 2Q (as per expectations) and festive demand seems encouraging. Growth in 2Q has been a result of several initiatives over the last few quarters: (1) Strategic distribution channel, and (ii) more placement of focused articles.
- **Margins:** Gross margin fell by ~200bps YoY to 52.4% driven by planned higher promotions and retailers' meet expenses. EBITDA margin was lower at 12.3% vs. 15.8% during 1Q driven by (1) lower gross margin (2) higher advertisement and sales promotion and (3) higher commission on the online business due to Flipkart's Big Billion days towards week 4 of September. Margin guidance would be slightly lower vs. earlier guidance of 17-19% for the full year as the management expects some dilution on account of liquidation of non-BIS inventory. Gross margin dilution QoQ is ~50bps, i.e., roughly INR 15mn, of which non-BIS liquidation would be INR 8mn to INR 10mn.
- **ASP dilution:** Largely driven by higher schemes and promotions in distribution channels and liquidation of 25% of non-BIS inventory in line with the company's inventory optimisation strategy. In 3QFY25, ASP is expected to increase on account of a higher sales mix of closed footwear category and absence of retailers' meet expenses
- **Trade distribution channel** – The company has grown its trade distribution channel from 22,200 touch points to 23,000 touch points in 2Q. Volume growth for the channel stood at 44% while value growth stood at 30%. There has been an increase in per counter share also. Endeavour was to maximise the placement of the focus articles, which has resulted in strong growth for the channel.
- **D2C Offline channel** – Growth has remained subdued in the D2C offline channel due to which the company has tapered its pace of store opening. Pace of store opening will pick up once demand in the channel improves. The management targets to add 70-80 stores every year.
- **Regional share** – Share in the northern region was similar to that in the last quarter. West share increased from 20.8% to 24.4% while Central was flat at 10%. Share in the south region declined from 5.1% to 3.3% primarily due to seasonal impact.
- **BIS** – The company is liquidating its old BIS-related inventory (25% liquidated in 2Q). No Chinese finished goods have been imported over the last 9-10 months. The company anticipates liquidating its entire non-BIS-compliant inventory by the end of FY25.
- **Capex** – The board has approved a capacity expansion plan at Ganaur and Haridwar, with an investment of approximately INR 350mn.
- The company is also focussing on increasing its demographic share and has increased the share of women and kids in 2Q by 1% to 22%.
- Increased its spend on A&P vs. last year on the back of festive and wedding season. Big Billion Day sales were in the last week of September and most of the improvement in the top line will get reflected in 3Q.
- In the closed shoe segment, there are 40-45k outlets in India of which Campus caters to only 23k. It targets to add 5-10% new outlets every year and will also target to gain its market share in existing outlets as well.
- Online commission varies from 6-10% of the online sales. Commission expense in 2Q was INR 25mn higher YoY.

**Exhibit 3. Revenue grew 29% YoY to INR 3.3bn**



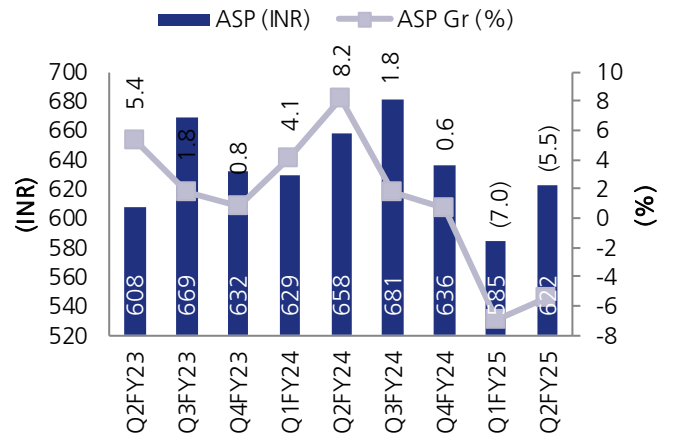
Source: Company, JM Financial

**Exhibit 4. Volume grew 36% YoY to 5.4mn pairs**



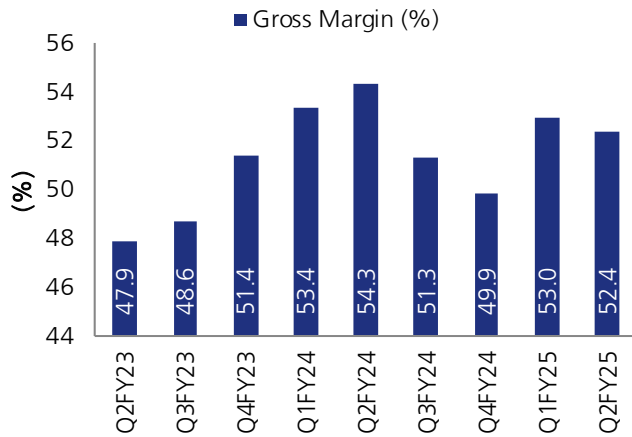
Source: Company, JM Financial

**Exhibit 5. ASP declined 6% YoY to INR 622 per pair**



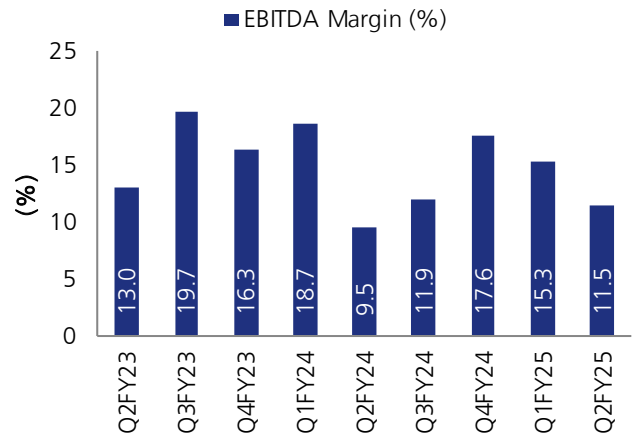
Source: Company, JM Financial

**Exhibit 6. Gross margin contracted 200bps YoY to 52.4%**



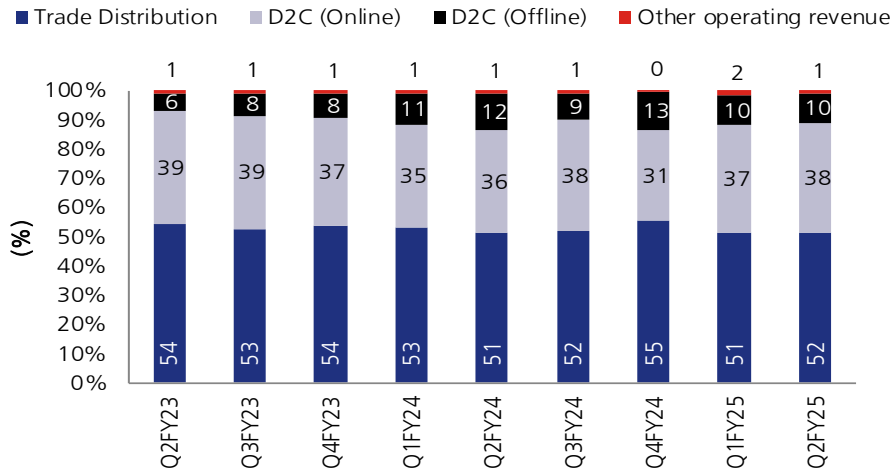
Source: Company, JM Financial

**Exhibit 7. EBITDA margin expanded 200bps YoY to 11.5%**



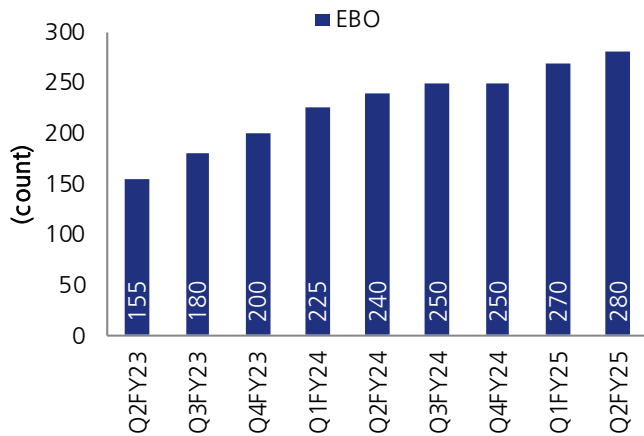
Source: Company, JM Financial

Exhibit 8. Trade distribution mix expanded 100bps YoY to 52%



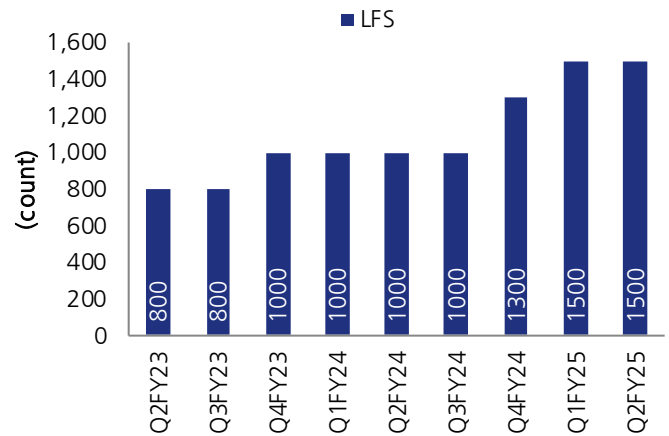
Source: Company, JM Financial

Exhibit 9. EBO count stood at 280



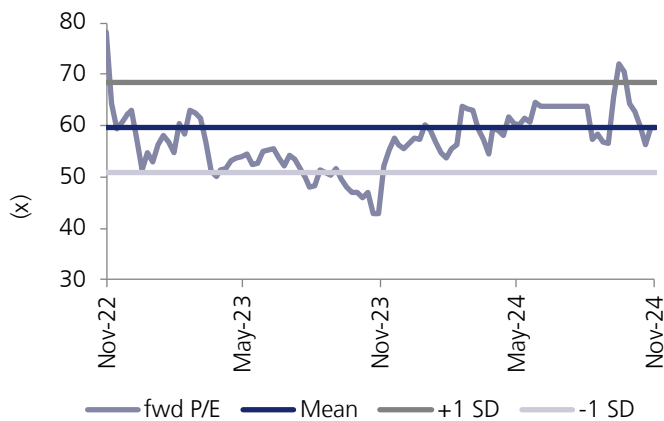
Source: Company, JM Financial

Exhibit 10. LFS count stood at 1,500



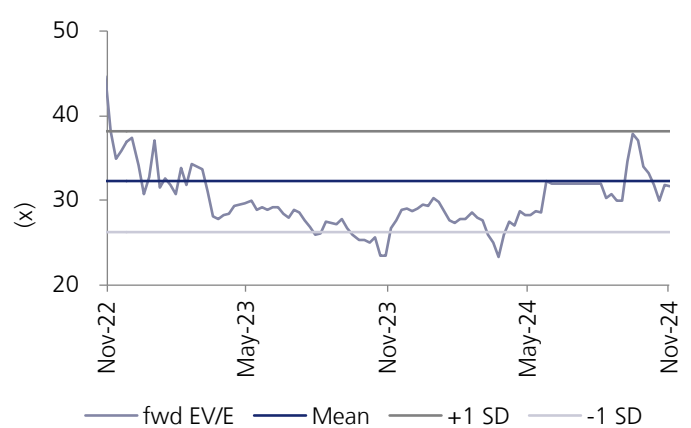
Source: Company, JM Financial

Exhibit 11. 1 year Forward P/E (x)



Source: Bloomberg

Exhibit 12. 1 year forward EV/EBITDA (x)



Source: Bloomberg

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	14,701	14,359	15,878	18,457	21,132	
Sales Growth	23.8%	-2.3%	10.6%	16.2%	14.5%	
Other Operating Income	142	124	137	159	182	
<b>Total Revenue</b>	<b>14,843</b>	<b>14,483</b>	<b>16,015</b>	<b>18,617</b>	<b>21,314</b>	
Cost of Goods Sold/Op. Exp	7,520	6,955	7,622	8,823	10,080	
Personnel Cost	802	1,015	1,238	1,421	1,617	
Other Expenses	3,985	4,405	4,587	5,166	5,797	
<b>EBITDA</b>	<b>2,536</b>	<b>2,108</b>	<b>2,568</b>	<b>3,207</b>	<b>3,821</b>	
EBITDA Margin	17.1%	14.6%	16.0%	17.2%	17.9%	
EBITDA Growth	4.8%	-16.9%	21.8%	24.9%	19.1%	
Depn. & Amort.	710	721	718	836	958	
EBIT	1,825	1,387	1,850	2,371	2,862	
Other Income	28	45	107	180	254	
Finance Cost	287	232	171	191	229	
PBT before Excep. & Forex	1,566	1,200	1,785	2,359	2,887	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	1,566	1,200	1,785	2,359	2,887	
Taxes	395	306	455	602	736	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	1,171	894	1,330	1,757	2,151	
<b>Adjusted Net Profit</b>	<b>1,171</b>	<b>894</b>	<b>1,330</b>	<b>1,757</b>	<b>2,151</b>	
Net Margin	7.9%	6.2%	8.3%	9.4%	10.1%	
Diluted Share Cap. (mn)	304.7	305.3	305.3	305.3	305.3	
<b>Diluted EPS (INR)</b>	<b>3.8</b>	<b>2.9</b>	<b>4.4</b>	<b>5.8</b>	<b>7.0</b>	
Diluted EPS Growth	7.8%	-23.8%	48.7%	32.1%	22.4%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	5,521	6,517	7,817	9,574	11,725	
Share Capital	1,523	1,526	1,526	1,526	1,526	
Reserves & Surplus	3,998	4,990	6,290	8,048	10,198	
Lease Liabilities	1,542	1,535	1,893	2,289	2,725	
Minority Interest	0	0	0	0	0	
Total Loans	1,808	243	0	0	0	
Def. Tax Liab. / Assets (-)	-239	-311	-311	-311	-311	
<b>Total - Equity &amp; Liab.</b>	<b>8,632</b>	<b>7,984</b>	<b>9,399</b>	<b>11,552</b>	<b>14,139</b>	
Net Fixed Assets	2,270	2,302	2,499	2,646	2,814	
Gross Fixed Assets	3,606	3,882	4,596	5,334	6,169	
Less: Depn. & Amort.	1,375	1,781	2,298	2,889	3,556	
Capital WIP	38	201	201	201	201	
ROU Assets	1,501	1,437	1,792	2,174	2,580	
Investments	0	0	0	0	0	
Current Assets	7,750	6,917	8,428	10,575	13,135	
Inventories	4,490	3,963	4,176	4,593	5,109	
Sundry Debtors	1,766	1,183	1,305	1,517	1,737	
Cash & Bank Balances	240	248	1,367	2,619	4,176	
Loans & Advances	251	582	628	738	845	
Other Current Assets	1,003	941	953	1,107	1,268	
Current Liab. & Prov.	2,888	2,672	3,319	3,842	4,390	
Current Liabilities	2,144	2,002	2,610	3,021	3,452	
Provisions & Others	744	670	709	821	938	
Net Current Assets	4,862	4,245	5,109	6,732	8,745	
<b>Total - Assets</b>	<b>8,632</b>	<b>7,984</b>	<b>9,399</b>	<b>11,552</b>	<b>14,139</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	1,566	1,200	1,785	2,359	2,887	
Depn. & Amort.	710	721	718	836	958	
Net Interest Exp. / Inc. (-)	259	187	65	12	-25	
Inc (-) / Dec in WCap.	-954	560	0	0	0	
Others	207	327	0	0	0	
Taxes Paid	-525	-350	-476	-587	-723	
<b>Operating Cash Flow</b>	<b>1,265</b>	<b>2,645</b>	<b>2,092</b>	<b>2,620</b>	<b>3,098</b>	
Capex	-667	-447	-715	-738	-835	
Free Cash Flow	598	2,198	1,378	1,882	2,263	
Inc (-) / Dec in Investments	-33	-356	0	0	0	
Others	3	58	107	180	254	
<b>Investing Cash Flow</b>	<b>-697</b>	<b>-745</b>	<b>-608</b>	<b>-559</b>	<b>-581</b>	
Inc / Dec (-) in Capital	38	98	-30	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	65	-1,565	-243	0	0	
Others	-434	-458	-368	-423	-490	
<b>Financing Cash Flow</b>	<b>-331</b>	<b>-1,925</b>	<b>-641</b>	<b>-423</b>	<b>-490</b>	
<b>Inc / Dec (-) in Cash</b>	<b>236</b>	<b>-25</b>	<b>843</b>	<b>1,638</b>	<b>2,027</b>	
Opening Cash Balance	3	273	248	1,367	2,619	
Closing Cash Balance	240	248	1,091	3,005	4,646	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		7.9%	6.2%	8.3%	9.4%	10.1%
Asset Turnover (x)		1.8	1.7	1.8	1.7	1.6
Leverage Factor (x)		1.6	1.4	1.3	1.2	1.2
RoE		23.9%	14.9%	18.6%	20.2%	20.2%

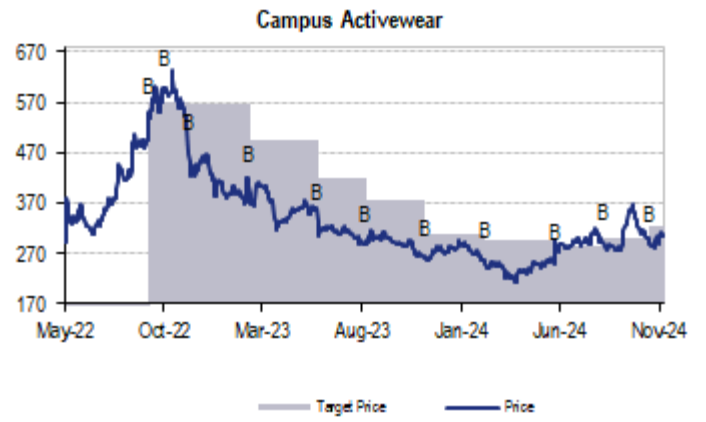
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		18.1	21.3	25.6	31.4	38.4
ROIC		17.3%	12.4%	16.8%	20.1%	21.8%
ROE		23.9%	14.9%	18.6%	20.2%	20.2%
Net Debt/Equity (x)		0.6	0.2	0.1	0.0	-0.1
P/E (x)		79.9	104.8	70.5	53.3	43.6
P/B (x)		16.9	14.4	12.0	9.8	8.0
EV/EBITDA (x)		38.2	45.1	36.7	29.1	24.1
EV/Sales (x)		6.5	6.6	5.9	5.0	4.3
Debtor days		43	30	30	30	30
Inventory days		110	100	95	90	87
Creditor days		53	50	59	59	59

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
12-Sep-22	Buy	570	
7-Oct-22	Buy	570	0.0
11-Nov-22	Buy	565	-0.9
14-Feb-23	Buy	495	-12.4
30-May-23	Buy	420	-15.2
11-Aug-23	Buy	375	-10.7
10-Nov-23	Buy	310	-17.3
10-Feb-24	Buy	295	-4.8
28-May-24	Buy	285	-3.4
12-Aug-24	Buy	300	5.3
22-Oct-24	Buy	325	8.3

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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