

Campus Activewear

Estimate change

TP change

Rating change



Bloomberg	CAMPUS IN
Equity Shares (m)	306
M.Cap.(INRb)/(USDb)	88.3 / 1.1
52-Week Range (INR)	640 / 282
1, 6, 12 Rel. Per (%)	-10/-40/-41
12M Avg Val (INR M)	461

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	14.8	16.4	19.7
EBITDA	2.5	3.1	3.9
Adj. PAT	1.2	1.6	2.0
EBITDA Margin (%)	17.1	18.9	19.9
Adj. EPS (INR)	3.8	5.2	6.5
EPS Gr. (%)	-8.0	34.8	26.8
BV/Sh. (INR)	18.0	23.2	29.7

Ratios

Net D:E	0.6	0.1	0.0
RoE (%)	21.2	22.2	22.0
RoCE (%)	18.2	19.4	19.9
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	76.1	56.4	44.5
EV/EBITDA (x)	36.4	29.0	22.7
EV/Sales (X)	6.2	5.5	4.5
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	0.6	3.0	1.8

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	73.9	74.0	74.1
DII	6.6	6.7	6.6
FII	11.5	12.3	5.3
Others	7.9	7.0	14.0

FII Includes depository receipts

CMP: INR289

TP: INR335 (+16%)

Buy

Soft growth; gross margin improving

- Campus Activewear (Campus) posted soft revenue growth at 5% YoY (in line) as volume growth remained flat in 1QFY24. However, premiumization led to an improvement in ASP and moderating RM prices resulted in healthy gross margin (GM) improvement of 370bp. The improvement in GM cushioned the adverse impact on PAT, which was flat QoQ (10% beat).
- While demand is likely to remain weak in the near term, moderating RM prices may help in reviving demand and also improve margin. We model 31% PAT CAGR over FY23-25E led by gradual revenue recovery and margin improvement. Campus' strong market position and a long runway for growth should result in a recovery by 2HFY24E once market recovers. **Reiterate BUY with a TP of INR335 (premised on 51x P/E on FY25E EPS).**

EBITDA up 7% (in line); RM moderates

- Revenue grew 5% YoY to INR3.5b (in line) led by 5% increase in ASP and flat volume YoY.
- RM cost declined 3% YoY, which resulted in 13% YoY increase in gross profit to INR1.9b (in line). Subsequently, GM improved 370bp/200bp YoY/QoQ to 53.4%.
- EBITDA grew 7% YoY to INR662m (in line) and margin improved 40bp YoY to 18.7%. SG&A remained high at INR988m, i.e., 28% of revenue (vs. 27% of revenue in FY23).
- Lower-than-expected depreciation and interest led to 10% beat on PAT.
- PAT was flat YoY at INR315m and margin came in at 8.9%.
- Total store count stood at 225 EBOs. It added 24 stores in 1QFY24 and closed one store.

Key takeaways from the management commentary

- Macro environment has been weak since the last 12-14 months. However, the upcoming election, strong monsoon, and the impending festive season could revive revenue growth and margin improvement in 2HFY24.
- Price sensitivity in the Campus products is strong. Company has not taken any significant price hike and intends to sell a majority of the products at full price.
- The GM improved as a result of better sourcing and an improved channel/product mix. Management expects margins to rise as 2HFY24 (the closed footwear season) approaches. Hence, it anticipates an increase in EBITDA margin to 19.5%–20.5%. Post this, management expects margin to expand 100bp annually.
- Trade distribution channel declined 5.5% YoY, D2C online grew 10% YoY while D2C offline jumped 82% YoY due to store additions.

Valuation and view

- The ongoing weak environment has hurt revenue growth for the whole industry. This was further exacerbated by aggressive store rollouts and ad spends. As a result, we cut our FY24E revenue by 4%. We have factored in a revenue/PAT CAGR of 15%/31% over FY23-25E.
- Moderation in RM prices is the key silver lining in improving margin or passing on the benefit to consumers to revive demand.
- Campus's strong market position and healthy sector tailwinds offer a long runway for growth and warrant rich valuations.
- **Reiterate BUY with a TP of INR335 (premised on 51x P/E on FY25E EPS).**

Consolidated - Quarterly Earnings model

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	(INR m)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	Est Var (%)
Revenue	3,377	3,332	4,656	3,478	3,538	3,615	5,340	3,938	14,842	16,431	3,663	-3.4
YoY Change (%)	149.6	22.0	7.4	-1.3	4.8	8.5	14.7	13.3	24.3	10.7	8.5	
Gross Profit	1,676	1,594	2,265	1,787	1,888	1,789	2,657	2,048	7,323	8,382	1,787	5.6
Gross margin	49.6	47.9	48.6	51.4	53.4	49.5	49.8	52.0	49.3	51.0	48.8	457
Total Expenditure	2,760	2,897	3,737	2,912	2,876	3,007	4,275	3,166	12,307	13,323	3,004	-4.3
EBITDA	617	434	919	565	662	607	1,065	773	2,536	3,107	659	0.4
EBITDA margins (%)	18.3	13.0	19.7	16.3	18.7	16.8	20.0	19.6	17.1	18.9	18.0	71
Depreciation	145	170	196	200	171	179	188	188	710	726	208	-17.9
Interest	56	76	82	72	69	69	69	98	287	307	77	-9.5
Other Income	6	7	9	6	2	2	2	24	28	30	8	-73.4
PBT	422	196	650	299	424	361	810	511	1,567	2,105	383	10.8
Tax	109	50	167	70	109	90	202	124	396	526	96	14.1
Rate (%)	25.8	25.7	25.7	23.3	25.8	25.0	25.0	24.4	25.2	25.0	25.0	
Reported PAT	313	145	483	229	315	271	607	386	1,171	1,579	287	9.7
Adj PAT	313	145	483	229	314	271	607	386	1,171	1,579	287	9.5
YoY Change (%)	1,467	-49	-12	0	1	86	26	68	8.7	34.8	-8	

E: MOFSL Estimates

Exhibit 1: Valuation based on FY25E

Particulars	INR/Share
EPS	6.5
Target PE (x)	51
Equity value/share (INR)	335
Upside/(Downside) (%)	16%
CMP (INR)	289

Source: MOFSL, Company

**Key takeaways from the management interaction****Detailed takeaways****Current environment-**

- Demand environment is gradually improving, while Eastern UP and Bihar still remain weak.
- Macro environment has been weak since the last 12-14 months. However, the upcoming election, strong monsoon, and the impending festive season could revive revenue growth and margin improvement in 2HFY24.
- BIS will be implemented from 1st Jan'24. There is a possibility that the margins will improve due to BIS implementation.
- BIS implementation would reduce the imports from China and Vietnam. This would lead to improvement in Make in India initiative.
- Campus' supply chain may not be disrupted because it already procured goods from high-quality players.

Channel and brand mix-

- Trade distribution channel declined 5.5% YoY, D2C online grew 10% YoY while D2C offline jumped 82% YoY due to store additions.
- Company continues to open majority of the stores via FOFO channel.
- Out of 225 stores, 90-95 stores would be COCO stores. The new store additions would be 70:30 for FOFO:COCO.
- The share of semi-premium and premium products increased to 72% in 1QFY24 from 68% in 1QFY23.
- The mix of Men:Women & kids remained same at 80:20.
- The share from Central and North India remained high at 50-55% while West contributed 23%, East 17% and South 11-12%.

Operating performance-

- The GM improved as a result of better sourcing and an improved channel/product mix. Management expects margins to improve as 2HFY24 (the closed footwear season) approaches.
- LTM ROE/RoCE stood at 22.3%/23.5%
- It anticipates an increase in EBITDA margin to 19.5%–20.5%. Post this, management expects margin to expand 100bp annually..
- Marketing expenses are likely to remain at 6% for brand building.
- There is a minor increase in the working capital led by slightly high inventories (expects to leverage in the upcoming festive season).

Others

- The company launches 300 designs every year leading to total designs of 600 SKUs.

Exhibit 2: Quarterly performance

INRM	1QFY23	4QFY23	1QFY24	YoY%	QoQ%	1QFY24E	v/s Est (%)
Total Revenue	3,377	3,478	3,538	5	2	3,663	-3
Raw Material cost	1,701	1,690	1,650	-3	-2	1,850	-11
Gross Profit	1,676	1,787	1,888	13	6	1,813	4
Gross margin (%)	49.6%	51.4%	53.4%	373	196	49.5%	386
Employee Costs	216	139	237	10	71	238	0
SGA Expenses	843	1,083	988	17	-9	916	8
EBITDA	617	565	662	7	17	659	0
EBITDA margin (%)	18.3%	16.3%	18.7%	44	246	18.0%	71
Depreciation and amortization	145	200	171	18	-15	208	-18
EBIT	472	366	491	4	34	452	9
EBIT margin (%)	14.0%	10.5%	13.9%	-9	338	12.3%	156
Finance Costs	56	72	69	24	-4	77	-9
Profit before Tax	422	299	424	1	42	383	11
Tax	109	70	109	0	57	96	14
Profit after Tax	313	229	315	1	37	287	10
PAT margin (%)	9.3%	6.6%	8.9%	-37	230	7.8%	106

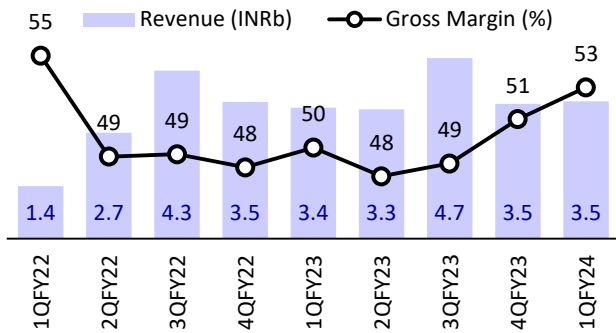
Source: MOFSL, Company

Exhibit 3: Summary of changes to our estimates

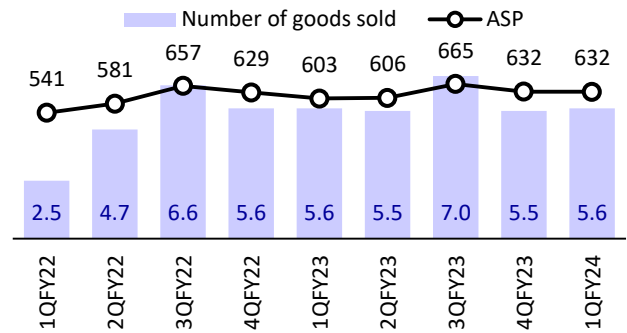
	FY24E	FY25E
Revenue (INR m)		
Old	17,039	20,379
Actual/New	16,431	19,651
Change (%)	-3.6	-3.6
Gross Profit (INR m)		
Old	8,434	10,189
Actual/New	8,382	9,924
Change (%)	-0.6	-2.6
Gross margin (%)		
Old	49.5%	50.0%
Actual/New	51.0%	50.5%
Change (bp)	151	50
EBITDA (INR m)		
Old	3,110	4,157
Actual/New	3,107	3,911
Change (%)	-0.1	-5.9
EBITDA margin (%)		
Old	18.3%	20.4%
Actual/New	18.9%	19.9%
Change (bp)	66	-50
Net Profit (INR m)		
Old	1,502	2,187
Actual/New	1,579	2,001
Change (%)	5.1	-8.5
EPS (INR)		
Old	4.9	7.1
Actual/New	5.2	6.5
Change (%)	5.1	-8.5

Source: MOFSL, Company

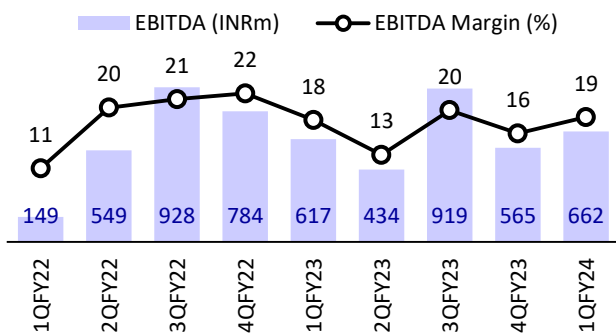
Story in charts

Exhibit 4: Revenue up 5% YoY; margin up 370bp YoY


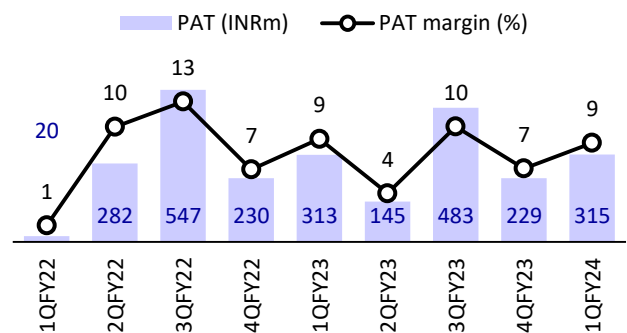
Source: MOFSL, Company

Exhibit 5: Volume remained flat and ASP was up 5% YoY


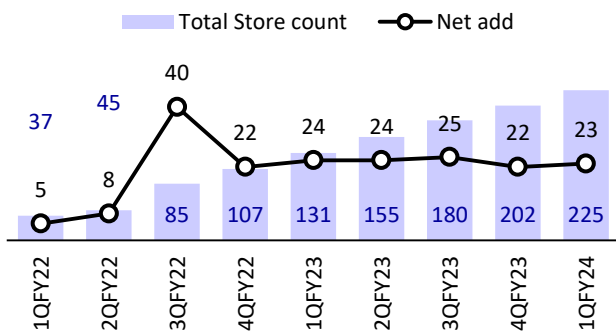
Source: MOFSL, Company

Exhibit 6: EBITDA up 5% YoY; high GM offset by higher opex


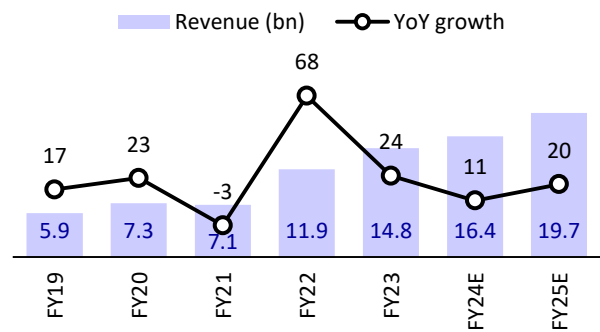
Source: MOFSL, Company

Exhibit 7: PAT up 9% YoY (10% beat)


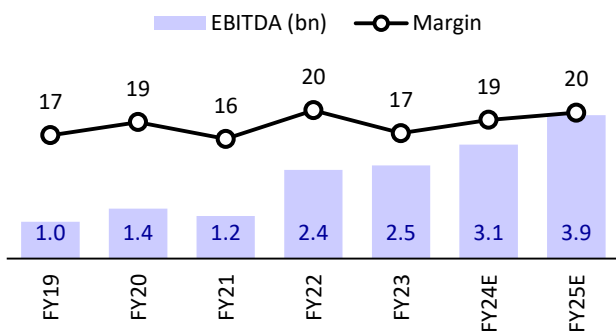
Source: MOFSL, Company

Exhibit 8: Added 24 new stores and closed 1 store in 1QFY24


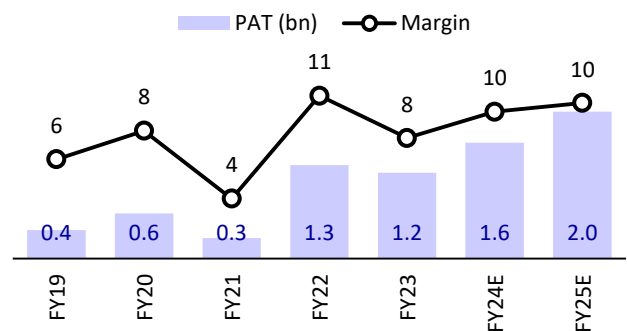
Source: MOFSL, Company

Exhibit 9: Expect 15% revenue CAGR during FY23-25


Source: MOFSL, Company

Exhibit 10: Expect 24% EBITDA CAGR over FY23-25


Source: MOFSL, Company

Exhibit 11: Expect 31% PAT CAGR over FY23-25


Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue from Operations	5,096	5,949	7,320	7,113	11,942	14,842	16,431	19,651
Change (%)		17	23	-3	68	24	11	20
Raw Materials	2,917	3,212	3,801	3,744	5,973	7,520	8,049	9,727
GROSS PROFIT	2,179	2,737	3,519	3,369	5,968	7,323	8,382	9,924
Margin (%)	42.8	46	48	47	50	49	51	51
Employees Cost	317	431	570	552	679	802	1,002	1,100
Other Expenses	1,034	1,305	1,586	1,657	2,874	3,985	4,272	4,913
Total Expenditure	1,351	1,736	2,157	2,209	3,553	4,787	5,274	6,013
% of Sales	26.5	29.2	29.5	31.1	29.8	32.3	32.1	30.6
EBITDA	828	1,000	1,363	1,160	2,415	2,536	3,107	3,911
Margin (%)	16.2	16.8	18.6	16.3	20.2	17.1	18.9	19.9
Depreciation	102	144	231	327	532	710	726	975
EBIT	726	857	1,132	833	1,883	1,826	2,381	2,935
Margin (%)	14.2	14	15	12	16	12	14	15
Finance costs	249	212	165	172	196	287	307	304
Other Income	11	18	21	38	24	28	30	36
PBT bef. EO Exp.	488	663	988	699	1,711	1,567	2,105	2,668
Total Tax	173	277	364	431	634	396	526	667
Tax Rate (%)	35.5	41.8	36.8	61.6	37.0	25.0	25.0	25.0
Reported PAT	314	386	624	269	1,078	1,171	1,579	2,001
Adjusted PAT	314	386	612	279	1,273	1,171	1,579	2,001
Change (%)		23.0	58.4	-54.5	356.9	-8.0	34.8	26.8
Margin (%)	6.2	6.5	8.4	3.9	10.7	7.9	9.6	10.2

Consolidated - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	1	1	1,519	1,519	1,522	1,523	1,523	1,523
Total Reserves	1,602	2,017	1,329	1,608	2,754	3,998	5,577	7,578
Net Worth	1,603	2,018	2,847	3,126	4,276	5,521	7,100	9,101
Minority Interest	-28	-26	1	4	0	0	0	0
Total Loans	1,764	1,986	2,756	1,772	2,890	3,350	3,447	3,527
Lease Liability		239	323	416	1,147	1,542	1,639	1,720
Capital Employed	3,340	3,978	5,604	4,902	7,166	8,871	10,547	12,629
Gross Block	910	1,480	2,474	3,318	4,460	5,695	7,099	8,502
Less: Accum. Deprn.	103	229	429	753	1,214	1,924	2,650	3,625
Net Fixed Assets	806	1,251	2,044	2,564	3,246	3,770	4,448	4,877
Right to use assets	0	298	416	491	1,208	1,501	1,099	1,131
Capital WIP	133	246	352	3	25	38	38	38
Total Investments	0	0	450	0	0	0	0	0
Curr. Assets, Loans&Adv.	2,923	2,874	3,348	3,067	4,975	6,677	7,577	9,463
Inventory	937	1,182	1,699	2,025	3,543	4,490	3,087	3,598
Account Receivables	1,901	1,620	1,443	982	1,337	1,766	1,718	1,884
Cash and Bank Balance	16	18	153	12	3	240	2,591	3,800
Loans and Advances	68	54	53	48	92	181	181	181
Curr. Liability & Prov.	1,302	1,045	1,524	1,888	2,386	2,776	2,881	3,346
Account Payables	1,094	806	1,228	1,709	1,966	2,144	2,315	2,665
Other Current Liabilities	206	237	279	175	414	623	555	671
Provisions	2	2	17	5	6	10	10	10
Net Current Assets	1,621	1,829	1,824	1,179	2,590	3,901	4,696	6,118
Deferred Tax assets	728	634	621	401	218	309	309	309
Other Assets	185	265	665	758	1,112	891	1,094	1,325
Appl. of Funds	3,340	3,978	5,604	4,902	7,166	8,871	10,547	12,629

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	NA	NA	2.0	0.9	4.2	3.8	5.2	6.5
Cash EPS	NA	NA	2.8	2.0	5.9	6.1	7.5	9.7
BV/Share	NA	NA	9.4	10.3	14.1	18.0	23.2	29.7
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	NA	NA	144.4	317.2	69.6	76.1	56.4	44.5
Cash P/E	NA	NA	104.9	145.9	49.1	47.4	38.7	29.9
P/BV	NA	NA	31.0	28.3	20.7	16.1	12.6	9.8
EV/Sales	0.3	0.3	12.4	12.7	7.7	6.2	5.5	4.5
EV/EBITDA	2.1	2.0	66.8	77.7	37.9	36.4	29.0	22.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	NA	NA	-1.8	2.3	-0.5	1.9	8.9	5.2
Return Ratios (%)								
RoE	19.6	19.2	21.5	8.9	29.8	21.2	22.2	22.0
RoCE	33.4	16.2	16.4	8.4	21.1	18.2	19.4	19.9
RoIC	34.6	16.8	18.4	8.4	20.8	18.2	22.5	27.2
Working Capital Ratios								
Fixed Asset Turnover (x)	5.6	4.0	3.0	2.1	2.7	2.6	2.3	2.3
Asset Turnover (x)	1.5	1.5	1.3	1.5	1.7	1.7	1.6	1.6
Inventory (Days)	117	120	138	182	170	195	140	135
Debtor (Days)	136	108	76	62	35	38	38	35
Creditor (Days)	137	108	98	143	112	100	105	100
WC (Days)	117	120	117	101	93	133	73	70
Leverage Ratio (x)								
Current Ratio	2.2	2.8	2.2	1.6	2.1	2.4	2.6	2.8
Interest Cover Ratio	2.9	4.0	6.9	4.9	9.6	6.4	7.8	9.7
Net Debt/Equity	1.1	1.0	0.8	0.6	0.7	0.6	0.1	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	488	663	988	699	1,711	1,566	2,105	2,668
Depreciation	102	144	231	327	532	710	726	975
Interest & Finance Charges	249	212	165	172	196	287	307	304
Others	0	100	187	87	65	180	0	0
Direct Taxes Paid	-173	-92	-397	-252	-436	-525	-526	-667
(Inc)/Dec in WC	-1,847	-483	-179	210	-1,890	-954	1,353	-444
CF from Operations	-1,182	544	995	1,243	178	1,265	3,965	2,836
Others	0	0	0	0	0	0	0	0
CF from Operating incl EO	-1,182	544	995	1,243	178	1,265	3,965	2,836
(Inc)/Dec in FA	1,978	-288	-1,545	-539	-341	-697	-1,254	-1,254
Free Cash Flow	796	257	-550	704	-163	568	2,711	1,582
(Pur)/Sale of Investments	0	0	0	449	0	0	0	0
Others	0	0	0	0	0	0	0	0
CF from Investments	1,978	-288	-1,545	-90	-341	-697	-1,254	-1,254
Issue of Shares	-230	0	179	0	32	38	0	0
Inc/(Dec) in Debt	-128	-54	654	-1,077	387	65	0	0
Interest Paid	-249	-201	-148	-140	-121	-137	-149	-149
Lease instalment	0	0	0	-77	-143	-297	-210	-224
Minority	-197	0	0	0	0	0	0	0
CF from Fin. Activity	-803	-255	686	-1,294	155	-331	-360	-373
Inc/Dec of Cash	-7	1	135	-141	-9	236	2,351	1,209
Opening Balance	23	16	18	153	12	3	240	2,591
Closing Balance	16	18	153	12	3	240	2,591	3,800

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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