

Campus Activewear

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	CAMPUS IN
Equity Shares (m)	306
M.Cap.(INRb)/(USD\$)	78.4 / 0.9
52-Week Range (INR)	425 / 238
1, 6, 12 Rel. Per (%)	-11/-22/-57
12M Avg Val (INR M)	394

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	14.8	14.5	15.9
EBITDA	2.5	2.0	2.7
Adj. PAT	1.2	0.8	1.2
EBITDA Margin (%)	17.1	14.0	16.8
Adj. EPS (INR)	3.8	2.7	4.0
EPS Gr. (%)	-8.0	-30.2	48.2
BV/Sh. (INR)	18.0	20.7	24.6

Ratios

Net D:E	0.6	0.2	0.2
RoE (%)	21.2	12.9	16.0
RoCE (%)	18.2	11.8	14.6
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	67.2	96.3	65.0
EV/EBITDA (x)	32.2	39.5	29.9
EV/Sales (X)	5.5	5.5	5.0
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	0.7	2.9	1.2

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	73.9	73.9	74.0
DII	7.1	4.8	6.4
FII	5.9	9.3	6.0
Others	13.1	7.9	13.6

FII Includes depository receipts

CMP: INR257 **TP: INR285 (+11%)** **Buy**

Weak market condition and high ad spent continues

- Campus Activewear (Campus) posted flat revenue YoY (5% miss), recovering from weak 2QFY24 performance. This recovery was fueled by restocking in its primary distribution channel and marketplace model. However, high SG&A led to a decline in EBITDA margins to 11.9% (down 780bp YoY), cushioned by 260bp YoY GM improvement.
- We anticipate potential earnings vulnerability over the next two to three quarters; subsequently, we have cut EBITDA/PAT by 6%/8% for FY25 and model 14%/29% Revenue/EBITDA CAGR over FY24-26E. Consequently, our TP has been adjusted to INR285, reflecting a 55x PE on FY26. Despite the significant correction in the stock, Campus's robust market position and extensive growth opportunities suggest a potential market-leading recovery in FY25. We maintain our **BUY rating on the stock with a TP of INR285.**

EBITDA decline 39% (53% miss), led by higher SG&A

- Revenue was flat YoY at INR 4.7b (5% miss). Volumes declined 1% YoY, which was offset by a 2% YoY increase in ASP. Bata revenue was also flat YoY.
- RM cost declined 4% YoY, which improved gross margin by 260bp YoY to 51.3%. Gross profit was up 7% YoY to INR2.4b (9% miss).
- EBITDA declined 39% YoY to INR563m (53% miss), primarily due to increased marketing expenditures. Margins declined 780bp YoY to 11.9%.
- PAT declined 48% YoY to INR249m (65% miss) due to EBITDA miss.
- 9MFY24 Revenue/EBITDA/PAT declined 5%/25%/40% YoY.

Key takeaways from the management commentary

- The company has repaid the debt of INR1.1b in 3QFY24 and now the net debt stands at INR483m. In addition, the working capital days reduced to 68 days in 3QFY24 from 150 days in 2QFY24; inventory stands at INR4b.
- Campus is prioritizing the recovery of lost volumes in O2O/B2B channels in 2QFY24 by focusing on a) expanding its marketplace segment and b) restocking in the primary distribution channel, which previously experienced destocking.
- The company lost some market share in UP/Bihar, led by new players, but it has gained market share in West/Central/South states.
- In 3QFY24, marketing spend increased to 10%, notably higher than the typical range of 5-6%, led by big billion days. The company's targeted marketing cost typically is 6-6.5%.

Valuation and view

- Our channel check explains a.) Prolonged macroeconomic headwinds, particularly in the value segment within the northern region, as evident from the performance of all players, b.) heightened competitive pressures from other players offering low ASP products and providing high channel commissions, resulting in distributor churn. Campus's premiumization strategy, focusing on INR1000-2000 ASP segment, might encounter headwinds amidst the current economic downturn, where we observe significant customer downgrading across discretionary categories.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The ongoing weak environment, coupled with the churn in distributors and a decline in O2O business partners, has hurt revenue growth. Additionally, increased SG&A expenses will adversely impact EBITDA margin improvement. Consequently, we cut our FY24/25E revenue by 2%/3%, EBITDA by 23%/6% and PAT by 35%/8%. We have factored in a revenue/PAT CAGR of 14%/40% over FY24-26E.
- We reiterate our BUY rating on the stock with a TP of INR285 (premised on 55x P/E on FY26 EPS).

Consolidated - Quarterly Earning

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		3QE	Var (%)	
Revenue	3,377	3,332	4,656	3,478	3,538	2,587	4,720	3,666	14,842	14,510	4,945	-4.5
YoY Change (%)	149.6	22.0	7.4	-1.3	4.8	-22.4	1.4	5.4	24.3	-2.2	6.2	
Gross Profit	1,676	1,594	2,265	1,787	1,888	1,406	2,420	1,906	7,323	7,620	2,670	-9.4
Gross margin	49.6	47.9	48.6	51.4	53.4	54.3	51.3	52.0	49.3	52.5	54.0	-272
Total Expenditure	2,760	2,897	3,737	2,912	2,876	2,342	4,158	3,108	12,307	12,484	3,746	11.0
EBITDA	617	434	919	565	662	245	563	557	2,536	2,026	1,199	-53.1
EBITDA margins (%)	18.3	13.0	19.7	16.3	18.7	9.5	11.9	15.2	17.1	14.0	24.3	-1,233
Depreciation	145	170	196	200	171	181	184	205	710	740	185	-0.9
Interest	56	76	82	72	69	65	58	32	287	224	65	-10.5
Other Income	6	7	9	6	2	4	14	7	28	27	4	209.1
PBT	422	196	650	299	424	4	335	327	1,567	1,089	954	-64.9
Tax	109	50	167	70	109	1	86	77	396	272	238	-64.0
Rate (%)	25.8	25.7	25.7	23.3	25.8	13.5	25.6	23.5	25.2	25.0	25.0	
Reported PAT	313	145	483	229	315	3	249	250	1,171	817	715	-65.2
Adj PAT	313	145	483	229	314	3	249	250	1,171	817	715	-65.2
YoY Change (%)	1,467	-49	-12	0	1	-98	-48	9	8.7	-30.2	48	

E: MOFSL Estimates

Exhibit 1: Valuation based on Mar'26

Particulars	INR/Share
EPS	5.2
Target PE (x)	55
Equity value/share (INR)	285
Upside/(Downside) (%)	+11%
CMP (INR)	257

Source: MOFSL, Company

**Key takeaways from the management interaction****Detailed takeaways****Revenue recovery**

- Revenue recovered in 3QFY24, overcoming the disruptions caused by B2B and O2O channels business model in 2QFY24.
- The company focused on a) harnessing the potential of the marketplace and boosting marketing efforts and b) stimulating demand and restocking primary distribution markets, which had experienced suppression in 2QFY24 due to destocking and inventory adjustments.
- There is an element of O2O catering to very small retailers who likely have accumulated inventory. Hence, the recovery of sales from this segment might extend over another quarter.

Market share

- The company lost some market share in UP/Bihar, led by new players but has gained market share in West/Central/South states.
- Focus on new segment- 'Sneaker' in the name of Campus OG.
- The company aspires to restore the EBITDA margin to the levels achieved two years ago.

Current environment

- The company's performance is aligning with the market sentiments observed in the FMCG sector. While certain segments are experiencing growth, others remain muted. As a result, guidance for 4QFY24 is mixed.
- 1H of 3QFY24 was good, but 2H was weak, which led to a 1% YoY decline in volumes.
- FY22 and FY23 saw muted demand, particularly in the value segment category.
- There has been a shift in channel dynamics from traditional distribution to online channels, and from mass-market to premium segments.

Quarterly performance

- Gross margins for 3QFY24 stands at 38.3%, compared to 37.6% both in 2QFY24 and 3QFY23.
- The marketing spend (online campaigns, TV and print media channel) increased to 10% in 3QFY24, notably higher than the typical range of 5-6%. This increase was driven by events like big billion days. The company's targeted marketing cost is 6-6.5%. Apart from marketing spent, reclassification of lease (INR20m), inventory obsolesce (INR70m), inflation, CSR spent, increase in number of EBO have led to an increase in SG&A.

Balance sheet items

- The company has repaid the debt of INR1.1b in 3QFY24 and now the net debt stands at INR483m.
- Also, the working capital days has reduced to 68 days in 3QFY24 from 150 days in 2QFY24. Inventory stands at INR4b.

Revenue mix

- Gender base revenue mix was 75:25 for Men: Women & Kids
- ASP revenue mix has shifted toward the premium category, with 49% now contributing to ASPs of INR1500+ vs 40% in 3QFY22.
- INR1000-1500 contributes 30% and entry level (<INR1000) contributes 20%.

Exhibit 2: Quarterly performance

INRm	3QFY23	2QFY24	3QFY24	YoY%	QoQ%	3QFY24E	v/s Est (%)
Total Revenue	4,656	2,587	4,720	1	82	4,945	-5
Raw Material cost	2,391	1,181	2,300	-4	95	2,275	1
Gross Profit	2,265	1,406	2,420	7	72	2,670	-9
Gross margin (%)	48.6%	54.3%	51.3%	263	-307	54.0%	-272
Employee Costs	227	240	267	17	11	260	3
SGA Expenses	1,119	922	1,591	42	73	1,212	31
EBITDA	919	245	563	-39	130	1,199	-53
EBITDA margin (%)	19.7%	9.5%	11.9%	-782	246	24.3%	-1233
Depreciation and amortization	196	181	184	-6	2	185	-1
EBIT	724	64	379	-48	493	1,014	-63
EBIT margin (%)	15.5%	2.5%	8.0%	-751	556	20.5%	-1247
Finance Costs	82	65	58	-30	-11	65	-11
Profit before Tax	650	4	335	-49	8,946	954	-65
Tax	167	1	86	-49	17,060	238	-64
Profit after Tax	483	3	249	-48	7,678	715	-65
PAT margin (%)	10.4%	0.1%	5.3%	-510	515	14.5%	-919

Source: MOFSL, Company

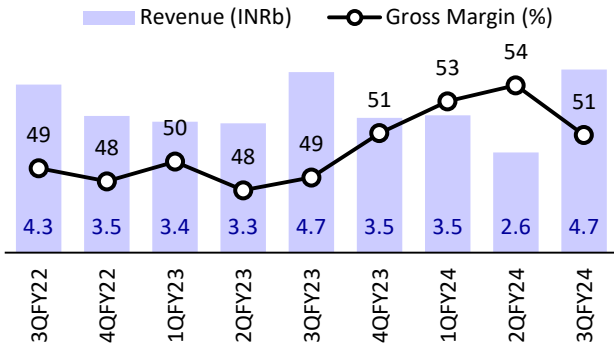
Exhibit 3: Summary of changes to our estimates

	FY24E	FY25E
Revenue (INR m)		
Old	14,805	16,475
Actual/New	14,510	15,919
Change (%)	-2.0	-3.4
Gross Profit (INR m)		
Old	7,907	8,485
Actual/New	7,620	8,278
Change (%)	-3.6	-2.4
Gross margin (%)		
Old	53.4%	51.5%
Actual/New	52.5%	52.0%
Change (bp)	-89	50
EBITDA (INR m)		
Old	2,651	2,842
Actual/New	2,026	2,666
Change (%)	-23.6	-6.2
EBITDA margin (%)		
Old	17.9%	17.3%
Actual/New	14.0%	16.8%
Change (bp)	-394	-50
Net Profit (INR m)		
Old	1,264	1,313
Actual/New	817	1,211
Change (%)	-35.4	-7.8
EPS (INR)		
Old	4.1	4.3
Actual/New	2.7	4.0
Change (%)	-35.4	-7.8

Source: MOFSL, Company

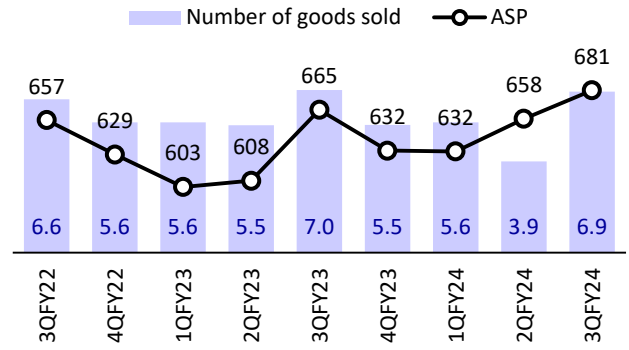
Story in charts

Exhibit 4: Revenue was flat YoY; margin up 260bp YoY



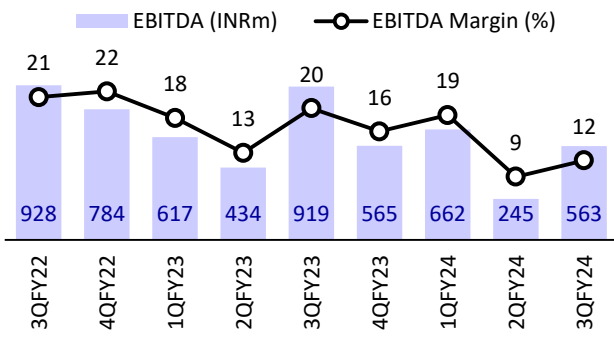
Source: MOFSL, Company

Exhibit 5: Volume declined 1% YoY and ASP up 2% YoY



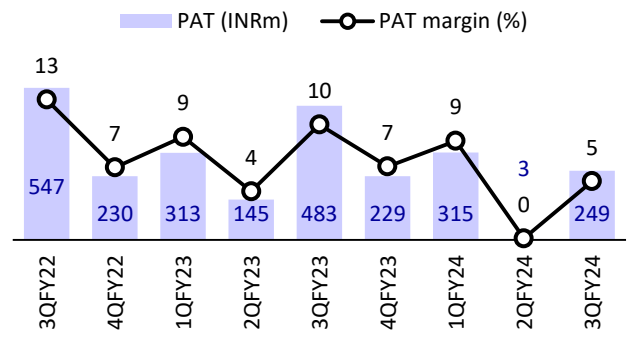
Source: MOFSL, Company

Exhibit 6: EBITDA down 39% YoY, led by higher SG&A



Source: MOFSL, Company

Exhibit 7: PAT down 48% YoY, led by higher SG&A



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue from Operations	5,949	7,320	7,113	11,942	14,842	14,510	15,919	18,708
Change (%)	17	23	-3	68	24	-2	10	18
Raw Materials	3,212	3,801	3,744	5,973	7,520	6,890	7,641	8,980
GROSS PROFIT	2,737	3,519	3,369	5,968	7,323	7,620	8,278	9,728
Margin (%)	46	48	47	50	49	53	52	52
Employees Cost	431	570	552	679	802	979	1,075	1,216
Other Expenses	1,305	1,586	1,657	2,874	3,985	4,614	4,537	5,145
Total Expenditure	1,736	2,157	2,209	3,553	4,787	5,594	5,611	6,361
% of Sales	29.2	29.5	31.1	29.8	32.3	38.6	35.3	34.0
EBITDA	1,000	1,363	1,160	2,415	2,536	2,026	2,666	3,367
Margin (%)	16.8	18.6	16.3	20.2	17.1	14.0	16.8	18.0
Depreciation	144	231	327	532	710	740	899	1,081
EBIT	857	1,132	833	1,883	1,826	1,286	1,767	2,286
Margin (%)	14.4	15.5	11.7	15.8	12.3	8.9	11.1	12.2
Finance costs	212	165	172	196	287	224	183	188
Other Income	18	21	38	24	28	27	30	35
PBT bef. EO Exp.	663	988	699	1,711	1,567	1,089	1,614	2,133
Total Tax	277	364	431	634	396	272	404	533
Tax Rate (%)	41.8	36.8	61.6	37.0	25.0	25.0	25.0	25.0
Reported PAT	386	624	269	1,078	1,171	817	1,211	1,600
Adjusted PAT	386	612	279	1,273	1,171	817	1,211	1,600
Change (%)	23.0	58.4	-54.5	356.9	-8.0	-30.2	48.2	32.2
Margin (%)	6.5	8.4	3.9	10.7	7.9	5.6	7.6	8.6

Consolidated - Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	1	1,519	1,519	1,522	1,523	1,523	1,523	1,523
Total Reserves	2,017	1,329	1,608	2,754	3,998	4,815	6,025	7,625
Net Worth	2,018	2,847	3,126	4,276	5,521	6,338	7,549	9,149
Minority Interest	-26	1	4	0	0	0	0	0
Total Loans	1,986	2,756	1,772	2,890	3,350	2,464	2,743	2,989
Lease Liability	239	323	416	1,147	1,542	1,856	2,135	2,381
Capital Employed	3,978	5,604	4,902	7,166	8,871	8,802	10,292	12,138
Gross Block	1,480	2,474	3,318	4,460	5,695	7,349	9,002	10,656
Less: Accum. Deprn.	229	429	753	1,214	1,924	2,665	3,564	4,645
Net Fixed Assets	1,251	2,044	2,564	3,246	3,770	4,684	5,439	6,011
Right to use assets	298	416	491	1,208	1,501	1,335	1,692	2,044
Capital WIP	246	352	3	25	38	38	38	38
Total Investments	0	450	0	0	0	0	0	0
Curr. Assets, Loans&Adv.	2,874	3,348	3,067	4,975	6,677	5,321	6,118	7,650
Inventory	1,182	1,699	2,025	3,543	4,490	2,643	2,826	3,321
Account Receivables	1,620	1,443	982	1,337	1,766	1,517	1,526	1,794
Cash and Bank Balance	18	153	12	3	240	980	1,584	2,353
Loans and Advances	54	53	48	92	181	181	181	181
Curr. Liability & Prov.	1,045	1,524	1,888	2,386	2,776	2,467	2,630	3,090
Account Payables	806	1,228	1,709	1,966	2,144	1,982	2,093	2,460
Other Current Liabilities	237	279	175	414	623	475	527	619
Provisions	2	17	5	6	10	10	10	10
Net Current Assets	1,829	1,824	1,179	2,590	3,901	2,854	3,487	4,560
Deferred Tax assets	634	621	401	218	309	309	309	309
Other Assets	265	665	758	1,112	891	955	1,057	1,257
Appl. of Funds	3,978	5,604	4,902	7,166	8,871	8,802	10,291	12,138

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	NA	2.0	0.9	4.2	3.8	2.7	4.0	5.2
Cash EPS	NA	2.8	2.0	5.9	6.1	5.1	6.9	8.8
BV/Share	NA	9.4	10.3	14.1	18.0	20.7	24.6	29.9
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	127.4	279.9	61.4	67.2	96.3	65.0	49.1
Cash P/E	NA	92.5	128.8	43.3	41.8	50.5	37.3	29.3
P/BV	NA	27.4	24.9	18.3	14.2	12.4	10.4	8.6
EV/Sales	0.3	11.0	11.2	6.8	5.5	5.5	5.0	4.2
EV/EBITDA	2.0	59.1	68.7	33.5	32.2	39.5	29.9	23.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	NA	-1.8	2.3	-0.5	1.9	7.3	3.0	3.6
Return Ratios (%)								
RoE	19.2	21.5	8.9	29.8	21.2	12.9	16.0	17.5
RoCE	16.2	16.4	8.4	21.1	18.2	11.8	14.6	15.9
RoIC	16.8	18.4	8.4	20.8	18.2	12.4	16.6	19.0
Working Capital Ratios								
Fixed Asset Turnover (x)	4.0	3.0	2.1	2.7	2.6	2.0	1.8	1.8
Asset Turnover (x)	1.5	1.3	1.5	1.7	1.7	1.6	1.5	1.5
Inventory (Days)	120	138	182	170	195	140	135	135
Debtor (Days)	108	76	62	35	38	38	35	35
Creditor (Days)	108	98	143	112	100	105	100	100
WC (Days)	120	117	101	93	133	73	70	70
Leverage Ratio (x)								
Current Ratio	2.8	2.2	1.6	2.1	2.4	2.2	2.3	2.5
Interest Cover Ratio	4.0	6.9	4.9	9.6	6.4	5.7	9.7	12.2
Net Debt/Equity	1.0	0.8	0.6	0.7	0.6	0.2	0.2	0.1

Consolidated - Cash Flow

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
(INR m)								
Statement								
OP/(Loss) before Tax	663	988	699	1,711	1,566	1,089	1,614	2,133
Depreciation	144	231	327	532	710	740	899	1,081
Interest & Finance Charges	212	165	172	196	287	224	183	188
Others	100	187	87	65	180	0	0	0
Direct Taxes Paid	-92	-397	-252	-436	-525	-272	-404	-533
(Inc)/Dec in WC	-483	-179	210	-1,890	-954	1,723	-131	-504
CF from Operations	544	995	1,243	178	1,265	3,504	2,161	2,365
Others	0	0	0	0	0	0	0	0
CF from Operating incl EO	544	995	1,243	178	1,265	3,504	2,161	2,365
(Inc)/Dec in FA	-288	-1,545	-539	-341	-697	-1,254	-1,254	-1,254
Free Cash Flow	257	-550	704	-163	568	2,250	907	1,111
(Pur)/Sale of Investments	0	0	449	0	0	0	0	0
Others	0	0	0	0	0	0	0	0
CF from Investments	-288	-1,545	-90	-341	-697	-1,254	-1,254	-1,254
Issue of Shares	0	179	0	32	38	0	0	0
Inc/(Dec) in Debt	-54	654	-1,077	387	65	-1,200	0	0
Interest Paid	-201	-148	-140	-121	-137	-100	-50	-50
Lease instalment	0	0	-77	-143	-297	-210	-253	-291
Minority	0	0	0	0	0	0	0	0
CF from Fin. Activity	-255	686	-1,294	155	-331	-1,510	-303	-341
Inc/Dec of Cash	1	135	-141	-9	236	740	604	769
Opening Balance	16	18	153	12	3	240	980	1,584
Closing Balance	18	153	12	3	240	980	1,584	2,353

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

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