

Campus Activewear

Estimate change

TP change

Rating change



Bloomberg	CAMPUS IN
Equity Shares (m)	305
M.Cap.(INRb)/(USD\$)	80.4 / 0.9
52-Week Range (INR)	372 / 213
1, 6, 12 Rel. Per (%)	-6/-5/-3
12M Avg Val (INR M)	462

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	15.8	17.9	20.3
EBITDA	2.4	3.0	3.6
Adj. PAT	1.3	1.6	2.0
EBITDA Margin (%)	15.4	16.5	17.7
Adj. EPS (INR)	4.1	5.2	6.6
EPS Gr. (%)	41.3	27.2	26.0
BV/Sh. (INR)	25.4	30.7	37.3

Ratios

Net D:E	0.2	0.0	-0.1
RoE (%)	16.2	17.1	17.7
RoCE (%)	15.8	16.6	17.4
Payout (%)	17.0	0.0	0.0

Valuations

P/E (x)	63.6	50.0	39.7
EV/EBITDA (x)	33.5	27.3	22.2
EV/Sales (X)	5.2	4.5	3.9
Div. Yield (%)	0.3	0.0	0.0
FCF Yield (%)	1.0	1.8	2.1

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	73.8	73.9	73.9
DII	11.4	11.8	7.1
FII	5.4	5.7	5.9
Others	9.4	8.7	13.1

FII Includes depository receipts

CMP: INR262

TP: INR330 (+26%)

Buy

Decent revenue print; miss due to weaker gross margin

- Campus Activewear (Campus) delivered a decent 9% YoY revenue growth, driven by 10% YoY volume growth. However, the gross margin (GM) contracted 45bp YoY on account of RM inflation and non-BIS inventory liquidation.
- EBITDA (11% miss) and PAT (15% miss) were adversely impacted by lower GM and higher advertisement and promotion (A&P) spending.
- Despite weaker margins in 9MFY25 (~14.5%), management reiterated its commitment to improve margins to 17-19% over the medium term.
- We cut our FY25-26E EBITDA/PAT by 1%/5%. We build in a revenue/EBITDA/PAT CAGR of 12%/19%/31% over FY24-27. **We reiterate our BUY rating with a TP of INR330, premised on 50x Mar'27 P/E.**

Weaker gross margin and higher SG&A lead to an 11% EBITDA miss

- Revenue grew 9% YoY to INR5.1b (in line), primarily driven by a 10% YoY increase in volume, while ASP declined ~1% YoY to INR675.
 - Comparatively, Relaxo reported a 6% YoY decline in 3QFY25 revenue with a ~15% YoY volume decline.
- Gross profit was up 8% YoY to INR2.6b (in line).
 - GM contracted 45bp YoY to 50.8% (65bp miss) due to RM inflation and some impact from non-BIS inventory liquidation.
 - In contrast, Relaxo's GM had expanded 10bp YoY in 3Q.
- Employee costs increased 15% YoY while other expenses declined 6% YoY on a high base but were ~2% higher than our estimate on elevated A&P spends.
- EBITDA rose 46% YoY on a weak base to INR822m but came in ~11% below our estimate due to weaker GM and higher A&P expenses.
 - EBITDA margin improved 400bp YoY to 16% (185bp miss). 3QFY24 had certain one-off costs.
- D&A increased 3% YoY, while finance costs declined 26% YoY.
- PAT improved to INR465m (15% miss) with PAT margin at 9% (145bp miss)
- Net working capital (NWC) days improved further to ~76 days from ~92 in 1HFY25 on account of a reduction in inventory days (95 vs. 110 QoQ).
- For 9MFY25, Campus' revenue grew ~10% YoY, while EBITDA was up ~17% YoY, both on a weak base.
- Campus declared an interim dividend of INR0.7/sh.

Key takeaways from the management commentary

- **Demand:** Campus continued its growth momentum from 2Q. Management indicated that primary sales were driven by replenishment demand, following a healthy pickup in secondary and tertiary sales in 3Q, and were not push sales. However, as compared to 2-3 years ago, the demand has not yet completely picked up, and there are still some macro headwinds.

- **Margins:** GM was hit by raw material price inflation, adverse mix, and liquidation of non-BIS inventory. TPU (RM) price increased because of the CVD increase. EBITDA was higher, led by lower inventory provisioning and normalized SG&A. The management reiterated its aspiration to improve EBITDA margins to 17-19% over the medium term.
- **Price increase:** Campus has taken a 7-10% price increase on select product categories to pass on the raw material price increase. The price increases have been taken in relatively less price-sensitive segments.
- **Non-BIS inventory:** Non-BIS inventory liquidation has affected GM by 20-40bp, which should reduce further to ~10-20bp in 4Q. Non-BIS inventory still accounts for 10% of overall inventory. However, management expects the majority to clear a large part of the non-BIS inventory by Mar'25.

Valuation and view

- Campus' innovative designs, color combinations, and attractive price points make it a market leader in the fast-growing Sports and Athleisure categories.
- We expect the revival of the demand environment in 2H and stabilization in the D2C online channel to aid Campus' growth recovery.
- We cut our FY25-26 EBITDA and PAT estimates by 1%/5%. We build in a CAGR of 12%/19/31% in revenue/EBITDA/PAT over FY24-27. We **reiterate our BUY rating with a TP of INR330**, premised on 50x Mar'27 P/E.

Consolidated - Quarterly Earnings

Y/E March	FY24				FY25E				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY24	FY25E	FY25E	Est
Revenue	3,538	2,587	4,720	3,639	3,392	3,333	5,148	3,941	14,483	15,813	5,191	-0.8
YoY Change (%)	4.8	-22.4	1.4	4.6	-4.1	28.9	9.1	8.3	-2.4	9.2	10.0	
Gross Profit	1,888	1,406	2,420	1,815	1,797	1,745	2,617	1,969	7,528	8,128	2,674	-2.1
Gross margin	53.4	54.3	51.3	49.9	53.0	52.4	50.8	50.0	52.0	51.4	51.5	-1
Total Expenditure	2,876	2,342	4,158	3,000	2,874	2,951	4,326	3,226	12,375	13,378	4,267	1.4
EBITDA	662	245	563	639	517	382	822	714	2,108	2,435	924	-11.1
EBITDA margins (%)	18.7	9.5	11.9	17.6	15.3	11.5	16.0	18.1	14.6	15.4	17.8	-10
Depreciation	171	181	184	186	162	176	189	185	721	713	186	2.0
Interest	69	65	58	40	37	45	43	36	232	160	48	-10.4
Other Income	2	4	14	25	23	34	37	33	45	127	34	7.9
PBT	424	4	335	438	341	196	626	526	1,200	1,689	725	-13.6
Tax	109	1	86	110	87	53	162	123	306	425	181	-10.8
Rate (%)	25.8	13.5	25.6	25.2	25.6	27.0	25.8	23.5	25.5	25.2	25.0	
Reported PAT	315	3	249	328	254	143	465	402	894	1,264	544	-14.5
Adj PAT	314	3	249	328	254	143	465	402	894	1,264	544	-14.5
YoY Change (%)	1	-98	-48	43	-19	NM	87	23	-23.6	41.3	118	

E: MOFSL Estimates

Exhibit 1: Valuation based on Mar'27E

Particulars	INR/Share
EPS	6.6
Target PE (x)	50
Equity value/share (INR)	330
CMP (INR)	262
Upside/(Downside) (%)	26%

Source: MOFSL, Company



Detailed takeaways from the management interaction

- **Demand:** Campus continued its growth momentum from 2Q. Management indicated that primary sales were driven by replenishment demand, following a healthy pickup in secondary and tertiary sales in 3Q, and were not push sales. However, as compared to 2-3 years ago, the demand has not yet completely picked up, and there are still some macro headwinds.
- **Geographical demand trends:** The company registered double-digit growth in key states in the North, Central, and West regions, while increasing focus on the South through the scale-up of online presence. North contributes 42%, East 21%, West 22%, Central 7% and South 7%.
- **Store count:** The company opened six stores, taking the store count to 290 (implying two net store additions). Management indicated that EBO additions remained lower in 3Q due to weaker market conditions. However, the company plans to add 40-50 stores every year.
- **Margins:** GM was hit by raw material price inflation, adverse mix, and liquidation of non-BIS inventory. TPU (RM) price increased because of the CVD increase. EBITDA was higher, led by lower inventory provisioning and normalized SG&A. The management reiterated its aspiration to improve EBITDA margins to 17-19% over the medium term.
- **Price increase:** Campus has taken a 7-10% price increase on select product categories to pass on the raw material price increase. The price increases have been taken in relatively less price-sensitive segments.
- **Non-BIS inventory:** Non-BIS inventory liquidation has affected GM by 20-40bp, which should reduce further to ~10-20bp in 4Q. Non-BIS inventory still accounts for 10% of overall inventory. However, management expects the majority to clear a large part of the non-BIS inventory by Mar'25.
- **Capex:** The capex for the sole manufacturing facility at Ganaur was completed in 3Q. The Haridwar upper facility capex is likely to be completed in 4QFY25 and the commercial production is expected to start in Mar'25.
- **Sneakers:** The response for sneakers is overall encouraging. The sneaker category registered 116% growth. ASP for sneakers is 15-20% higher than the company's blended ASP, though the cost would also be higher. Overall, on a net basis higher sneaker salience is expected to be margin accretive.
- **Gender mix:** During the quarter, the gender mix was more skewed towards men (vs. normal 80%). This was led by higher sales of sneakers in the men's category. Campus continues to increase its SKU offerings in the women's and kids' categories.
- **Open Footwear:** The company has increased the SKUs in open footwear. This will have some ASP impact but will help penetrate the South and remove the seasonality impact during summers. Management indicated that margins in open footwear are broadly in line with the overall margins.
- **Market share:** Market share in the North was earlier impacted owing to a conflict between offline and online channels (because of higher discounts online). Over the last two years, management has segregated the portfolio for online and offline channels. This has helped the company regain the market share back, especially in the North. Overall, the salience of North has come down for Campus, but that is driven by higher growth in other geographies.
- **Channel growth:** Revenue from trade distribution channel grew 9% YoY, while online sales grew 11% YoY. In online sales, marketplace growth was slightly lower as compared to outright sales.

■ **Other Highlights:**

- **ASP:** Management indicated that footwear ASP was stable YoY and the 1% decline was driven by higher accessories and socks sales in 3QFY25.
- The company started selling on Zepto during the quarter.
- The company launched 69 new articles to strengthen its product portfolio in 3Q.
- **Ratio:** RoCE stood at 22.1% and RoE was 17.5%.
- **Dividend:** The Board declared its first dividend. YTD the dividend payout stands at ~25%.

Exhibit 2: Quarterly performance

INR m	3QFY24	2QFY25	3QFY25	YoY%	QoQ%	3QFY25E	v/s Est (%)
Total Revenue	4,720	3,333	5,148	9	54	5,191	-1
Raw Material cost	2,300	1,588	2,531	10	59	2,518	1
Gross Profit	2,420	1,745	2,617	8	50	2,674	-2
Gross margin (%)	51.3%	52.4%	50.8%	-44	-151	51.5%	-66
Employee Costs	267	292	306	15	5	296	3
SGA Expenses	1,591	1,071	1,490	-6	39	1,454	2
EBITDA	563	382	822	46	115	924	-11
EBITDA margin (%)	11.9%	11.5%	16.0%	404	451	17.8%	-184
Depreciation and amortization	184	176	189	3	8	186	2
EBIT	379	206	632	67	207	739	-14
EBIT margin (%)	8.0%	6.2%	12.3%	426	610	14.2%	-194
Finance Costs	58	45	43	-26	-3	48	-10
Profit before Tax	335	196	626	87	220	725	-14
Tax	86	53	162	88	205	181	-11
Profit after Tax	249	143	465	87	225	544	-15
PAT margin (%)	5.3%	4.3%	9.0%	375	474	10.5%	-145

Source: MOFSL, Company

Exhibit 3: Summary of changes to our estimates

	FY25E	FY26E	FY27E
Revenue (INR m)			
Old	15,894	18,172	20,963
Actual/New	15,813	17,916	20,299
Change (%)	-0.5	-1.4	-3.2
Gross Profit (INR m)			
Old	8,249	9,495	11,048
Actual/New	8,128	9,272	10,556
Change (%)	-1.5	-2.3	-4.5
Gross margin (%)			
Old	51.9%	52.3%	52.7%
Actual/New	51.4%	51.8%	52.0%
Change (bp)	-50	-50	-70
EBITDA (INR m)			
Old	2,464	3,098	3,952
Actual/New	2,435	2,956	3,583
Change (%)	-1.2	-4.6	-9.3
EBITDA margin (%)			
Old	15.5%	17.1%	18.9%
Actual/New	15.4%	16.5%	17.7%
Change (bp)	-10	-55	-120
Net Profit (INR m)			
Old	1,271	1,693	2,287
Actual/New	1,264	1,607	2,024
Change (%)	-0.6	-5.1	-11.5
EPS (INR)			
Old	4.1	5.5	7.5
Actual/New	4.1	5.2	6.6
Change (%)	-0.6	-5.1	-11.5

Source: MOFSL, Company

Story in charts

Exhibit 4: Revenue grew 9% YoY led by volume recovery; GM contracted 45bp YoY

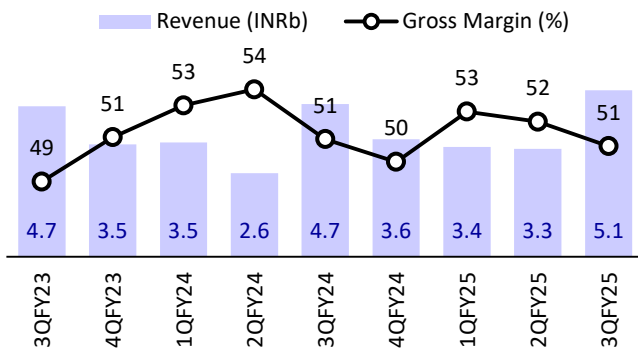


Exhibit 5: Volume grew 10% YoY while ASP declined 1% YoY

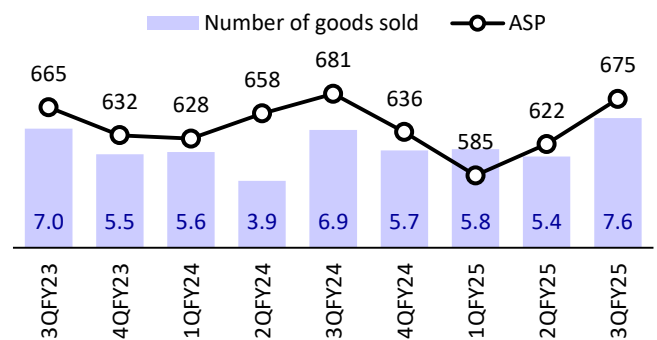


Exhibit 6: EBITDA up 46% YoY; margin expanded 400bp YoY

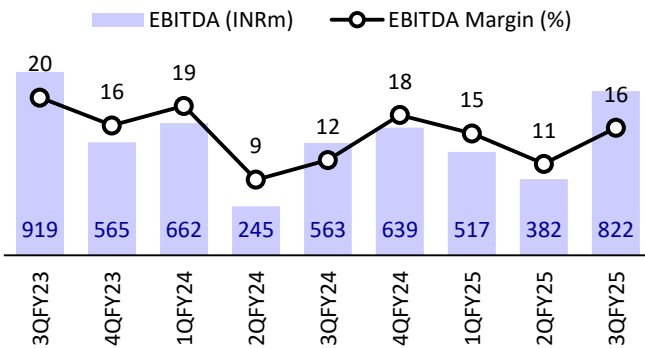


Exhibit 7: PAT rose 87% YoY; margin improved 375bp YoY

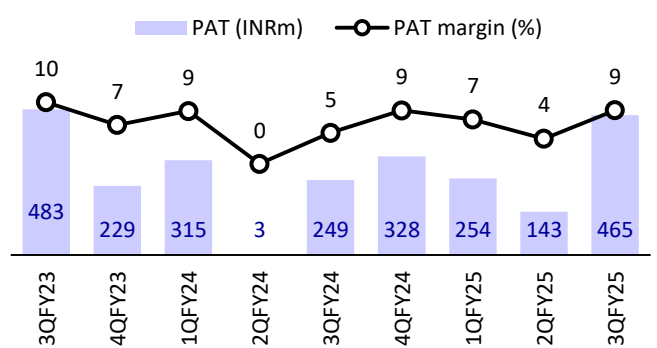


Exhibit 8: Revenue likely to clock a 12% CAGR over FY24-27E

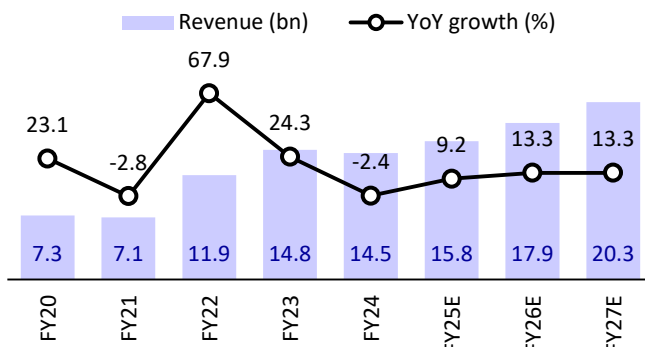


Exhibit 9: Volume to post 11% CAGR over FY24-27E, ASP to rise 1%

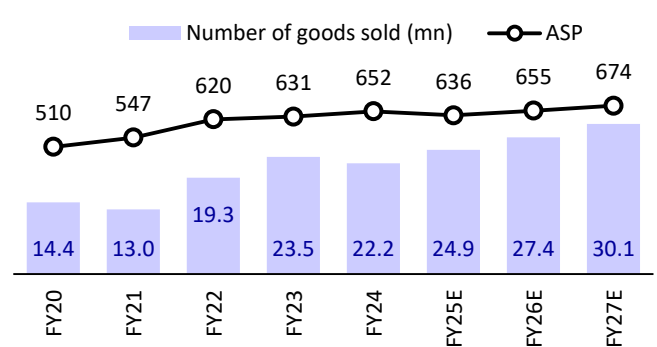


Exhibit 10: EBITDA expected to clock 19% CAGR over FY24-27E; margin to expand 310bp

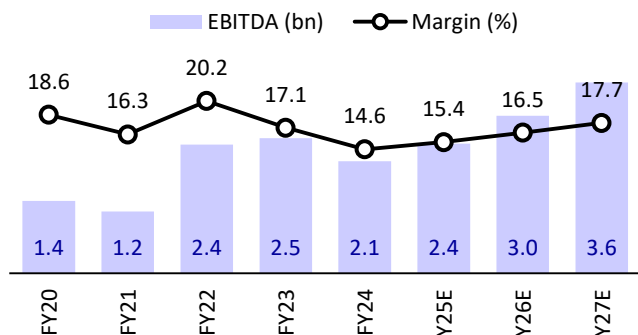
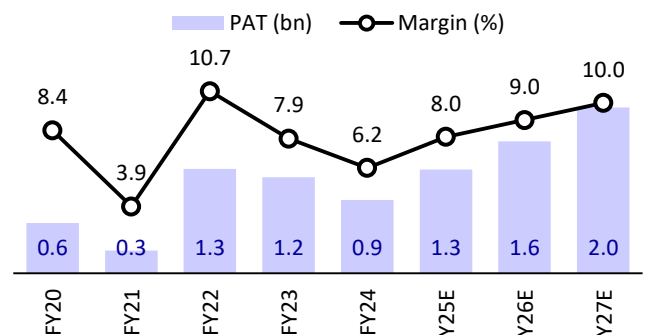


Exhibit 11: PAT likely to clock 31% CAGR over FY24-27E; margin to expand 380bp



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue from Operations	7,320	7,113	11,942	14,842	14,483	15,813	17,916	20,299
Change (%)	23	-3	68	24	-2	9	13	13
Raw Materials	3,801	3,744	5,973	7,520	6,955	7,685	8,645	9,744
GROSS PROFIT	3,519	3,369	5,968	7,323	7,528	8,128	9,272	10,556
Margin (%)	48	47	50	49	52	51	52	52
Employees Cost	570	552	679	802	1,015	1,186	1,254	1,340
Other Expenses	1,586	1,657	2,874	3,985	4,405	4,507	5,061	5,633
Total Expenditure	2,157	2,209	3,553	4,787	5,420	5,693	6,316	6,973
% of Sales	29.5	31.1	29.8	32.3	37.4	36.0	35.3	34.4
EBITDA	1,363	1,160	2,415	2,536	2,108	2,435	2,956	3,583
Margin (%)	18.6	16.3	20.2	17.1	14.6	15.4	16.5	17.7
Depreciation	231	327	532	710	721	713	827	939
EBIT	1,132	833	1,883	1,826	1,387	1,723	2,129	2,643
Margin (%)	15.5	11.7	15.8	12.3	9.6	10.9	11.9	13.0
Finance costs	165	172	196	287	232	160	142	141
Other Income	21	38	24	28	45	127	161	203
PBT bef. EO Exp.	988	699	1,711	1,567	1,200	1,689	2,148	2,705
Total Tax	364	431	634	396	306	425	541	681
Tax Rate (%)	36.8	61.6	37.0	25.0	25.0	25.2	25.2	25.2
Reported PAT	624	269	1,078	1,171	894	1,264	1,607	2,024
Adjusted PAT	612	279	1,273	1,171	894	1,264	1,607	2,024
Change (%)	58.4	-54.5	356.9	-8.0	-23.6	41.3	27.2	26.0
Margin (%)	8.4	3.9	10.7	7.9	6.2	8.0	9.0	10.0

Consolidated - Balance Sheet						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	1,519	1,519	1,522	1,523	1,526	1,526	1,526	1,526
Total Reserves	1,329	1,608	2,754	3,998	4,990	6,254	7,861	9,886
Net Worth	2,847	3,126	4,276	5,521	6,517	7,780	9,388	11,412
Minority Interest	1	4	0	0	0	0	0	0
Total Loans	2,756	1,772	2,890	3,350	1,778	1,930	2,026	2,096
Lease Liability	323	416	1,147	1,542	1,535	1,687	1,783	1,853
Capital Employed	5,604	4,902	7,166	8,871	8,294	9,710	11,413	13,508
Gross Block	2,474	3,318	4,460	5,695	6,384	7,588	8,792	9,996
Less: Accum. Deprn.	429	753	1,214	1,924	2,645	3,358	4,185	5,125
Net Fixed Assets	2,044	2,564	3,246	3,770	3,739	4,230	4,607	4,871
Right to use assets	416	491	1,208	1,501	1,437	1,867	2,378	2,889
Capital WIP	352	3	25	38	201	201	201	201
Total Investments	450	0	0	0	0	0	0	0
Curr. Assets, Loans&Adv.	3,348	3,067	4,975	6,677	5,599	6,988	8,520	10,587
Inventory	1,699	2,025	3,543	4,490	3,963	4,632	4,974	5,606
Account Receivables	1,443	982	1,337	1,766	1,183	1,516	1,718	1,946
Cash and Bank Balance	153	12	3	240	248	634	1,622	2,829
Loans and Advances	53	48	92	181	206	206	206	206
Curr. Liability & Prov.	1,524	1,888	2,386	2,776	2,504	2,946	3,311	3,730
Account Payables	1,228	1,709	1,966	2,144	2,002	2,316	2,605	2,936
Other Current Liabilities	279	175	414	623	484	611	688	775
Provisions	17	5	6	10	18	18	18	18
Net Current Assets	1,824	1,179	2,590	3,901	3,095	4,042	5,209	6,858
Deferred Tax assets	621	401	218	309	382	382	382	382
Other Assets	665	758	1,112	891	1,078	1,055	1,216	1,397
Appl. of Funds	5,604	4,902	7,166	8,871	8,294	9,710	11,413	13,508

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	2.0	0.9	4.2	3.8	2.9	4.1	5.2	6.6
Cash EPS	2.8	2.0	5.9	6.1	5.3	6.5	7.9	9.7
BV/Share	9.4	10.3	14.1	18.0	21.3	25.4	30.7	37.3
DPS	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	17.0	0.0	0.0
Valuation (x)								
P/E	131.2	288.3	63.1	68.6	89.8	63.6	50.0	39.7
Cash P/E	94.5	131.5	44.2	42.7	49.7	40.6	33.0	27.1
P/BV	28.0	25.5	18.7	14.6	12.3	10.3	8.6	7.0
EV/Sales	11.2	11.4	6.9	5.6	5.7	5.2	4.5	3.9
EV/EBITDA	60.4	70.2	34.2	32.9	38.8	33.5	27.3	22.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0
FCF per share	-1.8	2.3	-0.5	1.9	6.2	2.6	4.7	5.5
Return Ratios (%)								
RoE	21.5	8.9	29.8	21.2	13.7	16.2	17.1	17.7
RoCE	16.4	8.4	21.1	18.2	13.1	15.8	16.6	17.4
RoIC	18.4	8.4	20.8	18.2	13.2	15.5	17.2	19.6
Working Capital Ratios								
Fixed Asset Turnover (x)	3.0	2.1	2.7	2.6	2.3	2.1	2.0	2.0
Asset Turnover (x)	1.3	1.5	1.7	1.7	1.7	1.6	1.6	1.5
Inventory (Days)	138	182	170	195	222	220	210	210
Debtor (Days)	76	62	35	38	37	35	35	35
Creditor (Days)	98	143	112	100	109	110	110	110
WC (Days)	117	101	93	133	150	145	135	135
Leverage Ratio (x)								
Current Ratio	2.2	1.6	2.1	2.4	2.2	2.4	2.6	2.8
Interest Cover Ratio	6.9	4.9	9.6	6.4	6.0	10.7	14.9	18.7
Net Debt/Equity	0.8	0.6	0.7	0.6	0.2	0.2	0.0	-0.1

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	988	699	1,711	1,566	1,200	1,689	2,148	2,705
Depreciation	231	327	532	710	721	713	827	939
Interest & Finance Charges	165	172	196	287	232	160	142	141
Others	187	87	65	180	282	0	0	0
Direct Taxes Paid	-397	-252	-436	-525	-350	-425	-541	-681
(Inc)/Dec in WC	-179	210	-1,890	-954	560	-539	-338	-624
CF from Operations	995	1,243	178	1,265	2,645	1,598	2,239	2,481
Others	0	0	0	0	0	0	0	0
CF from Operating incl EO	995	1,243	178	1,265	2,645	1,598	2,239	2,481
(Inc)/Dec in FA	-1,545	-539	-341	-697	-745	-804	-804	-804
Free Cash Flow	-550	704	-163	568	1,900	794	1,435	1,677
(Pur)/Sale of Investments	0	449	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0
CF from Investments	-1,545	-90	-341	-697	-745	-804	-804	-804
Issue of Shares	179	0	32	38	98	0	0	0
Inc/(Dec) in Debt	654	-1,077	387	65	-1,565	0	0	0
Interest Paid	-148	-140	-121	-137	-99	-25	-25	-25
Lease instalment	0	-77	-143	-297	-359	-384	-422	-446
Minority	0	0	0	0	0	0	0	0
CF from Fin. Activity	686	-1,294	155	-331	-1,925	-408	-446	-470
Inc/Dec of Cash	135	-141	-9	236	-25	386	989	1,207
Opening Balance	18	153	12	3	240	248	634	1,622
Closing Balance	153	12	3	240	248	634	1,622	2,829

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NOTES

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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