

## Company Overview

Campus Activewear Limited ("CAL") was incorporated on September 24, 2008. CAL is India's largest sports and athleisure footwear brand in terms of value and volume. CAL launched its brand 'CAMPUS' in 2005 and is a lifestyle-oriented sports and athleisure footwear company that offers a diverse product portfolio for the entire family, which provides multiple choices across styles, colour palettes, and price points with a focus on value for money. Their dominant position in the Indian marketplace is in a segment in which international brands primarily dominate. This is due to an extensive product portfolio with 1,433 active styles for men, 241 dynamic styles for women and 485 active styles for kids and children and five manufacturing facilities across India with an installed annual capacity for assembly of 28.80 million pairs as of December 31, 2021.

## Objects of the issue

The IPO aims to utilize the net proceed for the following objectives;

- ⇒ To carry out an offer for sale by selling shareholders.
- ⇒ To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

## Investment Rationale

### Difficult to replicate integrated manufacturing capabilities with a pan India distribution network

CAL own and operates five manufacturing facilities which have installed capacity to manufacture 4.80 million footwear uppers and 10.80 million footwear soles annually as of December 31, 2021. Their manufacturing facilities allow them to manufacture 37.5% of their soles requirements, 16.7% of footwear uppers in-house, and 100% in-house assembly of all their products. Thus, this provides them with a significant margin of safety during supply chain disruptions. Moreover, CAL's 'omnichannel experience' involves 425+ distributors with a Pan India Presence and a considerable presence in all prominent D2C online market places such as Flipkart, Myntra etc. Currently, the ratio of online and offline sales is around 60:40%, with management estimating it can go to 50:50 in the next few years based on the speed of online sales growth. This integration of their physical and online channels is integral to their ability to remain connected with consumers through all touch-points in their journey.

### Strong brand recognition along with innovative branding and marketing approach

CAL has a strong brand that its consumer's trust, as evidenced by its leadership position in India's sports and athleisure footwear industry. They have spent a considerable amount of time and money on their marketing, focusing on digital D2C marketing (about INR 40Cr spent in the last four years alone). An experienced management team leads this all, with the Companies Chairman having over 37 years of experience in the footwear industry and the senior management team with a combined experience of over 125 years in FMCG, retail, technology and consulting businesses.

## Valuation and Outlook

CAL enjoys a virtual monopoly in branded sports and athleisure footwear in India due to its excellent design, manufacturing, and distribution capabilities, particularly in the semi-premium price range (largest market share in India). At the time of the pandemic, because of its experienced management and extensive local procurement it was able to maintain its operations at the gross levels and enjoy the growth of its D2C market, which is now poised for significant growth because of low penetration of the product in India. On the upper end of the price band, the issue is valued at a PE of 78.2x based on FY22 annualized earnings, which we believe is fairly priced. Hence, we recommend a "SUBSCRIBE" rating on this issue for the long term.

Issue Details	
Offer Period	26 <sup>th</sup> April - 28 <sup>th</sup> April 2022
Price Band	INR.278 to INR.292
Bid Lot	51
Listing	BSE&NSE
Issue Size (no. of shares in mn)	47.95.
Issue Size (INR. in bn)	14
Face Value	5

Issue Structure	
QIB	50 %
NIB	15 %
Retail	35 %
BRLM	JM Financial, BofA Securities, CLSA India, Kotak Mahindra Capiatl
Registrar	Link Intime India Pvt Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter	78.21%	74.1%
Public	21.79%	25.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(Assuming issue subscribed at higher band)



## Income Statement (In mn)

Particulars	FY19	FY20	FY21	9MFY22
<b>Revenue</b>				
Revenue from operations	5,949	7,320	7,113	8,418
<b>Total Revenue</b>	<b>5,949</b>	<b>7,320</b>	<b>7,113</b>	<b>8,418</b>
<b>Expenses</b>				
<b>Cost of materials consumed</b>	<b>3,242</b>	<b>4,138</b>	<b>4,006</b>	<b>4,619</b>
Purchased of traded goods	103	5	38	126
<b>Changes in inventories of finished goods and by products</b>	<b>(133)</b>	<b>(342)</b>	<b>(300)</b>	<b>(589)</b>
Employee benefit expenses	431	570	552	479
Other expenses	1,305	1,586	1,657	2,153
<b>Total Operating Expenses</b>	<b>4,948</b>	<b>5,958</b>	<b>5,953</b>	<b>6,787</b>
<b>EBITDA</b>	<b>1,001</b>	<b>1,363</b>	<b>1,160</b>	<b>1,631</b>
Depreciation and amortisation expense	144	231	327	377
Other income	18	21	38	21
<b>EBIT</b>	<b>875</b>	<b>1,153</b>	<b>871</b>	<b>1,275</b>
Finance Costs	212	165	172	135
<b>Profit before tax</b>	<b>663</b>	<b>988</b>	<b>700</b>	<b>1,140</b>
Current tax	(183)	(329)	(210)	(309)
Adjustment for tax relating to earlier periods				(0)
Deferred Tax Charge/ (charge)	(94)	(35)	(221)	17
<b>Total Tax</b>	<b>(277)</b>	<b>(364)</b>	<b>(431)</b>	<b>(292)</b>
<b>PAT</b>	<b>386</b>	<b>624</b>	<b>269</b>	<b>848</b>
<b>Other comprehensive income</b>				
Remeasurement of defined benefit plans	1	(15)	15	5
Income tax relating to remeasurement of defined benefit plans	(0)	4	(5)	(2)
<b>Other comprehensive income for the period/ year, net of tax</b>	<b>0</b>	<b>(11)</b>	<b>10</b>	<b>4</b>
<b>Total comprehensive income for the period/ year</b>	<b>387</b>	<b>612</b>	<b>279</b>	<b>851</b>
<b>Diluted EPS</b>	<b>1.3</b>	<b>2.0</b>	<b>0.9</b>	<b>2.8</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21	9MFY22
Cash flow from operating activities	544	995	1,243	(3)
Cash flow from investing activities	(288)	(1,545)	(90)	(226)
Cash flow from financing activities	(255)	686	(1,294)	226
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2</b>	<b>135</b>	<b>(141)</b>	<b>(3)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>16</b>	<b>18</b>	<b>153</b>	<b>12</b>
<b>Cash and cash equivalents on acquisition of subsidiary</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>18</b>	<b>153</b>	<b>12</b>	<b>8</b>

Source: RHP, BP Equities Research



## Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	9MFY22
<b>Liabilities</b>				
Share capital	1	1,519	1,519	1,522
Other equity	2,017	1,329	1,608	2,504
Non-controlling interests	(26)	1	4	
<b>Net worth</b>	<b>1,991</b>	<b>2,849</b>	<b>3,130</b>	<b>4,025</b>
Borrowings	232	643	664	505
Lease liabilities	218	277	352	560
Other financial liabilities	3			
Provisions	30	64	57	47
<b>Total Non current liabilities</b>	<b>482</b>	<b>984</b>	<b>1,073</b>	<b>1,112</b>
Borrowings	1,516	1,789	692	1,237
Lease liabilities	21	46	65	110
Trade payables	806	1,228	1,709	2,063
Other financial liabilities	89	96	89	141
Other current liabilities	38	109	49	66
Provisions	2	17	5	7
Liabilities for current tax (net)	110	74	37	86
<b>Total Current liabilities</b>	<b>2,582</b>	<b>3,359</b>	<b>2,644</b>	<b>3,709</b>
<b>Total Liabilities</b>	<b>5,055</b>	<b>7,192</b>	<b>6,847</b>	<b>8,846</b>
<b>Assets</b>				
Property, plant & equipment	694	1,262	2,062	1,985
Right-of-use asset	298	416	491	723
Capital work in progress	246	352	3	21
Other intangible assets	12	14	9	8
Financial assets				
Other financial assets	40	39	43	62
Deferred tax assets (net)	634	599	373	378
Income tax assets (net)		23	28	48
Other non-current assets	4	172	8	3
<b>Total Non Current Assets</b>	<b>1,928</b>	<b>2,876</b>	<b>3,016</b>	<b>3,228</b>
Inventories	1,182	1,699	2,025	3,205
Trade receivables	1,620	1,443	982	1,223
Cash and cash equivalents	18	153	12	8
Bank balances other than above		450		
Loans	14	14	5	13
Other financial assets	3	7	4	115
Others current assets	291	550	803	1,055
<b>Total Current Assets</b>	<b>3,127</b>	<b>4,316</b>	<b>3,831</b>	<b>5,618</b>
Net Current Assets	545	957	1,188	1,909
<b>Total Assets</b>	<b>5,055</b>	<b>7,192</b>	<b>6,847</b>	<b>8,847</b>

Source: RHP, BP Equities Research

**Key Risks**

- ⇒ CAL is reliant on its trade distribution and direct-to-consumer channels for a majority of total sales; any disruptions to the operations of these channels may adversely affect sales.
- ⇒ The sports and athleisure footwear industry is highly competitive in India. CAL compete primarily against international sportswear brands, local branded manufacturers and manufacturers from the unorganized sector. Failure to compete effectively may result in a decline in revenues and profitability.
- ⇒ The sales of its products were primarily concentrated in North India as a whole. Therefore, success is closely tied to the general and local retail market and economic conditions of North India.



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Disclaimer Appendix

**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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