



COMPANY ANALYSIS

Campus



Campus

Launched in 2005, Campus is a lifestyle-focused sports and athleisure brand providing a varied product range for the entire family. The company's products are accessible through an extensive nationwide network, including over 15,000 multi-brand retail stores, company-owned exclusive outlets, and e-commerce platforms. As of Fiscal year 2021, they stand as the foremost sports and athleisure footwear brand in India, leading in both value and volume, covering more than 85% of the total addressable market.

Area of Expertise: Sports and Athleisure

Industry: Footwear

Campus' presence around the world



Current Market Capitalization



INR 8184 Crores

Current P/E



79.4

Current Market Price



INR 268

Business Model

Campus Activewear is predominantly focused on S&A segment. Here is a detailed overview of the various components of Campus's business model:

- **Product Portfolio** : The primary design focus centres around two key seasonal launches—the Spring Summer collection in February/March and the Autumn Winter Collection in August/September. These form the core of their annual designs, complemented by the Fast Track Design strategy, incorporating inventive concepts and exclusive collaborations.
- **Product strategy** : Efficient in-season replenishment captures heightened demand by swiftly producing more units of popular styles. Maintaining perpetual stock of evergreen models, identified through a comprehensive design catalog of 600, with 300 new launches annually and 300 retained from the previous year.
- **Manufacturing and Supply Chain prowess** : The company has a robust and integrated approach to manufacturing footwear, involving in-house assembly to ensure quality and efficiency, supplemented by an exclusive network for certain components. The strategic locations across India not only facilitate a strong supply chain but also contribute to faster production times and reliance on domestic raw materials, thereby reducing dependence on international suppliers.
 - a. Operate 5 manufacturing facilities with annual Capacity of 3.48 crores.
 - b. Vertically integrated Manufacturing Ecosystem.
 - c. Manufacturing lead time is 60-90 days while the industry average is 90-120 days.
 - d. Product cycle (From Concept to Launch) is completed within 120-180 days
- **Distribution Channel** : Their products have a pan-India presence with a strong foothold in tier-2 and tier-3 cities. Trade Distribution operates a comprehensive retail model with 20,000+ touchpoints nationwide. Their D2C strategy includes www.campusshoes.com and partnerships with major online platforms. Offline, they manage 200+ Exclusive Brand Outlets (EBOs) in FOFO and COCO formats, along with 1000+ Large Format Store (LFS) Counters, ensuring an extensive and diverse retail presence.

SWOT

S Strengths

- Low debt
- Brand recognition
- Omni-channel approach
- Vertically integrated manufacturing ecosystem

W Weakness

- Lack of product diversification
- COO selling shares
- Increasing Merchandise returns

T Threats

- Weak market growth
- Price sensitivity
- Changing fashion trends
- High Competition

O Opportunities

- Growing fitness trend among Indians
- New product entry Scope (premium segment)
- BIS certification

Recent Highlights

Resignation: The Chief Operating Officer (COO) of Campus, Piyush Singh, has resigned from his position due to personal reasons. He will fulfill a three-month notice period before officially concluding his responsibilities on December 2, 2023.

Margins: In the second quarter of FY24, Campus recorded a revenue of INR 259 crores, marking a substantial 22.4% year-on-year decline. Volume sales experienced a significant drop of 29.1%, totaling 3.9 million units. The gross margin saw a notable improvement, reaching 54.3%, driven by reduced raw material costs. Despite this, Profit After Tax (PAT) sharply fell by 97.8% to INR 0.03 crores.

O2O: Sudden closure of Online-to-Offline platforms has notably affected Campus marking an year-on-year decline in O2O sales from INR 36 crore to INR 4 crore.

Sector-wise Trend

01 BIS REGULATION

The Bureau of Indian Standards (BIS) seeks to cease imports from China, Vietnam, and Indonesia. Enterprises must declare non-BIS stock online per government directive, anticipating positive impacts on margins and Average Selling Price for Campus.

02 FASHION TRENDS

The Indian footwear industry has evolved into a fashion category, driven by the growing fashion and the rise of e-commerce. This shift has opened new opportunities for SMEs, especially in tier II and III cities, with brands like Bata and Campus leading the online transition.

03 TREND TOWARDS PREMIUMIZATION

Increasing income, heightened brand consciousness, and a pursuit of quality has propelled the average selling price upward. Anticipated to reach INR 1345 per unit by FY25, this trend reflects a consumer shift towards premium products.

04 GEOGRAPHIC POTENTIAL

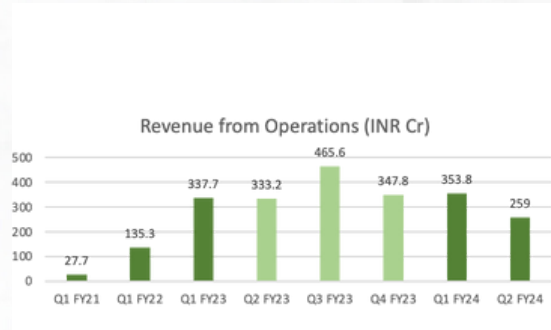
About 66% of footwear sales occur in urban regions, with the remaining 46% in rural areas. However, sales are increasing in rural areas due to rising disposable incomes and lifestyle changes, providing ample growth opportunities.

Financial Highlights

PARTICULARS	FY20-21	FY21-22	FY22-23	COMMENTS
Revenue (INR in Crores)	711.28	1194.18	1484.25	Consistent growth in revenue YOY can be seen.
Inventory Turnover	2.17	2.49	2.14	Consistent inventory turnover ratio throughout the years
EBITDA Margin	16.8%	20.5%	17.3%	Consistent margins maintained in the years even after.
Cash Conversion Cycle (days)	107.63	102.72	130.03	It remained almost stagnant and no significant changes can be seen
ROE	9%	29.33%	23.91%	Overall trend shows significant improvement followed by a moderate contraction

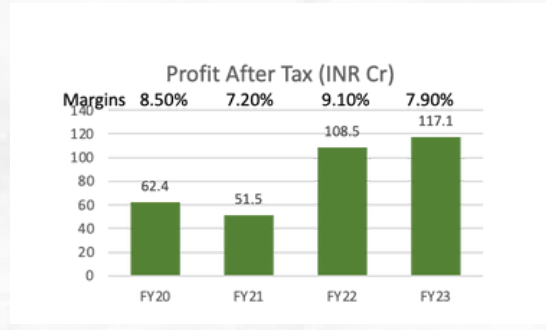
Ratio Analysis

REVENUE GROWTH



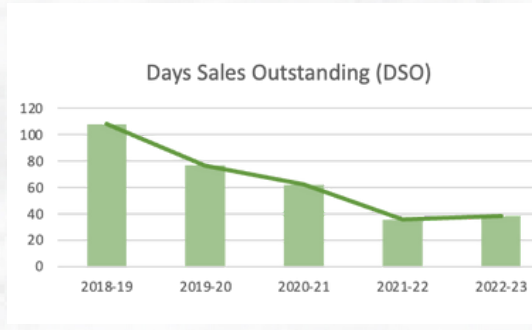
In Q2 FY24, the company grappled with subdued demand in key northern markets, sales impact from the exit of O2O platforms Udaan and Ajio, and delayed purchasing due to festive season, leading to a significant decline in overall volumes.

PROFIT GROWTH



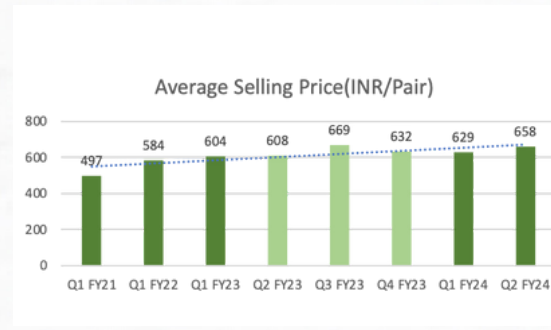
Vertical integration, and Sourcing efficiency has enabled them to slightly improve Margins even in the tight price constraint segment. The primary focus of management is on volume rather than margins.

DAYS SALES OUTSTANDING (DSO)



Days taken to collect payment for sale is reducing which is a good indicator. This can be attributed to increased online sales wherein, the sales to cash conversion is instant.

AVERAGE SELLING PRICE(INR/PAIR)



ASP shows a growth of 8% YoY. The ASP increase is a function of better mix (lower decline in D2C channel compared to trade distribution channel) and lower discounting.

Future Outlook

1

FOR THE INDUSTRY

The Indian retail sector is set for substantial growth, projecting an overall 9.5% increase, with the footwear segment experiencing an impressive surge at 21.6%. Specifically, the sports and casual footwear market in India is expected to reach INR 8,820 crores by 2025, driven by factors such as rising disposable income and growing health awareness. The GDP per capita is forecasted to rise significantly from INR 1.42 lakh to INR 2.43 lakh by 2025, indicating a Compound Annual Growth Rate of 11.3%. The increasing health consciousness, with a projected rise from 10.8 crores to 14.2 crores by 2025, further contributes to the expansion of the sports and casual footwear market, highlighting a robust and growing trend in India.

2

FOR THE COMPANY

Implementing an aggressive marketing strategy, the company has increased its Advertising and Promotion spending from from 4-4.5% to 6-6.5% of sales, with a focus on achieving brand premiumization. In pursuit of domestic expansion, plans include the opening of 120-150 new stores in FY24 with 70% situated in emerging markets, strengthening presence in West and South India. Internationally, the company adopts a cautious, asset-light approach for entry into GCC countries and Nepal/Bangladesh. For the GCC market, partnerships and e-commerce take precedence, targeting a market size of INR 7-8 billion and aiming for a 30-40% premium on products. In Nepal/Bangladesh, a strategic move involves liquidating B Grade inventory (~1% of stock) at salvage value with added benefits, thereby creating a distinct market niche.