

IPO Note: Campus Activewear Ltd.

Industry: Footwear

Reco: Subscribe

Date: April 25, 2022

Issue Snapshot		Issue Break up		
Company Name	Campus Activewear Ltd.	QIB ex Anchor	20%	9,550,000
Issue Opens	April 26, 2022 to April 28, 2022	Anchor Investor	30%	14,325,000
Price Band	Rs. 278 to Rs. 292	HNI	15%	7,162,500
Bid Lot	51 Equity Shares and in multiples thereof.	RII	35%	16,712,500
The Offer	Public issue of 47,950,000 Equity shares of Face value Rs. 5 each, (Comprising of Offer for Sale by Selling Shareholder).	Total Public	100%	47,750,000
Issue Size	Rs. 1333.0 – 1400.1 Crore	Employee Reservation		200,000
IPO Process	100% Book Building	Total		47,950,000
Face Value	Rs. 5.00	Equity Share Pre Issue (Nos. Cr.)		30.4
Exchanges	NSE & BSE	OFS Share (Nos. Cr.)		4.8
BRLM	JM Financial Ltd, BofA Securities India Ltd, CLSA India Private Ltd and Kotak Mahindra Capital Company Ltd	Equity Share Post Issue (Nos. Cr.)		30.4
Registrar	Link Intime India Private Ltd	Market Cap (Rs. Cr.)		8,886.3
		Stake Sale by OFS		15.8%

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to 8,000,000 equity shares by Hari Krishan Agarwal, up to 4,500,000 equity shares by Nikhil Aggarwal, up to 29,100,000 equity shares by TPG Growth III SF Pte. Ltd., upto 6,050,000 equity shares by QRG Enterprises Limited, upto 100,000 equity shares by Rajiv Goel and upto 200,000 equity shares by Rajesh Kumar Gupta)

Company Highlights

- Campus Activewear Ltd (CAL) is the largest sports and athleisure footwear brand in India in terms of value and volume in FY21. Campus introduced their brand 'CAMPUS' in 2005 and is a lifestyle-oriented sports and athleisure footwear company that offers a diverse product portfolio for the entire family. Campus offers multiple choices across styles, color palettes, price points and an attractive product value proposition.
- Their strength in the Indian sports and athleisure footwear landscape is demonstrated on account of the following:
 - ❖ Campus is the largest sports and athleisure footwear brand in India, both in terms of value and volume in FY21.
 - ❖ Campus is the fastest growing scaled sports and athleisure footwear brand (scaled brands being brands with over Rs 200 cr of revenue in Fiscal 2019) in India over Fiscal 2019 to FY21.
 - ❖ Campus had an approximately 15% market share in the branded sports and athleisure footwear industry in India by value for Fiscal 2020, which increased to approximately 17% in FY21.
 - ❖ Campus is one of the very few established Indian brands in a segment which is primarily dominated by international brands.
 - ❖ Campus is one of the most relevant brands in this segment, covering more than 85% of the total addressable market for sports and athleisure footwear in India as of FY21.
- CAL's business model places the consumer first. It analyzes, design, develop and deliver its products keeping the consumer at the forefront. It has managed to achieve the same by harnessing consumer and channel insights via digitization of its sales process, resulting in better demand forecasting and faster time to market. The Company's core target market is the 14 to 35 age group, which represented 44% of the sports and athleisure footwear market in India as of Fiscal 2020. It tracks its target market and target consumers closely to mitigate the risk of launching the wrong product in the market or missing a trend completely. In addition, it manages a relatively shorter time to market by following a nimble and agile product development cycle, underpinned by a data centric approach. This allows CAL to understand consumer demand trends, design preferences, color preferences, response to new designs and price movements across product categories on an ongoing basis.
- The Company launched 583 new designs in Fiscal 2021. Its product portfolio is extensive with 1,433 active styles for men, 241 active styles for women and 485 active styles for kids and children as on December 31, 2021 and offer one of the widest portfolios of footwear products among sports and athleisure footwear brands in India in terms of SKUs as of September 30, 2021.

- CAL owns and operate five manufacturing facilities across India with an installed annual capacity for assembly of 28.80 million pairs as on December 31, 2021. It has the ability to increase production for assembly of up to 35.50 million pairs on an annual basis. It has an inhouse production capacity of 4.80 million footwear uppers and 10.80 million footwear soles along with a third party annual capacity of 24.00 million footwear uppers and 18.00 million footwear soles. Its capability to produce more than a third of its footwear soles inhouse facilitates allows for a faster turnaround from raw material to final product than compared with industry standards. It procures most of its machinery from countries such as China and Taiwan. It manufacture and assemble its products at its five manufacturing facilities. It also relies on third party fabricators and suppliers for the manufacture of components of its products. The Company outsource some products to third party manufacturers on a contract basis.
- It has over 425 distributors directly servicing and fulfilling orders of over 19,200 geographically mapped retailers at a pan-India level as on December 31, 2021. Of these approximately 19,200 retailers, its internal sales force of 152 employees has direct field coverage of approximately 11,300 retailers as on December 31, 2021. It has an extensive online sales presence through third party pure play marketplaces, third party managed marketplaces and online-to-offline B2B platforms such as Flipkart, Myntra, Fynd and Udaan among others as well as its own e-commerce website. It has sold more than 7.00 million pairs through online channels since Fiscal 2019 up to December 31, 2021

View

- Campus had an approximately 15% market share in the sports and athleisure footwear industry in India by value for FY20, which increased to approximately 17% in FY21. Campus offers one of the widest portfolios of footwear products among sports and athleisure footwear brands in India in terms of SKUs as of September 30, 2021. CAL cover more than 85% of the total addressable market for sports and athleisure footwear in India as of FY21, which is the largest market coverage amongst key sports and athleisure footwear brands. The company increased the volume of their products sold from 1.23 crore in FY19 to 1.44 crore in FY20, with a dip in volume to 1.30 crore in FY21 due to the COVID-19 pandemic. Campus sells their products across price points, geographical locations, and demographics, using their 'Omnichannel experience'.
- Campus own and operates 5 manufacturing facilities across India with an installed annual capacity for assembly of 28.80 million pairs as on December 31, 2021. CAL has the ability to increase production for assembly of up to 35.50 million pairs on an annual basis. The company has an in-house production capacity of 4.80 million footwear uppers and 10.80 million footwear soles along with a third party annual capacity of 24 million footwear uppers and 18 million footwear soles. The manufacturing facilities give the company the ability to manufacture 37.50% of their requirements of soles and 16.67% of footwear uppers in-house and 100% in-house assembly of all their products. Their fabricator and sole supplier network is difficult to replicate.
- Its 425+ distributors fulfil orders of 19,200+ retailers across India. Its offline D2C channel includes 85 EBOs, 800 LFS; its online D2C channel includes e-commerce platforms. Trade distribution brought ~63% to revenues in 9M FY22 and online direct-to-consumer, ~32%. It plans to widen operations in the South and West.
- The Indian footwear retail market is expected to grow at a CAGR of 8% from FY20 to FY25, and 21.6% from FY21 to FY25, being one of the fastest growing discretionary categories from FY21 to FY25. The specific industry segment of sports and athleisure footwear is highly under penetrated, as evidenced by the extremely low footwear penetration per capita as compared to developed economies and is expected to be the fastest growing segment, with a CAGR of 14% between FY20 and FY25, and 25% between FY21 and FY25.
- On financial front, during FY19-21, Campus revenue and EBITDA grew at a CAGR of 9.4% and 7.7%, respectively, (impacted by covid). Average EBITDA margins is ~17%, while PAT margins is ~7%. The RoE/RoCE were 21.9%/22.7%. FY21 net debt was Rs100cr. 9MFY22 revenue stood at Rs842cr and EBITDA margin was 19.4%.
- In terms of the valuations, on the higher price band, Campus demands a P/E multiple of 78.6x based on 9MFY22 post issue fully diluted EPS and EV/EBITDA multiple of 58.3x based on 9MFY22 post issue fully diluted EBITDA. Footwear companies quote at an average EV/EBITDA of ~60x and P/Es of ~140x.
- Sports and athleisure is the fastest growing category in both apparel and footwear, growing at a CAGR of approximately 15%. Sports and athleisure footwear is highly under penetrated in India and Campus had an approximately 17% share of the branded sports and athleisure footwear retail market in India by value in FY21. Campus has an opportunity to grow as it scales its operations. The company has strong financial performance and plans to further strengthen its market position by increasing store penetration in existing clusters and developing new clusters. Hence, it is recommended to "SUBSCRIBE" the issue from the long term perspective.

Capacity and Capacity Utilisation (Pairs in Million)

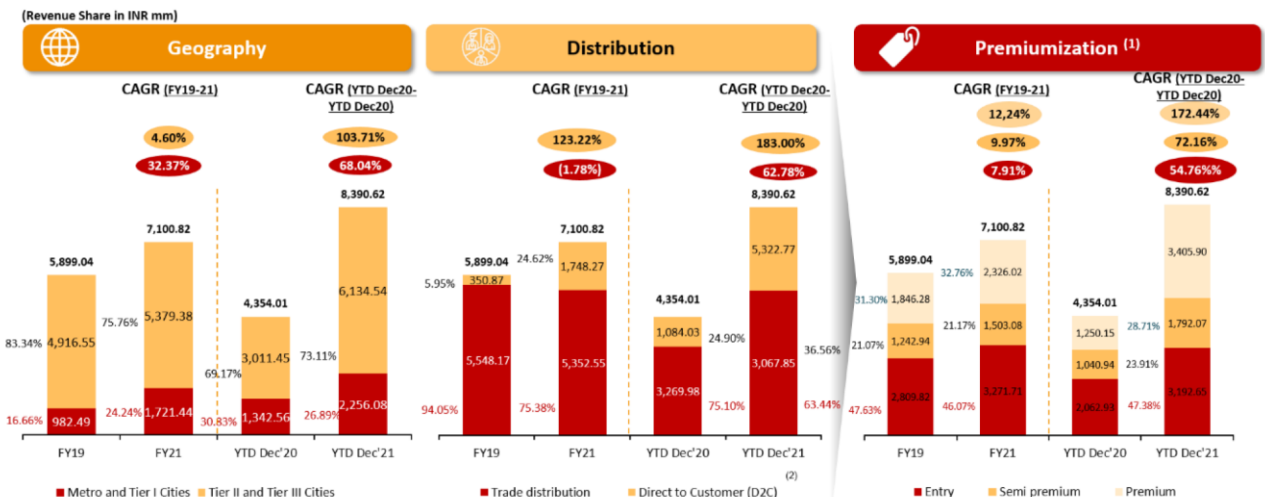
	FY19		FY20		FY21		9MFY21		9MFY22	
	Installed capacity	Capacity Utilization (%)	Installed capacity	Capacity Utilization (%)	Installed capacity	Capacity Utilization (%)	Installed capacity	Capacity Utilization (%)	Installed capacity	Capacity Utilization (%)
Assembly of Footwear										
Dehradun Facility	7.80	71.79	9.40	63.83	10.90	55.05	10.30	59.17	11.70	81.37
Buddi Facility	4.60	69.57	4.60	82.61	4.60	52.17	4.60	32.10	7.00	58.59
Campus AI Baddi Facility	8.30	50.60	8.30	60.24	10.10	51.49	8.30	52.83	10.10	72.47
Footwear Uppers										
Haridwar Facility	-	-	2.30	21.74	2.30	52.17	2.30	49.78	4.80	79.96
Footwear Sole										
Ganaur Facility	-	-	-	-	9.60	27.08	-	-	10.80	58.71

Key Financial and Operational Parameters

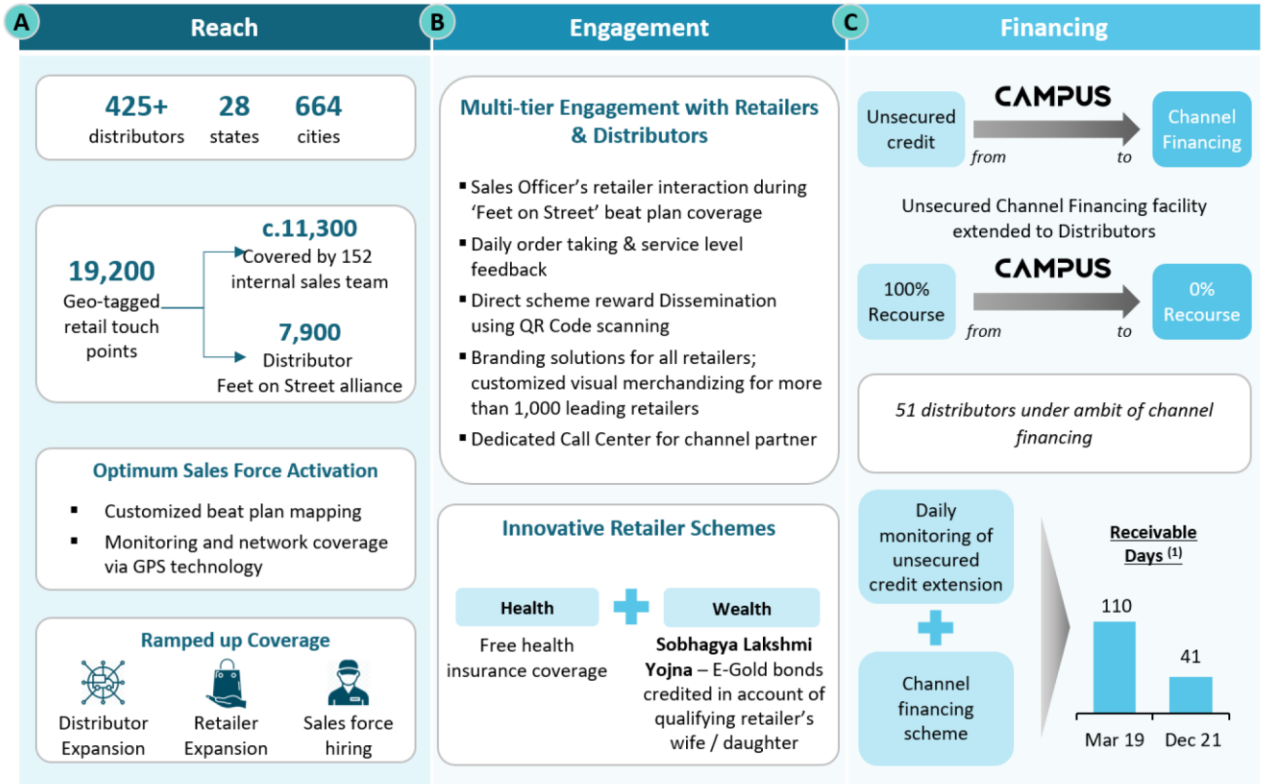
	FY19	FY20	FY21	9MFY21	9MFY22
Sale of goods (Rs. million)	5,899.04	7,310.58	7,100.82	4,354.01	8,390.62
Volume (pairs in million)	12.26	14.36	13.00	8.16	13.65
Average Selling Price (Rs. per pair)	481.00	509.00	546.00	533.00	615.00
Revenue from operation (Rs. million)	5,948.73	7,320.43	7,112.84	4,361.75	8,418.44
EBITDA (Rs. million)	1,018.62	1,383.26	1,198.11	542.85	1,652.15
EBITDA Margin (%)	17.12	18.90	16.84	12.45	19.63
PAT (Rs. million)	386.00	623.69	268.63	168.46	848.04
Net Margin (%)	6.49	8.52	3.78	3.86	10.07
Return on Equity (%)	21.32	25.64	8.99	5.74	23.72
Return on Capital Employed (%)	21.88	21.03	18.54	6.44	21.39

Composition of Our Business – Moving Towards Premiumization

Pan-India Footprint and Increasing Contribution from D2C Segment Driving Premiumization



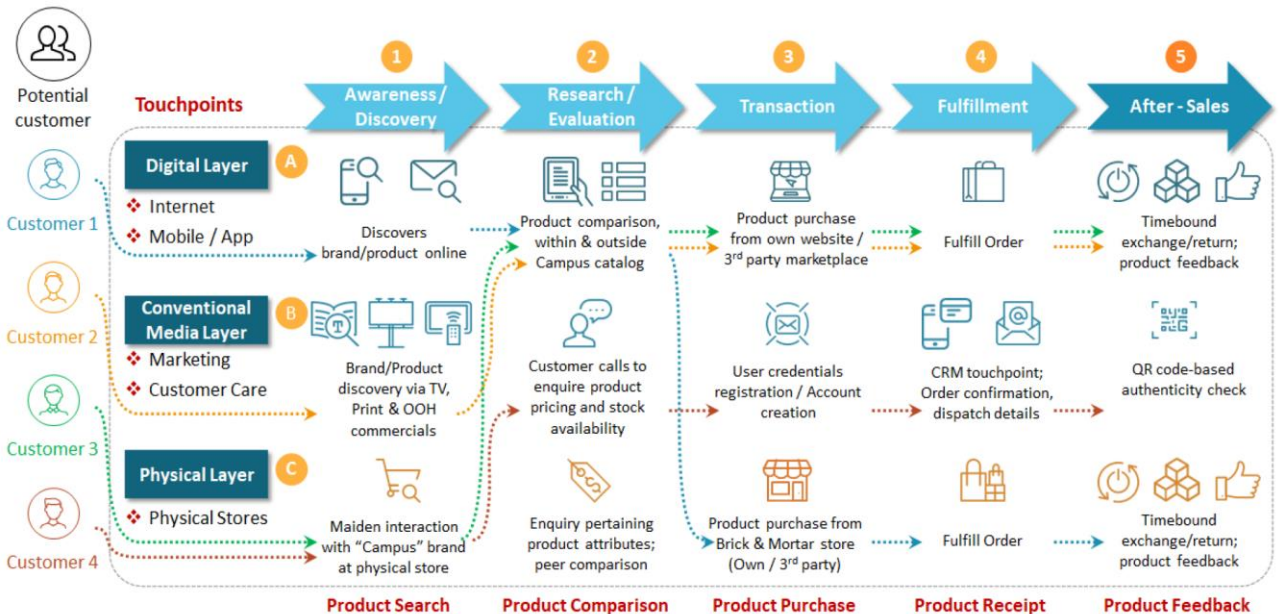
Trade Distribution: Pan-India Network with High Stickiness



Note: Data as of December 31, 2021;

(1) Receivable Days at an aggregate company level – calculated as trade receivables divided by average daily net sales during the relevant period

Direct and Multi Layered Consumer Engagement



Financial Statement

(In Rs. Cr)	FY19	FY20	FY21	9MFY21	9MFY22
Share Capital	0.1	151.9	151.9	151.9	152.2
Net Worth	199.1	284.9	313.0	302.4	402.5
Long Term Borrowings	23.2	64.3	66.4	71.8	50.5
Other Long Term Liabilities	25.1	34.1	40.9	36.1	60.7
Short-term borrowings	151.6	178.9	69.2	94.2	123.7
Other Current Liabilities	106.6	157.0	195.2	164.4	247.3
Fixed Assets	125.1	204.4	256.4	233.4	273.7
Non Current Assets	192.8	83.2	45.2	88.2	49.1
Current Assets	312.7	431.6	383.2	347.2	561.9
Total Assets	505.6	719.2	684.8	668.8	884.7
Revenue from Operations	594.9	732.0	711.3	436.2	841.8
Revenue Growth (%)		23.1	(2.8)		93.0
EBITDA	100.0	136.3	116.0	51.0	163.1
EBITDA Margin (%)	16.8	18.6	16.3	11.7	19.4
Net Profit	38.6	62.4	26.9	16.8	84.8
Net Profit Margin (%)	6.5	8.5	3.8	3.9	10.1
Earnings Per Share (Rs.)	1.3	2.1	0.9	0.6	2.8
Return on Networth (%)	19.0	21.6	8.6	5.6	21.3
Net Asset Value per Share (Rs.)	6.7	9.5	10.3	10.0	13.3

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21	9MFY21	9MFY22
Cash flow from Operations Activities	54.4	99.5	124.3	72.0	(0.3)
Cash flow from Investing Activities	(28.8)	(154.5)	(9.0)	7.3	(22.6)
Cash flow from Financing Activities	(25.5)	68.6	(129.4)	(93.4)	22.6
Net increase/(decrease) in cash and cash equivalents	0.1	13.5	(14.1)	(14.1)	(0.3)
Cash and cash equivalents at the beginning of the year	1.6	1.8	15.3	15.3	1.2
Cash and cash equivalents at the end of the year	1.8	15.3	1.2	1.2	0.8

Source: RHP

Comparison with listed industry peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBIDTA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
Campus Activewear Ltd.	711.3	16.3	36.8	28.1	78.6	22.1	58.3	7.9	8886.3
Bata India Ltd.	1708.5	15.3	-0.5	-4.9	357.3	14.2	57.5	10.8	25010.2
Relaxo Footwears Ltd.	2359.2	22.0	28.6	20.6	103.9	16.8	57.4	10.5	28249.4
Metro Brands Ltd.	800.1	31.4	15.7	8.0	228.2	6.8	61.3	19.3	15480.0

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