18th August 2023

To,

BSE Limited Corporate Relationship Department 1st Floor, New Trading Ring, Rotunda Building, P. J. Towers, Dalal Street, Mumbai – 400 001 **SCRIP CODE: 543523**	National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 **SYMBOL: CAMPUS**

Subject: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 –Transcript of the Earnings Call held with Investors/Analysts

Dear Sir

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Earnings Call held with the Investors/Analysts on 11th August 2023 and the same is also available on the Company's website i.e. www.campusactivewear.com.

This is for your information and records please.

Thanking you

For CAMPUS ACTIVEWEAR LIMITED

ARCHANA MAINI
Digitally signed by ARCHANA MAINI
Date: 2023.08.18 17:03:07 +05'30'

Archana Maini
General Counsel & Company Secretary
Membership No. A16092

Encl: As above

Campus Activewear Limited
Q1 FY24 Earnings Conference Call
August 11, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Campus Activewear Limited Q1 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

Before we proceed on this call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risk, uncertainties and other factors. It must be viewed in conjunction with our businesses that could cause further results, performance or achievements to differ significantly from what is expressed or implied by such forward-looking statements.

The Campus Activewear management team is represented by Mr. Nikhil Agarwal – Whole-Time Director & CEO, Mr. Sanjay Chhabra - CFO, and Mr. Piyush Singh – Chief Operating Officer, Mr. Krishna Kumar – AVP, Investor Relations. I now hand the conference over to Mr. Nikhil Agarwal – Whole Time Director & CEO for his opening remarks.

Thank you and over to you, sir.

Nikhil Agarwal: Thank you very much, Seema, and welcome everyone for joining our Q1 FY24 earnings call today. Campus Activewear actively navigated the challenging market landscape, registering a 4.8% Y-o-Y revenue growth at Rs. 353.8 crores. In terms of volume, the company sold 5.6 million pairs in Q1 FY24. The ASP in Q1 FY24 stands at Rs. 629 vis-à-vis Rs. 604 in Q1 FY23, registering a Y-o-Y growth of 4.1% in ASP. While the trade distribution has degrown by approximately 5.5% on account of higher base due to lower primary uptake on account of channel partners, our D2C channels, D2C online and D2C offline has delivered growth of 10% and 82% respectively on Y-o-Y basis versus Q1 FY23, supported by sustained secondary consumption by the end consumers.

The company continued its premiumization journey through new product offerings and enhancing its retail footprints in new geographies. The Indian sports and athleisure footwear is a sunrise industry with sports and fitness quotient grabbing a significant mindshare amongst consumers across India, including metros, Tier-2 cities and hinterland areas. Campus Activewear is well placed to satiate the evolving consumer demands and create value for its stakeholders in the coming years. With its robust business model laced with vertically integrated manufacturing ecosystems, growing Omni channel presence, premiumization focus, product diversification across product segments and categories backed with strong balance sheet positions.

I will now hand over to our Chief Operating Officer, Piyush Singh for his remarks. Thank you.

Piyush Singh: Thank you, Nikhil and greetings everyone for attending this call. We are content to say that the demand scenario is gradually improving with Q1 FY24 delivering mid-single digit growth vis-à-vis the Q1 FY23. Now while we are witnessing green shoots of recovery, predominantly in the eastern belt of UP and parts of Bihar, we expect the full blown recovery with the onset of festive season. During the quarter, our D2C business continued to demonstrate robust growth of more than 20% on a Y-o-Y basis. Our trade distribution business has narrowed the degrowth gap and is expected to get back to the growth trajectory in the upcoming festive season with resurgence in demand in the Tier-2, Tier-3, Tier-4 and semi urban centers. We are already seeing early signs of that recovery happening in some parts of the country.

Basis price segments, our sales trend in quarter one FY24 has exhibited sustained premiumization wherein sales contribution from semi premium and premium categories have increased to 72% as against 68% as witnessed in Q1 FY23. Similarly, on a category basis, revenue mix across men, women and kids have stayed at 80:20 in the current quarter, driven by our continued focus towards growing these categories. The company benefited from favorable channel mix, product mix and sourcing efficiencies, which result in a material improvement in material margin from 49.6% in Q1 FY23 to 53.4% in Q1 FY24. Subsequently, the gross margin has also shown substantial improvement from 36.6% in Q1 FY23 versus 39.2% in Q1 FY24. We will continue our planned investments towards brand building, D2C network, infrastructure expansion and talent acquisition, which is key to our growth in the coming quarters. All of which is expected to generate margin accretive impact in the subsequent quarters. We are confident of restoring our trend line growth trajectory and margin profile in the coming quarters.

I'll now hand it over to our CFO, Mr. Sanjay Chhabra to take you through more details on the quarter one FY24 performance. Over to you, Sanjay.

Sanjay Chhabra: Thank you, Piyush and good evening and welcome everyone on board. During the quarter, our revenue from operations grew by 4.8% on a Y-o-Y basis to around Rs. 354 crores. EBITDA stood at Rs. 66.4 crores versus last year Rs. 62.2 crores. EBITDA margin stood at 18.8% versus 18.4% last year. Net profit during the quarter stood flat at Rs. 31.5 crore. PAT margins stood at 8.9% in Q1 FY24.

On the balance sheet side, our net debt stood at Rs. 135 crores, which is a reduction of roughly Rs. 22 crores versus March 31, 23 wherein it was Rs. 157 crores. Net debt to EBITDA ratio stood at 0.5x in Q1 FY24 as against 0.6x in FY23. So, our balance sheet demonstrates the position of strength with robust return ratios such as ROCE and ROE of 23.5% and 22% respectively as on 30th June.

With this, I'll conclude and hand it over to the operator for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. We take the first question from the line of Ashok Shrivastav, an individual investor. Please go ahead sir.

Ashok Shrivastav: So first of all, congratulations to management for providing a good set of numbers. And if I compare the same with other peers, it seems to be in a decent stage where we are right now. Only two questions from my side. As a retail investor, I just wanted to know that I stay in Delhi and I have visited to a lot of physical stores. And I can see that there is a much more time people or means the demand as well what we are expecting from Campus is not there means buying, is it happening because of the older stock which is still going on? Because I'm quite young and I have a lot of friends whom I used to discuss about the feedback of Campus and peer brand. So, what I am getting here pretty much feedback that in Campus store whenever the youth which is aging between 25 to 35, they go to stores but they do not find the trend which is going on in the market. So whether the demand slowdown is happening just only because of cost of raw material or is it because of designing of the product? This is my first question.

Nikhil Agarwal: Ashok, Nikhil here. So we actually take pride in rather one of the biggest USP's of our brand is the fashion forwardness and the way we bring the latest design, trend, color palettes across the world to India first in the most cost efficient manner and the most price sensitive manner for our consumer set. So we actually like, for example, the sneaker range that we've launched is a very trendy range. And similarly, we launched about 300 new designs every year along with an existing portfolio of 300 designs. So in total, at any point of time, we would have a portfolio of 600 designs. This is by far the largest portfolio of design across any sports company, be it multinational, be it Indian, this is by far the largest portfolio. I would just like to say that we are totally committed to providing the best value for money products and the most fashionable and the latest designs and technologies to our country first here before anybody else, and that's the USP of Campus that we bring to the table.

Ashok Shrivastav: Thank you so much for answering my first question and my second and last question will be when management is eyeing that we are going to be pre IPO operating revenue front offsite means EBITDA margin and everything when we are expecting to return back seeing the current scenario, yes, we are pretty much aware that there is inflation in cost of raw material and everything, but what exactly management is perceiving and how we are going to hatch all those things in future? Because if we see the economical scenario which is demographically happening throughout the world, Russia, Ukraine war is going on and everybody, but still that that's the quality of management that what exactly you people see that in how many quarters, in next upcoming quarters when we are expecting to get the exact operating leverage or operating margin which we are receiving pre IPO kind of a thing?

Piyush Singh: Ashok, Piyush this side. Great question. So let me just apprise you that while we refrain from giving any future looking guidance in this matter, but directionally, we can assure you that on a pre IPO basis or just after the IPO, our margin was trending in the range of 19.5% to 20.5%. That's the kind of 1% trajectory we typically follow as of now. As you can see in the current quarter, our EBITDA margin is close to 18.8%, which is in close vicinity to us long-term trending trajectory. While the endeavor is to improve this with the help of operating leverage in times to come, we can assure you that with an improving macro scenario and with all the input matrices that we have worked on over the last few quarters, we'll very soon be in the same trajectory as you expect us to be, the same numbers that we kind of entered the market during especially on the margin side with the IPO. So we are not very far off from that set of numbers.

Ashok Shrivastav: Thank you so much, sir, for answering my question and only if I can ask you last, very small question, when we are expecting Challenger brand to get launch. Because in last concall, I think we had a discussion regarding the Challenger brand which will be sub Rs. 1000?

Piyush Singh: Certainly, we had that discussion. We have a particular strategy in place that we are still testing it out in the pilot phase. As you rightly said, it's going to be a Challenger brand. It has a certain specific objective in place. The mothership will continue to be Campus. Our entire focus, management bandwidth and energy is towards this flagship brand only. Challenger brands serve a certain purpose and let's not get too carried away with the Challenger brand concept because the entire growth and the entire build out and the entire outlook is based around Campus for us as a management, as a platform.

Moderator: Thank you. The next question is from the line of Mehul Desai from JM Financial. Please go ahead sir.

Mehul Desai: First question on gross margin front. Now, how do you see this trajectory sustaining in coming quarters? Do you see this kind of gross margin sustaining or is there any kind of one-offs in this? And also typically the second-half margin, my understanding is second-half margins are better than first half. You see that playing out given that you already have very strong margins in the first quarter. So is it fair to assume that second-half can be better than first half in terms of margins also? And related to gross margin also given that you have certain benefits now, will you look at some pricing corrections to drive volume growth? Yeah, that's my first question.

Piyush Singh: Yeah, hi again, great question. On the margin side, so if we have to dissect this entire thing, this improvement in gross margin is actually driven by three important factors, which is favorable improvement in channel mix, favorable improvement in product mix in terms of sell throughs and again sourcing efficiencies that we have kind of realized over the last couple of quarters, which we had already discussed in the previous commentaries. Now just to answer your question around the sustainability piece, there are no one offs in these margin improvement, but at the same time this margin improvement is kind of linked with the growth profile that the company and the team is able to demonstrate quarter after quarter. Now prima facie, first half of the year is slightly lower on the margin side empirically, because of a relatively higher mix of open footwear, which is pivoted towards relatively lower margin compared to the closed footwear which is our forte so far. So, as we enter deeper into the season, we believe that we do have an opportunity to improve this margin profile further. There could be a one off in a month or so depending on the unpredictable macro, but I can assure you that as a team, we are very much focused on improving and correcting and optimizing all the input matrices that goes towards margin improvement. See macro is something that is out of control, but at the same time, our endeavor is to ensure that whatever is within our control, we should optimize that and pass on the benefit to all the stakeholders from here on.

Mehul Desai: Sure. And on the ASP front also, how do you see ASP then moving? Would you like to pass on some benefit or do you think this 2% to 4% kind of ASP growth can sustain?

Piyush Singh: So again, see if you notice that we have very reasonably priced our portfolio, the pricing is very sharp so far as our brand in our category is concerned. We have shied away from the temptation of increasing pricing like some of our competitors over the last few quarters. That's the sole reason why we have sustained the momentum and people have kind of rewarded us with whatever little growth in a difficult macro that you can expect of. As of now while we haven't taken any price increases, which are unreasonable in nature, we don't see any opportunity or we don't see any kind of a scenario where we would be taking any price cuts as of now. The portfolio is very sharply priced and this has taken care of all the permutations and combination and the scenarios wherein a certain growth has been baked in at this pricing.

Mehul Desai: Secondly, on this D2C online business or this 10% kind of growth, how do you see this? Are you targeting a much higher growth? This business obviously in 4Q you had some issues, are those issues now largely normalized and how do you see the trajectory for this D2C online business?

Piyush Singh: See so far as the robustness of the business is concerned, we see absolutely no concerns around the sustainability of the growth profile of this particular business segment. Yes, there were certain issues in quarter four for which we had to reset, we have recalibrated and in the coming quarter, especially with the onset of festive, we see this business getting back to it, the prime of its growth. So, from a full year growth perspective orientation, the business is very much on track.

Mehul Desai: And lastly on, any comment on working capital, how is it versus March 2023 quarter?

Sanjay Chhabra: As far as working capital is concerned, there is a slight increase in investment in working capital, but our DSOs are very much in line with both March and last year same quarter. What we see is a slight increase in the DPO which is good contribution and with subdued or muted demand scenario, we are sitting on some inventories, but we take that as we will leverage that investment in inventories in the upcoming festival season and that would help us to sort of push more volumes in the market.

Moderator: Thank you. The next question is from the line of Harsh Shah from Incred Capital. Please go ahead, sir.

Harsh Shah: Very impressive margin performance this quarter and given that there are no one offs and really weak quarter and good margins, so I just wanted to understand one seeing on margins from a medium to longer term perspective, now if given the current quarter's performance and as we go into second-half where we have much better margins both at gross level and the benefit of leverage paying out aiding EBITDA margin as well. I think that the 20% margin kind of guidance barrier can be broken very easily this year. But going ahead, let's say five years from now, how do you play this thing right like kind of, do you want to keep the margins at 20% level and invest whatever incremental margins you get behind to get more volumes and market share or is the endeavor for us to kind of keep increasing our margins by let's say 1,500 basis point every year until we reach a particular threshold?

Nikhil Agarwal: Harsh, Nikhil here. So great question. Like we've also mentioned in our previous call and the long term objective for us as the brand is to make it the most number one top of mind recall brand in the country and therefore for a longer term objective, we'll keep on investing behind the brand. So far, we've been investing about between 5% and 6% of our revenue in the ATL spends. So, we've grown this from about 3% to about 6% over these last three to four years. Therefore, we strongly feel that as the company scales up, will continue to invest behind the brand and will maintain the marketing spend at about 6% going forward as well. So, therefore in terms of margin accretion and the margin profile, we've certainly taken some measures to improve the margin profile that you see today, the ones that you've spoken about earlier as well in terms of premiumization and the channel mix and the cost savings that are now coming in. So, we certainly believe that second half should lead to better margins in terms compared to first half and in the long term, while we would refrain from giving you a specific guidance around the numbers, what we can tell you with surety is that the long-term objective of the company is to make the brand bigger and stronger and in doing that along with very good margin profiles. So, we will continue working on that objective. I believe that answers your question.

Harsh Shah: Thanks for the explanation. So basically, directionally, I'm not asking for a guidance, but directionally we do see some uptake in margins kind of as the business grows right, would that be a fair assessment?

Piyush Singh: Harsh, Piyush this side. Yes, that would be a fair assessment over the longer-term horizon of say 4 to 5 years. Directionally, we'll be improving our profile from here on, but at some point in time, that's a balancing act we need to play as a brand wherein as Nikhil rightly mentioned. We will continue our sustained investments towards making the brand more robust, more likeable and more reachable for the Indian diaspora out in the country.

Harsh Shah: And the second question was more on the trade distribution part. The decline was 5% this quarter. So how would the split be for North and East, which is our core market and versus the emerging markets of, let's say, South and West for trade distribution specifically?

Piyush Singh: While we have seen improvement in parts of core North Indian territories which were earlier deeper into the woods, especially parts of Eastern UP and Bihar, they are gradually recovering and hence we are narrowing the gap between say a growth profile and a slight degrowth quarter after quarter. West continues to do well for us, so does the rest of the country. It's just that some of the core markets in the Northern territory especially UP and Bihar were not performing as per expectation because of severe macro downturn and people witnessing a key kind of a recovery in these markets, especially Tier-2, Tier-3 markets were very sluggish. They have started bouncing back and with the onset of festive, the real hope is the macro would gradually improve, inflation will subside and with more farm income coming into place along with the elections, we expect these markets to also bounce back.

Harsh Shah: No, I was just trying to understand the difference between the industry decline in North and East and our performance in North?

Piyush Singh: We have largely maintained the same performance because a 5% decline in value terms is somewhere in the vicinity of Rs. 10 crores here and there, which is like a couple of days of billing for us. So, see directionally, we don't see any significant decline happening in any of the markets. It is just that the growth is still elusive in some pockets. They are also gradually coming back and with festive onset right around the corner in the coming quarters, we expect these markets to also come back into their full glory as previous years.

Harsh Shah: And could you offer any comments on how July and let's say this 10 days of August were compared to June quarter?

Piyush Singh: We would refrain from giving any mid quarter guidance. I hope you'll understand because it's too early for us to comment on a quarter or a half yearly performance basis, just a month's output, still a long way to go. So we will refrain from any guidance on that part right now, but we'll certainly come back to all our stakeholders once the quarter has gone by and the numbers are out.

Moderator: Thank you, sir. The next question is from the line of Yash from Steinberg. Please go ahead Sir.

Yash: Our D2C offline channel is actually the fastest growing channel for the company today with an aggressive addition of EBOs across India, so wanted to understand what is the unit economics for a store and how do you kind of get confidence in terms of the ramp up in the middle of, let's say what you are putting out as a macro store?

Piyush Singh: Yeah, great question, Yash. So let me first add more color to it. D2C offline is a combination of our own stores, COCOs franchise stores and a large part of it comes from key accounts. So majority of this growth that you see in D2C offline roughly to the tune of 82% is driven by key accounts and franchise stores because now we are in a stage where we are not opening a lot of company operated stores, actually this is the faith reposed in us by most of our franchise partners which are master franchises for multiple stage and who are witnessing the ROI based group in terms of the return on investment that they are generating on the current network, but they are adding their own capital to the scale up. For example, some of the states like Gujarat, Maharashtra, Rajasthan, or you can say part of central India, they are doing better than average performance across retail, you can say retail spread across various other brands. So in fact their investment, which is coming into play right now. I hope that answers your question.

Yash: Understood. So out of the 225 odd stores, how many would be company owned stores?

Piyush Singh: So it's roughly 90-95 stores is company owned stores and most of these stores are vintage stores over the last couple of years. Franchises have added roughly 135-140 stores for us.

Yash: And incrementally you don't plan to add?

Piyush Singh: We'll be moving ahead with addition of stores in the ratio of say, 70:30 in the favor of franchise to company.

Yash: And the other question is on the group margin, you'd mentioned that let's say 20%-22% margin, EBIT is aspirationally a target, this is back in March like few months ago. Want to understand what is going to be the bridge from let's say 14% odd today to achieving the 18-20 and then 20-22, that kind of EBIT margin from here on out?

Piyush Singh: I believe you are referring to EBITDA, not EBIT, because directionally what we've been maintaining across our calls and investor interactions is while we are currently trending at close to 19%-20% EBITDA, the idea is that over the next 3 to 5 years we should incrementally add on to our EBITDA margins like 1% accretively year after year for the next 5 years. I mean there could be plus and minuses between one of the years here and there depending on how the overall economic scenario is. But actually, that's what we are aiming at and eventually, this is not a very capital intensive industry. At some point in time, our endeavor is also to become debt free, we should take care of the interest part. So we have a certain milestone so far as EBITDA is concerned, EBIT is concerned, PBTs are concerned. We are heading very much in that direction quarter after quarter. All the input matrices that are requisite for this kind of an improvement are very much in play. So, the road map is very well laid out for us. We just need to focus and we have to stay disciplined, gain more market share in the current scenario wherein people are going for downtrading and some kind of postponement to gain more and more market share and shelf space, rest everything else will fall in place with the help of operating leverage.

Nikhil Agarwal: And to some extent, we need the markets to sort of start back up again at full throttle.

Yash: Understood. And one question on let's say margins that you've reported, if I were to look year-on-year was broadly flat on let's say EBITDA and EBIT, but let's say we've seen a very sharp improvement in RM, which is gross margin, but that gets offset by something in the other expenses. Just want to understand is it that we get higher gross margins in online, but since you report marketplace commissions and other expenses that largely that benefit gets knocked out? So because you mentioned in the call earlier that gross margin improvement is because of product mix and channel mix, so just want to clarify that.

Piyush Singh: Yash, essentially there are couple of fixed expenses which increases year after year which we all know which includes employee expenses, some bit of ESOP expenses which have come into play and our sustained investment towards advertisement and brand building. So these are primarily the expenses which have led to kind of flattish EBITDA margin on a year-on-year basis. While the improvement as you rightly mentioned is on account of favorable channel mix and the product mix and largely on account of sourcing efficiencies that we have witnessed over the last couple of quarters.

Yash: So it's not that largest part of the increase in other expenses is coming out of marketplace commission that's why I wanted to kind of confirm?

Piyush Singh: Not really. I mean there is some increase in in marketplace commissions because of the overall change in mix of online business wherein we are moving more and more towards marketplace model compared to the outright managed marketplace piece. But that has already kind of contributed with the higher net realization in the topline. I mean in a way that increase in realization or increase in subsequent gross margin kind of takes care of that slight increase in commissions on account of marketplace sell-throughs.

Yash: And in terms of, let's say, how do we think about ASP going forward because frankly there seems to be a certain price point within which, let's say increasing the prices may kind of cause us to lose competitiveness on some of these platforms. So how are you seeing, let's say your ASP is moving, let's say 4-5 years out in terms of the growth rate rather than a near term picture. But can you move beyond this Rs. 600 – Rs. 700 range if you were to grow at, let's say, the aspirational target of 20% plus or whatever number that you at least plan for?

Nikhil Agarwal: Yeah, so we see a good opportunity like we've been growing our ASPs consistently over the last 10 years at about 6% to 7%. But going forward as well, it's not that we need to take a big MRP increases or we need to enter categories above Rs. 3,000. We do still believe we have a pretty big opportunity within the spectrum of Rs. 1,000 to 2,000 due to the channel mix and the premiumization that we'll be doing within these price points, Rs. 1000 to let's say Rs. 3,000. So, the market and given that the BIS, the way it is coming in now and it will be implemented from the first of Jan 2024 with a lot of clarity that is coming from the government so far. The primary objective of BIS again is to debtor and ban the imports from China, Vietnam and Indonesia into the country in the similar way, the way they've done it for the toys industry and tires and so on. So we are extremely excited about the prospects of BIS as well contributing towards not just the growth in margins, but also towards this ASP increase because a lot of the material or the finished goods that's coming from China today are in this price point of Rs. 1000 to 3000. And a lot of that will be pretty much leaving the market very soon. So that's the way we are looking at ASP. So we are pretty much in that very sweet spot of Rs. 1000 to 3000 bucks. We really don't need to enter into Rs. 3000 plus categories in order to increase our exports.

Moderator: Thank you. We take the next question from the line of Vatsal Dujari from CLSA, please go ahead, sir.

Vatsal Dujari: I just had one question. So how are we performing in the Southern regions and according to you what is the characteristic of the Southern market makes it a little more challenging versus the other markets for us?

Piyush Singh: If I have understood your question correctly, you are talking about our performance in the Southern markets. So we have pretty much held forth maintained our market share in Southern India market. So speaking about last 12 months, our contribution from North and Central India is close to 50%-55%, with West India contributing roughly 23% of our sales, East contributing another 16% to 17% and South India contributing roughly 11.5% to 12%. So we have managed to gain traction in these markets. We are steadily gaining market share and currently our mix is mimicking the industry's mix of sports for there all across the country as well. So, we are truly mimicking the contribution mix of a Pan India brand.

Moderator: Thank you. We take the next question from the line of Gaurav Jogani from Axis Capital. Please go ahead, sir.

Gaurav Jogani: My first question is with regards to in case of you have alluded that you would like to drive market share. So in that event, would you also be open to maybe re-adjust the price and drive the volume growth in the near term because we have seen increased competitive activity from many new players coming into the market as well as the slower growth has pushed early EOSS also during the year.

Piyush Singh: Gaurav, Piyush this side, great question. Given quite a few set of folks are really interested in if we are going to give more discounts to drive volumes, the clear answer is our portfolio is very sharply priced as per the demand spectrum that we are currently witnessing in the market. So people are not actually looking for discounts. People are looking for the best value proposition, price value proposition, which we believe that within Campus we are offering. We have never taken unnecessarily price hike, so there is no question for us to drop prices, not to drive volumes. The volumes are still very much in place for us compared to rest of the industry or some of the other peers that you may be tracking. The sole reason is people. People believe that they are paying the right price for the product that they are getting within this brand and that's the sole reason why they keep coming back to Campus as they repeat purchase. So, it's a very well positioned, well priced portfolio. We take care of our consumers at the very onset while pricing the portfolio itself. Hence, there is no such need of playing a high, low game wherein you first price the portfolio higher and then give a deeper discount. Let's not try and feel that consumer is dumb in that sense. Indian consumer is very sharp. They understand the real worth of the product and hence they are not really seeking discount. They're seeking the right value for the money that they're paying. We believe the brand is really delivering.

Gaurav Jogani: So my question was seeing competitive pressure while your products are very attractively priced, I would agree to that just that because of the early onset of the festive, the consumer tends to seek more discounts and hence that was the question coming from?

Piyush Singh: So certainly, we have seen behaviors across our online and offline formats while our online discounts have increased by a couple of percentage points. But then again, I would refer to some of the conversations without taking names with some of our platform partners where they say that the sensitivity is so strong in Campus that even a 1% drop in price or 1% increase in discount drive volumes which other brands even by discounting as high as 10% incrementally are unable to drive. So that is the kind of price value proposition we drive by maintaining a very tightly priced portfolio and not discounting it unnecessarily. See, volume pressures are always there, EOSS pressure is always there. Driving numbers is always there and that's why as a management we maintain this feel that see, you should always judge a brand or judge a platform by the strength of its portfolio or by the strength of its decision making capabilities during testing times. There is a lot of temptation that we can drive a lot of volumes by discounting, but that really rubs against the grain or the ethos of our brand. So we know what we have to deliver, we understand that fully. But at the same time, we don't want to dilute the brand unnecessarily that is for short term gains. And that's the principle that we all stand by.

Gaurav Jogani: Thanks for the detailed explanation. And my next question is just more related to the BIS implementation. We hear that a lot of these ports placements of Rs. 1000 and 3000, if you can explain a bit in detail how this can benefit the entire industry and Campus specially?

Nikhil Agarwal: Right. So like I mentioned, BIS is aimed at curbing the imports from China and Vietnam and Indonesia, and these are the three nations from where the majority of imports of sport shoes coming into the country. So naturally, once this entire volume, which is a very significant number, we believe that volume will sort of erode away. This will obviously open up doors to not just Campus, but pretty much like the entire footwear industry and they should benefit the Make In India campaign that our honorable Prime Minister is encouraging all us to do. That is the primary objective of this BIS scheme, and on top of that, there were some clarifications also that have come in in terms of like earlier there was some confusion regarding the non BIS goods, how much time will the government give to various companies and the channel partners to sell through all the non BIS goods. So that clarification also come in that by 31st December 2023. Every company and every channel partner will need to update their stock statement on an online portal of their non BIS goods and the government will give them adequate time to basically sell it off. So the government is absolutely looking out for the domestic players. They are making sure that nobody goes under and this entire move is primarily aimed at just curbing the imports. So that is basically the gist of it.

Gaurav Jagani: So just one question here. Would this restriction also be on the source or those that are imported from China, the raw materials or just on the finished goods?

Nikhil Agarwal: No, it's only on the finished goods, but naturally, finished goods is some of parts of your sole and upper and all the raw materials. So, if the finished goods need to comply with certain requirement of BIS standards, then naturally, all the raw materials and the sole and all will also have to fall into place. So, it just percolates down to the raw material as well in that sense.

Piyush Singh: Gaurav, there are testing parameters expected for upper material and sole material separately like abrasion, resistance and flexibility and things like that. So individual components cannot escape BIS regulations per se. In one line if you have to summarize, BIS augurs well for a quality domestic brand because ultimately, the quality standards would be uniform for all the domestically manufactured products, be it a Rs. 500 shoe or be it a Rs. 1500 shoe. That means there will be an enhanced pressure on local manufacturers who are cutting corners as of now, who are producing substandard quality just in the name of fashion. So, the government wants to do away with that as well, along with cheap Chinese imports or cheap international imports. Idea is to ensure that Indian consumers should get the best quality footwear and at the same time, India should gear up in the coming times to create world class quality footwear which is ready for exports as well. So that's the overall objective of the government which really works well in favour of an established domestic brand which is totally focused on quality.

Gaurav Jagani: So just one clarification on that. So, because of this implementation getting affected from the 1st of January 2024, so in the interim period, do you expect any supply chain disruptions just before the implementation of this and because of which any stocking that you would have done?

Piyush Singh: Not for us because anyways 90% of our sourcing is indigenized in nature and we only work with high quality vendors who provide quality stuff. So, nothing really changes in our lives.

Nikhil Agarwal: In any case, I'd just like to also clarify that for a brand like Campus, we've always anyways adhere to the highest standards of quality. So even though the BIS standards are decently stringent, we pretty much fall into, I would say from the previous legacy days also, we've been falling into these standards just by the sheer quality standards that we maintain. So we've been complying with BIS anyways.

Piyush Singh: As an update, our testing labs have already been approved by the government. They are already in place. We are just waiting for the testing standards to be released by the government. The moment they get released, we believe that we'll be able to churn out BIS certified footwear in no time.

Moderator: Thank you. We take the next question from the line of Bharat Giani from Money Control. Please go ahead, sir.

Bharat Giani: Two questions from my side. One is in the presentation, we have seen that you mentioned that in the trailing 12-month period, our growth has been kind of a flat, if I see the overall revenue growth. So what would you attribute this factor to the overall industry slowdown or have you seen a market share loss in the trailing 12 months, so that would be my first question?

Piyush Singh: Bharat, we have directionally gained market share is even you cover the entire industry, you are well aware of the fact that industry last year, all the segments put together and specifically sports footwear, other segments while degrowth, sport footwear has grown in single digits. While on a trailing 12-month basis, we have maintained a growth rate of 24% to 25% which is way above the industry standard. So, this clearly implies that directionally we have gained market share across newer emerging markets where we have pull it over the last three to five years and at the same time, we have kind of held the fort, maintained share in territories which have seen some bit of degrowth over the period in discussion. So, clearly we have gained share, not otherwise.

Bharat Giani: And so next question is that while we have mentioned a lot about how the margin trajectory over a five-year horizon kind of will improve? Our endeavor would be to improve margins, but I guess the state is more concerned about the growth trajectory, so in the last trailing 12 months as we have seen revenues getting impacted obviously that is to do with, as you pointed out that would be due to the market slowdown. But when do you feel that the Campus will get back to its growth trajectory that we have seen Pre-IPO or if I put it in the other words, over the next four to five years horizon, what's your revenue growth rate that you target?

Nikhil Agarwal: Bharat, when we entered the markets with an IPO, our 3-year CAGR, 5-year CAGR was somewhere in the range of 24% to 27%. We believe that last year also FY23, if you look at our trailing 12 months, if you're referring to, we have maintained that kind of growth trajectory. See, there have been some shift in the margin profile, but at the same time we have maintained this that in a slowdown kind of a scenario if we have to pick between the two, we'll still go after growth at any cost for right now with their respectable margin profile because margins are easy to recoup in a stable macro. But at the same time, it's our endeavor to gain more and more market share, gain more and more shelf space because that is something which is sticky in nature. Margins are easy to recover, but growth becomes elusive in competitive markets. So, we believe that slowdown is a blessing in disguise. These are pockets of opportunity wherein you get a shot at gaining more market share when others are actually not that much focused on the same activity. Hope that answers your question. Very soon we'll get back to our standard margin profile. That's nothing to worry about.

Moderator: Thank you, sir. We will take the next question from the line of Mr. Deepak from IGE India Invest. Please go ahead sir.

Deepak: I would like to understand what gives us confidence to gain the market share further in future. What differentiate the things we are doing compared to the other players and what's the market outlook here on? Are we behind the low growth situation from now onwards the consumer demanding picking up or would like to have your views. Thank you.

Nikhil Agarwal: Hi, Deepak. So certainly see, we've experienced a sort of a lull in the market in the last 12 to 14 months. Just this is an overall macro slowdown which every single footwear manufacturer has experienced. But going forward, we believe due to many reasons that it's been a good monsoon this year, the festive season as well and the elections also coming up very soon, we believe that H2 second half of this year should result in better demand along with complementary margins. And even going back to the company basics, Campus, the biggest USP, we have 4 pillars on which we take pride. Really, one is the largest R&D in the country, the most developed number of designs that we churn out, latest trends. The 2nd is the largest vertically integrated manufacturing ecosystem that we have. So, nobody is even close to the kind of capacity that we can produce which is about 35 million pairs of capacity every year and third is our entire Omni channel platform where we have the largest integrated sales ecosystem between online and offline. And lastly, being the most innovative brand, marketing techniques that we've used and the strategies that we have followed and which have resulted in significant appreciation of the brand in the last two years. So given these basic concepts that the brand sort of hinges on, we have seen very decent growth over these last 10 to 15 years and there is no reason that should not happen going forward as well. We just need to stick to the basics and we're keeping it simple.

Deepak: Any new category of product apart from sports shoes, which we are planning to enter like the other competitive player?

Piyush Singh: We have a very exciting sneaker range, along with our sports shoe ranges and we'll keep on beefing our casual footwear category because we see a lot of potential in that category along with the sports shoe category that we currently champion. You will see something really refreshing, exciting in our current offering in the autumn-winter season. Currently, our trade shows are going on. The signs are very encouraging. You will see a lot of refreshing ranges, both in the sports shoe category and the sneaker category coming your way in the next couple of months.

Moderator: Thank you. We'll take the next question from the line of Manish Dhariwal from Fiducia Capital. Please go ahead.

Manish Dhariwal: See, I'm new to the company and so I have some basic questions. So one is that, does the promoter family have any other businesses other than software business?

Nikhil Agarwal: No, we don't. The promoter family is completely vested into only this business.

Manish Dhariwal: That's wonderful to hear. And secondly, has the promoter group reduced your stake in the recent past?

Nikhil Agarwal: No, we have not.

Piyush Singh: No, they have not sold even a single share since the IPO.

Nikhil Agarwal: There has been no change since the IPO, not even a single share.

Manish Dhariwal: The last thing is that, see, I've observed that like the premiumization and everything is like, I think that's very good to hear. But then why is it not getting reflected in the ASP? See ultimately, if I'm selling a premium product then I'll be able to secure a better price which will reflect in my ASP. So that actually is not reflecting, so if you could just help me understand that bit?

Piyush Singh: Yeah. So see, there is a sustained improvement in that ASP. If you look at a 10-year CAGR, ASP is improved by 7%. So, what you see at the store is a maximum selling price, maximum retail price, MRP. The Company gets only a part of it, the rest of it goes as taxes and channel margins. So, if there is say 10% increase in our MRP, year after year you will see only say 4% to 5% of it reflecting in our ASP because that's what the ratio of MRP to exactly is for a brand like us. So, we are predominantly a distribution-oriented company wherein our company margin is close to 50%, roughly 35%-40% goes to channel and then the remaining goes as taxes. So if 10% price increase is there or premiumization is there, half of it will reflect in the ASP and that's kind of the simple alignment between our numbers and the products that you see out there in the market.

Moderator: Thank you, sir. We will take the next question from the line of Ashish Gupta from Goldfish Capital Advisors. Please go ahead, sir.

Ashish Gupta: Just one input from my side to the management, please include the subcontracting charges in panel in your investor deck so that we get a clear picture of the gross profit margin per quarter that will be very helpful to understand. So it's close to 5% to 6% of your revenue in the subcontracting charges which sits in other expenses.

Piyush Singh: While we hear you, some of these company level IP's because it will eventually give away the kind of arrangements, exclusive arrangements that we have with our network partners. While we hear you, but this is one piece of information that we won't be able to..

Ashish Gupta: Anyways you're giving it in your annual report. That's the reason why, since it comes in your annual report that will be a problem coming out quarterly results, it is just a number.

Piyush Singh: So, we hear you, sure we'll take this into consideration. Thanks for highlighting that it is anyways part of the annual report.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Nikhil Agarwal: Thank you so much everyone for reimposing your faith in Campus. We are extremely delighted to share these set of numbers with you for quarter one and going forward as well, we assure you that Campus is in the best, well placed position along with a lot of these external factors that are also giving tailwinds to the brand like the BIS coming into play and the onset of festive season. So we're looking forward to a decent and a very good second half of the year going forward. Thank you everyone for joining the call.

Moderator: Thank you. On behalf of Campus Activewear Limited, that concludes this conference. Thank you for joining us. And in case of any further queries, please reach out to Campus Activewear's Investor Relations team at ird@campusshoes.com. You may now disconnect your lines. Thank you.