

17th November 2025

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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
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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/Ma'am,

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 Analysts/ Investors on 12th November 2025 and the same is also available on the Company's website i.e. www.campusactivewear.com.

This is for your information and records.

Thanking you

For **Campus Activewear Limited**

Archana Maini
General Counsel & Company Secretary
Membership No. A16092

Encl: As above

Campus Activewear Limited
Q2 and H1 FY'26 Earnings Conference Call
November 12, 2025

Moderator: Ladies and gentlemen, good day and welcome to Campus Activewear Limited Q2 and H1 FY '26 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 this 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 business that could cause future results, performance or achievements to differ significantly from what is expressed or implied by such forward-looking statements. The Campus Activewear's management team is represented by Mr. Nikhil Aggarwal, Whole-Time Director and CEO; and Mr. Sanjay Chhabra, CFO.

I now hand the conference over to Mr. Nikhil Aggarwal – Whole-Time Director and CEO, for his opening remarks. Thank you and over to you, sir.

Nikhil Aggarwal: Thank you. Good evening, everyone. Thank you all for joining us today for our Quarter 2 and H1 FY '26 Earnings Call.

I am excited to share with you the performance of our company in the 2nd Quarter and the first half of FY '26. Our results reflect the strength of our distribution-led strategy and our unwavering focus on high growth categories. This quarter, we experienced strong revenue growth of 16% while our profit after tax surged by 40%. This remarkable achievement is primarily driven by the robust momentum in our distribution business delivering a 20% growth Y-o-Y.

During the quarter, Campus Activewear's Annual Retailer Meet 2025 themed Move Together, Grow Together reflected our brand philosophy of Move Your Way and emphasized our commitment to co-creating progress with our extensive retail network. The event was not just about showcasing our product portfolio; it was a celebration of our shared momentum and the evolving insights into consumer needs. From trendy sneakers to women's athleisure, our retail partners are truly the heartbeat of our movement across India. The event was attended by 150 retailers thereby enhancing our consumer engagement, bolstering our distribution network

along with a higher brand visibility. Our online sales saw modest growth of 5.7% influenced by the timing shift of major festive sales post announcement of GST reforms. Moving to category performances, I would like to highlight the outstanding performance of our premium segment, that is INR 1,500-plus price point, the saliency of which has improved from 45.2% to 57.2% Y-o-Y leading to an improvement in ASP by INR 50 during Quarter 2 FY '26.

We are also thrilled to announce that actor Kriti Sanon is the new face of our women's category at Campus Activewear. This partnership positions us to build on our momentum by enhancing our design language, delivering innovative products specifically tailored for women and reinforcing Campus' leadership in this rapidly growing category. During the quarter, we have seen an encouraging improvement in the women's category mix, aligning perfectly with our strategy to broaden our appeal across diverse demographics.

Operationally, we are committed to investing in our future. We are excited to announce plans for the new factory at Pant Nagar to further augment our premium upper capacity. We continue to invest in marketing to fuel our brand-building initiatives, which are already translating into tangible growth across all channels. Looking ahead, we remain optimistic about the future. The recent reductions in GST rates are expected to spur demand and we anticipate sustained momentum in our premium segment bolstered by our distribution strength and capacity expansion plans.

We are dedicated to delivering consistent growth, enhancing shareholder value and creating long-term opportunities for all our stakeholders. I thank all the stakeholders for their continued support and belief in our vision.

Thank you and now I hand over the call to our CFO – Mr. Sanjay Chhabra, to take you through more details on this quarter.

Sanjay Chhabra:

Thank you, Nikhil. Good evening, everyone, and thank you for joining us in Q2 and H1 FY '26 Earnings Call for Campus. I would first take you through the highlights of the performance.

Our operating revenue grew by 16% Y-o-Y to INR 387 crores in Quarter 2 FY '26 largely driven by distribution channel, which has registered a growth of 20%. Online channel has grown by 6%. The company sold roughly 5.75 million pairs of shoes in this quarter versus 5.36 million pairs last year. The average selling price grew by 8% Y-o-Y to INR 672 versus INR 622 per pair last year.

During the quarter, business model with our online channel partners got realigned. Our channel partners are now directly charging goods transportation charges from their customers and accordingly, our revenue and freight and commission expenses are lower by INR 8 crores. The overall revenue growth versus last year is adversely impacted by approximately 2% due to

this change in business model. Women's share in revenue mix has improved from 14.2% last year to 16.2% during Quarter 2 FY '26.

Our gross margins were at 53.9% in Quarter 2 versus 52.8% during last year, driven by better product mix and selective price corrections fully offsetting the ASP reduction in online channel due to the above said change in business model. Our EBITDA for this quarter was at INR 55 crores. The EBITDA margin stood at 14% during the quarter, an improvement of 140 basis points versus last year driven by higher gross margins. Our PAT for the quarter was INR 20 crores. The PAT margin stood at 5.1% during the quarter, an improvement of 90 basis points versus last year again driven by the gross margin improvement.

Our balance sheet continues to show strength and robust return ratios such as return on capital employed and return on equity of 16.6% and 18%, respectively, as at the end of quarter. The net working capital days also improved to 82 days versus 92 days during Quarter 2 last year despite higher inventory buildup for the upcoming season. Our current borrowings have increased during the quarter to meet our immediate working capital requirements, but we see these borrowings to normalize by end of financial year.

With this summary, I will now conclude my remarks and open the floor to the moderator for the Q&A session. Thank you.

Moderator: Thank you, sir. First question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Congratulations on a good growth pickup. So, Nikhil, so most FMCG peers are reporting some dip in volumes due to channel's focus on clearance of higher price inventory as these prices were sort of scheduled to be cut during the quarter. I wanted to check if there was any growth impact of this change for us also during Q2.

Nikhil Aggarwal: So, we did face 15 days of disruption in September after the GST cut announcement and by the postponement of the festive season sales, the PBT and all. But yes, we were well positioned by then for the quarter and we have been able to still deliver like 7.5% volume growth in spite of that. So, is there anything else you wish to understand in this regard?

Devanshu Bansal: Yes. So, Nikhil, sir, my question was as in the growth has been very decent in Q2. So, do you see that channel inventory is now at below normal levels and in Q3 we may see even faster growth? So, that was the intent of this question.

Nikhil Aggarwal: So, I mean we do expect GST benefit to create better demand for sure and what we can do from our side is basically focus on execution on the back end and front end. That is what we have primarily done and built up inventory both at the company level and good primary, right,

at the distribution level. So, as and when as the markets open up, we are fully geared up to capitalize on the demand.

Devanshu Bansal: Fair enough and with this GST reduction, another benefit that has happened is the price advantage that unorganized players sort of used to enjoy has sort of significantly reduced now. Any initial signs that you're picking from higher shelf space allocations for, say, organized brands like us at the retail stores? So, any initial signs if you can highlight?

Nikhil Aggarwal: So, well, we have also reduced. Like everybody else, we have also taken a cut on pricing to reflect the GST benefit to the ultimate consumer. And we do expect that over medium and long term, definitely this is going to expand volume for organized players and so that is part of our strategy in terms of capacity expansion as well and we expect volumes to further grow on this basis.

Sanjay Chhabra: As Nikhil mentioned clearly on the GST cuts, I mean barring that, even our distributor channel inventory remains consistently at 100-odd days. So, there's no increase or I would say there's no decrease and we are hopeful that the way secondaries are shaping up, the momentum would continue.

Devanshu Bansal: Fair enough, sir. And lastly, I wanted to understand we have been sort of investing in capacity expansion for both uppers and soles in the company itself. So, wanted to check currently in our P&L, what is the cost of these uppers and soles that we are sourcing from third parties? So, just if you could provide some clarity there.

Sanjay Chhabra: Okay. Just to do a small correction here, we did invest in sole capacity augmentation last year. Current year it is focused around upper capacity. And the intent behind this investment is to have a control over the supply chain, in particular in the premium segment wherein the fabricators or the job brokers don't do a high-end CAPEX for the premium upper and that is something which we need to do in-house and we realize that the way demand is moving towards the premium upper or sneaker side of the business, we need to augment that capacity and in pursuit of that only, these investments are being made. The costing part of course in-house is always slightly better compared to outsourced version. The initial CAPEX is our investment to do.

Moderator: Thank you sir. Next question is from the line of Gaurav Jogani from JM Financial. Please go ahead.

Gaurav Jogani: Congratulations on the strong set of growth. My question is twofold. First on the revenue part. If we look at your online absolute volumes also, the absolute volumes have kind of declined and I'm understanding this is largely because of the shift in the Big Billion Days sale, right? So, probably the spend that we have done ahead of the first sales should benefit in Q3. Is that the right understanding?

Nikhil Aggarwal: That's correct, Gaurav, yes. So, there has been a shift of sales that way, but the marketing has been spent with that regard.

Gaurav Jogani: So, I was just saying that Q3-Q4 ideally should see better margins given that the advertisement spend have been bit contained.

Nikhil Aggarwal: So, yes, advertisement is just a phasing effect like we have seen about 10.5% A&P expense in Quarter 2, which should have been 8.5%, right? So, this is just a phasing thing. We expect the overall A&P expense for the entire year to still end up at around 8.5%, same as last year.

Gaurav Jogani: And just on the align question here. The D2C offline has kind of seen a very smart 35% growth albeit on a very low base and we have seen LFS doors have increased by 200 doors Q-o-Q. So, does the increase in the LFS is largely the reason for the increase in contribution from the D2C offline channel?

Nikhil Aggarwal: That is correct, yes. LFS has picked up quite well with the addition of new doors and new accounts. So, while we are stable on the EBO front and LFS export little bit and also both of them have contributed to the additional D2C offline growth.

Gaurav Jogani: Nikhil, between LFS export and one more thing you mentioned, sir.

Nikhil Aggarwal: Defense channels.

Gaurav Jogani: Okay and just lastly, 1 question on again the distribution side. While we have seen a handsome 20% growth, are the secondary sales also tracking in line in the month of October? Because as I mentioned that there is 100 days of inventory typically at the distributor level. So, are the primary secondary now very much aligned? So, just there is no channel filling ahead of the festive season is what the question is?

Sanjay Chhabra: With the announcement of GST, there was fair bit of, I would say, trade spend aligned both towards primary and secondary. So, our focus was to keep the inventory in the channel at same level instead of letting it increase for whatever reason. So, we are perfectly fine with the channel inventory levels. They are not skewed anyways.

Gaurav Jogani: And sir, and hopefully, the October month is also trending well. If you can give some sense on that?

Sanjay Chhabra: So, far, so good is how I would put it.

Moderator: Thank you. Next question is from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Congrats on a strong revenue growth print. My first question was again on MBO. So, is there anything different in terms of the product mix? Maybe you can talk about how sneakers grew, which was driving some delta on growth because otherwise this channel was growing at somewhere like 8%, 9%, right, since last 3 quarters. So, has anything different happened, which you can kind of give color on?

Sanjay Chhabra: Okay. Umang, it's more around execution. As Nikhil mentioned earlier, like we are focusing both on the back-end product development and execution in-house and also on the front end on the distribution side. So, there has been increase in the number of retail outlets where we have built consistently more than 12 players. So, I would say that repeat billing has been there and also the premium portfolio what we talked about, including sneakers. So, there we have seen a fair amount of traction and that has resulted in this disproportionate growth.

Umang Mehta: Understood. And any volume growth you can call out on sneakers front?

Sanjay Chhabra: I would say that we would bucket it under premium category, which is above INR 1,500 price point instead of calling out sneaker as separately.

Umang Mehta: Sure. Okay. And just the second question was again on this online festive sales push. Sorry if I missed anything, but at least Big Billion Days was earlier, right, 3, 4 days this year.

Sanjay Chhabra: Yes. So, I mean if you compare it versus last year same quarter, then we got an advantage of 2 to 3 days sales. Big Billion Day opened on 22nd September, but considering the transit time, last 5 days sales is not recognized in this quarter. It will get recognized in next quarter. Last year Big Billion Day opened on 28th September so we didn't have advantage of a single day of sales.

Umang Mehta: Yes. So, in that context, your comment that online sales were impacted by a shift in online sales. Were there any other kind of sales which you're taking into account?

Sanjay Chhabra: Okay. So, I would rather correct it. It was not in relation to last year, but had BBD also been in place earlier, then even online channel would have shown a decent amount of growth compared to distribution channel. That is what the intent is.

Moderator: Thank you. Next question is from the line of Prerna Jhunjhunwala from Elara Securities. Please go ahead.

Prerna Jhunjhunwala: I also wanted to understand the sneaker performance as that has been the focus category to premiumize and the ASP that we've seen at INR 672 is we are in the similar range since last 3 quarters. So, is there a seasonality wherein Q2 is generally lower that we're highlighting that the ASPs have been great?

Nikhil Aggarwal: Prerna, so 2 things have happened here. One is that we have also taken some correction on our open portfolio with respect to very low price points, which were sort of margin dilutive. So,

we have corrected that portfolio and taken a bit of a volume correction there. And we have increased our premium portfolio on the sneaker side significantly due to confidential strategic reasons. I would not like to call out exact volume, but I can tell you that it's been growing 100% plus Y-o-Y. So, the performance has been very encouraging on the sneaker side and therefore, the future expansion is also aligned in that respect.

Perna Jhunjunwala: Okay. Understood. And I mean I know that you're not calling it out, but could you also help us with your strategy on women and kids wear, how you are planning to approach these 2 segments and penetrate there?

Nikhil Aggarwal: Sure. So, as per the continued growth levers that we've been calling out, we are focusing a lot on both these categories, women and kids, and we have seen a 2% uptick in the market in our saliency. Because of the additional NPDs that we've been launching, the new product development is very much focused on women and kids shoes; very high quality, very high-end shoes and very good style. So, the overall portfolio of course adds up to that and then there is certain incentive structures also aligned with the channel partners along these lines with respect to these categories. And also the brand ambassador, right, Kriti Sanon that we've just taken up. So, a lot of initiatives have been taken with regards to increasing the share of women and kids segment.

Perna Jhunjunwala: Okay. And last question, could you help us with this saliency? You mentioned 2% uptick, but women and kids would form what percentage today of your sales?

Nikhil Aggarwal: 16.2% is women and...

Sanjay Chhabra: Kids and child would be another around 4% to 5%.

Nikhil Aggarwal: So, yes, 78% approximately is men.

Moderator: Thank you. Next question is from the line of Resha Mehta from GreenEdge Wealth. Please go ahead.

Resha Mehta: So, we have seen increasing our capacity for the sole and uppers. So, any strategic reason apart from the fact that as we premiumize, the vendors would not really invest so much for premium capacity. So, any other strategic reason which gives us this advantage because of which we are investing in soles and uppers?

Nikhil Aggarwal: Sure. So, there are 2, 3 things that basically help us take this decision of additional CAPEX in our own capacities. One is that it's the IP protection, which is a big lever in our segment so it basically pushes out the competition by a good 6 to 8 months in terms of the launches that we first launch. And secondly, it is about investing in state-of-the-art technologies, which a lot of our vendor base is unable to do. So, the kind of plants that we are now setting up with Haridwar

2 and now Pant Nagar coming up, the technologies here is basically the same as the ones in China or Vietnam that are making shoes for the MNC brands and with these technologies, we can basically make extremely high quality MNC level shoes and we have seen that already with regards to our sneaker portfolio in the market today. So, it just helps us premiumize much faster and more in control.

Resha Mehta: So, this China, Vietnam like technology is basically there for our entire capacities in soles and uppers or it's only for the incremental new capacity addition that we're doing, it would be flat.

Nikhil Aggarwal: This is for the incremental upper capacity. Sole is, like Sanjay called out, it was last year of course with again state-of-the-art sole technology. But on the upper side, this year the focus has been on mainly upper and these are basically automatic stitching plants where the human intervention is very less, therefore, leading to much higher finish on the upper similar to how it comes from China and Vietnam.

Resha Mehta: Got it. And can you just call out what is this accounting change for freight and fixed fee commission by Flipkart and Myntra?

Sanjay Chhabra: Okay. So, in the earlier quarter, I mean this change has happened from 16th of June. So, in the earlier period we used to bill, let's say, for INR 1,000 and Flipkart and Myntra used to pay us INR 850 after deducting commission and freight. But now we are billing them for INR 850 because they are charging freight as a separate invoice to the consumer. So, consequently, my revenue has gone down by 12% to 15% and my expense also have gone down in these 2 lines, both freight line and commission line.

Resha Mehta: Understood. And I see that our receivables have also reduced in H1 versus the previous time period. So, I mean is it structural or is this just one-off?

Sanjay Chhabra: It's not one-off. I would say that it is driven by a combination of the channel mix. So, our distribution channel has performed well and of course we do have cash discount schemes wherein we encourage our channel partners to avail cash discount and pay us on time. So, that strategy has worked. However, the period-end receivables would get influenced by how much outright sales we are doing in that quarter or how much we are selling to the large format stores wherein the credit period is higher.

Resha Mehta: Okay. And lastly, just on the export bit. So, currently it is a very small part of our revenue, but how do we see the potential shaping up, let's say, in the next 2 to 3 years? What is the kind of revenue potential and here would the margins be higher and would it be under our own brand name?

Nikhil Aggarwal: Yes. So, it would be under our own brand name. We are approaching export as a proper GTM strategy and not just a one-off like a trading sort of strategy. So, wherever we are entering for

example we are selling in Sri Lanka, we've tied up with very high quality partner there. So, we've basically launched the product in the malls with proper marketing, right, and it's not just trading in one of their MBOs. So, it's across the entire distribution network there. And so similar thing we've done in Morocco and a couple of other countries. So, we have a longer-term vision for export to grow it sustainably and with a proper brand in place. So, that's what the idea is and that's how we're approaching it. So, while obviously it is a pretty nascent business at this point, but we are excited about the growth of this opportunity as well. As India is actually one of the lowest cost producers in the world today far beating China by a significant margin in terms of cost so we do believe export is a very lucrative opportunity for the entire country going forward.

Moderator: Thank you. Next question is from the line of Shraddha from SMIFS. Please go ahead.

Shraddha Kapadia: Congratulations on the good set of numbers. Sir, so I actually joined a bit late. So, if you could just give a bit of clarification with terms to the change of inventory valuation. And also if you could just give a basic like the working capital intensity for your H2, any targets which you have in mind?

Sanjay Chhabra: Okay. So, our FG inventory is influenced by seasonality. So, normally during closure of Q2, the inventory goes up depending on the phasing of Diwali and of course Q3 is our biggest quarter. So, the requirement for working capital increases in Q2. Apart from that, in this year there has been a change in MSME laws. So, many of our vendors are falling in the definition of MSME so our payment terms to them have got revised from 90 days to 45 days. These 2 trigger points have led to a higher working capital requirement. But we foresee that by end of March, we will be able to sort of reduce our both working capital and our borrowings, which are sitting in the balance sheet. If you are in isolation looking only at the borrowings, then it needs to be read together with the other receivables line wherein we have an equivalent amount of fixed deposits sitting. So, the borrowings is just a stop gap arrangement to benefit from the arbitrage. Our fixed deposits are at a higher rate versus the borrowings.

Shraddha Kapadia: Yes. If you could give a bit of clarity or throw more light on change of the inventory valuation.

Sanjay Chhabra: So, that is just to align with the industry standards and also to sort of simplify our working. So, does not have any material impact FIFO versus weighted average what we have done. So, most of our procurements are on a long-term contract, the rates are consistent all the quarters. So, let's say for example, our sole procurements for the last 6 months or rather last 1.5 years has been at the same rate. So, whichever way, I mean if you value it at FIFO or weighted average, it remains same. Most of the industry players are following weighted average barring Bata. So, we have aligned it for the sake of comparability and also for the sake of with moving on to SAP like using the standard functionality. So, there are advantages both the ways.

Shraddha Kapadia: Sure, sir. That was helpful. So, we don't have any specific onetime gain or loss with regards to this, right?

Sanjay Chhabra: It is so immaterial that it has not been quantified. Most of our procurements are at a consistent rate.

Shraddha Kapadia: Okay, sir. Also sir, if we consider our first half growth, then it is approximately 8% which is there. So, if you could just help us with the second half or the full year growth which is expected?

Nikhil Aggarwal: Yes. So, Quarter 1 we had some challenges with respect to the warehouse shifting that we called out and we have been able to mitigate most of those challenges. So, we hope to continue the same momentum as we have done in Quarter 2 and we're still aspiring for a double-digit growth for the end of the year like for the whole year.

Moderator: Thank you. Next question is from the line of Avinash Karumanchi from Motilal Oswal Financial Services Limited. Please go ahead.

Avinash Karumanchi: Congrats on good set of numbers. This is more a bookkeeping question. So, what happened to the lease liabilities? The cash flow from lease repayments have jumped sharply from somewhere around INR 20 crores to INR 80 crores.

Sanjay Chhabra: Okay. So, this is Sanjay. So, our lease liabilities have increased primarily because of the Pant Nagar facility that is on a 71-year lease from SIIDCUL Industrial Development Authority. So, you would have seen our announcement when we did this acquisition. So, this acquisition is both land and building. Building has got capitalized in the fixed asset bucket or currently it is sitting in CWIP. But the land part, which is on a lease, is sitting in ROU and also in the lease liability.

Avinash Karumanchi: Okay. How should we see the depreciation and interest cost going ahead because of this thing on an annualized basis?

Sanjay Chhabra: So, this is on a 71-year lease, has an implication of around INR 5 lakh per month. So, that's how the land lease rental will get charged off to the P&L.

Avinash Karumanchi: Okay. And this INR 75 crores for this facility, how do you see this increase in the balance sheet be it in fixed assets or right of use assets? So, this all-cash transactions for INR 75 crores regarding this facility. I don't see a similar increase in your asset base because of this transaction.

Sanjay Chhabra: So, that is what I explained, around INR 20-odd crores is sitting in the building and around INR 65 crores which pertains to land. So, the total cost apart from INR 75 crores, it is the registration fees and the SIIDCUL levy put together is around INR 86 crores, INR 20-odd crores to the extent

of building is sitting in CWIP in the fixed asset line and remaining to the extent of land is sitting in the ROU and lease liability.

Moderator: Thank you. Next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Sorry, my questions have been answered.

Moderator: Thank you. Next follow-up question is from the line of Resha Mehta from GreenEdge Wealth. Please go ahead.

Resha Mehta: So, on the exports, sir, what is the vision in terms of revenue, some numbers here and also would this be a much higher margin business?

Nikhil Aggarwal: So, I think it is too little early on this call to call out the next 2-, 3-year vision map. But maybe I think by the end of this year, we can call it out by, let's say, April. And margin, certainly it could be higher margin business given that we have lower cost than the other countries like China. But like I said, it is still in WIP. It is a very small business at this point and let us come back to you on a bigger plan in 2 quarters from now once we have a fair bit of visibility.

Resha Mehta: Right and on the margin front, right, so I think we are at around 13.5% kind of EBITDA margin for H1 while our aspiration has always been to go back to the 16%, 17% kind of margins or probably even higher. So, how do we make this transition from, let's say, 13.5%, 14% margins to 17% kind of margins?

Nikhil Aggarwal: So, we are actually there if you normalize it and you take out the phasing impact of marketing, which is just a phasing thing for Quarter 2 as we expect marketing to still close at 8.5%, the same as last year. So, if you put that back into EBITDA so we have basically delivered about 16% on a normalized basis and plus we also have a slight one-off in terms of the Haridwar 2 ramp-up where the employee cost has gone up and it has had an impact of 0.4% on the material margin. But this, as we are ramping up the plant quite rapidly, we expect to neutralize this impact as well by the end of the year. So, broadly if you normalize the business with respect to marketing, we are at 16% EBITDA this quarter.

Resha Mehta: And the aspiration is to move to 17%, 18% or 16% is the steady-state margin that we can assume we would like to aspire for?

Nikhil Aggarwal: The aspiration is always there. We still maintain and that's what we are working on in terms of the premium portfolio and eventually, the premium portfolio will deliver much higher margin as well. So, net-net like going forward, we should be expecting margin growth.

Resha Mehta: And just lastly, any diversification thoughts on apparel or accessories?

Nikhil Aggarwal: Yes. So, we have accessories. While we have been doing accessories for quite some time already in our EBOs, apparels we are just launching in this quarter, Quarter 3, and some stores have already been launched. So, it is something that we are very excited about and it's a pilot that we are doing currently with about 60 of our EBOs to gauge the response of the end consumer. It is a very high quality, high set apparel line that we've launched. And maybe we'll come back to you with an update on that at the end of Quarter 3.

Resha Mehta: And if I can squeeze in 1 more. So, accessories would be what percentage of our revenue, let's say, in FY '25?

Nikhil Aggarwal: Roughly about 3%, I would say, close to 3%.

Sanjay Chhabra: Between 2% to 3%, Resha.

Moderator: Thank you. Next question is from the line of Gaurav Jogani from JM Financial. Please go ahead.

Gaurav Jogani: Just on the CAPEX, I want to understand that we have outlined a good CAPEX amount of around INR 280-odd crores. So, of that, how much this will lead to the capacity of the borrowed basis and till what kind of stage this capacity will suffice for?

Sanjay Chhabra: So, Gaurav, this outlook on CAPEX is for 3 financial years. So, in the year 1, which is current financial year, we are just focusing towards setting up an upper line here which would augment the capacity by roughly 3 lakh pairs per month, which 36 lakh pairs per year. Then in phase 2, it will be a repeat of this. And then in phase 3, we will augment our assembly capacity. So, there's a 3-year road map and the CAPEX will be distributed over these 3 years. Of course year 1 has a higher skew because of the land and building CAPEX.

Gaurav Jogani: Sure. And the quantum is right, INR 279 crores or INR 280 crores, that would be the CAPEX, right?

Sanjay Chhabra: INR 230 crores.

Gaurav Jogani: INR 230 crores. Okay. And so this year apart from this the additional CAPEX that we have done on this capacity, what kind of CAPEX we overall can we expect for the year?

Sanjay Chhabra: So, overall, our outlook remains same for the routine or maintenance CAPEX as we call it, around INR 40-odd crores which would include some CAPEX on stores, some CAPEX on IT infra and of course the regular CAPEX on molds for sole. So, the range of INR 40 crores to INR 50 crores is our regular maintenance CAPEX. Apart from that, there will be this Pant Nagar thing, that CAPEX will be there.

Gaurav Jogani: And phase 1 would be, sir, how much phase 1 like this year?

Sanjay Chhabra: So, including this land and building, we are likely to spend around INR 110 crores to INR 115 crores in Pant Nagar.

Gaurav Jogani: Sure. And sir, I mean like this 72 lakh pairs rather we will be able to add in the next 2 years and the assembly capacity, how much that will help to add, the third year assembly capacity also?

Sanjay Chhabra: That would again, Gaurav, it will be straight away 6 lakhs pairs per month. So, the intent is that Pant Nagar should be self-sufficient both in upper and then the same upper will get converted into FG at Pant Nagar itself instead of Pant Nagar feeding our other plants.

Moderator: Thank you. Next follow-up question is from the line of Perna Jhunjhunwala from Elara Securities. Please go ahead.

Perna Jhunjhunwala: Just wanted to understand your EBO expansion strategy. You are at 290-odd stores today. Please help us understand what would be your EBO expansion strategy for '26, '27, '28?

Nikhil Aggarwal: Sure. So, we slowed down slightly in this year for EBOs primarily to focus on profitability and to also optimize the store levels and with these new launches of new categories like apparel, right? So, we'll bring the focus back next year. This year we have taken a bit of a pause to basically focus on profitability. Next 2-3 years, we do expect to get back to the earlier momentum of at least 70 to 75 stores per year ramping up to, let's say, close to 500 stores in the next 3 years, right? So, that would give us a very good sort of base for even like additional growth and premiumization.

Perna Jhunjhunwala: And just wanted some highlight on demand in Tier 1, Tier 2, Tier 3 cities. Are they similar or there is some higher momentum in any of the categories here?

Nikhil Aggarwal: No. So, for the premiumized sneaker range, we have seen similar momentum across all geographies mainly because I would say, one is the BIS impact where a lot of the similar goods used to come from China and that is not coming anymore. So, there is a very clearly visible gap in the market. And secondly, we don't know of any other manufacturer in the country who is making similar level of sneakers, similar quality because nobody has this kind of setup for sneakers. And that's definitely one of our focus areas along with the core portfolio of sports shoes that we anyways are very strong in. So, we have seen like similar sort of across different tiers. We've not seen disproportionate growth from one or the other.

Moderator: Thank you. Next question is from the line of Manasvi Shah from ICICI Prudential AMC. Please go ahead.

Manasvi Shah: Congratulations on a very good set of numbers. And apologies, I joined in the call a bit late. Just 2 questions from my side. One is, sir, a lot of other consumer companies have called out destocking led impact because of the entire GST transition. This quarter you have had a good

growth in distribution channel. But is there any sort of stocking impact especially because when I look at your working capital, that has elevated? So, that was the first question. And second, because we have passed the festive month, how has the momentum been especially in the online channel, which is a bit weak in Q2?

Sanjay Chhabra:

Yes, you joined a bit late. One question we have already answered. But on the distribution channel front, like we see that we are focusing more on secondary replenishment model and our inventories in the channel continues to be in the healthy range of 100-odd days. So, 3 months is something we presume that it takes from our factory to the distributor to the retailer. So, that's the kind of cycle time it is. So, we maintain an inventory of around 3 months with the channel and that's where it stands. So, there's not much of upstocking, which is getting reflected at their end. Of course we had a fair amount of goods in transit because there was a decent billing after 22nd after the GST got implemented and to your second question on higher working capital, I would say that if you look at numbers, like-for-like versus same quarter in the last year, the inventory levels have gone up just by INR 12-odd crores from INR 454 crores to INR 466 crores. Likewise, the overall working capital is at INR 372 crores versus INR 380 crores last year. So, the numbers have not gone that haywire, but our business has an element of seasonality. Q3 is the biggest quarter for us and hence, there is always a prebuild both at our end and at channel partners' end.

Manasvi Shah:

Okay. And sir, on the growth momentum for the fiscal?

Sanjay Chhabra:

As I mentioned that we see our channel inventory is at a fairly decent level so we see there is a secondary demand, there is a traction and of course, as Nikhil mentioned, that we are hopeful post this GST implementation, we will see sort of the consumers who were holding back themselves for their buying decisions should come up and do the shopping.

Manasvi Shah:

I actually meant more the online channel because I understand what you talked about distribution channel is very clear. Because online I mean the Diwali month has already passed and Q2--

Sanjay Chhabra:

Manasvi, we had a good traction in the Big Billion Day sales in the online channel on all the key platforms. But because of the accounting thing like most of our BBD sales have been considered as GIT and will get accounted for or will get recognized in Quarter 3.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today's con call. 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.