

3rd June 2023

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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

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 30th May 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
General Counsel & Company Secretary
Membership No. A16092

Encl: As above

Campus Activewear Limited
Earnings Conference Call
May 30, 2023

Moderator: Ladies and gentlemen, Good day and welcome to the Campus Activewear Limited Q4 FY23 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 the 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 risks uncertainties and other factors. It must be viewed in conjunction with our businesses that could cause future results, performance or achievement to differ significantly from what is express or implied by such forward-looking statements. The Campus Activewear management team is represented by Nikhil Aggarwal – Whole Time Director and CEO, Mr. Raman Chawla CFO, Mr. Piyush Singh – Chief Operating Officer, and Mr. Krishna Kumar – AVP Investor Relations. 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 very much and welcome everyone for joining our Q4 & FY23 Earnings Call today. FY23 has been a pivotal year in our journey to realize our vision to create India's leading sports and athleisure footwear brand. We are delighted to share that our annual performance has been broadly in line with our growth expectations despite the inflationary macro environment and demand contraction that we have witnessed in the rural and semi urban areas. Both our businesses that is trade distribution and D2C are shaping up well with the trade distribution crossing INR 800 crore milestone and D2C surpassing INR 650 crores milestone during this fiscal year while delivering an aggregate growth of 24% overall during the year.

During FY23, we sold more than 23.5 million pairs at an aggregate level thereby clocking a net income of more than INR 1,484 crores with a YoY growth of 24% versus FY22 which was INR 1,194 crores. Both trade distribution and direct to consumer channels have delivered a profitable growth of 10% and 48% respectively versus FY22. With an annual sale of 23.5 million pairs in FY23, we have registered a YoY volumetric growth of 22% in comparison to FY22. Not only volume but also our ASP is also grown by 2% from INR 620 to INR 631 in FY23. Despite witnessing a K shaped recovery curve post COVID wherein Tier-2, 3, 4 and semi urban and rural demand centers witnessed a down trading phenomenon. These centers normally contributed 68% of our FY23 sales. Our Balance sheet demonstrates the position of strength with robust return ratios such as ROCE and ROE of 23% and 24% respectively.

We are sincerely thankful to our end consumers, our channel partners, all our investors and stakeholders and our passionate team which has helped us in delivering this performance which earmarks the underlying strength and resilience of the brands. As always, we thank you for your invaluable support and investment. I would also like to put on record our outgoing CFO's Mr. Raman Chawla last day in the office would be as of 31st May and our new and we would like to take on record his contribution to the company over the last several years we thank you Raman and we are noting the incoming CFO Mr. Sanjay Chhabra to join us from the 1st of June.

Also, there has been another elevation in terms of Mr. Piyush Singh. He has been elevated from the role of the Chief Strategy Officer and Investor Relations Head towards Chief Operating Officer and Investor Relations Head as of immediate effect and with this new role he will be now responsible and handling all the sales channels including the trade distribution and not only D2C. And finally, the P&L linked to all the sales channels. So, we are looking forward to leading very good growth from here on with these new roles coming in. Thank you and I hand it over to Piyush now for his remarks.

Piyush Singh:

Thank you Nikhil and greetings to everyone. Adding on to what Nikhil just said, while sales growth and market share enhancement is of prime focus. Our endeavor is to ensure margin protection above a certain threshold which has been the essence of Q4 FY23. During the Quarter, our D2C business has demonstrated robust growth of more than 15% and our trade distribution business also is on assert path to recovery with year-on-year degrowth narrowing down to almost 10% for this quarter vs Q4FY22 which was on account of a higher base driven by pent up demand and delayed macroeconomic recovery in non-metros.

In Q4FY23 while being cognizant of market dynamics, we tried offsetting input cost inflation and transit increase in rate card with sales mix less premiumization. Our endeavors is to neutralize this downward impact with potential price increase, conversion cost optimization and enhanced operating leverage in the coming quarters. At the same time, we continued our planned investments towards brand building D2C network infrastructure expansion and talent acquisition which is the key to our growth in the coming quarters all of which is expected to generate margin accretive impact in the subsequent quarters.

In all our distribution channels category cohort and pricing segments ,we have demonstrated robust growth both in terms of volume and value despite sluggish macroeconomic recovery impacted by supply chain disruption and inflationary trends. Basis price segments our sales trend in Q4 FY23 has exhibited sustained premiumization vis-à-vis FY22 full year wherein sales contribution from semi premium and premium categories have increased from 64% in FY22 full year to 70% in Q4 FY23. Similarly, on a category basis revenue mix across men and women and kids and child have improved from 84 in favor of men and 16 in favor of the rest in FY22 to 80-20 in FY23 respectively.

On a full year basis, revenue from operations increased almost 24% YoY to INR 1,484 crores in FY23 as compared to FY22 full year revenue of INR 1,194 crores. While the material margin in FY23 stood at INR 730 crores at almost 49.5% vis-a-vis FY22 material margin at INR 590 crores which was also at 49.5% compared to our net sales. FY23 EBITDA stood at almost INR 256 crores as compared to FY22 full year EBITDA in INR 244 crores. FY23 EBITDA margin stood at 17.3% versus 20% in FY22. Margin compression in EBITDA is largely on account of sustained investments towards human capital, brand building and retail network expansion which are expected to generate positive operating leverage in the coming quarters. Now, the net profit during FY23 full year stood at INR 117 crores with the margin of almost 8% as against PAT of INR 108 crores in FY22 with the PAT margin of 9%. We continue to maintain a close watch on our input cost and are confident of restoring our trend line growth trajectory and margin profile in the coming quarters. I will now hand it over to our CFO – Mr. Raman Chawla to take you through more details on the Q4 and FY23 performance especially on the balance sheet side.

Raman Chawla:

Thank you so much Piyush. Good afternoon everyone, and welcome to Q4 FY23 Earnings Call of Campus Activewear Limited. During the quarter under review, Campus as a brand focused on preserving bottom line profitability while ensuring requisite investments in future capacity and brand building essential for sustained growth and margin expansion. Revenue from operations stood at INR 348 crores in Q4 FY23 versus INR 352 crores in Q4 FY22. Our net profit for the quarter stood at INR 23 crores. On the balance sheet side, our net debt excluding the lease liabilities has come down from INR 174 crores at FY22 end to INR 157 crores as of March 31st, 2023. Our net debt-to-EBITDA ratio has marginally come down from 0.7 X in FY22 to 0.6 X in FY23 end. Our working capital days have gone up marginally from 98 days in FY22 end to 134 days in FY23 end on account of the front loading of inventory while awaiting clarity over the BIS inventory norms expected to come in effect from 1st of July 23 to ensure the season readiness.

That said, despite a very challenging macro environment, our receivable days have stayed constant at 39 days of the sales outstanding throughout the year exhibiting sales and channel discipline. Similarly, we maintain a very robust ROCE at 24% and return on equity at 23% as of FY23 end. With this let me conclude and hand it over to the operator for question answers.

Moderator:

Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Chirag Shah from CLSA. Please go ahead.

Chirag Shah:

So my question is on the channel contribution in the last four years Nikhil we have also gone through a transformative change, how do you see this shaping in the future, how should we think about the channel contribution of course the share of online has gone up very sharply and will this be even more prominent channel going forward and how does the EBO channel also move? Second, Raman I think on inventory and working capital if you can just throw a little bit of light around what are the measures that we are taking to improve the overall working capital cycle and then Nikhil if you can just also spend some time on Slide 26 which is basically

the prime vectors going forward in terms of growth and just explain that a little bit in more detail please?

Nikhil Aggarwal: So, in terms of the channel splits, while D2C has done extremely well and both the online and EBO channels have grown consistently at a CAGR of more than 150% over the last few years. We believe that distribution is evolving in India quite rapidly given how the Udaan and Ajio of the world and the O2O platforms have also shaped up, but going forward we believe that this is one of the reasons why Piyush also has been elevated and we wanted to bring in all the sales channels under one roof in that sense and this should bring in a lot of efficiency into the system eventually is what we are targeting. So, we are looking at good growth in terms of distribution as well in terms of catching up on the distribution side especially from our South and West markets which has done really well over the last two to three years. The North and East market which are our core market they have suffered slightly, especially in distribution on account of lower demand and macroeconomic environment, but we believe that to be a short term pain. So, going forward I see that the split should somewhere sort of stabilize as 50:50 eventually for both the channel be a distribution and D2C.

Raman Chawla: Chirag you asked question on the inventory and the working capital. So, essentially as I mentioned in my opening comment our current working capital is at about 138 days and essentially the two big elements number one is all around the DSO which is we have maintained it despite a very soft macroeconomic environment and as far as the inventories are concerned essentially there are two aspects to it. We generally build up our inventory during the first quarter and the second quarter really for the season readiness and also there is a big change is also likely to come which is on the BIS and we are holding inventory also a little bit because of that. On a full year basis while we do not give any guidance all around these numbers, but working capital continues to be an important area in terms of efficiency and a priority point of view.

Chirag Shah: So, Raman as channel mix shifts, how will that impact our working capital cycle going forward?

Raman Chawla: Nothing really drastically that much although for the D2C channel there is a bit of a higher inventory requirement because we deal in pairs Versus let us say in our traditional distribution where we deal in cartoons, but on an overall basis, I think it does not affect too much there.

Piyush Singh: Just adding to what Raman just mentioned adding more flavor to the components of working capital while Raman has covered the inventory piece as D2C grows or accentuate further our receivable days we do not see any detrimental impact on those because the marketplace income kind of offsets any outright business that we are running and similarly our COCO model on the EBO side offsets anything on the franchisee side because we are looking at a balanced rollout across both D2C online and offline. So, we expect the same kind of channel discipline to be maintained across all our formats, be trade distribution, be it our D2C online or D2C offline or key account verticals with DSO days trending or receivable days trending at closer to 35 days,

but anywhere between 35 to 45 days as we have seen over the quarter. Inventory certainly the position would improve from here on. We have taken a cautious view because BIS comes into effect on 1st of July anything which is manufactured on 30th of June or prior to that is exempted from the regulation and as we see more clarity on the norms which needs to be followed for ascertaining the testing parameters or the testing requirement for BIS. It is only prudent for us to have the requisite inventory cover in place in order to avoid any demand side shocks coming our way. So we believe that is a prudent move to have a transient build up in place. So far as payables are concerned, payables are very much in line at a stage in the territory of 90 to 95 odd days so far as all our vendors are concerned. So I mean net aggregate we expect working capital cycle to be closer to 90 odd days and improving from there on eventual expectation is to bring it down to say 80 to 75 days in the medium term.

Chirag Shah:

Nikhil on the prime growth vector?

Piyush Singh:

There are quite a few things that we currently have in the pipeline given the current macroeconomic scenario. One given the K shape kind of recovery that we have seen wherein metros and Tier-ones have seen premiumization of the portfolio while Tier-2 Tier-3 and from there on semi urban and rural have seen some kind of down trading. We believe that we need to address the portfolio gap that is currently there in our portfolio in terms of affordable price points on the triple digit price points starting from INR 699 to INR 999. You will very soon you will see a portfolio filler coming in from our side offering similar quality standards, but as a sub brand within Campus that is very much necessary for us to address this market and this kind of scenario. Second is the extension of the product portfolio which you have seen over the last couple of quarters in terms of the launch of our casual range. The pilot has been satisfactorily successful for us and we believe in expanding the portfolio further because we believe that this will add a meaningful chunk to our overall addressable market from here on and this is the casual range that we have spoken about. On top of it, we are also building layer of peripheral. I will just quickly summarize we have a concrete action plan across pricing product, channel and markets. Now we have already covered the pricing piece wherein will be very soon introducing the challenger sub-brand in order to address the lower end price points, the triple digit price points from INR 699 to INR 999 from a product portfolio expansion perspective while kids and ladies remain the key focus area for us. It is a low hanging fruit on top of it we will accentuate our casual range and on the peripheral we will also expand the premium open footwear collection from here on in order to address any product portfolio gaps. From a channel standpoint we are looking at holistically transforming our core markets where we have witnessed some degrowth during this K shape recovery especially states of Uttar Pradesh and Bihar we will be doing a deep dive RCA in these states from a trade distribution standpoint and we will be transforming trade distribution from here on and from a market perspective while India stays as a core focus for us, we have started looking for similar opportunities across some markets I mean on a very selective basis so to say in terms of exports as an opportunity in order to de-hedge any macro shocks that may come our way in the coming quarters. So, we will be

giving you more color around this in the subsequent quarters while we gain meaningful traction across both the markets and channel perspective of our overall strategy.

Moderator: Thank you. The next question is from the line of Aliasgar Shakir from Motilal Oswal. Please go ahead.

Aliasgar Shakir: So question is on first of all on your distribution network, so two years before around the IPO we had started appointing small distributors and he had mentioned that the revenue per distributor therefore had come down. Now the strategy seemed fair on the part of the company this would reduce the dependence on per distributor, but last few quarters you know there has been pain in this segment. So, do you reckon this strategy some way needs to be revisited and I mean I am also asking from the point of view that that this segment of revenue has seen lower growth, so do you read something related to this strategy or it is more on the industry factors which has led to this impact?

Nikhil Aggarwal: So you know this is exactly the strategy that you laid out and that is how we started with about two, three years back, but overall this strategy has generally done quite well as you would appreciate that even in distribution in the West and the South market we have seen growth. It is only the North market specially the states of UP and Bihar they have kind of degrowth and that is entirely due to the macro that is not to do with the kind of distribution setup that we have there rather on the flip side number of distributors that we have increased while they may be smaller in size for now, but we do see a lot of potential in growing them very fast and that is the strategy because we are able to now capture a larger number of retailer footprint over Pan India basis versus a bigger distributor in a bigger city let us say that would cover.

Aliasgar Shakir: Second question is just on the outlook and your commentary and what strategy we are adopting, so you mentioned that some northern parts of the country are seeing more accentuated impact, can you just I mean kind of zoom in and tell us what really are the factor that is leading to this, is it any specific category of customers that are seeing more impact industry wide and what do you see as a lever for this recovery, do you see this raw material price cooling of maybe to some extent passing of these prices to the customer will help, just if you can share what are your thoughts on the current situation on the ground in April, May and beyond and what is the strategy we are adopting to revive growth?

Nikhil Aggarwal: So, we believe these are the same factors what we are going through and witnessing in the market is being witnessed by the other FMCG players in the industry and the other footwear players also, it is basically we believe the discretionary spend of our target group (TG) has sort of come down because of the higher interest rates and the inflation that they we are coping up with and this has been true for majority of the FMCG companies while there has been a bit of an anomaly on the premium segment because they have not faced that kind of impact on inflation and they are basically spending, but we are seen a significant impact in TG where you

know they are highly dependent on their monthly income. So, that is the kind of impact we have seen Piyush you may want to add something.

Piyush Singh: Just to add to it from a strategy standpoint and from an actionable standpoint while we have seen Campus premiumizing over the years, we have also witnessed that during this macro environment in place to the macro environment especially in Tier-2, Tier-3 and semi urban centers people have started down trading a bit while that part of the portfolio was no longer adequately serviced under Campus. We are not intending to bring down Campus price points, but we are trying to introduce or we will be very soon introducing a newer sub brand under the umbrella of Campus in order to address those price points so that there is adequate coverage across the entire pricing spectrum or the ladder which continues to serve these markets also. We believe by doing so and by extending the umbrella of Campus we will be able to capture this growth which has so far eluded us on the count of down trading while we will continue on our focus agenda of premising under the flagship brand.

Aliasgar Shakir: Just last question is on this new quality control standard which is being implemented from July I mean how do you see that impacting us should you see any near-term impact because of that and maybe in the long term because this market is very unorganized and especially in some of the Northern region where market is very un-organized, do you see long term benefit structurally for yourself?

Nikhil Aggarwal: Yeah, absolutely Ali. So, we see a lot of the organized players in the industry benefiting from this move and we actually appreciate this move by the government because this will deter and definitely impact the lower quality goods being imported from other countries and that is very positive sign for the domestic industry in India, but at the same time there is still some clarity yet to be received from the government which we believe should be coming anytime now that will throw more color on the specific requirements in terms of testing procedures, but as Campus we believe that we are adequately covered because we anyways operate on very high quality standards so we are very much covered in the BIS standards immediately I believe from day one of implementation, but just to be safe we have also built up a cover in terms of inventory in case there is some BIS standard that we might need to cover after these market.

Aliasgar Shakir: So, any risk of revenue disruption because of this in July or maybe inventory going up?

Nikhil Aggarwal: Too early to comment on while there could be certain teething issues while keeping this very factor in mind, we have built up the inventory covers to a satisfactory level that while we deal with the any curveball that might come with introduction of a newer standard within the overall BIS protocol. We want to ensure that see that there is minimal or no revenue disruption or any demand side shock that could come on me.

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

Harsh Shah: My first question is that we spoke about investing behind human capital and the press release also suggest that we have our current ESOP policy has been terminated, so was it was this more planned or abrupt and do we have any other ESOP policy in place or probably in the process of constituting a new one?

Nikhil Aggarwal: So, we have terminated the old the first policy that was launched after TPG came in. This is ESOP 2018 policy and this is the one that has been closed now because it is been fully, vested and since a long time we have not had any comments on this policy from any of the stakeholders. So, this is the one that we close currently we are still running three ESOP policies. One is ESOP 2021 plan and the other two is the one is ESOP Vision Pool and the ESOP Special Grant. So, we have three current policies that are going on for all our top performing employees.

Harsh Shah: Secondly, because of this splitting up of distributors and even what we gather from our checks is that we have also disallowed our distributors to sell footwear of other brands even though they are of different categories correct me if I am wrong here, so has that resulted in distributor attrition which is higher than normal by any chance as if you look at FY23 and FY22 it is the same at 425?

Nikhil Aggarwal: Our idea is not to now continue to increase the number of distributors. We are also consolidating the number of retail touch points that each of these distributor service. So, our idea now is to increase the wallet share and the sales at each and every touch point rather than increasing the distributor on an ad hoc basis in each and every territory because now we have a sufficient base of 425 to 430 distributors which is a very decent base to get us good growth over the next one or two years.

Harsh Shah: And just addition of retail outlets will that be predominantly in West and South or do we even see some scope of adding outlets in our core markets of North and East?

Piyush Singh: Predominantly the addition of outlets would be more across Central India, West India and Southern India markets because these territories are the ones which we have recently navigated. Now on your previous question adding on to what Nikhil just said idea is to help the distributors understand and appreciate the kind of return-on-investment opportunity that they have with the brand like Campus. So, it is worthwhile for us to educate them and help them appreciate the fact that they can make a very robust ROI on their investments with this brand, with the kind of brand pool that we command across our core and emerging markets and while there is no such hard and fast restriction on them to keep other brands from other categories, it is only prudent for them to understand and appreciate the opportunity and deploy more and more of their capital towards something which is which is more ROI accretive than anything else. It is more of an educational process rather than a strict binding condition on them.

Harsh Shah: Let us say if a distributor wants to sell let us say chappals of we gave the Lakhani they can basically because it is not a competing category with us?

Piyush Singh: They can very much do that. They are free to do so while our endeavor is always to educate them and help them understand that in a sports shoe category they can earn far better ROI compared to any of the other open footwear categories.

Harsh Shah: And Piyush in our IPO prospectus we had disclosed the geographical salience of trade channel, so what would be that salience for let us say specifically for MBO and ecommerce now between let us say West, North, South and East for FY23?

Piyush Singh: First of all I would like to address this on an aggregate level and then maybe we can spend more time on the specific channels. At an aggregate level we have started mimicking the share of the overall industry on the Pan India level. Our revenue contribution from North and Central India is close to 55%, South India contributes 10%, West contributes around 20% and East contributes 15%. Now from an e-commerce standpoint this makes us more holistic in nature in terms of a Pan India contribution wherein North and Central contributes roughly 40% for us and remaining three territories contribute 20% of these and our trade distribution network has more or less a similar kind of footprint as the overall industry or our aggregate numbers.

Harsh Shah: And this last question on this Challenger brand which we are planning to launch right by when do we expect the launch first?

Piyush Singh: I mean optimistically in the coming quarter we will be doing a small pilot across some of the selective territories and then during the festive season we are planning to go more broad based across on a Pan India level depending on the outcome that we get during the pilot phase.

Harsh Shah: And will this be more targeted only towards distribution channel or will that salience be like across both e-commerce and distribution?

Piyush Singh: So see anything that we do at a company level is meant for all the channels, it is not channel selective or channel agnostic in any sense. It is more targeted towards specific cohorts, specific market towards addressing a gap that we see in our current portfolio. So, I mean customer these days is channel agnostic and hence our offerings would also be more omnichannel in that aspect.

Harsh Shah: And let us say a long term sustainable basis would this the brand which we are launching would the margins be more or less similar to our overall margins or will it be a little bit dilutive on gross and EBITDA level?

Piyush Singh: I mean that is always the endeavor, but too early to comment that is why we are conducting a pilot first. We do not want to do anything which is margin dilutive in nature while offering the best quality and the best product to our end consumers.

Moderator: Thank you. The next question is from the line of Bharat Gianani from Money Control Pro. Please go ahead.

Bharat Gianani: Just to understand more on the volume front in Quarter 4, we have seen the volumes to be flattish kind of and let us a bit of a deterioration from the Quarter 3 levels, so just wanted to understand like have we lost any market share in the sports and the athleisure categories since you earlier in the conference call highlighted that you have seen the consumers downgrading, so just wanted to check whether in the overall industry have you lost market share?

Nikhil Aggarwal: On the contrary actually we might have just grown our market share slightly because this macro environment has been specifically tough for the entire footwear industry. This has also been validated by the Bahadurgarh Footwear Association when they released an article wherein they have mentioned that in the first 9 months or the 10 months of FY23, they have lost about INR 2,500 crores of sales on a base of INR 20,000 crores this year. So, there has actually been a degrowth in that sense especially in the unorganized segment and in that sense we have grown at 24%. So, I think we have demonstrated a robust performance given the macro environment.

Piyush Singh: I mean traditionally Bharat we have certainly gained market share given we have grown by almost 24%, 25% looking at the commentary on a broad-based basis we understand that the industry has stayed mute or have slightly degrown during two or three quarters of the previous financial year which gives us a lot of confidence that directionally we have built upon our existing market share.

Bharat Gianani: But my question was specific to the second half actually so I guess you have kind of not lost actually and another question is on any guidance on the margin because we have seen margins coming off in this Fiscal and specifically in Quarter 4 so what would be your long term guidance on the margin given that you have you are introducing a sub brand within Campus at lower price point so overall any direction on the margin profile will be helpful?

Nikhil Aggarwal: So, Bharat our material margins have largely stayed closer to 50%. They have trended in the ballpark of 49% to 51% over the last many years. We expect material margins to stay the same, beyond material margins there is a conversion charge that happens which leads to a gross margin profile of anywhere between 36% to 38% for us any increase in minimum wage is any increase in contractor charges gets transmitted with the lag, but directionally we have always stayed in this ballpark. Beyond that, we expect the operating leverage to kick in as we gain more and more scale and while the EBITDA margin is currently closer to 18% we have normally trended anywhere between 18% to 20% in the near medium term we expect this recovery to happen in the near medium term as price transmission happens over the coming quarter and

while we do not want to give you any hard guidance around this, but our expectation is to stay closer to this territory which we have navigated over the last 5, 7 years.

Moderator: Thank you. The next question is from the line of Rahul from LionRock Capital. Please go ahead.

Rahul: So, a couple of questions one is incomplete you guys mentioned that direct to D2C volumes were up I think 45% or 46% and if I hear it correctly you mentioned that this was up 15% in Q4, so I just wanted to understand how we should we been in this and secondly I just wanted to understand a little bit better in terms of your growth outlook specifically over the next 12 months you would be taking over all the channels you will be rationalizing your trade distribution, historically have always talked about growing volumes on the overall company at mid-to-high teen do you see the macro as well as all the internal work you are doing supportive of that or you think F24 would be more of a kind of a restructuring kind of a year and where you will be working to set up the growth, set up the company for growth in future years?

Nikhil Aggarwal: I will take up your second question first with Piyush coming in the idea is that we wanted to bring in a lot of efficiency in terms of also in the inventory levels because now we will have a central pool of inventory rather than having it channel wise so one is that. Second would be that there would be lot of efficiency in terms of central planning. Again, under one roof rather than having it channel wise. So, there are a number of buckets that we see this move will significantly should impact the performance of the company going forward. There could be some a quarter or two of hand holding time, but beyond that we should see some improvements coming in and on the growth side historically we have performed almost a 25% CAGR over the last five years and this year also we have done 24% in an exceptionally tough environment. So, we believe that we have sustained very good growth. Yes, we have done that on the basis of letting go of a little bit of margin because of higher marketing expenses and some of the conversion costs that have gone up due to the increased labor expenses that we could not pass on to the end consumers this year, but going forward as soon as the macros get better we are expecting to see some resurgence in the second half of this year and from there on we should be back on track with the growth and the margins immediately.

Piyush Singh: I mean just filling in for the first half of your question around I believe that was more around D2C growth tapering down from 14% plus to almost 15% in the Quarter 4, I can assure you that more transient in nature we are seeing a very good first quarter so far as D2C is concerned and we will witness that change in trajectory in the coming quarter financials I mean it was done more on towards some consolidation that that we had done on the D2C side, but nothing to flag out. We still expect the robust growth profile in our D2C segment and the resurgence in a trade distribution also with the improvement in macro. Our view is second half of this current fiscal year should be the pivotal time for this macro environment to improve.

Moderator: Thank you. The next question is from the line of Akshen Thakkar from Fidelity. Please go ahead.

Akshen Thakkar: Just couple of questions one around the BIS implementation, what do you think is the driving sector behind this, this is just regular sort of government intervention to ensure quality or is there like we saw in toys something similar happened where there was impact on imports and if that were to play out just broadly we do not import directly, but we do import parts of the shoes just generally what your thought is on how your place competitively, could there be a like taken toys, for example, particularly we saw large disruption I do not know if that something that you think could happen in this industry that was question one and then question two was Piyush you should mention that you are looking at trade distribution changes in North particularly in UP, just maybe talk through what are the key things that you are trying to achieve over there those two questions?

Piyush Singh: I will take your first question first around the BIS thing while we are highly supportive of this move by the government. We believe that it will give a lot of impetus to the domestic industry because the BIS is not only getting implemented across finished goods. So far as footwear is concerned it is also getting implemented across the various components SFG and raw material that you import from overseas. See the overarching idea that we can see in terms of government vision is they want to promote some especially human capital intensive industries in order to make them export ready as the China plus one strategy and the overall impetus on quality is more driven with that vision that we should actually lead to the creation of an industry which is you can say kind of ready for us to earn some FOREX dollars rather than being import dependent on some of our neighbor for raw material import and all. From an industry standpoint, we believe that this is a big plus for the domestic players because eventually the cost of doing business so far as imports is concerned is expected to go up largely I mean holistically across the spectrum, be it raw material imports, be it CKD imports or be it full-fledged footwear import. So, we believe that in the near medium term this is going to give us some tailwind while more clarity is awaited from the government on the implementation of the BIS norms, but that is the directional favor we have received so far.

Nikhil Aggarwal: Because our raw material imports, is limited to not more than 15% of the overall purchasing that we do, we are not looking at any significant impact in terms of margins because of this BIS implementation.

Management: I mean anyways we have the setup to kind of get imported materials certified in our own labs which some of the international players do not enjoy as a competitive advantage. So, that is on the BIS side. Coming to your other question around distribution see in some of the territories North India based territories like UP, Bihar we have seen that K curve kind of recovery where people have started down trading due to lack of discretionary income in specifically in the states of UP and Bihar. Now for that we have taken a two-pronged approach. One is addressing the portfolio gap that we currently see in our current set of offerings with campus as a flagship brand, we believe that people have downgraded a bit in Tier-3, Tier-4 markets and this is while it is a good market for us UP has been a strong hold bastion for us. We do not want to vacate these price points and hence the introduction of portfolio fillers which are not margin dilutive

in nature first of all. Second in terms of our overall distribution capabilities we believe that it is time for us to do some bit of a consolidation because earlier see it is a cycle that you usually witness once you have to penetrate further in a saturated market you appoint smaller distributors in order to get access to those peripheral counters. Once you have gained enough access with your feet on street getting acclimatized to these counters there comes the time when you need to consolidate the overall distribution headcount in these markets in order to ensure that there is adequate capital available with your partners to deploy in these markets to go further and gain wallet share. So it is a cycle which we go through in every five to six years where you first consolidate and then you decentralize and then you consolidate again. So, hence we are at that turn or that crest of the cycle where we need to consolidate again in order to deploy more money in order to penetrate further and gain more wall share. So, that is why it is a twin pronged strategy right product and adequate capital in order to go deeper into the market because smaller distributors have helped us cover the weight.

Akshen Thakkar: And one last question for your D2C portfolio online specifically, could you just help us with what the growth for this quarter was?

Piyush Singh: This quarter we have witnessed around 10% growth in D2C online that was more of an aberration because B2B businesses were restructured especially the O2O business that we speak about the Ajio business and the Udaan they have seen some impact of the slowness of trade. We have kind of substituted them with other high growth businesses within the D2C portfolio which you will see in the coming quarter.

Akshen Thakkar: Sorry will that impact on Ajio and Udaan lingering?

Management: They have repivoted in terms of their overall strategy earlier they were more focused on the B2B side of the business wherein they were servicing the retailers now they have repivoted and kind of consolidate the business in the JioMart business and have transferred our account to that. Earlier we were not doing business with JioMart. Now the B2B flavor has shifted to B2C now. The transient impact during the month of February and March was the one when they were not conducting any business and hence there was a slight blip in our growth.

Akshen Thakkar: So, Q1 onwards that growth should normalize?

Management: Yeah it is back on track. Now they have consolidated internally, they have repivoted in terms of their strategy. It was more partner driven rather than anything happening at our end.

Moderator: Thank you. The next question is from the line of Ronak Vora from AUM Fund. Please go ahead.

Ronak Vora: Sir slightly on a longer term is what I want to understand in terms of revenue what would be the whole difference in the organized and unorganized footwear industry as of today and how is the whole mix trending going ahead?

Management: So the overall industry the fact that the sports and athleisure industry expected about INR 12,000 crores of which roughly 50-50 is split where INR 6,000 is organized and INR 6,000 is unorganized. This is the split currently, but it is fast converting from unorganized to organized at a very fast pace and the overall industry if we take out the anomaly of this year of FY23 it is otherwise been growing at about close to 15% to 16%. This is the fastest growing category and formal actually is on a decline in that sense in India right now currently.

Ronak Vora: My second question is on the margin front, so I want to understand what kind of margins do we on and kind of each trade channel from say B2B from D2C and in our Ecom and EBO stores?

Management: Generally margins are consistent among the channels there is slight variation because of the dynamics of the channel specifically. So, on the distribution side, we basically roughly work at about 17% to 18% kind of EBITDA level and on the on the D2C side on the online we have about 200 to 300 bps higher margin because of a different construct of the channel specific partners and on the EBO side again we work on a 24% to 25% EBITDA. This is broadly the numbers that we have been doing for the past two, three years.

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

Mehul Desai: So while you did elude that D2C online Q1 growth will be fine, can you give similar commentary on trade distribution are we seeing moderation in the decline rate in trade distribution channel in Q1 so far versus 10% to 11% that we have seen in Q4 that is the first thing and when do you do you see this channel coming back to growth from second half only or do you see that coming earlier also that is the first question and second question is how big is this INR 699 to 999 market which you are trying to address through a sub brand and third question is typically a book keeping question to Mr. Raman If you can just give reason on quarter-on-quarter decline in staff costs and what are the elements that have driven higher than expenses on a YoY basis?

Piyush Singh: I will take your first question first on how we see this trade distribution channel coming out of the books. We believe that Quarter 4 this year has been the inflection point where narrowing of the growth has kind of completed. We do not expect to wait till second half of the fiscal year for growth to come back to the channel while we are not at liberty to share the numbers right now, but we believe that in the first half itself you will start witnessing growth in the trade distribution specifically as a channel while D2C will maintain its own pace that we have demonstrated over the last year that is the endeavor. Now coming to your third question around reduction in employee cost that is a one off because last year we had ESOP impact coming into play in Q4 FY22 on account of two grants happening in terms of Special Grant and Vision Pool Grant which is not there this year and hence the delta that you have seen. Now, coming to your second question about the market between INR 699 to INR 999 basis industry estimation our own calculation we believe that it is a ballpark it is INR 1,000 crore market wherein we believe that INR 500 to 700 crores is the relevant addressable market for us. It is a

sizable one for us and given we enjoy roughly 20% market share so makes it makes sense for us to not leave this market unattended.

Mehul Desai: And just on staff cost is while I got your explanation on a YoY basis, but on quarter-on-quarter basis I mean was it Q3 to Q4 also there is a decline, is there something to read there?

Piyush Singh: Not really nothing.

Mehul Desai: And on the other expenses if you can explain what I mean how much would have been driven by A&P or any other element that you would like to?

Piyush Singh: I will take up the other expenses because that certainly demands some more clarity given it is a consolidated lump sum number. There are four main elements to it. One is the increase in conversion cost. Now, conversion cost on a year-on-year basis has gone up by roughly 30 crores, 35 crores for us largely on account of back-to-back increases in minimum wages across that assembly plant in Baddi and Dehradun while in this current year we will be able to and to certain extent while we have started transmitting this impact, but this transmission happens with the lag as we have mentioned in the last couple of quarters also with price increase in our newer portfolio and legacy portfolio. So, hence the catch up that we have played over the last two quarters. So, first impact is that. Second is because of maintaining our advertisement cost at 6%, 6.5% over the year despite seeing some moderation in growth and finally clocking in only 24% we did not cut down on our marketing expenses because we believe that this is a long term investment. Third element in here is our online commissions which are largely in line with the growth of our marketplace business on the need to see online site and fourth is increase in our trade cost which is largely in line with the inflationary trend and the growth that we have witnessed so far. So, these four major components cover almost 90% of our other expenses.

Mehul Desai: And last one booking what is the CAPEX plan for FY24 I mean if you can just give the CAPEX outlook for FY23?

Piyush Singh: We do not expect any major CAPEX outflow happening in FY24 specifically. The only thing that we have done in FY23 and is acquisition of one of the factories from Marico and Paonta Sahib, from a strategic aspect we believe whenever we will do a capacity expansion this area suits us well given its proximity to both Baddi and Dehradun, but the expansion would only start once we outrun our existing capacities which are comfortable in nature in terms of servicing our current growth expectations for the next 12 to 18 months.

Moderator: Thank you. The next question is from the line of Alok Shah from Ambit Capital. Please go ahead.

Alok Shah: The question is essentially on the scale up of adjacencies in the Challenger brand, so in that sense can we assume that the focus will be more on volume growth than on the ASP growth?

Piyush Singh: See first of all it is just a portfolio filler let us not start looking at it from a different lens altogether whether it will be EBITDA accretive, dilutive or all that sense, it is just an opportunity that we see that we are unable to fulfill or do a complete justice with the flagship brand of Campus because we are on the premiumization journey. We do believe that this is a decent enough market for us do not vacate at this point in time, but all said and done this is going to be a filler in the end. Now, from an ASP standpoint, from a volume standpoint or from an overall margin standpoint while we will do a holistic pilot in the coming quarter we do not expect this brand to cause any blip to our overall growth plans or our overall outlook of P&L and balance sheet.

Alok Shah: So, the point was to get a sense that say for example in next two, three quarters we see a recovery I think UP, Bihar and the whole that that sort of belt then how do we internally focus on pushing the different brands or sub brands at different price point or would you let the market forces determine the percentage share of each and every price point or would you have then a conscious strategy that is what I was just trying to get?

Piyush Singh: I mean we are always respectful of market forces in play and we believe that this is not a tactical move so to say because the unorganized to organized shift is anyways happening in the country with BIS also coming into play the Chinese imports will be curbed to a larger extent and hence it is not just about how the macro environment looks currently and comes across as a tactical way it is a very well thought through strategy. We have spent a good amount of time while deliberating on this entire approach internally before giving a green signal to the entire launch plan because see if you see at BIS also imports will become stringent what has happened in toys we expect something similar on the lower end of the spectrum to happen in footwear as well and cost of doing business is obviously go up. So, that economic strata will obviously shift from unorganize to organize. So, you need a brand to handhold those first time consumers before we pass on the baton from the Challenger brand to Campus eventually. So, it is about owning the customer life cycle journey. So, it is a thought through strategy. We believe that it is here to stay while it will play the role of a of a navigator, but the mothership will always be steered by Campus.

Management: I will also just like to add that there is a complete focus in terms of premiumization as we have always done and Campus has done extremely well as a brand in terms of premiumization. So, even this year we are planning to launch a significant more number of designs in the INR 2000 plus category versus even FY23. So, we are continuously witnessing a very good off take of Campus in the premium category especially from INR 1,000 to INR 3,000 where we have gained a significant revenue share versus last year.

Piyush Singh: Ultimately the idea is I mean we cannot do any crystal ball gazing in terms of how and when the macro would improve. We can only get directional signals. Our endeavor is to stay prepared for whichever way the market goes. We should have the right offering for the right consumers whether they down trade, uptrade at the right price points and should offer the best value

proposition to our end consumers that is how we will stay relevant in the business and we can offer sustainable growth.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today. For today Campus Activewear Q4 FY23 concall 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 Investor Relations team at ird@campusshoes.com. I repeat ird@campusshoes.com.