

15th November, 2024

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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 11th November 2024 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
Campus Activewear Limited Q2 H1 FY'25 Earnings Conference Call
November 11, 2024

Moderator: Welcome to Campus Activewear Limited's Q2 and H1 FY'25 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone 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 may be viewed in conjunction with our business that conclude costs, future results, performance, or achievements to differ significantly from what is expressed or implied by such forward-looking statements.

The Campus Activewear management team is represented by Mr. Nikhil 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. We appreciate your presence at our Q2 and H1 FY'25 Earnings Call today. Campus Activewear continues to display exceptional adaptability and notable agility with a 36% volume growth, navigating challenging macro environment, and subdued demand across geographies. Our revenue surged by 28.8% YoY during Q2 FY'24, led by strategic distribution initiatives, including the highest number of annual retailers meet, more than 120, which have been conducted across regions. We had a successful new product placement drive, with our top articles being placed in over 80% of our distribution network. We introduced 87 new styles, including our strong sneaker offering, across channels, further strengthening our product portfolio.

During the quarter, we expanded our large-format stores presence. We have introduced our products in lifestyle stores and scaled up our presence in Reliance Footprint. During the quarter, we have onboarded Vicky Kaushal and Vikrant Massey renowned Bollywood actors, as our new brand ambassadors. We plan to leverage this association for further building our brand through various media channels.

Additionally, our recent Move Your Way Campaign, launched across various platforms, is designed to resonate with the youth, encouraging them to celebrate their uniqueness.

Our gross margin for the Quarter stands at 52.8%, marginally lower versus Q1 FY'25, i.e. 53.3%, driven by planned higher promotions and retailers meet to showcase new products and drive placements ahead of season in distribution channels.

Our EBITDA margins were lower at 12.3%, versus 15.8% during Quarter 1, driven by lower gross margin, higher investments in advertisement and sales promotion, and higher commission on online business. We believe a part of this dilution has a phasing element, as the timing of Big Billion Day offers was more towards week 4 of September. We continue to invest judiciously in media spends, including TV campaigns, outdoor coverage, and social media engagements, for strengthening our brand and widening our consumer engagement. Our new TV ad with Vicky Kaushal is live on air as we speak.

During the quarter, we have added 9 new stores across India, taking our total EBOs count to 288. We would further like to update you that our board has approved a capacity expansion plan at Gannaur and Haridwar, with an investment of approximately INR 35 crores. These investments shall help us to cater to the growth in upcoming years.

Here at Campus, our steadfastness and perseverance are anchored by 5 essential pillars, namely product innovation, design philosophy, omni channel presence, and innovative marketing capabilities, and our vertically integrated manufacturing system, with a digital transformation that strengthens our core and drives our momentum. These critical elements empower us to navigate challenges, amplifies our business expansion, and enforces us to stay ahead of the curve, thereby creating long-term value for our esteemed stakeholders.

Thank you. Now and I will hand over to our CFO - Mr. Sanjay Chhabra to take you through more details on the Quarter 2 and H1 FY25 performance. Over to you, Sanjay.

Sanjay Chhabra:

Thank you, Nikhil. Good evening to everyone and thank you for joining us in the Q2 and H1 FY'25 Earning Call for Campus Activewear. Our operational revenue grew by 28.8% year-on-year to INR 333 crores in Q2 FY'25, largely benefited by higher distribution, which has shown around 30% growth, and online channel, around 36% growth. The company sold approximately 5.4 million pairs during this quarter, up 36.2% year-on-year. The average selling price stood at INR 622 in Quarter 2 versus INR 585 during Quarter 1, which is largely an open footwear season, and Rs.658 in Quarter 2 last year. The dilution in ASP was largely driven by higher schemes and promotions in distribution channels towards the retailers' needs, and also a part was attributable to non-BIS inventory liquidation in line with our inventory optimization strategy. We have been able to reduce our non-BIS inventory by 25% during the Quarter.

Our overall inventory days have reduced from 126 days in Q2 FY24 to around 110 days at the end of the quarter in FY'25. Our gross margins were at 52.8% during Quarter 2 versus 53.3% in Quarter 1, marginally lower, driven by higher retailer-led trade spends.

Our EBITDA for Quarter 2 FY'25 was at INR 41.6 crores. The EBITDA margin stood at 12.3% during Quarter 2, owing to higher advertisement and promotion costs incurred for performance marketing and marginally higher online commission. PAT stood at INR 14.3 crores in Quarter 2 FY'25, and PAT margin was at 4.2%.

Our balance sheet continues to demonstrate strength and robust return ratios, such as return on capital employed and return on equity of 18.4% and 15.1% respectively, as of 30 September 2024.

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

Moderator: Thank you very much. The first question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Hi, team. Great performance. Of course, this has come on the lower base, plus it has come at the cost of margin. So, my first question is, if there are some one-offs with respect to retailer meet or higher commissions given to them or higher online sales in the Big Billion Days, if you can quantify to get a sense of what could be a normalized margin, if there is a one-off cost involved, what was the quantum of that cost?

Sanjay Chhabra: Hi, this is Sanjay. If you look at our gross margin, the dilution in gross margin is only 50 bps. So, that is a reflection to this extent we had higher trade promotions and schemes for retailers meet. Of course, on the ASP dilution front, apart from the trade spends, the liquidation of non-BIS has also contributed. But as far as gross margin, 50 bps dilution, that is the quantification and secondly, on the A&P part, yes, we did spend around 1% higher in terms of advertisement and promotion and that is largely, I would say, phasing. We need to look at it from a full year or a longer or 6-month perspective because there is a bit of seasonality element. We did invest in September ahead of the season and we would be getting a return on that during October and November during the Diwali and festival season.

Priyank Chheda: Got it. Wonderful and clear. So, there were two guidance that we were guided. One on the EBITDA margin for the full year to be 17 to 19% range, as well as strategically with whatever actions on the growth side we are taking, we will maintain the ASP. So, anything that you would like to help us think about how FY'25 should be on these 2 guidances that were given?

Nikhil Aggarwal: Hi Priyank. So, we said last time that our endeavor is to deliver in those number ranges in terms of EBITDA margins. Of course, at the same time, strategically, we have also taken an initiative

to basically liquidate all of our non-BIS inventory within this fiscal year. We don't want to carry any such inventory over to next year. We don't anticipate any kind of material dilution effect, but there could be some because it is slightly older stock. So, to that extent, we would be looking at slightly lower margins versus the guidance that we have given, slightly lower on that side. But we do expect now that with the balance 2 quarters, obviously the base is larger in terms of revenue, so there should be higher operating leverage and margin inflow from the balance 2 quarters.

Priyank Chheda:

Okay, got it. On the traditional channel, so we were targeting somewhere around 25,000 touchpoints by the year-end, where are we right now and we also were targeting to increase the billing from that each counter, which we were at around 3.5 lakhs per share by FY'24, where are we right now on that and as well as traditionally, we were weak in South and West. You did highlight in the last quarter that there were a few product gaps that you plan to bridge. How has been the progress on these 3 aspects? One is on the touchpoints, the increase in the share of each counter on the billing side, and the South and West. Thank you.

Nikhil Aggarwal:

So, on the touchpoints, we have grown our total number of touchpoints from about 22,000, let's say, or 22,200 at the end of last quarter to about 23,000 at the end of this quarter. So, about 800-odd touchpoints have been increased. At the same time, we have grown our share. There has been a product mix, so with the right product mix in place, we have been able to grow our volume significantly over this entire channel at about approximately 44%, is the volume growth in the GTM channel, which has led to about a 36% value growth. So, there has been definitely an increase in per counter share, which has led to this kind of growth. So, our main objective for this quarter has been about placement, where we have a certain number of focused articles that we call them, which are priority articles or hero articles and the endeavor was to maximize the placement of those focused articles across this entire channel and that has been a very successful drive, which has led to a lot of this volume growth for the channel.

In terms of geographical split, we are very similar to last quarter. We have been able to grow our West share from about 20.8% last quarter to about 24.4% this quarter for the West. Central is at 10% each in both the quarters. South has slightly de-grown in this quarter from 5.1% last quarter to 3.3%. That is primarily due to a bit of a seasonal effect because of the open category being phased out in Quarter 2. Open category sells the most during Quarter 1 as a seasonal product. So, that is the only thing. Otherwise, everything else remains the same in terms of business and the geographical split.

Priyank Chheda:

Amazing. Just a last question on the few other strategic areas that we were focusing with respect to sneakers, women's portfolio, how has been the growth in that, if you can highlight? As well as I do see that our NPDs and the number of launches has seen a step up growth, so what has been the contribution from such NPDs? How do you define the NPDs when you track such a large number of new additions, new articles getting added? So, how do you track the NPDs for the full year and their contribution in the revenue?

Nikhil Aggarwal: NPD's let me take your second question first. NPD's are track basis the placement, right? So, of course, there is a certain number which strategically I will not be able to talk about on this call as that's the strategy for the company, but there is a certain contribution that we target from NPDs every quarter and even this quarter, like we have launched about 87 new styles. Those have really done well and we have had a very good response. So, that has again also added to this volume growth.

While coming back to sneakers, among those 87 styles, a lot of them, I would say at least 30% are about sneakers, the new sneakers that have been launched and it has also received an overwhelming response. Even in terms of the new expansion plans that we just mentioned in terms of Haridwar and our Gannaur plant. The expansion is mainly to do with the sneaker range. So, that will help us expand the capacity to produce even more volume of higher quality sneakers in the coming quarters. So, that's where we are in terms of initiatives.

Again, our another initiative that focus area is about the demographics in terms of men, women, so very happy to say that we have grown our share of women by another percent. So, right now, the status is about 78% and 22%. Approximately 78% men, about 14% women and balance from the kids range. So, the overall share has gone up from let's say 21 to 22% for women and kids put together.

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

Umang Mehta: My question was more on primary and secondary sales. So, last year, we had seen that in third quarter, we had seen some restocking in some states where you have taken channel inventory correction and given that there's an early festive this year, and you spoke about the retailer mix as well. Do you see any kind of headwind for primary sales in the December quarter, particularly in the MBO channel?

Nikhil Aggarwal: Hi, Umang. No, not at all. In fact, see Quarter 2 was a lot about primary placement, as we did see consumer sentiment being subdued at the tertiary level. But given for Quarter 3, it is like, it is back on track and the markets have opened up. So, we don't see any tertiary issues at the moment and a lot of the placement that was done during the end of Quarter 2 has basically materialized and, we are now basically looking at replenishment of those orders and repeating the orders for those placements. So, no issues in terms of primary as well.

Umang Mehta: Understood and that is very encouraging. Second thing was on A&P. So, given that you have signed these 2 ambassadors, and you spoke about the TV campaigns, on an annual basis, would you be able to share any percentage, which you're looking at? You spent around INR 108 crores last year on A&P. How much growth can we expect from these initiatives?

Nikhil Aggarwal: No, we cannot quantify this. These are actually building blocks for the brand, right. These are, like in terms of spend, it will be pretty much the same as last year, in terms of the overall A&P spend. But in terms of quantification of the growth in business from these initiatives, that would be, I would say it is a longer term initiative. It takes time to constantly build a brand and grow it over time. So, this would not be ideal to quantify it at this stage.

Umang Mehta: Understood and this is my last question on performance marketing, given that you called out that it was higher this quarter. Now, again, if I go back to the base quarter in 3Q, we had to recoup the sales lost in B2B, we increased the performance marketing spend, which I weighed on your EBITDA margin in 3Q last year. Given the phasing of Big Billion Day this year, that should not recur, right, this year?

Sanjay Chhabra: We should see margins normalize in 3Q in that sense. Would that be correct? That's a right interpretation. I mean, because of the Big Billion Day falling in week 4 of September, so we could not get the fullest ROI. I mean, most of the improvement in top line would get reflected in the next quarter. However, we had to do the investments up front.

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

Gaurav Jogani: Thank you for the opportunity and congratulations on the strong revenue growth number. Sir, my first question is with regards to these spends that you mentioned on the trader meet, etc. So, one would be giving them discounts on the product price, but would not the trader meet expense would be accounted in the other expenses rather than the gross margins? Please correct me if I am not interpreting it in the right way.

Sanjay Chhabra: Gaurav, a typical accounting question. I mean, if I do a spend it gets accounted in other expense or in sales promotion, but if I support my distributor through a credit note, then it is a reduction to the sales and hence a lower ASP and lower gross margin.

Gaurav Jogani: Okay. Got it. So, sir, related to this given that there is a focus of clearing the BIS inventory, the non-BIS inventory this year rather FY'25, would it be prudent to estimate some contraction in the gross margin at least for this year and maybe once things normalize and restore, the gross margins could restore and hence we can restore the guidance also of the 17-19% that we have given earlier?

Sanjay Chhabra: Yeah. It is now 9 months down the line, so we are not left with too much of non-BIS inventory. However, in a phased manner, we are trying to sort of liquidate the entire inventory by FY'25, which means we are targeting that as of March 2025, we should not be sitting on anything which is produced prior to December 2023.

Gaurav Jogani: Sure and, sir, the last question is if you can highlight some of the initiatives that you have taken over the last one and a half years just to drive the growth across the various channels and what you have done in terms of restoring growth and additionally, if you can also help us to quantify or not quantify rather, help us out how BIS, once the non-BIS inventory is out, how this measure can help the company as a whole? That could be helpful.

Nikhil Aggarwal: Sure, Gaurav. So, this growth is definitely not a one-quarter phenomenon. It has come on the back of several initiatives we have taken over the last few quarters. So, I am very proud of the new team that has been put in place now after a lot of restructuring that have happened over the last few quarters. So, one is on the back of that. Second is a lot of these initiatives in terms of strategies across the distribution channels, more placement, more focused articles with higher volume throughput for each article very focused. This is – basically, we are going for very high-efficiency execution across GTM, across all the channels rather and then new channels have also been incubated, right, in terms of more stores in terms of LFS, like Lifestyle, Reliance Trends. We are also focusing on starting off exports, for example. So, incubating that is right in the process and so there have been several initiatives which have been taken both at the product level and at the geographical channel level demographics. We basically cater to all the pillars that would lead to sustainable growth going forward and in terms of BIS, we have been very, very positive and very happy with the way the Chinese imports have basically largely been dried up. We also get to know from our channel checks that there has been absolutely no Chinese finished goods import over the last 9 to 10 months in the country today, largely due to the non-BIS regulations. So, we do anticipate that over the next maybe one or two quarters, this entire non-BIS inventory would sort of dry up, and that is when the domestic brands across the country would benefit from this.

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

Videesha Sheth: My first question was on the ASP. While for FY'25 it would be impacted as we are trying to liquidate the non-BIS-compliant inventory, but from a long-term basis, how are you looking at the trajectory to shape up?

Sanjay Chhabra: Hi, Videesha. So, we may end up – I mean, this year would not be a year wherein we will see a step of growth in ASP, but from a longer-term perspective, we would continue to go with the trend of perhaps neutralization or we will add the NPDs, which are more trendy and likewise, we can command the premium and ASP eventually would go up. I mean, it would be a part of strategy that there would be certain core items in the distribution channel to drive volume. At the same time, we will be displaying a wider range of our articles in the other channels, which include the large-format stores, the online and our brand.com and our exclusive outlets. So, these channels would continue to help us drive the premiumization and, hence, realization of higher ASP. Having said that, I mean, it would start from the product strategy per se, wherein

certain percentage of our products would be developed in the premium range to help us continue with the strategy.

Nikhil Aggarwal: Just to add to that, Videesha, like we do see an opportunity gap in the market in terms of the premium price points, which is INR 1500 plus to about, let's say, up to INR 2,500-3,000 range and there is a significant gap there in terms of availability of high-quality shoes at these price points and we are completely committed to delivering a stunning premium range as well and it would be a combination of sneakers, sports shoes, all kinds of categories. There is no category in terms of sport shoes apart from, obviously, leather shoes. We do not do leather, but every other category would be touched even in these price points.

Videesha Sheth: Got it and, second, on the capacity expansion, by when do you expect it to get commercialized?

Nikhil Aggarwal: I think conservatively by end of Quarter 4.

Moderator: The next question is from the line of Giriraj Daga from Visaria Family Trust. Please go ahead.

Giriraj Daga: So, my first question is related to our non-BIS comment. So, if I possess a like-to-like realization, what should be the call-out for? Like to like, how much decline on growth or what we witness in the realization for Quarter 2?

Sanjay Chhabra: It is your question that to what extent the ASP dilution is

Giriraj Daga: Correct.

Sanjay Chhabra: So, that would be in the range of 8 to 10 rupees per pair.

Giriraj Daga: Okay. So, we had about 5.4% was our decline roughly, 5.5%. So, roughly, you can about 1.5% came from the non-BIS mark.

Sanjay Chhabra: Yeah.

Giriraj Daga: And rest because of the mix, channel mix?

Sanjay Chhabra: Rest because of the higher schemes in the distribution channel just to drive the retailer's needs and also remaining portion would be because of mix.

Giriraj Daga: Okay. My second question would be on your channel expansion. You mentioned about 23,000 touchpoints. If I look at it for a 2-3 years perspective, like what is the total time you are addressing here? Like, can this 22,000 go to 40-50,000 or what is the outlook there for the 2-3 year perspective?

Nikhil Aggarwal: So, we have a universe of, and I am talking about close shoes because the overall universe is close to 60-70,000 retailers in the country. But that also includes very low value clippers, which is the starting point. If we talk about close shoes, there is a universe of about 40-45,000 outlets of which the top 23,000 are the ones that we are catering to at the moment. But over time, like over the years, we will continue to add on at least 5-10% new outlets every year as we also have a big opportunity to continue to gain market share in each and every outlet with both the initiatives that we run hand in hand.

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

Prerna Jhunjunwala: My first question is on how do you see the demand now in the second half, given that the first demand is robust in the country and other categories. So, how do you see the demand going forward?

Nikhil Aggarwal: The demand has definitely opened up as compared to Quarter 2 as the festive season, and this was expected as well. So, at the moment, I would say that we are happy with and satisfied with the way the demand has shaped up in Quarter 3.

Prerna Jhunjunwala: How do you think the festive sales been for you?

Nikhil Aggarwal: Encouraging. It was good.

Prerna Jhunjunwala: Okay and given that there is a mix dilution in Q2, how do you see the mix improvement coming? Do we see this mix improvement coming in the second half or it should be a more longer-term thing that will happen?

Sanjay Chhabra: We see some bit of improvement coming in through – I would say that the retailers meet was an event which was specific to Q2, would not be at this scale in Q3. So, to that extent, our ASPs and margins would improve. Likewise, non-BIS liquidation, of course, that's an event that may not be to the extent of 10-12 rupees in Q3 and Q4, difficult to quantify. But, yeah, retailers meet is an event which from a controllable factor, yes and otherwise, organically, from a business perspective, when we move to Q3, it is more of closed footwear, higher sale of shoes, and as the ASPs improve by virtue of seasonality.

Prerna Jhunjunwala: Will it be possible for you to quantify the non-BIS invented quantum liquidation for us to just have an understanding on how much will be the effect and how long?

Sanjay Chhabra: A bit difficult to quantify at this point in time. However, it's not a sizable chunk. I mean, we have moved past 9 months since the BIS implementation at our factory, 9 or I would say rather 10 months because first of December or mid of December, we implemented BIS and so, difficult to give you exact numbers, but we are left with a very small portion.

Prerna Jhunjunwala: Okay and what will be the revenue growth and margin guidance for FY'25 and beyond?

Nikhil Aggarwal: Sorry, I would refrain from giving any guidance. We have shared quite candidly in terms of the building blocks for the rest of the year and what we expect in terms of non-BIS as well. So, we do expect, I can just tell you that we certainly expect much superior margins to last year overall at the end of the year.

Moderator: Thank you. The next question is from the line of Ankit Kedia from PhillipCapital. Please go ahead.

Ankit Kedia: Sir government is talking about Indian footwear sizing. Do you think that is going to have a positive impact given that more and more manufacturing is happening in-house for you now?

Nikhil Aggarwal: Absolutely. It is something that can have a materially positive impact, but it would take time. We believe that something like this does not happen overnight in terms of a transition and the effect of it. But yes, overall, on a long-term basis, it should have a positive impact. As the consumers, there would be one size and the consumers would have more, let's say, visibility and more comfort in terms of the sizing when they are selecting any product.

Ankit Kedia: And do you think unorganized market back then, given that government has been a leeway to a lot of unorganized players in terms of revenue threshold and that is where some of the brand players like yourself can really disrupt the market at a lower price point and at the premium level?

Nikhil Aggarwal: Well, you know, we don't necessarily compete with the unorganized segment because their product offerings and the quality and the strategies are vastly different from organized players like ourselves. So, we would like to just continue to focus on the initiatives that have been working well for the brand and just keep building on that. That is the long-term objective. So, I do not see any, honestly, any kind of threat or issues from any unorganized players in the market.

Ankit Kedia: And sir my last question is on the EBO channel. If I look at D2C offline, the growth has tapered a bit in the last couple of quarters. Is it because the number of EBO growth is a bit moderate or is it to do with the general demand environment being slow?

Sanjay Chhabra: Yeah, it's largely due to the subdued demand in the market. We have tapered growth and the opening of new stores accordingly. But as we believe that the demand is picking up, we will certainly expand the store opening more, accelerate the store opening from now on.

Ankit Kedia: So, what is the target EBO we are targeting for FY'25?

Nikhil Aggarwal: It would be difficult to comment at this point as it is, largely dependent on the availability of the right location. It is very important to not go just after a certain number when you are

opening EBOs, but you need to be in the right place and the right PGs, the right geographical site. So, that is more important at this point. But we do endeavor to open about 70 to 80 stores every year.

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

Devanshu Bansal: Sir, sorry for persisting on this, but this non-BIS inventory must have been declared by you to the government, right? So, any specific reason for not calling this out because this must be ready with you, right?

Sanjay Chhabra: Yeah. Any specific reason, meaning we would have these inventories, both some at our warehouses and some in the distribution channels. So, it depends, like, to what extent we need to – first is we need to push it out from our warehouses and then if at all required, we need to see that in the distributors' place, such inventory is not stuck up and we are not sitting on inventory days beyond certain defined norms, which we monitor through the DMS.

Devanshu Bansal: Okay. But out of this INR 475 odd crore of inventory that is there on your books, can you sort of call out, as in, how much is the leftover non-BIS inventory?

Sanjay Chhabra: Well, we can call out our inventory, but we cannot quantify what is sitting in our distributors' network or distributors' channels, which are non-DMS partners, right? So, at an overall level, I mean, it becomes difficult to give a number. However, since – I mean, as we are – with every passing month, such inventory is getting reduced and as I said that the ASP dilution was to the extent of 10 to 12 rupees, which is just 2 percent. So, it's not a very big number to concern us. Yes, it is a bit dilutive on ASP, and it will be there for, let's say, two more quarters max.

Moderator: Thank you. The next question is from the line of Varun Gajaria from Omkara Capital. Please go ahead.

Varun Gajaria: So, I just wanted to understand, what is the commission component in our other expenses? I am sorry if I've missed that earlier. What is the commission component in our other expenses ahead and how does it stack up YoY?

Sanjay Chhabra: Okay, online commission is ranging between 6 to 10 percent depending on the portals and again, it becomes very difficult to put a specific number if you are looking at. It is 6 to 10 percent of our online sales, online marketplace sales.

Varun Gajaria: Okay, so what has largely been in the other expenses? It seems we are up 11 percent YoY.

Sanjay Chhabra: Okay, in other expenses, we have the freight and warehousing fees, the online commission fees, and all other SG&A admin expenses, which includes travel, CSR, and provisions for receivables, inventories, and all that stuff. If you are referring to, of course, this quarter, this

quarter we have shown a 9 percent growth in marketplace. So, correspondingly, online commission will also grow because of the volume impact and there is an element wherein the mix will play, I mean, which portal we are selling higher. So, versus last quarter, the online commission is higher by around INR 2 to 2.5 crores.

Varun Gajaria: Okay, got it and sir how is the demand now looking?

Nikhil Aggarwal: We already answered that question that demand has opened up compared to Quarter 2.

Moderator: Thank you. The next question is a follow-up question. It's from the line of from the line of Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Sir December quarter seems to be contributing almost a one-third of our total sales for the annual revenue that we target and in the past 2 years ago, we did touch upon 7 million pairs in a quarter of December 2022. How do you see this panning out as far as December 2024 goes? What are the internal targets that you are thinking of to beat the previous peak?

Nikhil Aggarwal: Yeah, Priyank, that will go into the guidance. So, I would refrain from giving any guidance for the quarter. But like I have mentioned, a couple of times on this call that we have certainly seen demand opening up at the tertiary level and given the initiatives and that we started early in terms of the retailers meet and the placement drive, we certainly see a good, let's say, replenishment and repeat orders coming from those initiatives. So, we do not see any issues in terms of both primary and tertiary sales for Quarter 3 going forward. That should contribute to a decent Quarter 3, I would say.

Priyank Chheda: Perfect. Sir, in D2C online, how has been the growth for marketplace as well as for O2O? And as far as O2O goes, which is into a D2C online O2O, there was a destocking, which we called out, which has bottomed out at Q1. So, have we started seeing sales picking up? Have we reached to around INR 30-35 crores of sales per quarter in that channel also?

Sanjay Chhabra: Yeah. I mean, overall, we have seen the sales both value and volume to grow in 2 of our biggest channels, online and distribution. So, online also, in the earlier call, I mentioned that our Q1 was the last quarter wherein we had the impact of higher base, and that stands corrected. So, now from this quarter onwards, we are showing a growth in B2B and O2O. O2O, by and large, I would say that now is sort of non-existent, very small portion. It is largely B2B wherein we do outright sales to some of the portals, and versus last year, we have shown growth in that as well. So, we have grown in marketplace by around 9 percent, but in the outright, we have grown at a much higher rate.

Priyank Chheda: Okay. So, when we say about phasing of performance marketing spends, what we really mean, sir, in that way?

Sanjay Chhabra: It is like in marketplace, I do invest for a particular month, but whatever sales happens in the last few days of the month, there is an element of GIT, and that does not get recognized as a sales, whereas I have done the marketing spends, right? So, it is a normal course, but when those last 4 or 5 days is a Big Billion Day period, then a big number goes and sits as a GIT, right? And I, from an accounting perspective, I tend to recognize that sales in the subsequent month, and in this case, subsequent quarter.

Priyank Chheda: Got it. Clear and just last question on non-BIS inventory. It can be the case for the industry as well, where the inventory would be higher, and at least MCA data suggests that Chinese imports are on the rise, at least in September quarter they have risen in terms of absolute, in terms of total rupees imports that we do, just before the deadline was ended, and then the non-BIS inventory deadline was also extended to June 26. So, if it is the case for industry, would it also impact the non-BIS inventory ASP for you, till the time industry also liquidates the non-BIS inventory?

Nikhil Aggarwal: So, just a small correction there. The MCA has given time for the non-BIS liquidation till July 2026 to the entire industry, but the imports were banned from China for finished goods starting November, I believe November or October last year. So, since then, no finished goods have been imported in the country. Only SFG to some extent, like upper or sole or some raw material is basically being imported from China. Having said that, we do not anticipate the ASP dilution like what Sanjay just mentioned in terms of 1 to 1.5%, or let's say maximum 2% ASP dilution on account of non-BIS goods. We do not anticipate any dilution further than that on account of that.

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

Aliasgar Shakir: Nikhil, my question is on the margin. So, if I understood correctly, you mentioned that FY'25 margin should be higher than FY'24 margin. Now, one which I observed that we are about 140 bps down, so does that imply we should probably then in that case do a nearly about high teen margin in the H2, which obviously also gives the operating leverage because of the higher revenue base?

Nikhil Aggarwal: That's right. Without commenting on specific margin percentage, your interpretation is correct. The second half definitely contributes to much higher margins than first half.

Aliasgar Shakir: Got it and a quick clarification on the revenue side. Now, I know you don't want to give guidance, but this quarter we did excellent growth thanks to also a low base of last year. So, in that context now, I mean, 3Q wise the base will be obviously good given that it is a seasonally strong quarter. But should we expect kind of similar trends to continue or probably this quarter was benefited because of the lower base and therefore we should not extrapolate that?

Sanjay Chhabra: Yeah, certainly. I mean, this Quarter 2 had a benefit of lower base, which got corrected and of course, there was an element of strong execution as far as distribution is concerned through both having organizing retailers meet and driving product placement. So, to that extent, I would say that we have by and large tried to cover the gaps in our execution and got our fair share in the market and going forward, we would continue to sort of build on this, whatever good work we have done on the ground. However, I would just like to say that 30% growth is a number which you cannot have that quarter on quarter.

Aliasgar Shakir: Yeah, that's true. But in the past, we have been talking about double-digit growth. So, this particular quarter did double-digit growth after probably 7 quarters. So, does that trend of double-digit growth now trajectory that we have seen in 2Q that at least should continue?

Nikhil Aggarwal: It's the guidance again, but see, all the building blocks will certainly help us a lot. So, the endeavor is that only. I would just want to give you some comfort that that is the endeavor. The rest we of course need the markets to support, which certainly the macros have improved in the country in Quarter 3.

Moderator: The next question is in the line of Rajiv Bharti from Nuvama. Please go ahead.

Rajiv Bharti: Sir, just we are hearing that there have been collection issues from the trade side in the business. We do not see that in your numbers. But are you hearing something of similar order in the competition, sir?

Nikhil Aggarwal: Our collections, in fact, our DSO days have come down from, I believe, 35 to 30 days in Quarter 2 end.

Sanjay Chhabra: I would just put that we do have a strong system in place to monitor our receivables, our overdue receivables, and I mean to restrict our exposure. The later part of your question that are you hearing this from competition, we would refrain to comment on that. But as far as we are concerned, we do have systems in place how to deal with a customer with overdue outstanding. I mean, we don't overexpose unduly just to pump in the inventory.

Nikhil Aggarwal: So, just to add to Sanjay's point, like the sales have not come on the back of pump and dump. We can just say that.

Rajiv Bharti: And on the online, what is the credit you extend? Because you said the growth is higher there.

Sanjay Chhabra: Online marketplace, they pay immediately after the replacement or no-question-asked return period is over. So, which is largely, I mean, the agreed credit days is 21 days, and we do collect within 30 days.

Moderator: Thank you. The next question is from the line of from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: I just wanted some details on the CAPEX that you mentioned in the beginning of your commentary that you are undergoing a CAPEX of 35 crores. Could you please highlight what will be the capacity expansion or backward integration initiatives that you are taking over here?

Sanjay Chhabra: This would be a combination. I would say that the capacity expansion would be to the extent of 10 to 12 odd percent as far as the backward integration is concerned.

Prerna Jhunjhunwala: So, it will be net capacity addition or it will be just backward integration?

Sanjay Chhabra: It will be a backward integration. It is more the component capacity addition.

Prerna Jhunjhunwala: Okay and net capacity, 35 million, continues to remain there?

Sanjay Chhabra: That continues to remain there, and in the event of season, we can look at a small investment to de-bottleneck whichever, I mean, units Dehradun and Baddi wherever we need to unlock some of the capacity. To that extent, we have the flexibility.

Prerna Jhunjhunwala: Okay and this 10 to 12 capacity is similar for upper and sole board, or is it different?

Nikhil Aggarwal: Yeah, it's at the moment. So, there are both the projects in the pipeline for both upper and sole. There would be capacity expansion in both these areas. On the upper side specifically more for sneakers, to make high-quality sneakers and sole is a regular expansion of the entire sole project, the sole plant that we have in Gannaur. So, addition of basically.

Moderator: Thank you. The next participant is from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Nikhil, I heard that marketplaces grew by 9%, which means that B2B outright more than doubled on a YoY basis. Our understanding was that you all were deep prioritizing B2B channels or greater control on pricing. I just wanted to understand what has changed here.

Sanjay Chhabra: Thank you Umang. So, nothing much has changed except for the Big Billion Day, as explained earlier. So, the lower growth in marketplace is only a reflection of timing of Big Billion Day. Had it been during September, mid of September, we would have been able to recognize the entire sales. But as I said that it was in the last week of September, so large part of the Big Billion Day sales was sitting in GIT in our books.

Umang Mehta: The entire Big Billion Day is on outright basis. The Big Billion Day model is on outright basis for you completely.

Sanjay Chhabra: Umang, I am just helping you understand that it is not that outright has grown and marketplace has shown a slower growth. Marketplace would have shown a decent growth had the Big Billion Day timing would have been different.

Umang Mehta: Understood. Sure and just one thing if you can help with. So, this quarter has several one-offs and different aspects kind of impacting margins. Would you be able to share any clean EBITDA margin print? I mean, just so that we anchor ourselves to a cleaner number.

Sanjay Chhabra: Again, I already explained that the one-off was a retailer's meet and if you see the gross margin dilution that is only to the extent of 0.5% on INR 333 crores is roughly INR 1.5 to 2 crores. So, to that extent and to the extent of non-BIS liquidation, it would be again in the similar range, I would say around 80 lakhs to 1 CR. So, to that extent, it's one-off. So, 1% is the one-off. Rest, whatever you see in the EBITDA margin, lower EBITDA margin is driven by phasing of ANP spends, phasing of CSR and all. So, all these things, I mean, on a quarter-on-quarter basis, these are moving pieces. I would suggest that a full year view would be a more relevant view.

Moderator: Thank you. The next question is on the line of from the line of Ankit Kedia from PhillipCapital. Please go ahead.

Ankit Kedia: Sir, just one question on for BIS-compliant inventory, we are doing more type 1 inventory in the market. Is the retailer educated enough to train the consumer that our product is more superior versus unorganized or versus competition? How are we educating that or charging a premium to a consumer for type 1 inventory?

Nikhil Aggarwal: So, it is about the brand and legacy of the brand. Campus has been there in the market for the last almost 25 years now, so it is about the comfort and the trust and experience of the distributors and retailer partners. They trust the brand. They know us very well. They know the quality, the designs of the shoes. They know that Campus stands for excellence in quality along with the latest in design, quality material, trends across, bringing them first to the country from across the world in very reasonable price points. So, it is nothing that is out of books for them and it is very easy for them to sell this to the end consumer.

Ankit Kedia: Do you think you can manufacture type 2 inventory also at a lower price point to compete with the unorganized market and buy volumes? I said that do you think you want to manufacture type 2 inventory at the lower price point to compete with unorganized market to gain market share and buy volumes?

Nikhil Aggarwal: We can, but it would, you know, just dilute the ASP and we do have the starting price points of 899. That is where we start selling the shoes from. I am talking about men closed shoes, sports shoes and going anywhere less than that would further unnecessarily dilute the ASP. So, we take a very calculated call in terms of the number of pairs that we need to sell for each and every price point so the overall ASP can be maintained. We do not want to also further dilute the brand because going anything lower than that also unnecessarily dilutes the brand.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference 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.