17th November 2023

To,

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

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

Dear Sir

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Earnings Call held with the Investors/Analysts on 10th November 2023 and the same is also available on the Company's website i.e. www.campusactivewear.com.

This is for your information and records please.

Thanking you

For CAMPUS ACTIVEWEAR LIMITED

ARCHANA MAINI
Digitally signed by ARCHANA MAINI
Date: 2023.11.17 11:32:59 +05'30'

Archana Maini
General Counsel & Company Secretary
Membership No. A16092

Encl: As above

Campus Activewear Limited
Q2 FY24 Earnings Conference Call
November 10, 2023

Moderator: Ladies and gentleman, good day and welcome to the Campus Activewear Limited Q2 & H1 FY24 Earnings Conference Call. As a reminder, all participant lines with 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 "*"and then "0" on your touchtone phone. I would now like to hand over the floor to Mr. Diwakar Pingle from EY, thank you and over to you sir.

Diwakar Pingle: Thank you, Felicia. Good morning, friends. Thanks for logging in so early. I welcome you all to the Campus Activewear Limited Q2 and H1 FY24 Earnings Conference call. Before we proceed with this call, let me remind you that the discussion may contain forward-looking statements that may involve known, 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 expressed and implied by such forward-looking statements.

The Campus Activewear management team is represented by H. K. Agarwal – Chairman & Managing Director; Mr. Nikhil Aggarwal – Whole Time Director and CEO; Mr. Sanjay Chhabra – CFO, and Mr. Krishna Kumar – AVP Investor Relations. I will now hand over the call over to Mr. H. K. Agarwal – Chairman and Managing Director for his opening remarks. Thank you and over to you, sir.

H. K. Agarwal: Thanks Diwakar. I welcome everyone for joining our Q2 and H1 FY24 earning call today. First, I would like to wish everyone Shubh Dhanteras and Happy Diwali. Since last Diwali the consumer sentiment had been subdued due to inflationary pressure and we experience delay purchasing or downgrading of MRP. I have seen the footwear industry evolve over my 40 years of experience in this industry. And we have successfully navigated to all the ups and downs time and again, we have a clear vision and understanding of what we are doing and what we want to do. Campus has become India's largest sportswear brand on the back of very strong fundamentals and core strength, such as our top of mind brand, world class R&D, our omni channel, sales network and fully integrated largest supply chain.

While the market was subdued, we took the opportunity to focus our energy on further innovating and strengthening our systems and process to get ready for the next phase of growth. We have evolved with that time over the years. And we will continue to do the same in the future to response to dynamic business environment. In an evolving business, people change is bound to happen and let me assure you, all the changes are in the right state. So we're building a world class team that leads the organization for the next decade, and we are fully committed to creating long term value for all our shareholders, thanks. I will now hand the call over to Nikhil Aggarwal.

Nikhil Aggarwal: Thank you, Sir. Campus Activewear Q2FY24 revenue stood at INR 259 crores, impacted by a decline in volumes owing to subdued demand in key Northern markets. Also, Q2FY24 sales were impacted by exit of Udaan and AJIO over to a platforms due to change in their business models. However, we continue to maintain healthy gross margins of 54.3% in Q2FY24, benefiting from the lower raw material prices mainly. We have recalibrated our business strategies, and choose to remain nimble footed for H2 FY24.

We have proactively undertaken inventory correction in some geographies, especially the states of UP and Bihar, and some parts of Rajasthan and our DSOs are under control as we enter the second half of the financial year 2023, with the latest assortment of new product developments. During the quarter, we have launched Campus Air Turbo designed for Indian consumers with thermal management technology, thereby elevating the consumers overall footwear experience. We are committed to engage and connect with our target audience through our innovative 360 degree marketing strategies.

We continue to make judicious investments to strengthen our brand, along with premiumization and expand Campus presence in its existing and new geographies. Additionally, the implementation of BIS from Q4FY24 onwards is a big positive for the organized sports and athleisure footwear players all across the country. I would like to reiterate, that we see the current financial year FY24 as a transitionary one. However, Campus Activewear remains focused on its long term business goals and thereby to create value for its esteemed stakeholders over and over time. I will now hand it over to our CFO, Mr. Sanjay Chhabra to take you through more details on the Q2 & H1FY24 performance.

Sanjay Chhabra: Thank you so much. Good morning, everyone and welcome to the Q2 & H1 FY24 earnings call of Campus Activewear Limited. During the quarter under review our revenues from operations stood at INR 259 crores in terms of volume, the Company sold around 3.9 million pairs in Q2 FY24. The ASP in Q2 FY24 stands at INR 658 per pair versus INR 608 in Q2 FY23. Similarly, on a category basis, revenue mix across men, women and kids and child stood at 79:21 in Q2 FY24, driven by our continued focus towards growing this category. EBITDA stood at INR 25 crores in Q2 FY24. On the balance sheet side our net debt stood at INR162 crores as of 30th of September, showing a marginal increase of around INR 5 crore versus INR 157 crore in March 2023. Net debt to EBITDA ratio stood at 0.7 in H1 FY24, as against 0.6 in FY23. Our balance sheet demonstrates the position of strength with robust return ratios such as ROCE and ROE of 20% and 19.2% respectively as of 30th, September 2023. With this, I'll conclude and hand it over to the operator for questions-and-answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman: So, two questions. Firstly, you mentioned Udaan and AJIO and sort of a change in business models there. Can you throw some more light on exactly what happened and second on the inventory correction that you mentioned in Bihar, UP and parts of Rajasthan, again if you can just throw more light on it when inventory correction is done or we still expect some sort of correction to inventory levels in those states or any states in the H2FY24, that would be super useful. Thank you.

Nikhil Aggarwal: Great. Thanks Aditya for your question. So from the O2O platforms, they shut down literally their businesses in the first quarter, they announced that they would be exiting these platforms. And it was almost like an overnight kind of transition, because they did not really give time to any of the companies to purchase, so they stopped purchasing overnight. And therefore, we had to improvise basically to recalibrate our online business model to increase the share of our marketplace. And that's exactly what we have done over quarter two, as well we have grown our marketplace business by approximately 61%, slightly over 60%. So that's a meaningful jump, and we'll continue to invest behind marketplace business and take it forward. So, that's the industry wide phenomenon where O2O was shut down for everybody. While the inventory correction where that is concerned, we have consciously taken that step in Q2FY24, given the subdued demand in the market, we wanted to make sure that instead of loading the market with more inventory, and possibly seeing that pay in in the next few quarters, we decided to not increase our exposure of credit limit beyond a point. Therefore, we have very well maintained our DSOs at a very healthy level, which would be also reflecting in our working capital and a very healthy working capital rather that we have demonstrated in Q2FY24. So, in maintaining, we took that conscious decision to reduce the inventory in the system, and further improve the situation in the market. So, therefore, we have seen some correction in parts of UP, Bihar and some parts of Rajasthan, where the demand was most impacted in the states, therefore we have not loaded the businesses, the distributors channels further with more inventory in Q2FY24.

H. K. Agarwal: Also, this correction in inventory gives us an opportunity to now sell more of the new products, which we have launched for the season. And this would be sort of positive from a channel perspective.

Nikhil Aggarwal: Yes also, just to mention that we held a very good distributor meet in quarter two where we have taken confirmed pre orders from our distribution channel for the first time we worked on this model of pre-orders and it was a very successful meet, where we have received very significant orders till the end of December 2023. And currently the company is in process of supplying all those pre-orders.

Aditya Soman: Understand. So, in terms of just understanding this decline in top line, would you say that most of it is due to these two reasons, and then you should see a reversal to sort of more normalized top line growth on a quarterly basis from 3Q or do you think there's still some more effects of this inventory correction or maybe inventory correction needed in some more states?

Nikhil Aggarwal: So, we should see normalized growth and normalized quarters from Q3FY24 onwards, because whatever correction had to be done it has been done in quarter two, most of it is already through. And, we also saw a slight bit of phasing due to Diwali, in September 2022, because Diwali got pushed out by a month this year. Therefore, we saw a slight bit of effect of phasing of Diwali as well in quarter two. So, Q3FY24 we expect a much more stable and a positive quarter.

Aditya Soman: Understand, very clear. And just maybe one last question, if I may. In terms of, if you look at 3Q obviously would this also lead to sort of a bump up in revenue, or are you still would say that a more normalized sort of a quarterly run rate is what one should expect?

Nikhil Aggarwal: Unfortunately, we cannot share any numbers or any guidance's beyond a point, but I would like to assure you that we are on the right track. Most of the correction whatever had to be done is already through in Q2FY24, so we should see a meaningful quarter in Q3FY24.

Moderator: Thank you. The next question is from the line of Jay Doshi is from the of Kotak Securities. Please go ahead.

Jay Doshi: My question is again, with respect to the trade distribution channel. Do you think in the last six, nine months at any point of time there was some discontent in the channel and was there any corrective measures required to ensure parity between the channels online as well as offline and is there a possibility that the weakness in growth recently that's so far has a function of some discontent amongst distributor in the trade. So just your thoughts whether there was such an issue and if that was the case, have you corrected and taken corrective measures?

Nikhil Aggarwal: Hi Jay. So, we appreciate the question, but we have seen majority of the pain due to macro environment only, there was extremely low footfall in Q2FY24, honestly we've not seen this kind of a time in Campus ever. So, this almost was a bit of a shocker to all of us as well. So, this is primarily due to a very low macro environment, most of the consumers ended up either down-trading to lower MRP. So they postponed the buying to festive season, in Q2FY24 that is where we have seen the pain and some bit of it, we have taken that conscious call of inventory correction like I mentioned, but there was absolutely no discontent amongst the distributors for any reason whatsoever. With regards to channels or any other conflicts that I can assure you, while we have also taken many steps to further improvise and improve the channels agencies. And just to give you some flavor, we have also seen distribution business getting back on track in Q3FY24 so far. So that's a very big positive sign. And so I would like to tell you that, there was no channel conflict that we have seen so far in that sense.

Jay Doshi: Thank you. My second question is, during the course of this year we have seen slightly higher than the usual level of discounting among some of your competitors brand, including some of the global brands. So how has your performance been in terms of market share in the recent sales, the Flipkart is a key partner for you. So the Big Billion Day sales as well as Amazon sale, would you be able to give us some directional color or something on market share trends, and whether it is growing faster than the platform or category on online?

Nikhil Aggarwal: Sure Jay. So, we have delivered a pretty good BBD this year in Flipkart, it was in the first week of October 2023, it ended somewhere around the end of October 2023. And we have been able to increase very aggressively our market share from 5% to almost 8.5% on Flipkart, these numbers have been validated and given to us by Flipkart themselves. And so this is a meaningful jump for any brand and we have also seen a lot of our peers and competitors, doing a lot of liquidation and discounting across channels. That is mainly due to the same reason that the macros have been weak and everybody was sort of liquidating their inventory, whatever they were sitting on. However, we have not taken that approach that's why you see a dip in our volumes, because we have been very clear that we will not discount beyond a point. And we have maintained that hygiene very well across channels, across geographies. Therefore, our ASPs have actually gone up by almost 6%, we have been able to demonstrate meaningful material margin jump from 48% to 54%. And our ASPs have also gone up from INR 608 to INR 658. So this is, in spite of a dull macro, we've been able to demonstrate healthy margins and that is what we will continue to do so in future. We have increased the market share in our online channels without really compromising on the margins beyond a point as well.

Jay Doshi: That's helpful. The last and final question is, what is the competitive intensity that you see in some of the Northern states UP, Bihar and in case of competition from smaller players, local regional players, usually we see a trend that there is aggression for a few quarters and then the channel inventory goes high, and then there's clearance liquidation and then you see a more benign or stable competitive environment. So, where do you think we are in this journey of competitive intensity in some of these states?

Nikhil Aggarwal: So, we don't think we have any competition in our segment, we almost dominate this category of INR 1,000 to INR 2,000 category, there are hardly any other specially organized players or even unorganized players in this segment. Most of the private and the smaller companies in the space are limited to less than INR 1,000 MRP products only. And interestingly UP is a go to market for all footwear companies, it's the first go to market so anybody entering into footwear first enters UP and therefore becomes sort of like a war zone in some sense and a little bit of an ugly situation sometimes for every single brand out there. So, we have a separate strategy for UP in order to be very aggressive UP has always been a very strong market for Campus, we have a very strong following, we are the number one top of mind brand in UP amongst the domestic players. And we would continue to maintain that lead on the back of the various initiatives like marketing campaigns and better product pool and better distribution reach. So we're working on multiple of these aspects to increase our sales in UP and Bihar going forward from here on. While the rest of the geographies across India have been performing quite well, in spite of a bad macro, we have been very stable across every other geography in the West and the South and Central and East.

Jay Doshi: Understood Sir. What I gather is, you have gained significant market share in marketplaces online channel this quarter, your channel correction is largely done distributions channels confirm by end of last quarter, so there won't be any meaningful adverse impact there and you are guiding for or indicating a stable Q3FY24. Do you also think that, BIS related implementation related things are also in place and should not affect your Q3FY24 or H1FY24 or anything that can be some adverse impact of BIS implementation?

Nikhil Aggarwal: So not really, in fact if anything BIS we see it as a very positive move by the government, we are very excited about the impact that BIS is going to create. Now, it's just a timing thing, it might create that impact in Q4FY24, the positive impact or it may bring that in quarter one depending on how the BIS, when it is rolled out exactly. Because so far, the official notification is yet to be received. But as per the government sources, we anticipate that it should be coming by the first week of January 2024 itself, it should get implemented. But as far as Q3FY24 is concerned, we don't see much of pain due to any non-BIS liquidation inventory, because the government has given adequate time to all the footwear companies in India to be able to carry on post January 2024 as well. We just have to declare at the end of December 2023 the inventory that we carry of non-BIS goods. So there is no pressure really from that perspective and so far we are on the right track.

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

Akshen Thakkar: Just on your point on AJIO and Udaan. So while that, some sales that you would have lost hold through on a Y-o-Y basis, I thought that impact was there in Q1 as well. So, if I look at your sales performance sequentially, is still down about INR 100 crores. So last quarter, Q1 also you didn't have Ajio and Udaan, and this quarter as well you don't have Ajio and Udaan. So, there is some seasonality but in active wear you don't really see Q2 versus Q1 being a material drop off. So, if INR 100 odd crore sequential decline, how much of it was due to like you alluded to some shift infested and how much of it was, through this channel connection in UP and Bihar, that was question one. And question two was, gross margins have moved up fairly decently you're setting at record high gross margin. Given that there is some competition, like you said in UP and Bihar, how does management think about top line versus margins, I know steady state you said that you would like to be a high teen 20% margin business, is there a case for dropping gross margins a little bit, dropping margin maybe to 18% instead of 20% or 16% instead of 20%. I am trying to get back to run rate of growth or you think both are separate, growth will be a separate dynamic and margin will be a separate dynamic. Those two questions from my side, thanks.

Sanjay Chhabra: Hi, morning Akshen this is Sanjay, on your first question related to Ajio. When we compare year-on-year, so what happened is that last year same quarter we had a good sales of around INR 36 crore from this business, which in this quarter is just INR 4 crore. So roughly INR 32 crore impact is coming straight from this in this quarter. But if you see.

Akshen Thakkar: I am referring to sequential numbers, Y-o-Y I understand, but one this year also.

Sanjay Chhabra: Sequential the impact was not this steep, we still did some numbers in Q1 of FY24. So in Q1, the impact was around INR 17 crores which has aggravated to around 32 crores in Q2, if I talk sequential. So that's a big impact INR 32 crores on this quarter or I missed the other macroeconomic factors and the distribution inventory correction we took. It's one of the big building blocks for the de-growth. I pass it on to Nikhil for taking the margin question.

Nikhil Aggarwal: So Akshen basis our strategy. So, one strategy is to deep discount the products to gain market share, the other is to invest behind the brand and to make the brand bigger and stronger. So for us it is the latter, where we are committed to building the brand and taking it to the next level. So all our initiatives and our resources we are ploughing into marketing, into the right steps that need to be taken to make a consumer brand a true consumer brand. And for that reason, we shy away from the strategy of passing on big discounts in the channels and we don't operate in a high low kind of MRP environment. So that's basically the strategy that we are following and you will see some significant investments in marketing being made even this year, and for next year as well. We'll continue to do so.

Akshen Thakkar: My second question was, few calls back we spoke about doing a value brand to work with, and not enough space for competition to get into the key markets as an entry brand. Any updates on that, have you test marketed some products some geographies and what has generally been the feedback around that?

Nikhil Aggarwal: So interesting question. So, we did some pilots, and the results of the pilot were basically that, we don't want to operate under the same brand Campus in a very low value segment. Because obviously, on one aspect we have been premiumizing really well over the last few years so we don't want to dilute any kind of brand saliency especially on the lower side. So therefore, we have put that strategy on hold, we are not looking to aggressively look into the lower economy side of those segments. Even as of quarter two, , we've reduced our contribution of our entry segment which is up to INR 1000 shoes to 25% versus 30% last year quarter two and we have been able to increase our premium product offering up to INR 1,500. And up to rather sorry, INR 1500, we've been able to take it from 40% to 46% for and INR 1,000 to 1500, we are at 28% versus 31% last year. So the endeavor is still to continue to premiumize. What we spoke about in the previous earnings call was about a new challenger brand. That strategy, we don't think is the right step given the current market dynamics. So we are very clear that we will continue to focus only on one brand strategy. And we don't want to, divert our resources on any other sub brand or a challenger brand at the moment.

Moderator: Thank you sir. Next question comes from Ankit Kedia from PhillipCapital. Please go ahead.

Ankit Kedia: Sir three questions from my side. On the O2O business which you alluded the INR 36 crore last quarter rate. On a historically you have always told that Ajio and Udaan account were some 20% of the business. Can you just share with us the breakup of online, how much is it direct, how much is it marketplace and how much was O2O for us?

Nikhil Aggarwal: Sure, we can give you a rough split Ankit. Approximately, we used to do about INR 70 to 80 crores of revenue from O2O platforms on a base of INR 500 crores. And the balance was being serviced about I believe, 40% to 45% from marketplaces and the balance from outright sales. So, that contribution of about 17% to 18% of O2O platforms is basically being substituted now by the marketplace growth on which we are focusing, because that O2O has basically gone for everyone. And so that INR 70 crore is being now substituted by marketplaces and outright, mostly marketplaces, because that's a better margin business than outright as well for us.

Ankit Kedia: Out of this INR 70 you are saying INR 36 crore was in Q2FY24 itself. So 50% of O2O came from Q2 last year?

Nikhil Aggarwal: Yes, approximately. Just to add, that's basically because of in these platforms they load up the inventory in Q2 for the season, for the upcoming season in Q3FY24.

Ankit Kedia: And typically O2O businesses would sell to retailers directly, wouldn't that retailer because of need of demand now purchase the products from the distributor on the ground, or the consumer of Udaan and AJIO would now actually still go to marketplaces to buy the products?

Nikhil Aggarwal: So that consumer, the retailer would end up going back to the distributor. So this business should add on, ideally back to our distribution business. This should be compensated by that. But that is, it takes maybe a quarter or two for that to reflect properly in the distribution business. It's not an overnight change, it takes about a quarter a couple of months to fully reflect into the other channel.

Ankit Kedia: Sure. My next question is on the EBO, I see EBO business actually growing by 50% in the quarter, and if you talk about the SSG growth in the EBO business, how many EBOs we have scaled up and what's the plan for next one year from the EBO side?

Sanjay Chhabra: Hi, this is Sanjay. On a EBO perspective, we continue to add around five to seven stores a month. So that's the kind of strategy we have and in this quarter also, we did add around 22 odd stores, 10 in EBO and 12 in franchisee. So that's roughly a ballpark number, which we'll continue to maintain and the good part is that we get closer to the consumer and this channel gives us a better realization as well.

Ankit Kedia: So you just said, the challenger brand you are keeping it on hold, but if I go to your website, I see one of your value fashion brands continue to be present at a 60%, 50% to 60% discount. So are we liquidating that inventory in the market to get out of that business or what are we doing with those smaller brand now?

Nikhil Aggarwal: That's correct Ankit we are liquidating the stock that we have. It's not a lot, it's very little. So whatever it is, we are just finishing it off and we won't be manufacturing that going forward.

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

Aliasgar Shakir: Thanks for the opportunity. I just wanted first clarification you mentioned you have inventory corrections, is this channel inventory or our own inventory and if you could just quantify because as you mentioned, Y-o-Y out of it was INR 70-80 crore the impact of let's say, Udaan and Ajio will be about INR 32 odd crores, then how much impact would have this on your revenue?

Sanjay Chhabra: Hi Ali this is Sanjay, I would say that the inventory correction just to clarify is primarily in our distribution channel and in certain pockets of UP, Rajasthan and Bihar. So, as we said that roughly INR 30 odd crores attribute to the O2O business and remaining INR 40 crores shortfall in our revenue, I would say that INR 20 odd crores would be attributable to phasing of the Diwali and remaining INR 20 would be a mix of inventory correction and subdued consumer demand so, that's how the split would be in a range.

Aliasgar Shakir: Second question on your competitive landscape, you did give a lot of colors, the point I wanted to allude to is, so point number one is in UP as you mentioned, the impact has been severe. So, there are two, three items here, first is we have been premiumizing our brand, so have we while gaining market share we are all but maybe we have lost because of gross market share in the value segment given that we have reduced our value brand. Also our channel check suggest, a lot of large distributors in the belt of UP, Bihar have wither shifted to other new brands that have come in the market. So, has the competition upon gaining or retaining your distributors gone up because of which, probably channel commission's given by competitors have gone up and the impact is hurting us. So, just a little bit more color over there, just help how the situation on the ground is in UP and how were are?

Nikhil Aggarwal: Hi Ali, so see for UP, we have a very clear strategy that we will not, we have a common policy for distribution that we follow across the country. And, UP as it became a slightly more competitive market, because of a lot of entrants and like I said a lot of competition enters UP first, it is the first go to market for everyone. So, therefore we have been very judiciously doing business in UP in terms of not losing market and not losing any margins in UP due to the competition. So, therefore we have a very clear strategy of making the brands salient, stronger the brand pole getting our reach even deeper, penetrating to every single nook and corner in single state, through means of a very extensive GTM for which we have already rolled out and we have started seeing some green shoots emerging in quarter three. UP as a state has bounced back for us in October2023 meaningfully. Therefore, the strategy and the steps taken by the company have been working very well.

Aliasgar Shakir: Last follow up over here is so, in the + INR 1,000 categories where we are more strongly focusing, sub 1000 category is where we are not aggressive, is the understanding correct and that's how we are trying to build our brand?

Nikhil Aggarwal: That's right, see any products, so we have a limited offering of products below INR 1,000, it is the entry segment which contributes roughly 25% of the entire revenue. Now, it is basically there to handhold the customer, when they move from an unbranded to a branded company for the first time. So, it is basically an entry point for them to buy a Campus shoe. Therefore, that is the only purpose that the entry level solves because, as a brand philosophy also and as our Chairman's philosophy, we don't compromise on quality and the look and feel of the shoe even though it's a cheaper product, the quality of the shoe is very, very high. So, therefore it is not as margin accretive as the other, as the INR 1,000 to INR 2,000 segment for the company. Therefore, we have limited offerings, it is only to handhold the customer to the higher MRP shoes going forward in the journey.

Moderator: Thank you. Next question is from the line of Rahul Jain from Lion Rock Capital. Please go ahead.

Rahul Jain: I just wanted to follow up on the previous question related to the inventory corrections on Udaan and AJIO stuff. So, I understand the Y-o-Y, but I'm just struggling from the INR 365 odd crore revenue you get in Q1FY24, where I would assume Udaan and AJIO would be a lot smaller INR 258 or 260 crore revenue in Q2FY24. So, I understand that INR 20 crore the valuing pattern I understand is 20 crore inventory, but the remaining split of 90 crore so can you help to bridge that gap?

Sanjay Chhabra: Sure. Rahul between two quarters as I mentioned, so, like last quarter we did around INR 17 crores in Ajio but in Q2FY24 we did around INR 4 crores. So that impact is also there. So, that's one and apart from that, when I was talking about Diwali impact, there will be an impact in distribution, there will also be an impact in the online segment where in the Big Billion Day also shifted and apart from that.

Rahul Jain: That would be INR 120 crore that's what you mentioned?

Sanjay Chhabra: Yes, apart from that there is always a phasing between the two quarters, our Q2 is unless we are coming closer to the festival, the Q2 is not very much equal to Q1 and then in Q3 again, with the seasonality the festival and the onset of winter seasons again the demand picks up. So that's how it is.

Nikhil Aggarwal: So this year, absolutely Rahul this year the Q2 was further exaggerated in terms of volume drop, because of the consumer sentiment that was the biggest factor driving the quarter two volume of its low.

Rahul Jain: And the follow up of these, so as you mentioned that most of the inventory correction is done. And you mentioned that you have a big market share gain within the marketplaces during the Big Billion Day sale. So when we look at Q3 and Q4, generally when you think about the Campus business on a longer term basis, it should be a business that should go in for the long term top line on a CAGR basis. Q2FY24 was very challenging, but when you look at second half, and you look at October 2023 and beginning of festive season you think we would get back to those regular trajectory or there will be a big, so there has been a big step down in Q2 and then there is a big step up in second half because all the corrective measures are done, and how you should be thinking about going forward from here. Or you think it will be a multi quarter recovery period from here?

Nikhil Aggarwal: Great question Rahul. So, I would like to persuade you all that, the worst is behind us. And we have been working on a lot of initiatives which are panning out really well. While I don't want to be super optimistic about Q3 and Q4, but we are on the right track and we see that we should be back to normalized growth very soon. Positively from Q3FY24 itself and we don't see much pain going forward. This basically all the, and the inventory correction was also not exactly pan India, we didn't really need to, it was only limited to these couple of geographies that we've stated. So it's not like, we have any more corrections to take or any places. So primarily, we believe the pain is over in terms of at least quarter two, the volume drop that we've seen, while there could be possibly some impact, if at all post Diwali we don't know but as of now, as of the 40, 42 days that have elapsed in quarter three, we have seen a very positive outlook. Now, Q4FY24 as well, like we said, we are very bullish on BIS but that's the timing thing. It would give us a positive impact in quarter four or maybe from quarter one next year that is yet to be seen. So basically the company, all the initiatives that the company has been taking, be it with respect to margins, cost saving initiatives, supply chain all the channels, the integration of the channel. All of that is by far in complete and some initiative that are still going on will continue to see the benefits of those flowing through the next few quarters. So, that's where we are for this year, I hope that answers the question.

Moderator: Thank you sir. Next question is from the line of Aditya Gupta from Tara Capital Partners. Please go ahead.

Aditya Gupta: A couple of questions, one on the inventory correction again. Was the slow moving goods that were just moving into states and you decided not to do any more primary sales over there, or was the some collection, some designs that did not work, and you guys decided to take it back from the market, and you had to write off some earlier sales, what exactly happened here?

Nikhil Aggarwal: I know. So, it was not related to any sort of specific design or any returns that the company has taken, this was a general correction that we undertook because of the low consumer sentiment, if there is less footfall in the market, and clearly the off take from the retailers is low, then there is no point for the company, if we push more products into the system, it will only create more complications for us going forward. So we took that, proactive steps as a general caution through this quarter to be ready for the upcoming quarters and not make them as painful from an inventory perspective. So there was no specific inventory that we have returned or recall, it is related to a general hygiene, I would say that has happened really through the channel.

Aditya Gupta: Got it. Second question on the management team, there's been a fairly significant churn over the last few quarters and you've obviously appointed replacements in some, haven't seen replacements in some so far. So where are we on that, is this team stable now, who's handling what of the people who have left. And how should we read into that, is that also because of let's say business disruption, because you've had a fair amount of churn in the top management team.

Nikhil Aggarwal: See there will always be some churn in any growing organization, we are growing very fast, we're evolving as an organization because footwear primarily is a very unorganized business. This you will see in every other footwear company in India, and the kind of channels and the people we deal with, they are very unorganized. So, we have had to as a category leader, we've really turned things around, we have had to educate a lot of our channel partners, bring them up to the FMCG standards. And that's what we have successfully been able, we've been doing that for the past few years. Therefore, we know it is important to understand that there will be some churn always with regards to people also in an evolving business, but at the moment, I would like to assure you that we are very stable now all the changes, that inadvertently have been made are through and we are sitting with a veryy good position. We are very proud of the current team who have been handling the business really well. And therefore, we will be able to see the reflection of those in our performance numbers very soon.

Aditya Gupta: Got it. And if you could clarify who's handling these strategy role now and who's handling internet and who's handling supply chain?

Nikhil Aggarwal: Strategy is being handled by both the Chairman and myself and our CFO as well. And the online, the B2C business is being handled by, we have Mr. Utkarsh Tiwari he has been handling B2C, both online and EBO business for the last few months. He started with retail and he took over online business a couple of months back and he's doing really well. And at the same time we have Mr. Aseem Sood who is handling our distribution business. Again he's from the FMCG background and doing a great job there. So, we have really high quality people handing both the businesses.

Aditya Gupta: Got it, thank you. And if I can squeeze in one last please. This Udaan and the AJIO issues again, I know you have explained it out but not a lot of your peers seem to be calling it out as this big an issue on their business. So while our terms of trade with these partners different, you've given us the numbers but I'm still at a little bit of challenge as to it happened last, you called it last quarter also, but the other players in your peers, the impact does not, nobody seems to have call it out or the impact does not seemed to be the significance. So how exactly our terms of trade different with these guys, and what has changed now?

Nikhil Aggarwal: So Campus as a brand has been extremely strong in tier two, tier three markets of the country. That is why, our online business overall has been able to do so well, for the past few years. This is the reason why we've been able to also grow our O2O business so rapidly from a zero crore base to INR 70 to 80 crores in a span of two years, we've been able to do that, on the back of demand, on the back of the brand pull, and the O2O platform reaching out to us. So, that may not be necessarily true for other competitors, they probably won't have been able to scale as fast as we did on O2O because of the brand pull. Therefore, we've also seen that impact probably the most.

Aditya Gupta: Okay, all right. Now you are saying all of this is sorted and Q3 onwards you should be back to let's say normalize or bringing back towards normalized businesses?

Nikhil Aggarwal: Absolutely. See, for us the larger objective this year is to maintain and grow our market share we are very clear with that and we will not do that at the expense of margin beyond a point, it's not about giving high discounts in the channels, any channel whatsoever. So, we have a very clearly laid out product and channel strategy that we are following, which has been reaping us really good benefits. And we will be seeing that very soon now. So for us, the imperative thing to do is to, maintain and grow the market share that we have successfully done on Flipkart as well this year. Basically, all the online platforms including Amazon, Myntra, every single one of them we have been very proactive at that. At the same time, we are seeing similar trend in our distribution business as well. So by the end of FY24 we expect to sit at a meaningful market share, even compared to last year, that is the primary objective for this year, not at the expense of such margin dilution also, I would like to add.

Moderator: Thank you. Next question comes from Zaki Nasir from Nasir Investments. Please go ahead.

Zaki Nasir: How would you going forward look at your geographical expansion in terms of urban, semi-urban, rural in kind of taking market share for Campus. And as the correction has happened in this quarter, could we safely assume that, at least Campus will maintain last year's levels in terms of the overall top line. Also, as company with the stature of Campus. Don't you think this quarter as a kind of drop has happened, we should look at more the way you look at your channel, it should be more sticky, and a couple of withdrawals should not drop your turnover by more than 20% return which has happened Sir. Thank you.

Nikhil Aggarwal: Thank you for your questions. And thank you for the compliment on that pair of shoe we really appreciated, that's the endeavor that we all work towards. So with regards to I'll take your last question first. We are like I said, there was obviously a very weak sentiment in the market but there were also a few changes that we have been making internally in terms of a lot of initiatives that we've been driving very positive. So while you're right that there should not be a drop of volume beyond a point. And we do agree to that, we are aware of that fact. Therefore, we have made some very significant changes that this does not repeat again in future and we assure you that it will never happen again. Secondly, sorry can you come back to your second question?

Zaki Nasir: How you wish to spread your geographical divide between urban, semi-urban and rural because these are three entirely different markets. And where do you fit in, where would you want to fit in and also by taking this, what about, I have been to your showroom in terms of how would you wish to add athleisure garments to it, If you could, or are there any plans on it?

Nikhil Aggarwal: Beyond in terms of geographical expansion, as we are increasing the brand saliency and the brand pull, and the kind of marketing campaign that we're about to roll out now, and you'll be seeing that very soon across all the mediums. We are very proactively building the brand. We want to be the preferred brand in this segment that is the vision for the company, the preferred brand in this segment of INR 1000 to INR 3000 segments and for that we have been working very closely with a lot of these, we have brand ambassadors, like the King is the rapper. So, we are targeting the right audience across various geographies, and such celebrities basically end up attracting target audience from both urban, semi-urban and rural. That's the kind of saliency that we want to create, while urban, we have increased meaningfully the contribution in the last couple of years, we are very cognizant of the fact that Campus has been very strong in the tier two and tier three markets of the country. That's how we started out. And we literally have less negligible competition in those states, in those specific sectors. So we'll continue to focus and grow our market share in the tier two and tier three towns as well. So it's an overall strategy, we are targeting every single, urban and semi urban center along with rural through our GTM that we have been rolling out. On the athleisure side, like I've mentioned earlier also, we don't want to enter into a new category at the moment, given the kind of whitespace we have in our category, it would be a big distraction for the entire team and the company. So we would take that up probably maybe a year or two or three years down the line. Once, we have been able to penetrate to a large extent rather the markets in terms of footwear, then we can probably take up another category at that point.

Zaki Nasir: And sir do we hope to see that INR 1,487 Crores surpass in the current year sir, balance two quarter?

Nikhil Aggarwal: I am sorry, I cannot comment. I would love to comment on that, but we don't give forward looking guidance's I've given you a flavor of how we are looking at quarter three and four going forward.

Zaki Nasir: And what would our peak turnover be in terms of our capacities, INR 2,500 crores, we are prepared for that without any CAPEX?

Nikhil Aggarwal: We cannot give you in terms of value. We can tell you in terms of volume. Our capacities are closer to three and a half crore pairs, that's 35 million pairs per annum. And last year we've done approximately 25 million pairs, close to 25 million and we are trending at similar volumes.

Moderator: Thank you. Next question is from the line of Abhishek Getam from Alpha Invesco. Please go ahead.

Abhishek Getam: Thank you sir for explaining your UP strategy. I wanted to know more on our strategy and the flavor of Eastern and Southern markets?

Nikhil Aggarwal: Sure. So Southern market like we've always maintained that for the last year since the last one year and going forward as well, Western and South are our key focus market and we have seen that effect also in quarter two where we've basically stayed flat in these two markets, we have not de-grown compared to the Northern market. So in spite of a very poor macro across India, so that's where our focus has been well paid. We will continue to grow our market share in those two markets. These are very important and focus markets for Campus, both the West and the South.

Abhishek Getam: And East market also?

Nikhil Aggarwal: Okay, so East as well, East has been flat for us for the last two, three years we have a decent market share in East, it is equal to the footwear sports shoe component of the entire footwear market appears, so we are commensurate with that, and I don't see any challenge in increasing. So it is also focused market, but there's a different kind of portfolio, which we are working on for East as well which is like, outdoor kind of categories, where we are also working on some new product development on that side and we've already launched a few designs this season as well. So that should also help us in increasing our East contribution and market.

Abhishek Getam: Just an extension to it, on our Eastern Southern strategy, is it a MBO lead or distribution lead strategy or a EBO lead strategy?

Nikhil Aggarwal: So, it is a combination of all three, actually we have been able to demonstrate and we've been able to penetrate a lot of new markets by using flux and a mix of all three channels, very successfully so we will continue to do that, there are certain different strategies we may need to apply to Northern market given the conditions there. But for the rest of India, the mix of hybrid of the three strategies where the company has really strong foothold in all three channels, both online and distribution and EBO, we will be using all three to get into the South and the East and the West markets. For example, I just share one data point that Gujarat, we have just opened our 50th store, which is the highest ramp up in any company so far in Gujarat, for irrespective of category like be it apparels or footwear, nobody's been able to ramp up up to 50 stores in Gujarat in a span of less than this, so that's the kind of aggression we have shown in the West markets of Gujarat and Maharashtra. Similarly in South, we've opened a few EBOs which are doing really well. And, we are seeing higher penetration across distribution and online thanks to our EBO penetration as well.

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

Mehul Desai: I just wanted to check one, how big is UP and Bihar for us in terms of sales and second, I don't know if you have given this number. How was the growth in West and South region in the quarter?

Nikhil Aggarwal: So, quarter two has been flagged with regards to West and South and also East. So the major impact is actually coming from the loss of volume in Northern markets of UP and Bihar, like we mentioned. So there is no real volume drop in any of the other markets compared to quarter two last year in spite of a lot of pain in the market in terms of macro.

Mehul Desai: And how big is, can you give some indication how big is UP for us in terms of sales?

Sanjay Chhabra: We look at UP and Uttaranchal together. So it's roughly from a MBO business perspective, it would be close to 25%.

Mehul Desai: 25% of the overall, of the MBO sales you are saying?

Sanjay Chhabra: Yes.

Mehul Desai: And just to get some sense, how are the AMP spends in first half and how do we look at in the second half as a the percentage to sales?

Sanjay Chhabra: So, obviously for the second half, in absolutely the spends would be higher because of our TV and media and also print spends considering the festival season but on a overall percentage terms, as a percentage to sales we will be in the range of 5% to 6% that’s the kind of spends we plan to do.

Moderator: Thank you. We have a follow up question from Ankit Kedia from PhillipCapital. Please go ahead.

Ankit Kedia: Sir just one follow up on just on the manufacturing side. Given that our share of third party manufacturing for upper and sole is significantly higher. Now, BIS certification coming in what percentage of our contract manufacturers have got certification and do we plan to do more in-house manufacturing now for sole and uppers post BIS?

Nikhil Aggarwal: Hi Ankit, just to clarify BIS is not applicable on upper or sole, or even raw material, BIS is only applicable on the finished goods. And all finished goods 100% of our finished goods is manufactured in-house completely in our plants that at Dehradun and Baddi. So whatever we roll out, and as of now, we have already, almost 20% of our production is BIS certified at the moment, which we will take up to 100% by the end of November or by first week of December, we'll be at 100%. BIS certified production being rolled out from both the plants. So, BIS does not apply to any sort of upper or sole whatsoever, it is up to the company to use those quality standards of upper and sole that finally will make a BIS certified final product.

Ankit Kedia: But in order to get the best quality, you would want more in-house manufacturing is that the right assumption or you continue with them and do testing at their end and have a mix of in-house?

Nikhil Aggarwal: We will continue to have a mix of we've had this model work very successfully. These are all exclusive partners with Campus, the job workers that we work with, while a lot of it we do in-house as well, but we have a lot of very good partners and Campus anyways takes pride in very high quality manufacturing that we have always endeavored to do and we've been doing for several decades now. So that is the whole genesis of our brand building proposition. And therefore, for us it was extremely easy and very straightforward to get into BIS certification. Because of anyways very high quality standards that we've been following irrespective of whether the shoe is in-house or made through a job worker.

Ankit Kedia: So, we should not expect any negative surprises from on BIS from your side, at least?

Nikhil Aggarwal: Not at all.

Moderator: Thank you. That was the last question for today's Campus Activewear Q2 FY24 conference call. I would now like to hand over the floor to management for closing comments.

Nikhil Aggarwal: Thank you everyone for attending the call so early in the morning today. I know it's been a tough quarter and we really appreciate everyone's support during this time. And we assure you of very positive outcomes in the coming times as the management has taken very proactive steps to counter the macro environment and any other issues that may have come up. So thank you so much for attending the call and wish you all the best. Thank you.

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