

Business Overview

Company Profile:

- Campus Activewear Ltd Limited was incorporated as “Action Renewable Energy Private Limited” on September 24, 2008. They are the largest sports and athleisure footwear brand in India in terms of value and volume in Fiscal 2021. (Source: Technopak Report)
- They have introduced the brand ‘CAMPUS’ in 2005 as a lifestyle-oriented sports and athleisure footwear company that offers a diverse product portfolio for the entire family.
- They offer multiple choices across styles, color palettes, price points and an attractive product value proposition. Their market share has risen from 15% in Fiscal 2020 to ~17% in Fiscal 2021.
- Campus is one of the very few established Indian brands in a segment which is primarily dominated by international brands.
- Campus is one of the most relevant brands in this segment, covering more than 85% of the total addressable market for sports and athleisure footwear in India as of Fiscal 2021.

Product Portfolio:

The company have launched 583 new designs in Fiscal 2021. Their product portfolio is extensive with 1,433 active styles for men, 241 active styles for women and 485 active styles for kids and children as on December 31, 2021. They offer one of the widest portfolios of footwear products among sports and athleisure footwear brands in India in terms of SKUs as of September 30, 2021.

Campus Activewear Ltd Limited has a several product development tracks with distinct times to market serving various demand cycles:

- **Flagship collection launch process (spring-summer and autumn-winter):**
A majority of their annual designs are conceptualized and commercialized under these two flagship seasonal launches each year, namely,
(i) spring-summer by February/March; and
(ii) autumn-winter by August/September.
- **Never Out Of Stock (NOOS):**
This refers to core replenishment products in their portfolio, it involves identification and manufacturing of standard products which are always in demand across all seasons. They ensure that these models are always available in stock.
- **Design fast track:**
This involves the quick design, development, and production of new products outside the normal go-to-market process.

Issue Details

Offer for sale up to 47,950,000 Equity Shares aggregating up to ₹ [.] million

Issue size: ₹ 1332.47 - ₹ 1399.60 Cr.

No. of shares: 47,950,000

Face value: ₹ 5/-

Employee Reservation: 200,000

Price band: ₹ 278-292

Bid Lot: 51 shares and in multiples thereon

Employee Discount: ₹ 27 per share

Post Issue Implied Market Cap:

₹ 8,460 – 8,886 Cr.

BRLMs: JM Financial Limited, BofA Securities India Limited, CLSA India Private Limited and Kotak Mahindra Capital Company Limited

Registrar: Link Intime India Private Limited

Indicative Timetable

Activity	On or about
Issue Opens	26-04-2022
Issue Closes	28-04-2022
Finalization of Basis of Allotment	04-05-2022
Refunds/ Unblocking ASBA Fund	05-05-2022
Credit of equity shares to DP A/c	06-05-2022
Trading commences	09-05-2022

Listing: BSE & NSE

Issue Break Up

Retail	QIB	HNI
35%	50%	15%

Shareholding (%) *

	Pre Issue	Post Issue
Promoter & Promoter Group	78.21	74.10
Public	21.79	25.90
Total	100.00	100.00

*Calculated using data in RHP on page 97

Competitive Strengths

India's largest sports and athleisure footwear brand and fastest growing scaled sports and athleisure footwear brand with a robust product portfolio across the demand spectrum

They are the largest sports and athleisure footwear brand in India in terms of value and volume in Fiscal 2021. (Source: Technopak Report) They are also the fastest growing scaled sports and athleisure footwear brand. Campus cover more than 85% of the total addressable market for sports and athleisure footwear in India as of Fiscal 2021, which is the largest market coverage amongst key sports and athleisure footwear brands.

They sell their products across price points, geographical locations, and demographics, using their 'omnichannel experience'. They are therefore able to cater to the varied requirements of consumers as well as provide them with the ease of purchasing the products using the channel most suited to them.

Sustained focus on design and product innovation facilitating access to the latest global trends and styles through the fashion forward approach

The company have adopted a fashion forward approach to retailing to ensure that they have a faster design conceptualization to production cycle. They launch various new styles of footwear with different features such as shock absorption and reflect technology across different price categories every year. They are able to launch their products within 120 to 180 days from the date of product conceptualization. For instance, they have launched 2,580 new designs between Fiscal 2019 and nine months ended December 31, 2021.

Difficult to replicate integrated manufacturing capabilities supported by robust supply chain

Their fabricator and sole supplier network is difficult to replicate for the following reasons:

Upper Manufacturing: It is labor-intensive and 83.33% outsourced. Entire ancillary network is exclusive to them. Exclusivity also gives them control over quality and access to production planning which leads to faster turnaround times.

Sole manufacturing: 62.50% is outsourced. Sole manufactured for complex, premium products are controlled by them to control quality, turnaround time and protect their intellectual property. For generic manufacturing, which is volume based and easier to manufacture, they outsource it with little impact on manufacturing timelines and pressure on turnaround times. They are entitled to preference in capacity allocation and turnaround times and undertake 100% inspection of all soles for quality control.

Robust omnichannel sales and distribution network with Pan-India presence and move to premium category

The company provide their consumers an 'omnichannel experience' that enables brand discovery and products sales and marketing through physical locations and varied online channels. They have established a sales network of 19,200 Retail touchpoints among 28 states and 664 cities Pan India. This is a leading Footwear brand on Flipkart, Myntra & Nykaa.

By means of their omnichannel approach, they are able to offer a holistic experience to their consumer throughout the purchase cycle. Their omnichannel experience is media agnostic, involving, either or both, offline and online interactions, resulting in seamless product discovery, evaluation, purchase and post purchase experience.

Strong brand recognition, innovative branding and marketing approach

Campus is a strong brand that has consumers trust, as evidenced by their leadership position in the sports and athleisure footwear industry in India. They have spent a considerable amount of time conceptualizing and implementing a unique brand awareness and marketing strategy to move from stand-alone trade led marketing to direct-to-consumer marketing. Their *Global-Giri Flipkart Campaign* where they partnered with Flipkart in Fiscal 2019 to bolster sales during Flipkart's annual flagship event, the Big Billion Day. They have highlighted their brand as being aspirational, accessible and affordable fashion. They have launched an integrated marketing campaign combining various online and offline means of targeting consumers.

Experienced management team

The company's Chairman has over 37 years of experience in the footwear industry in India. Further, the senior management team is a professional team with a combined experience of over 125 years in FMCG, retail, technology and consulting businesses. The Board of Directors support and provide guidance to their management team; Which include eight Directors with several years of experience.

For further details, refer to 'Competitive Strengths' page 178 of RHP

Business Strategies

Leveraging the brand and leadership position along with the growth in the Indian sports and athleisure market:

The Indian sports and athleisure segment is expected to benefit from increasing health awareness, rising levels of disposable income in India, favourable trends in Indian demographics such as increasing population of young adults and the growing demand for women's footwear. India also has extremely low footwear penetration per capita as compared to developed economies. The Indian government's 'Make in India' initiatives as well as GST policies further benefit products manufactured in India. (Source: Technopak Report) The company believe these factors will enable them to maintain and consolidate their leadership position in this industry segment. They intend to enhance the number of styles and products in the women and kids and children category.

Intend to continue to invest in and integrate the supply chain:

The company rely on a network of suppliers and manufacturers for a number of their raw materials and components in the manufacture of their products. In Fiscal 2021, they commissioned a sole manufacturing facility at Ganaur, Haryana and in Fiscal 2020, they commissioned an uppers manufacturing facility at Haridwar, Uttarakhand. The manufacturing facilities give company the ability to manufacture 37.50% of their requirements of soles and 16.67% of footwear uppers in-house and 100% in-house assembly of all their products. This has allowed them to demonstrate greater control over the manufacturing process, manage costs and improve time to market for product launches.

They intend to continue to evaluate options to further backward integrate in other aspects of their manufacturing process. This may be through acquisitions as well. They will evaluate acquisition opportunities based on whether such acquisitions will allow them to reduce the reliance on the supply chain, particularly third party vendors and suppliers, ensure quality control, give them cost optimization opportunities and protect their design intellectual property.

Further expand and deepen their Omni channel experience:

They intend to deepen and expand all the various elements of their omnichannel experience such as their trade distribution network, exclusive brand outlet ("EBO") presence and increase their online sales.

They have added 190 and 70 new distributors in Fiscal 2021 and nine months ended December 31, 2021, respectively. In addition, they have added 9,786 and 2,085 new retail points of sale in Fiscal 2021 and nine months ended December 31, 2021.

Targeted acquisitions of products and brands:

They evaluate opportunities from time to time to grow their business inorganically. The company would continue to seek opportunities that complement and grow their product offerings as well as ancillary products in the sports and athleisure category. They may also look to increase their portfolio of brands through acquisitions to provide their consumers with differentiated offerings.

Targeted product development to increase diversification:

The company aim to diversify their revenues from operations through a number of measures:

Entry level: They have launched 335 new styles in the entry-level category in Fiscal 2021. With an intend to maintain focus on the entry level category to introduce consumers to the brand at a compelling value.

Premiumization: They have been steadily increasing the number of launches in the premium category of the sports and athleisure segment. They have launched 122 new styles in this category in Fiscal 2021 compared to 106 styles in Fiscal 2020. Consequently, the revenue contribution from their premium products to their sale of goods has increased over the years. They intend to increase focus on the premium segment of the market to capture new consumers and elevate customer experience of existing consumers.

For further details, refer to 'Strategies' page 184 of RHP

Profile of Directors

Hari Krishan Agarwal is the Chairman and Managing Director of the Company. He has not completed his formal education. He has over 37 years of experience in the footwear industry in India.

Nikhil Aggarwal is a Whole-Time Director and the CEO of the Company. He holds a bachelor of science in industrial engineering from Purdue University. He received semester honors and citation on the dean's list for outstanding scholarship performance for the spring semester 2004 at Purdue University. Further, he attended the Summer School Programme at the London School of Economics in 2007. He has completed the TPG-INSEAD C-Suite Workshop and the Leading. The Effective Sales Force INSEAD Executive Education programmes held at INSEAD, Singapore. He has approximately 14 years of experience in the footwear manufacturing and trading sector.

Anil Rai Gupta is a Non-Independent Non-Executive Director on the Board of the Company. He holds a master of business administration from the Babcock Graduate School of Management, Wake Forest University. He has approximately 29 years of experience in the consumer electrical goods sector.

Ankur Nand Thadani is a Non-Independent Non-Executive Director on the Board of the Company. He holds a bachelor's degree in electronics and telecommunication engineering from the University of Mumbai, Maharashtra. He is also associated with TPG Capital India Private Limited.

Anil Kumar Chanana is an Independent Director on the Board of the Company. He holds a bachelor's degree in commerce (honours course) from the University of Delhi and has completed the financial management program at the Graduate School of Business, Stanford University. He is an associate member of the Institute of Chartered Accountants of India. He has approximately 38 years of experience in handling finance functions, including in the information technology sector, and in providing consultancy services. He has previously served as the chief financial officer of HCL Technologies Limited, and has previously been associated with CMC Limited and Ansaldo Impianti SpA.

Madhumita Ganguli is an Independent Director on the Board of the Company. She holds a bachelor of science and a bachelor of laws from the University of Delhi. She has approximately over 40 years of experience in the financial services sector. She serves as a member of the executive management of Housing Development and Finance Corporation Limited.

Nitin Savara is an Independent Director on the Board of the Company. He is an associate member of the Institute of Chartered Accountants of India. He holds a bachelor of laws from Chaudhary Charan Singh University, Meerut, and a bachelor of commerce (honours course) from the University of Delhi. He has approximately 18 years of experience in accountancy and advisory services. He has previously been a partner at Ernst & Young LLP and BMR Advisors LLP. He is the deputy chief financial officer of Zomato Limited.

Jai Kumar Garg is an Independent Director on the Board of the Company. He holds a bachelor of commerce from Kurukshetra University. He is an associate member of the Institute of Chartered Accountants of India, a certified associate of the Indian Institute of Bankers and an honorary fellow of the Indian Institute of Banking and Finance. He has previously served as the executive director of UCO Bank and the managing director and chief executive officer of Corporation Bank, and has handled functions including overseeing banking operations, credit management, finance and risk management.

Given above is the abstract of data on directors seen on page 224 of the RHP

Object of the Offer

As Stated in RHP, the Company will not be receiving any proceeds from the IPO as it an Offer for Sale.

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Comparison with peers

Company	FV/Share (₹)	EPS (Basic)	RONW	NAV (₹ per share)	P/E (times)
Campus Activewear Limited* (Consolidated)	5.00	0.88	8.60%	10.29	[●]
Listed Peers					
Bata India Ltd. (Consolidated)	5.00	(6.95)	(5.08)%	136.79	N.A.
Relaxo Footwears Ltd. (Standalone)	1.00	11.74	18.54%	63.29	98.49

Source: All the financial information for listed industry peer mentioned above is on a consolidated basis and is sourced from the annual audited financial results of the company for the year ended March 31, 2021.

*Financial information for Campus Activewear Limited is derived from the Restated Financial Statements for Fiscal 2021.

Notes for listed peers:

1. P/E Ratio has been computed based on the closing market price of equity shares on BSE on April 6, 2022 divided by the Diluted EPS provided.

2. RoNW is computed as net profit after tax (including profit attributable to non-controlling interest) divided by closing net worth. Net worth

Financials (Restated Consolidated)

(Rs. In million)

Particulars	As at 31 st December, 2021	As at 31 st March, 2021	As at 31 st March, 2020	As at 31 st March, 2019
Equity Share Capital	1,521.62	1,518.71	1,518.71	0.97
Other Equity	2,503.84	1,607.64	1,328.74	2,016.75
Net Worth	4,025.46	3,126.35	2,847.45	2,017.72
Total Borrowings	1,741.77	1,355.98	2,432.63	1,747.58
Revenue from Operations	8,418.44	7,112.84	7,320.43	5,948.73
EBITDA	1,652.15	1,198.11	1,383.26	1,018.62
EBITDA Margin	19.63	16.84	18.90	17.12
Profit/(Loss) Before Tax	1,139.57	699.45	987.54	663.29
Net Profit/(Loss) after tax	848.04	268.63	623.69	386.00
Basic Earnings Per Share	2.82	0.88	2.05	1.28

Above data obtained from pages 23, 24, 34, 78 & 79 of RHP

Key Risk Factors

- The Offer Price, market capitalization to revenue multiple and price to earnings ratio based on the Offer Price of the Company, may not be indicative of the market price of the Company on listing or thereafter.
- There have been volatile fluctuations in revenues and financial parameters such as profit after tax margin, Earnings before interest, taxes, depreciation and amortization ("EBITDA") margin and Gross margin in the past. There is no guarantee that these will improve in the future and the Company will be able to generate higher returns.
- The company may not be able to maintain their financial parameters such as Return on Capital Employed (ROCE) in the future.
- The company is reliant on their trade distribution and their direct-to-consumer channels for a majority of their sales, any disruptions to the operations of these channels or their limitations on their ability to expand and grow this channel may adversely affect their sales, cash flows and profitability.
- The sports and athleisure footwear industry is highly competitive, and if the company fail to compete effectively, their business, results of operations and financial condition may be adversely affected.
- The COVID-19 pandemic has had, and the company expect to have continued and an adverse effect on their business, results of operations, financial condition and cash flows, the nature and extent of which are highly uncertain and unpredictable.
- Environmental regulations monitored by various governmental authorities such as the relevant state pollution control boards and state level environmental impact assessment authorities impose costs and limitations on their operations.
- Failure to effectively promote or develop their brand could materially and adversely affect their business performance and brand perception.
- Pricing pressure from customers may affect their gross margin, profitability and ability to increase their prices, which in turn may adversely affect their business, results of operations and financial condition.
- Their business is affected by seasonality, which could result in fluctuations in their operating results.
- Their manufacturing facilities are located in India and the sales of their products are primarily concentrated in North India, in particular, and any adverse developments affecting India could adversely affect their business, results of operations, cash flows and financial condition.
- Their management team and qualified employees are critical to their continued success and the loss of such personnel could adversely affect their business.
- Any inability to procure or source contract labor or deterioration of labor relations with their contract labor staff or increase in labor costs could adversely affect the business and financial performance.
- Their Promoters and Promoter Group will be able to exercise significant influence and control over the Company after this Offer and may have interests that are different from those of their other shareholders.
- Merchandise returns could harm their business.
- Their online sales are dependent on sales channels controlled by third party online market places and their inability to utilize these channels or significant changes to their business arrangements with these market places may impact their revenue from operations, cash flows and profitability.
- Their business depends on their warehousing and logistics and any disruptions may have a material adverse effect on their business.
- They rely on third parties to manufacture slippers. Any failure by or loss of a third party manufacturer could result in delays and increased costs, which may adversely affect their business.
- They have limited control over the ultimate retail sales by their distributors and retailers and their image and business may be adversely affected if their distributors or retailers fail to adhere to their distribution policies and standards.
- They have entered into related party transactions and will continue to do so in the future too, which may potentially involve conflicts of interests with equity shareholders. The company cannot assure that they could not have achieved more favorable terms if such transactions had not been entered into with related parties.

Please read carefully the Risk Factors given in detail in section III (page 32 onwards) in RHP

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