

Campus Activewear

FMCG | India

IPO | 25 April 2022

Strong Business Model, but Valuation is Stretched

About the Company

Campus Activewear (Campus) is the largest and fastest-growing sports and athleisure (S&A) footwear brand in India. The company's market share has further increased to 17% in FY21, from 15% in FY20. Campus is one of the very few established Indian brands in a segment that is primarily dominated by international brands. Campus covers 85% of the total addressable market for sports and athleisure footwear in India. The product portfolio includes running shoes, walking shoes, casual wears, floaters, slippers, flip-flops and sandals offered in multiple colors, styles and price range. Campus has 1,433 active styles for men, 241 active styles for women and 485 active styles for kids and children. The company has a PAN India presence with a network of over 400 distributors in 28 states and 625 cities. It also has 18,200 retailers across India. Moreover, Campus owns and operates 5 manufacturing facilities across India and has an installed capacity of 25.6mn pairs as of 2QFY22. The company has announced an IPO with a full OFS of Rs14bn with a price band of Rs278-292. At the higher band, the IPO is seen at Rs89bn.

Financials in Brief

Campus has reported strong financials in the last decade with a revenue CAGR of 27%. Financials in FY21 were impacted due to Covid-led disruptions, though the company witnessed a healthy growth in 9MFY22. Its revenue grew by 93% YoY to Rs8.4bn in 9MFY22. EBITDA during 9MFY22 stood at Rs1.6bn, from Rs510mn YoY, while margin expanded to 19.4% in 9MFY22, from 11.7% in 9MFY21. The company reported a PAT of Rs848mn in 9MFY22, against Rs168mn YoY. Moreover, RoE during 9MFY22 stood at 21.1%, against 5.6% YoY.

Strong Industry Dynamics

The Indian footwear retail market is expected to clock 22% CAGR between FY21 to FY25, being one of the fastest-growing discretionary categories. The specific industry segment of sports and athleisure footwear is highly under-penetrated, compared to developed economies, and is expected to be the fastest-growing segment. The target segment is growing due to a combination of factors such as the transition from the unorganized to organized sector driven by enhanced preference for branded and quality footwear, increasing health awareness, rising levels of disposable income in India, favorable trends in Indian demographics such as increasing population of young adults, and the growing demand for women's footwear.

Our View

On FY22 annualized financials, the IPO is valued at 42x EV/EBITDA, 8x EV/sales and 79x P/E, which is largely compared with the recently-listed Metro Brands. Campus Activewear is the fastest-growing scaled sports and athleisure footwear brand covering more than 85% of the total addressable market. With its focus on design and product innovation, robust omni-channel network and PAN India presence, integrated manufacturing capabilities supported by robust supply chain and access to the latest global trends and styles, the company looks to further expand into the under-penetrated Indian market. The Indian footwear retail market is expected to record a CAGR of 21% over FY21-FY25, and this will provide opportunities for the company to multiply its reach. Moreover, an experienced management team, strong brand recognition and a move to premium category further solidifies the company's position. The Company is the largest and fastest-growing player in a rapidly growing S&A footwear brand in India with continued focus on channel expansion, rising contribution from premium category, but the IPO is aggressively priced and hardly leaves anything meaningful on the table for investors in the medium term perspective.

IPO Details

Price Band (Rs)	278-292
Face Value (Rs)	5
Issue Open/Closing Date	26-Apr/28-Apr 22
Fresh Issues (mn)	-
OFS (mn)	48.0
Total Issue (mn)	48.0
Minimum Bid Qty. (Nos)	51
Issue Size (Rs bn)	14.00
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs bn)	88.9

*At a higher band

Object of the Issue

- ▶ OFS
- ▶ To get listing benefit

Key Risk

- ▶ Reliant on trade distribution and direct-to-consumer channels for a majority of sales.
- ▶ Failure to compete effectively in sports and athleisure footwear industry.
- ▶ Environmental impact assessment authorities may impose costs and limitations.
- ▶ Unable to anticipate product trends and consumer preferences.
- ▶ Pricing pressure from consumer

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	78.2	74.1
Public	21.8	25.9

Key Financials

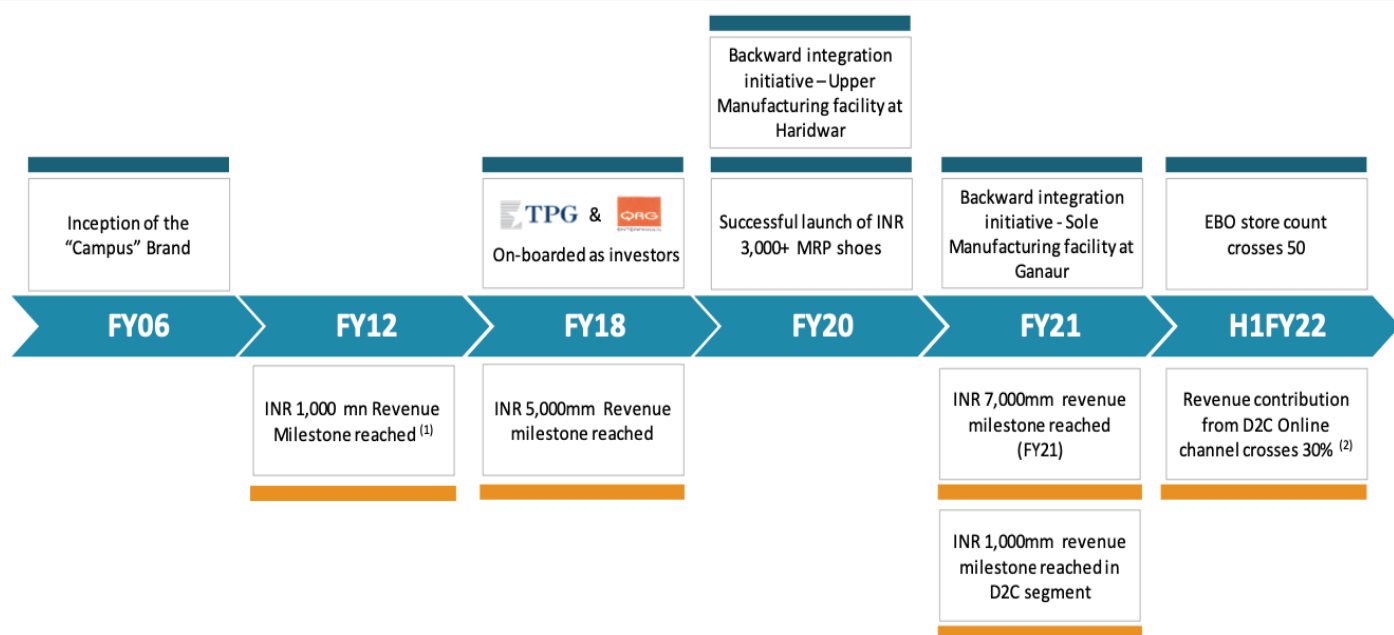
(Rs mn)	FY19	FY20	FY21
Revenue	5,949	7,320	7,113
EBITDA	1,000	1,363	1,160
EBITDA Margin (%)	16.8	18.6	16.3
PAT	386	624	269
PAT Margin (%)	6.5	8.5	3.8
EPS (Rs)	1.3	2.0	0.9
P/E (x)	230	142	331
EV/EBITDA (x)	90.6	66.6	77.8
EV/Sales (x)	15.2	12.4	12.7
Net Worth	1,991	2,849	3,130
RoE (%)	19.4	21.9	8.6
Gross Debt	1,748	2,433	1,356
Net Block	694	1,262	2,062
Net Asset Turnover (x)	8.6	5.8	3.4

Source: RHP

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Exhibit 1: Key milestone to become #1 S&A Footwear Brand


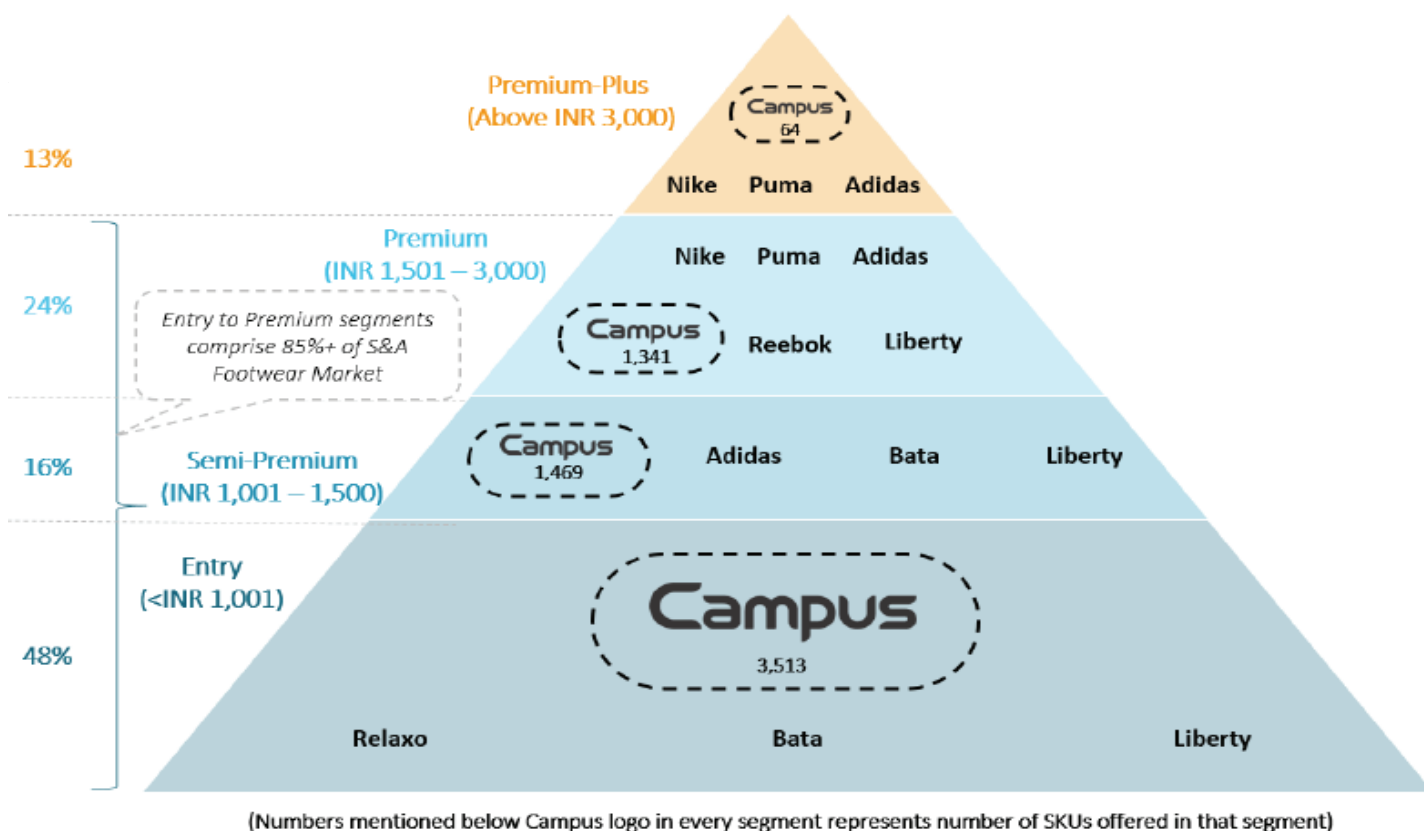
Source: RHP

Exhibit 2: Footwear SKUs

Brands	Footwear SKUs	Men	Women	Kids
Adidas	7,673	57%	23%	20%
Asian Footwear	3,970	22%	75%	3%
Asics	1,496	65%	29%	6%
Bata	5,176	44%	43%	13%
Campus	6,388	69%	9%	22%
Decathlon	292	43%	29%	28%
Fila	1,000	50%	50%	0%
HRX	470	54%	46%	0%
Khadim	1,281	35%	45%	20%
Lancer	3,000	90%	9%	1%
Liberty Shoes	1,516	54%	33%	13%
Lotto	200	53%	23%	24%
Metro Shoe	1,419	27%	63%	10%
Mirza International	1,364	82%	16%	2%
New Balance	3,049	52%	35%	13%
Nike	2,570	56%	25%	19%
Onitsuka Tiger	453	44%	47%	9%
Puma	7,234	44%	34%	22%
Reebok	1,644	57%	34%	9%

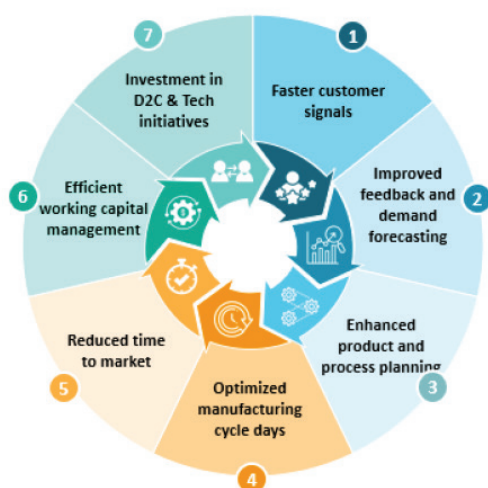
Source: RHP

Exhibit 3: Addressable Market

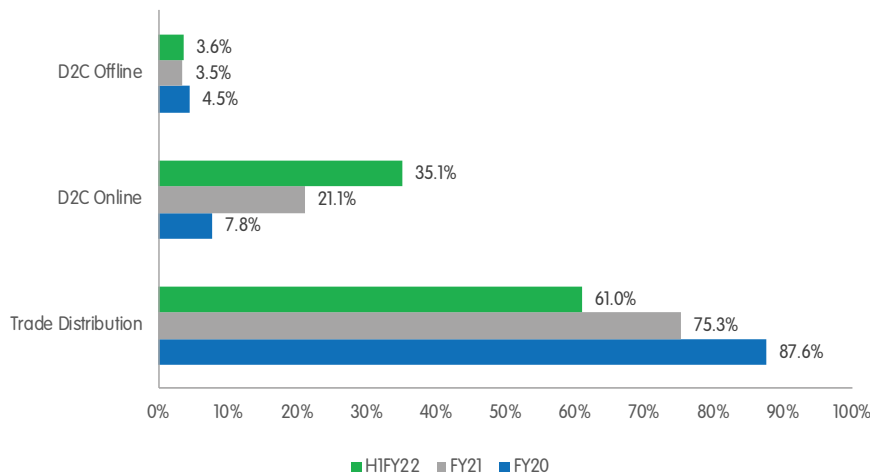


Source: RHP

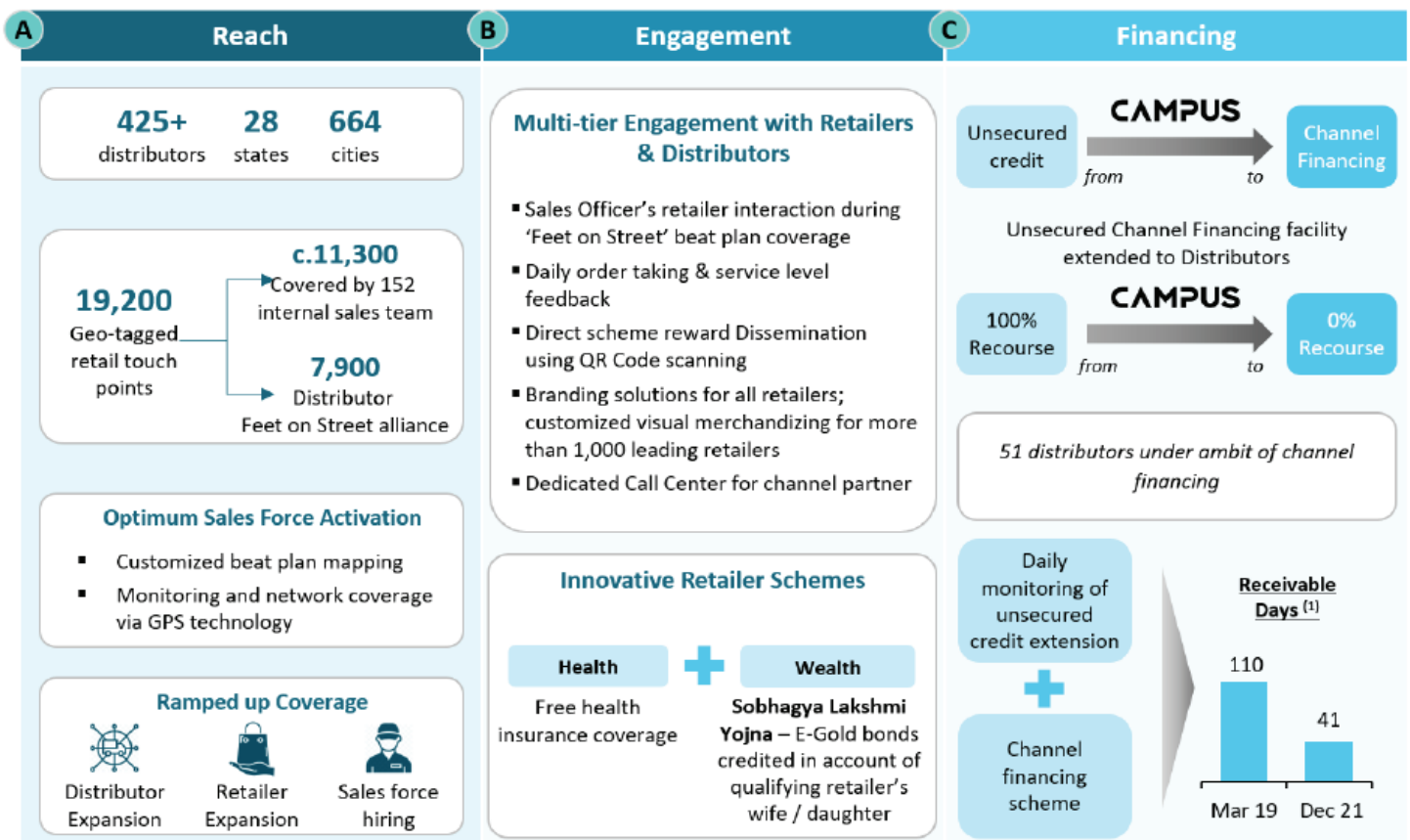
Exhibit 4: Efficient Market tracker



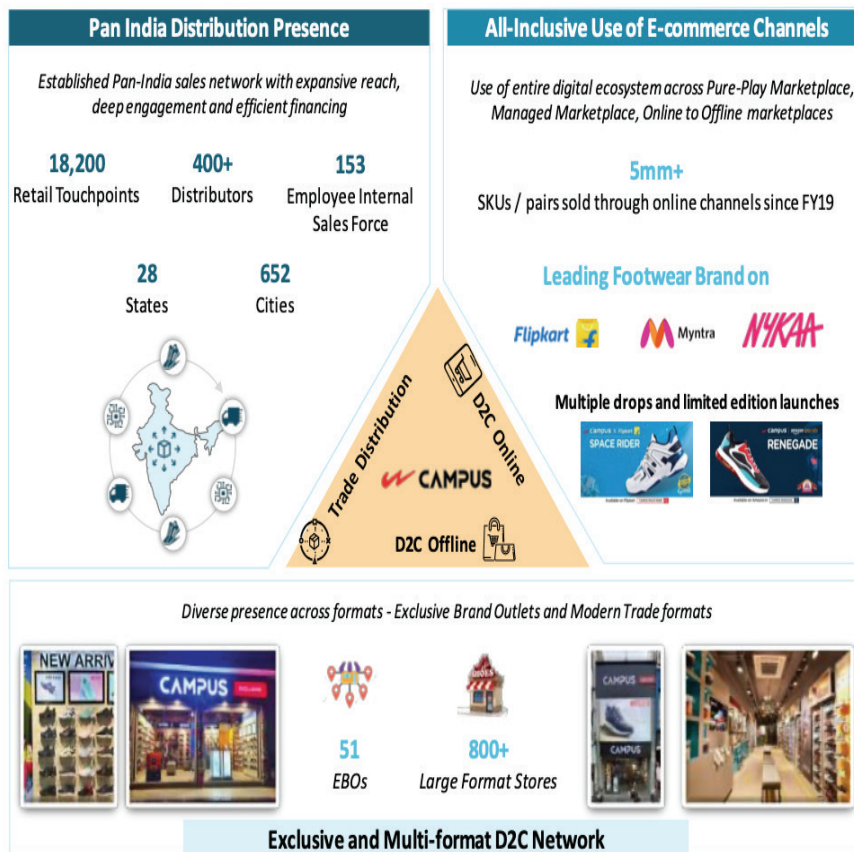
Source: RHP

Exhibit 5: Revenue Contribution


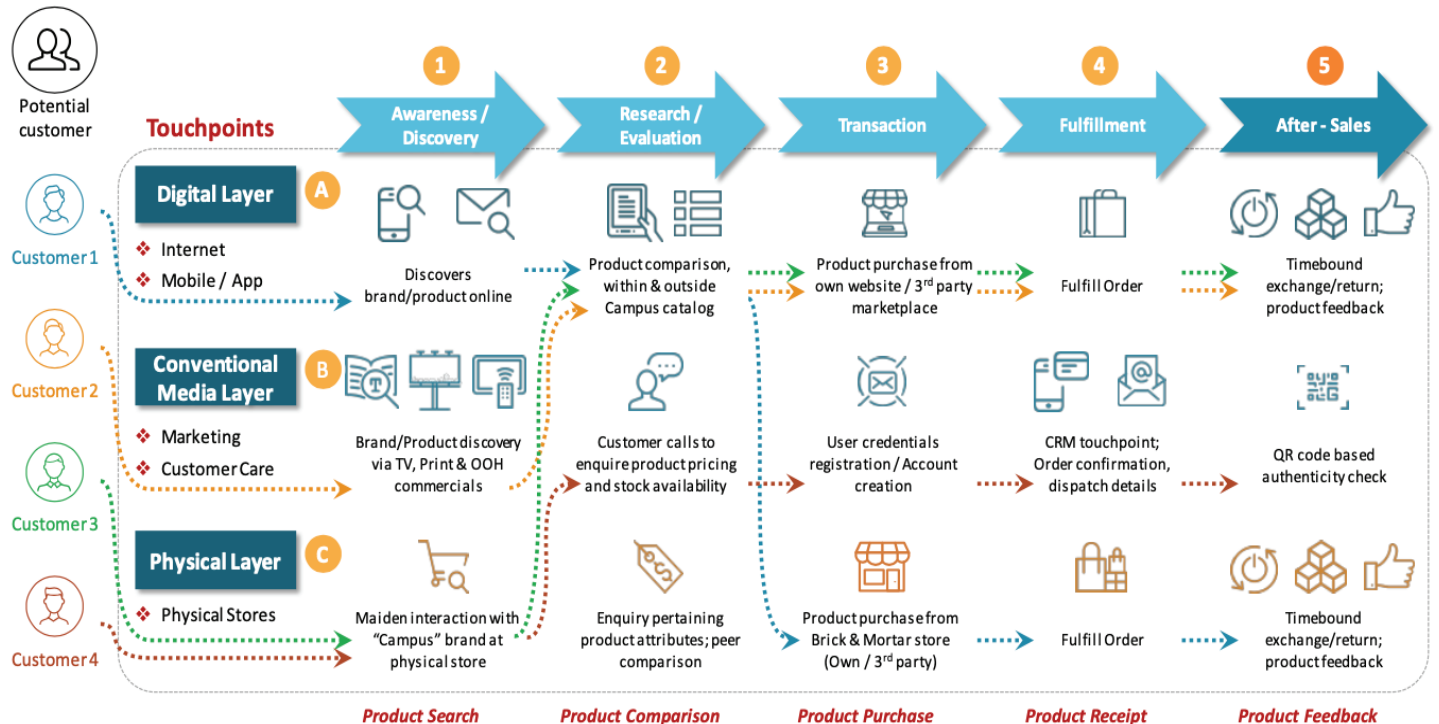
Source: RHP

Exhibit 6: Trade Distribution


Source: RHP

Exhibit 7: Distribution Presence


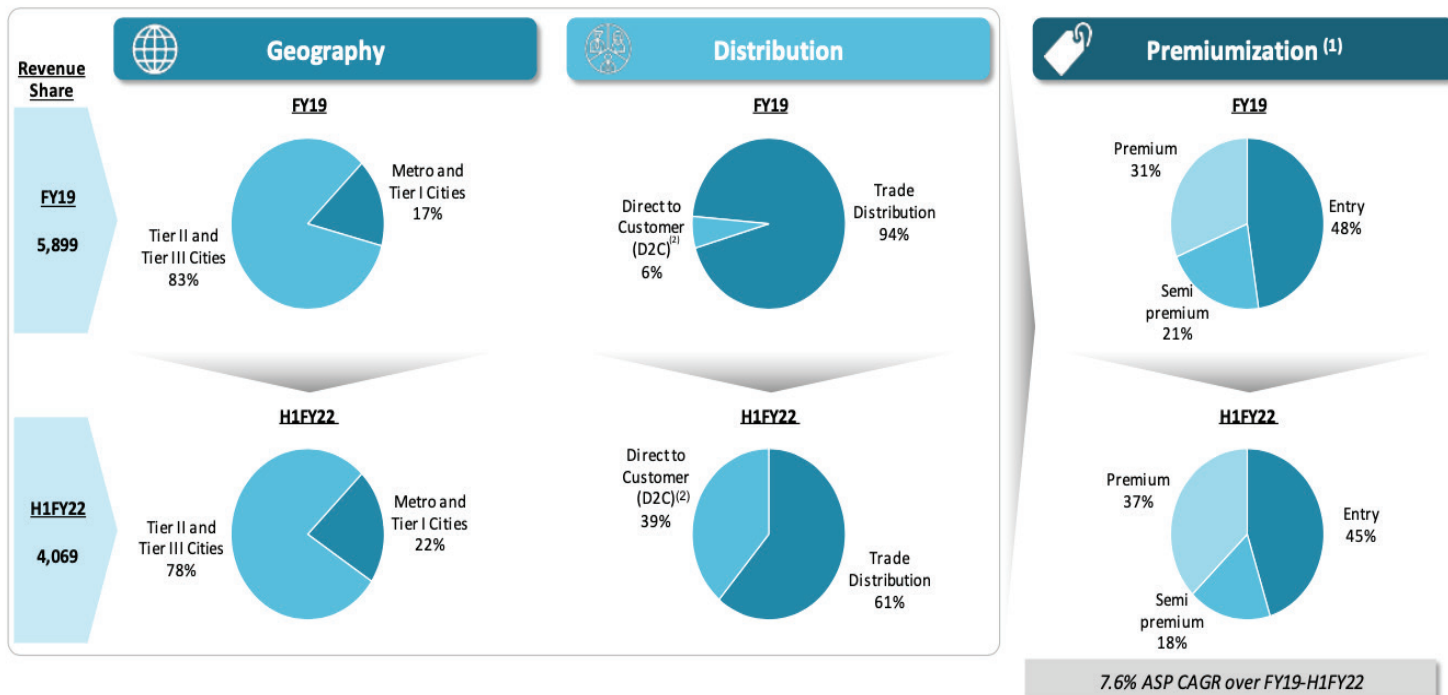
Source: RHP

Exhibit 8: Direct and Multi Layered Consumer Engagement


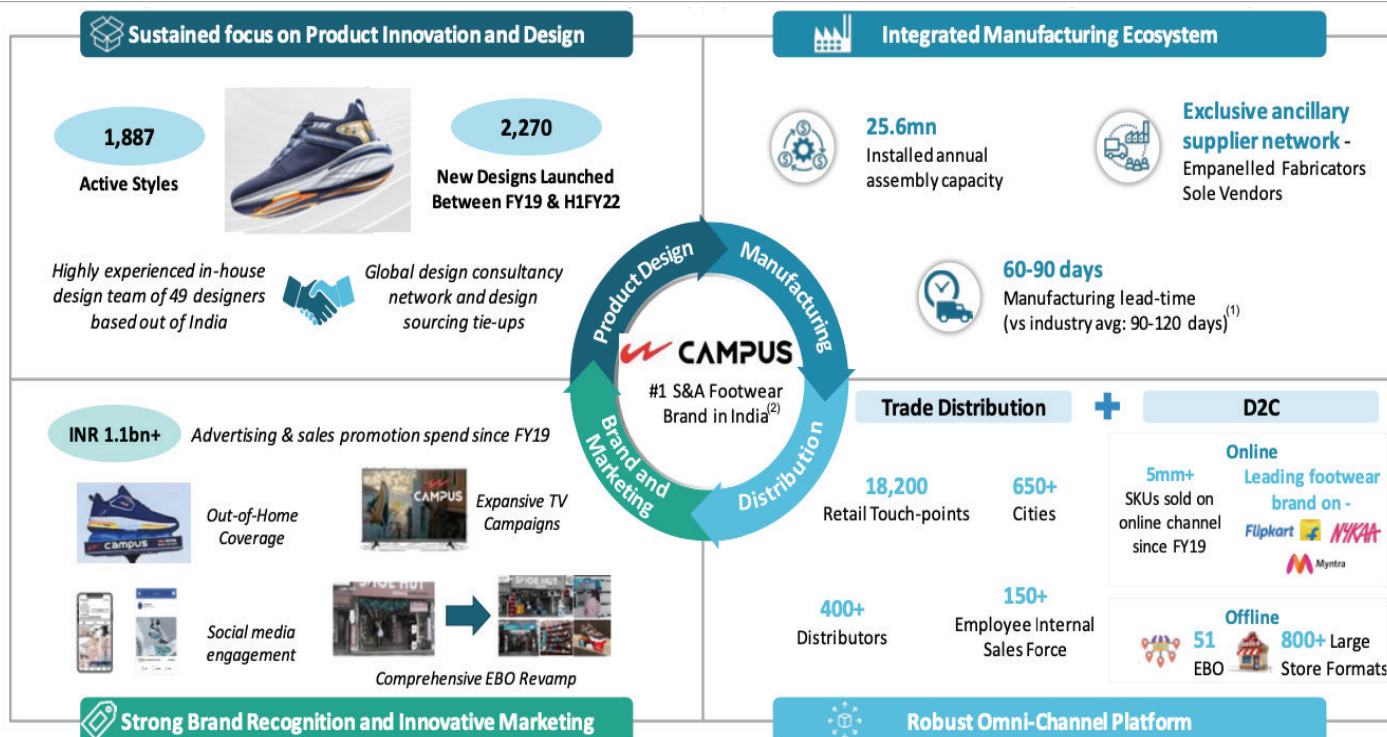
Source: RHP

Exhibit 9: Composition of Business –Moving Towards Premiumization

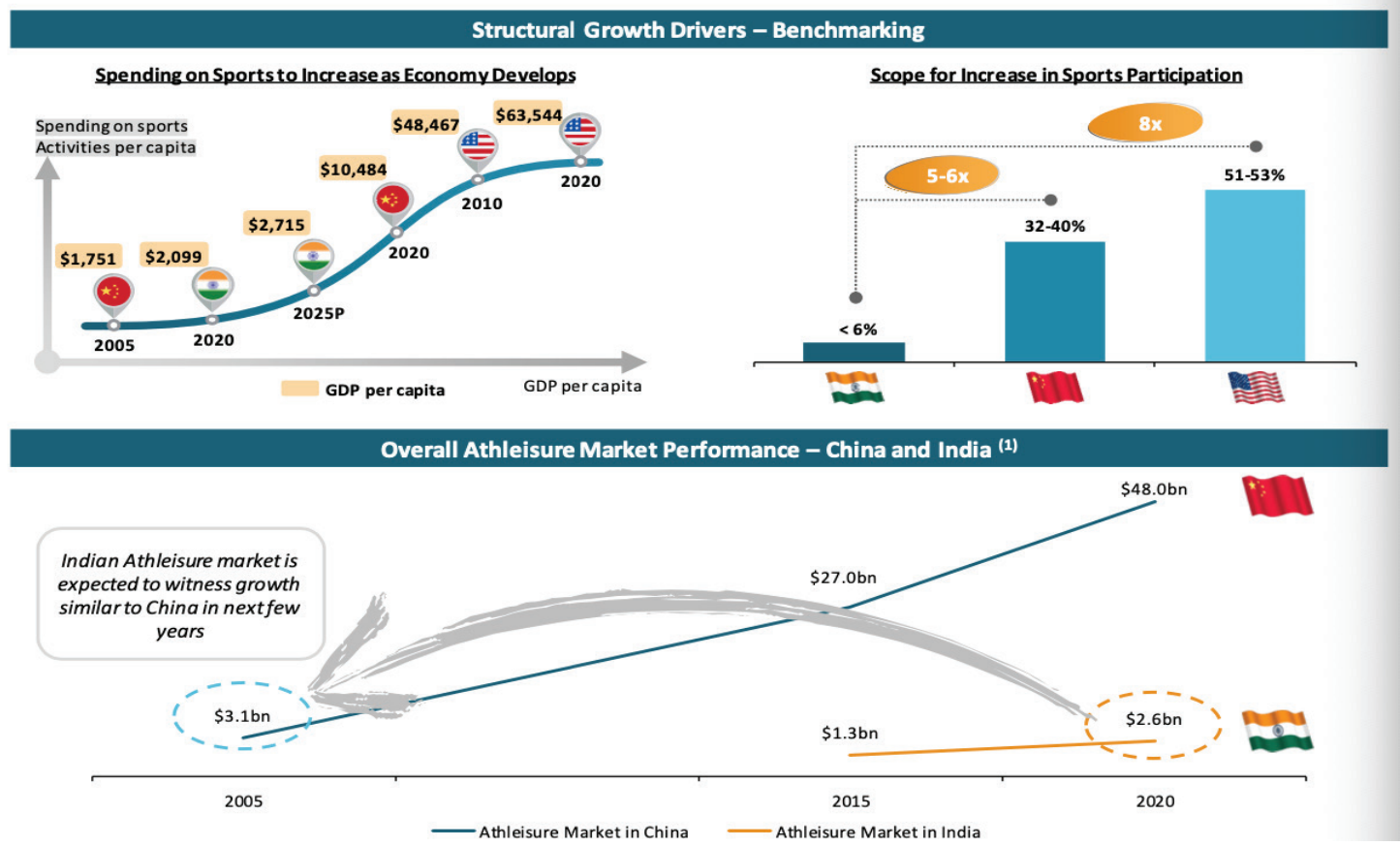
Revenue Share (INR mm)



Source: RHP

Exhibit 10: Product innovation and Manufacturing Ecosystem


Source: RHP

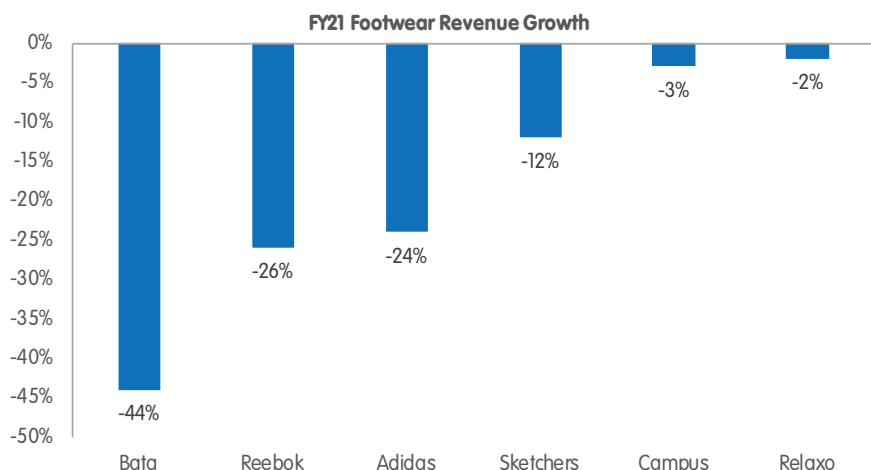
Exhibit 11: Indian S&A Market - Runway for Growth


Source: RHP

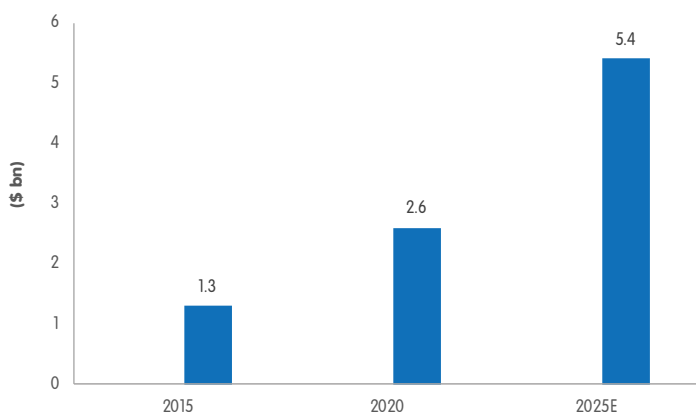
Exhibit 12: Product innovation and Manufacturing Ecosystem

	L2Y Revenue CAGR (FY18-20)	Gross Margin (FY20)	EBITDA Margin (FY20)	PAT Margin (FY20)	RoCE (FY20)
CAMPUS	20%	48%	19%	8%	30%
Puma	17%	45%	3%	-1%	16%
Sparx	11%	57%	17%	9%	24%
Adidas	4%	47%	21%	13%	21%
Nike	-3%	44%	8%	4%	15%
Reebok	5%	44%	17%	16%	25%
Bata	8%	58%	28%	11%	21%

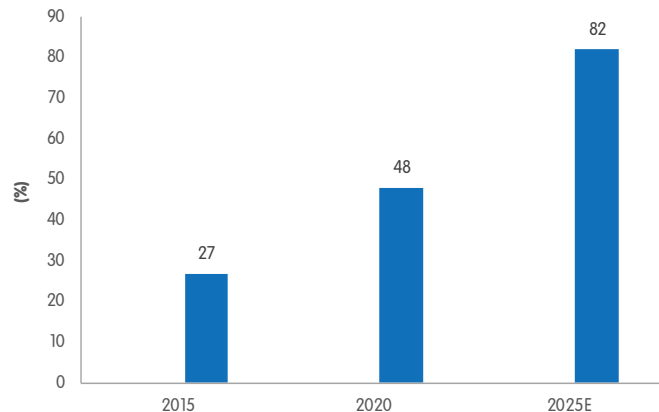
Source: RHP

Exhibit 13: FY21 Footwear Revenue Growth


Source: RHP

Exhibit 14: Athleisure Market in India (\$ bn)


Source: RHP

Exhibit 15: Athleisure Market in China


Source: RHP

Exhibit 16: Evolution of Sport and Athleisure landscape in India
Phase 1: Emergence of Indian based Brands

- Evolutionary phase for footwear industry in India
- Skewed towards sports and formal footwear
- Limited Brand options



1985-1994

Phase 2: Advent of Global Athleisure Players

- Introduction of multiple foreign brands in India
- Highly focused on sportswear
- Endorsements with athletes due to increasing penetration of satellite TV



1995-2004

Phase 3: Introduction of e-commerce and D2C brands

- Increasing penetration of e-commerce and D2C brands due to availability of internet
- Entry of Indian and Foreign brands offering hybrid products combining sports and athleisure



2005-2014

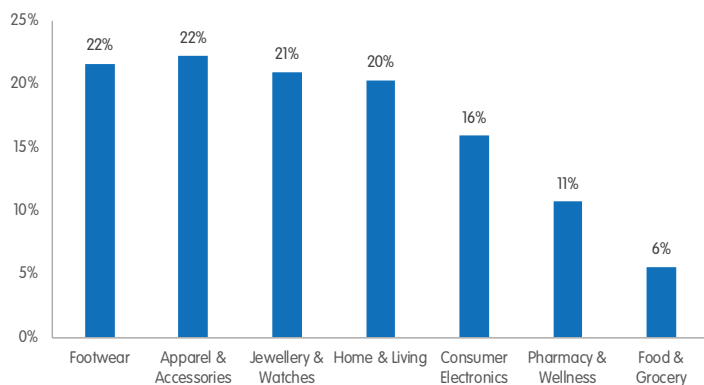
Phase 4: Incorporation of omnichannel presence

- Adoption of sales through e-commerce led brands to incorporate omnichannel presence in Indian Footwear Industry.
- Easy entry of foreign brands having omnichannel presence in their home country

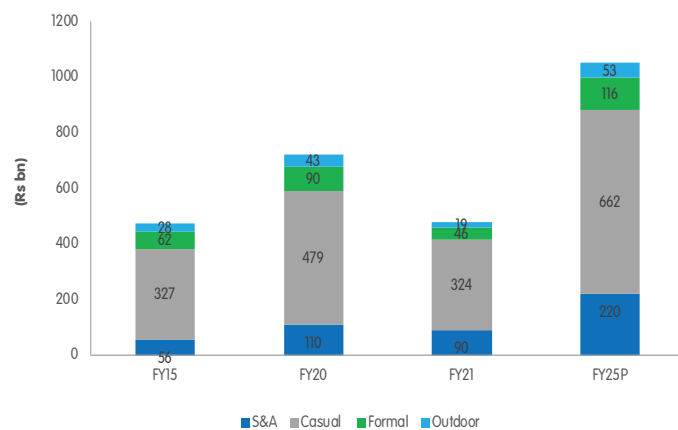


2015- Present

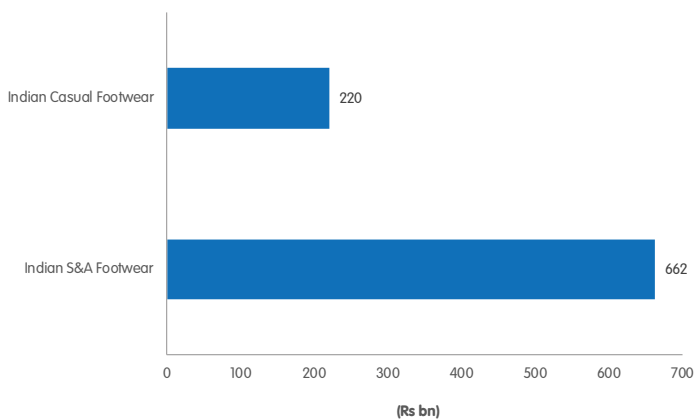
Source: RHP

Exhibit 17: CAGR: India Retail (FY21-FY25P)


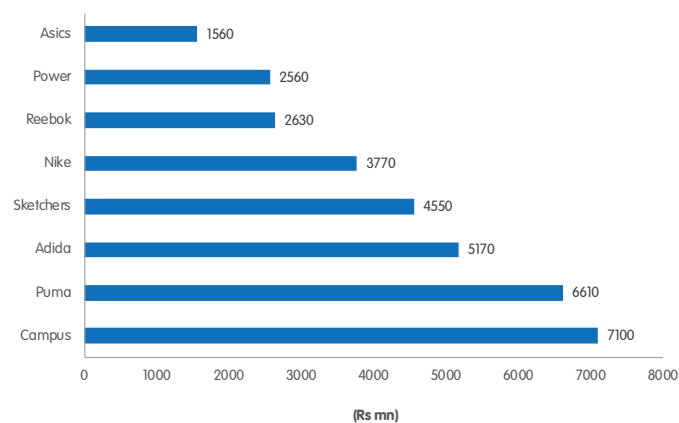
Source: RHP

Exhibit 18: Indian Footwear Size


Source: RHP

Exhibit 19: Total Addressable Market (FY25P)


Source: RHP

Exhibit 20: FY21 Footwear Revenue Vs. MNC Players


Source: RHP

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