15th February, 2025

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 11th February 2025 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: 2025.02.15 12:59:14 +05'30'

Archana Maini
General Counsel & Company Secretary
Membership No. A16092

Encl: As above

Campus Activewear Limited
Q3 FY25 Earnings Conference Call
February 11, 2025

Moderator: Ladies and gentlemen, good day and welcome to Campus Activewear Limited Q3 and 9M FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone.

Before we proceed on this call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors. It must be viewed in conjunction with our business that would cause 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 Q3 and 9M FY25 earnings call today. The company continued its growth momentum displayed in Q2 FY25. We achieved the highest ever quarterly revenues of INR 514.8 crores, largely attributed to our aggressive distribution drive strategy and our high online sales benefiting from the festive season, thereby navigating a challenging macro environment. Our revenue surged by 9.1% Y-o-Y, in Q3 FY25 led by strategic focus towards multiple initiatives for gaining market share, like reach expansion in our key markets, a 116% growth in our sneaker category and the new multimedia marketing campaign, amongst many others. The company has registered double digit growth in key states in North Central and West. Additionally, we have made a swift foray into the focus Southern markets through scaling up our online presence. We have strengthened our product portfolio by launching 69 new articles during the quarter and new SKUs for women category, resulting in an improved product mix catering the diverse needs of the Indian families for every occasion.

During the quarter, we have added six new stores across India, taking our total EBO count to 290. We have embarked our presence on Zepto during the end of the quarter, thereby satiating our customers presence with prompt delivery convenience through quick commerce. And our brand is also getting traction in premium, large format stores across the country. Our gross margin for the quarter stands at 51.2% marginally lower as against 51.4% in Q3 FY24 versus Q2 FY24 owing to the raw material price inflation. EBITDA margin has expanded by 440 bps Y-o-Y, from 12.2% to 16.6% primarily due to improvement in debtors and inventory health, which is basically lower provisioning, reflecting better working capital management.

Campus Activewear forged a profound and enduring engagement with its core demographic through a 360 degree Move Your Way campaign, prominently showcasing our brand ambassador, Vicky Kaushal to resonate and captivate the market. During the quarter, we reached out to all our consumers through a multimedia strategy, including TV, digital media, print, outdoor and visual merchandising campaigns. We would like to share key updates in our capital expenditure journey as well. The CAPEX for the sole manufacturing unit at our Gannaur facility was completed in Q3 FY25. Furthermore, we anticipate the completion of our Haridwar facility dedicated for manufacturing state of the art uppers in Q4 FY25 with commercial production projected to commence from March 2025.

We persist in our endeavor to maintain a competitive edge through a data driven strategy that allows us to actively track and adapt to evolving consumer trends, preferences and pricing dynamics, ensuring our product portfolio is consistently attuned to market needs. Thank you. And now, I hand over the call to our CFO, Mr. Sanjay Chhabra to take you through more details on the Q3 and 9M FY25 performance.

Sanjay Chhabra: Thank you, Nikhil. Good evening everyone, and thank you for joining us for Q3 FY25 earnings call of Campus Activewear. Our revenue from operations grew by 9.1% year-on-year to INR 515 crores in Q3 FY25, largely benefited by higher distribution, which registered a growth of around 9% and online channel which showed a revenue growth of around 11%. The company sold approximately 7.6 million pairs in Q3 FY25 up 10% year-on-year. The average selling price stood at around INR 675, in Q3 FY25 a drop of 1% year-on-year, driven by higher saliency of accessories and socks. Footwear ASP remained flat at INR 683 per pair.

Our gross margin for the quarter was at 51.2% versus 51.4% in quarter three FY24 showing a drop of 20 bps, marginally lower, driven by raw material price increases. On a quarter-on-quarter basis also our gross margin dropped by 140 basis points driven by raw material price increase, adverse mix and liquidation of non-moving BIS inventory. The revenue mix between men and women and children categories stood at 81.3% and 18.8% in Q3 FY25 versus 80% and 20% in Q3 FY24, driven by higher sales of sneakers in men category. Our EBITDA for Q3 FY25 was at INR 85.9 crore. The EBITDA margin expanded by 440 bps year-on-year to 16.6% owing to a normalized SG&A. So last year we had a couple of provisioning towards inventory and doubtful debts. So current EBITDA margin is at a normalized level. PAT grew by 86.7% year-on-year to INR 46.5 crore and PAT margins expanded by 370 bps year-on-year to 9%. Our balance sheet continues to demonstrate strength with robust return ratios such as return on capital employed at 22.1% and return on equity at 17.5% as of 31st December 2024. With this summary, I will now conclude my remarks and open the floor to the moderator for Q&A session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to withdraw yourself from the question queue, you may press "*" and "1" again. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Gaurav Jogani from JM Financial. Please go ahead.

Gaurav Jogani: Thank you for taking my question, Sir. So, my question is regarding the gross margin decline. I mean, we can see the gross margin being declining both sequentially as well as on a Y-o-Y basis. So, if you can highlight, which particular RM did you see inflation, and what are the steps we are taking to mitigate this. Also, if you can quantify the impact of the liquidation of the non-moving BIS inventory on the RM and the adverse mix that you highlighted?

Sanjay Chhabra: Hi, good evening Gaurav. Just to highlight one more number here on a YTD basis for nine months, the overall gross margin drop is just 50 bps. We have been seeing the input price increase in the quarter wherein we had to take or rather we had to give a price increase to our suppliers in the fag end of last quarter. This quarter we saw one of the component called TPU price increase primarily due to countervailing duty imposed, customs duty imposed. It was a conscious call on our behalf not to pass on the prices to consumers. But we have taken selective price increases in November and also in Jan beginning, because we see that we will be able to mitigate part of this price increase or pass on this price increase to the consumers in the last quarter. That will help us to mitigate a bit of the gross margin drop, which is somewhere around 50 bps on a YTD nine month basis.

Gaurav Jogani: Sure. Sir, if you can also highlight the impact of the non-moving BIS inventory liquidation at the adverse mix please?

Sanjay Chhabra: So as far as the BIS inventory liquidation is concerned, that impact is in the range of anywhere between 20 to 40 bps, depending on in the last three quarters. So, it varies depending on article-to-article. But as I said, that on a regular basis it's 50 bps. So, it's a combination of the mix the non-BIS component and the raw material price increases which we have not been able to pass on.

Nikhil Aggarwal: From next year, we see the margins normalizing as we intend to liquidate majority of our non-BIS inventory within by March end.

Gaurav Jogani: So, actually my question was that only, is the entire non-BIS inventory now over or there will still be some impact in….

Nikhil Aggarwal: We have less than 10% of our overall inventory in terms of finished goods, accountable to non-BIS inventory, which is a very small number, much manageable number. So we do expect that by March end we should be sitting on a non-significant non-BIS inventory.

Gaurav Jogani: Sure. And Nikhil the next question, is with regards to the other expenses also. We have done a quite a bit improvement in terms of the absolute other expenses not increasing. But if we look at the ad spends per sale it was in this quarter around 10.8% out of the entire scale. So, any guidance on an annual basis if you can give on the advertising spends that we are wishing to keep in what range. So, anything here?

Nikhil Aggarwal: Sure, Gaurav. So, actually, the A&P spends are, in terms of absolute value, absolutely flat with respect to quarter three last year, on a Y-o-Y basis, in spite of the growth in the sales. So our overall numbers for the year will be trending in a similar range, like 7% - 7.5% is what we have been trending at, and we don't see any increase in A&P spend for the entire year. For quarter three, sorry just to add so for quarter three whatever we spent in A&P is absolutely flat in terms of absolute value. So as a percentage it has actually gone down versus last year in quarter three.

Sanjay Chhabra: And Gaurav just to add, quarter three our A&P spends are relatively higher considering the seasonality and festival.

Gaurav Jogani: Sir, and just last bit, the employee cost bit also, we can see that that also is not increasing very materially now either on a sequential basis and we understand that, you have spent the employee expenses ahead of time towards team building, et cetera. So how should one build in the employee cost?

Nikhil Aggarwal: Gaurav your voice is muffled. Can you please repeat the question?

Gaurav Jogani: Yes, Sir so I was speaking about the employee cost, if you look at the employee cost as well, that's been quite under control and what we have been hearing from our interactions is that, you have spent on team building exercise ahead of the time. So how should one look at the employee cost going ahead?

Nikhil Aggarwal: Okay. So, we don't anticipate any significant addition to the employee either head count or the cost overall. We did, we have been investing ahead of the curve in terms of the employee count, and we believe that with volume like what we have seen in quarter three, with good volumes even going forward we should be able to bring down the employee cost as a percentage. And so, we don't anticipate a significant movement in this cost, at least for a few quarters going forward, like we don't see anything in the short term or medium term.

Gaurav Jogani: Sure, sir. Thank you for answering my question, I will come back with few more questions.

Nikhil Aggarwal: Thank you.

Moderator: Thank you. The next question comes from Videesha Sheth from Ambit Capital. Please go ahead.

Videesha Sheth: Hi, good evening. I hope I am audible. Just two small questions from my side. One from the growth perspective, especially in the trade distribution channel, was growth led by primary sales, or was it more tertiary off take that you saw, and is it fair to say that travel inventory at overall level is improving for you?

Nikhil Aggarwal: Hi, Videesha this quarter, it was like on the distribution front, it was very focused in terms of secondary sales. So, there was a very small gap between our primary sales and secondary sales. We were more focused towards replenishing. We are happy to share that most of our distributors are now on the DMS thing, so we are able to sort of execute the replenishment thing more efficiently. And also, as far as our distribution network inventories are concerned, they are in a healthy around 80 to 90 odd days at a pan India. There is no increase in there.

Sanjay Chhabra: There is no push sale Videesha just to be absolutely clear, like we have either very good primary and secondary it's in line with the expectation and it's absolutely the same, like the same primary has been executed in terms of secondary numbers also. And we validate that through the multiple software's that we have on ground and also the DSO, the credit days and the credit overall has not gone up in, its flat with respect to quarter two, last quarter also, so there is no push sales with respect to distribution.

Videesha Sheth: Understood, that's helpful. And the finished good you mention that less than 10% of finished goods are pertaining to the non-BIS certified bit. But when you expect that to get liquidated out of capital system?

Nikhil Aggarwal: So, like I said majority of it will be done by March end by, in the next two months and there could be a very small portion of it left, but it's not significant clearly. So, we are anticipating that by this quarter four end, we should be done majorly with the non-BIS HG inventory.

Videesha Sheth: Understood. And lastly, anything on the competitive landscape that you would like to highlight?

Nikhil Aggarwal: Not really, I don't, is there a specific question you would want to ask with respect to competition?

Videesha Sheth: No, in terms of either Campus's market share vis-à-vis competition, it's the growing work so that will imply Campus's increasing the market share?

Nikhil Aggarwal: Sure.

Videesha Sheth: Anything specifically Campus.

Nikhil Aggarwal: We have certainly outperformed in our key states, of the North, West and Central regions, also East. So, we do believe that we have gained, the lost ground, and there has been a good uptick in our market share. And given competitive landscape and the macro environment wasn't really all that great in quarter three as well, like it did improve on Y-o-Y basis, but it was still kind of subdued. So, in that kind of environment, we have done reasonably well and we are quite pleased with the way things are going, because a lot of these initiatives that we have taken over the past few quarters are panning out really well. And we see sort of consistency going forward.

Videesha Sheth: Got it. That's all from my side, I'll get back in queue. Thank you.

Nikhil Aggarwal: Thank you.

Moderator: Thank you. Anyone who wishes to ask a question may press "*" and "1" on their touchstone telephone. I repeat, anyone who wishes to ask a question may press "*" and "1" on their touchstone telephone. Next question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Thanks for the opportunity. So, we have been shareholder, and you have been delivering it good. But when it comes to guidance, we have been guiding for few things which we haven't been delivering, right. We have we have guided earlier for to deliver mid teen revenue growth for nine months we are at +10%. We guided for ASP to remain flat for nine months, we are negative three. For margins we have guided last three months ago to be at 17% to 19% for the full year, while, for nine months we are at 14.4% in terms of EBITDA. I just wanted to ask, these guidance's should we take it, given the evolving macro situation, given the internal strategy to the company. Anything that you would like to comment on, the guidance is given earlier versus what you think is realistically achievable in FY25?

Nikhil Aggarwal: So, Priyank great question. I just like to say that we are very much sticking to our aspiration to get to those numbers what we have guided earlier. We never said that those guidance's were for FY25. We have always maintained that the company is on good track to get to these numbers and we have been showing improvement quarter-on-quarter to get to these guidance's numbers. So, we still very much on track with 17% to 19% as guided earlier in terms of EBITDA margin, and 16.2% has delivered in this quarter is, good step up towards that number. And the same goes for ASP. The ASP is a slightly more dynamic number in nature it depends on the actual market conditions on ground during that time, which was a reflection of, how the festivities stand out, how the demand is, the actual demand on ground, and whether strategically is that the right time to take a price increment or not, and how the inflation sort of affects the raw material prices so, ASP is a bit more, but the aspiration certainly remains to continue to premiumize, and sneaker portfolio is really going to add to that ASP premiumization, as well as that category in itself is a higher ASP commanding category. And given the growth and the plans that we are building up for the sneaker category we believe that it should continue to increase in the ASP. So, like I said, the guidance's were never for FY25 per se, but we believe that given the challenging macro environment we have been improving our performance quarter-on-quarter and that should be comforting to, I hope the investor base as well.

Priyank Chheda: Definitely, very positive with channel checks that we found, and surely your efforts on the sequential basis is visible. But yes, when it comes to FY26, when we enter FY26 there are not much of the disturbances that we had in FY25 with respect to liquidation of inventory or with respect to the internal restructuring that we had. So, when it comes to FY26 any non-linear aspects of your business that you would like to highlight that we should keep in mind when it comes to the overall growth with respect to any of the segments or any of the channels that you would like to highlight?

Nikhil Aggarwal: Not really, no Priyank. We are placed well, we are confident in our ability to deliver as long as the macros really don't get any worse from here on, and if they of course improve, it will certainly be a good tailwind, but as long as they don't get any worse, we are very much poised to and confident in our ability to deliver the numbers.

Priyank Chheda: So, when it comes to women and kids or when it comes to South markets, where we have a lot of leeway to grow versus the markets and to improve our throughput within the retail stores. Any specific strategy you would like to highlight which we should think when it comes to FY26 and 27?

Nikhil Aggarwal: The focus very much remains on the growth levers we have called out repeatedly which is women, kids is certainly a big growth lever. And there has been an increase significant focus, in terms of increasing the pipeline of designs, the overall SKU account that we offer within these two categories has significantly gone up. And the response has been very encouraging from the market as well. Of course, the shift between men and women has slightly skewed in quarter three, primarily due to the sneaker offering being offered mostly on the men's side, and that has done really well. So that skewed the number, but overall women and child category continues to grow and we aspire to continue to take it forward. Anything else that you would like to know around this?

Priyank Chheda: On a sneaker market, what would have been our sales on nine months versus the available opportunity, what is the kind of a capacity that we are building up after our new plant comes in, if you can further dig down into that?

Nikhil Aggarwal: You mean capacity in terms of production capacity you can talking?

Priyank Chheda: Yes.

Sanjay Chhabra: We would be adding around 2.4 million pairs of sneaker capacity through our Haridwar new unit. Currently we are under 10% in terms of volume share, and with the new capacity addition, we definitely expect to ramp up further.

Priyank Chheda: Perfect. Thank you, those were the few questions. But in public call we find limited time to further understand your overall strategy, we have been following up for a meeting, hopefully you can accommodate our request. Thank you.

Sanjay Chhabra: Sure, thank you.

Moderator: Thank you. Next question comes from Vaishnavi from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: Hi, this is Prerna from Elara Capital. Thank you for the opportunity. I would like to understand how much price hike have you taken that you mentioned in the opening remarks in last two months?

Sanjay Chhabra: So, we have taken a price hike of anywhere between 7% to 10% in select product categories which are less price sensitive. So, the idea is to, at overall level to insulate our P&L from the raw material price increases. These price hikes are like, they are not specific to a channel or to a geography but they are very selective.

Prerna Jhunjhunwala: Okay, should it have around 2% to 3% overall impact when we see on an overall basis?

Sanjay Chhabra: Yes, as I said that the idea is to insulate the P&L from the input price increase or inflation, that's what we are targeting.

Prerna Jhunjhunwala: Okay, understood. What would be your targets for distribution reach expansion by the end of the year and next two years, in terms of EBO, MBO expansion and any distributor reach expansion that you are targeting?

Sanjay Chhabra: As we have been talking about South, as a geography where we need to penetrate more. East and West we are comfortable with the progress we have made in last one and a half years, and we do have our internal targets. I would refrain from putting any numbers here, but we have seen, even in this quarter we have been able to expand our reach as far as distribution, as a channel is concerned and that has got reflected in the kind of volume growth, we were able to see.

Prerna Jhunjhunwala: Okay, understood. And please provide some color on how has been the demand in metro Tier-1, Tier-2, Tier-3, and what has been the significant changes that you observed during the quarter, and how it should be going forward assuming everything sacrosanct**.**

Nikhil Aggarwal: So, our sales with respect to the region has been very similar to Y-o-Y, like we have done about 42% from North, about 21% from East, 7% from South, 22% and some odd percent from West and about 7% from Central. So that's been the share this quarter with respect to the geographical split. And there we see that with respect to metros and Tier-1s also, it's not been as big of a damper as for some of the other consumer goods that we have seen in the market, so we have had a fair share. So, for us, it's pretty much been flat with respect to geographical split versus year-on-year.

Prerna Jhunjhunwala: Okay. And will BIS liquidation have any further impact on your margins in Q4?

Sanjay Chhabra: It would not be a significant number as we said that the inventory levels are very low. The non-BIS inventory levels are very low as of now. So, there could be a 10 or 20 bps impact. That's what we foresee, we don't see any material number there.

Prerna Jhunjhunwala: Understood and thank you. I will come back to question queue for any further questions.

Moderator: Thank you. Next question comes from Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Hi, thanks for the opportunity, and congrats on outperforming this quarter. Sir just wanted to check the FM made some comments regarding our focus back for footwear and some big numbers were given, beyond the headline would you have any insights as to what they are planning, and how can it benefit players like us?

Nikhil Aggarwal: Hi Umang. No, so we are also eagerly awaiting honestly, the details of the budget to be released. Nothing has been put out on paper yet, but we do anticipate, the government has called out these certain incentives. So clearly, there is a drive and a push by the government to sort of grow the sector meaningfully, because it does generate, it is one of those sectors which generates. One of the highest employments across the country, as it is a labor intensive industry. And we are proud to be part of an industry where we are able to generate this kind of livelihood for so many people. So, that is one of the biggest agenda for the government to increase employment. So that directly impacts our industry.

Umang Mehta: Got it. And the second one was on BIS. So, I recall that comment was that, could take a couple of quarters before we start to see any benefit. Would you still maintain that, in the sense that still there is enough non-BIS inventory in the system, which was imported earlier, and it will still take few quarters to clear out?

Nikhil Aggarwal: So, the inventory levels are certainly dropped. The non-BIS inventory we have, there could have been some tailwinds on account of that as well. We are not sure that we can't quantify it honestly, there's no numbers to quantify that, but there could have been some tailwinds on account of the BIS as well in quarter three. So maybe, the levels have reached an all-time low. And I don't see a lot of non-BIS is being liquidated in the market in the next.

Umang Mehta: Got it. Just one last if I can ask, current quarter could you give any qualitative numbers since half of the quarter is behind us, would you say that the momentum has largely sustained in the current quarter?

Nikhil Aggarwal: Umang as much as we would like to, I am afraid we don't give out the statements, but like we said, the BIS tailwinds are certainly also there and a lot of initiatives have been planning out for the company well, so we are fairly confident of delivering the numbers.

Umang Mehta: Got it, sure. Thanks a lot and all the best.

Nikhil Aggarwal: Thank you.

Moderator: Thank you. Anyone who wishes to ask a question, may press "*" and "1" on their touchstone telephone. The next question comes from Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Hi, Nikhil thanks for the opportunity. Nikhil, I just wanted to check on the competitive intensity in the market. Obviously, demand is one aspect, but we have been through a couple of years of challenging period, right and there was lot of competition that groomed them during this period as well. Since the demand has remained muted, I guess the challenges would have been there in their businesses as well. So, are you sort of seeing some normalcy in competition or that still remains high in our area of competitions?

Nikhil Aggarwal: Hi Devanshu so, the way we think about competition is that it certainly motivates and pushes us to, deliver more and get better at what we do. And this is something that, we look forward to, because it challenges us as a company and the management to do better. So we do believe that the competitive intensity did peak out, as of last year because firstly, the conditions obviously were subdued in terms of demand. But, also at the same time the supply was also quite a lot. And that has sort of peaked out last year, so we do see some normalization in that also with respect to competition, but again like I said, we don't we are not afraid and scared of the challenge. We really look forward to improving ourselves with respect to competition.

Devanshu Bansal: Understood. And from your channel perspective, in terms of working capital. So has that also eased off or still that remains a challenge because the demand has not recovered completely?

Sanjay Chhabra: Hi, Devanshu this is Sanjay. From a working capital perspective, for us nothing much has changed we continue to maintain healthy DSOs. We do have a robust credit control mechanism wherein offer or incentivize our distributors to avail the cash discounts and pay us on time. So that's a philosophy which continues. On the inventory front, we have 95 days of inventory holding from 110 days last year. So there also we have seen our whatever numbers we are targeting in terms of driving inventory days, we are able to achieve that. So don't see any stress in working capital.

Devanshu Bansal: Thanks, Sir. My question was also to understand the distributor health. So, from his perspective how is working capital panning out for him, as in is he able to sort of recover money from the market, or still there are challenges?

Sanjay Chhabra: So again, I did answer this sometime back in terms of distributors days of inventory and primary versus secondary. So that again is a reflection, so this quarter our secondary sales and primary sales has a very, very nominal gap which reflects that we are more getting into a replenishment model. When we reach that level, which means that distributor is able to recover his money from retailer. He is paying us on time and accordingly taking the inventory what is there in demand in the market so, and that 84 days level through our DMS, the inventory levels are very much within our internal norms of 60 to 90 days.

Devanshu Bansal: Understood. So it's fair that if demand sort of recovers, then we are in a good shape, right. So that's the only thing as of now?

Sanjay Chhabra: Yes.

Devanshu Bansal: Thanks for taking my questions.

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

Aliasgar Shakir: Thanks for the opportunity. Hi, Nikhil and Sanjay, question firstly on the margin. So, we made some comment, I just wanted to clarify that, as you mentioned that BIS related inventory is now more or less behind us. So, for FY26, we should come back to our normalized rating percent type of margin that we have been earlier doing and guiding, and also for fourth quarter given that you mentioned that the impact is now limited from BIS, we should achieve our normalized margin growth and gross EBITDA level.

Sanjay Chhabra: Ali on a quarter-on-quarter basis, if you compare versus last quarter we did improve on the EBITDA margin profile by roughly 400 bps, and this quarter the numbers are like normalized numbers with two one offs in the SG&A. So, we are hopeful that we will be able to deliver margin in this range, per se in the coming quarters and FY26.

Aliasgar Shakir: Alright.

Nikhil Aggarwal: Alright, just to add to that. EBITDA to PAT conversion has also significantly gone up as we have become debt free. So even, at 16% let's say EBITDA we have been able to deliver a good decent PAT, so the conversion is also sort of helping us there get to the PAT level.

Aliasgar Shakir: Right, absolutely. So, this quarter, of course we have improved margin significantly but that is on probably a low base of 3Q due to certain issues that we had faced. So, I agree this quarter has been pretty good improvement, but we should come back to a normalized margin next year assuming that if the demand is in a normalized state?

Nikhil Aggarwal: Absolutely Ali, 17% to 19% is what we are aspiring for.

Aliasgar Shakir: Understood, got it. And on the demand side, you have been kind of looking little bit, I would say conservative by saying that, if demand improves then we will do the margin. But just want to kind of get your sense on how is the demand on the ground, do you see still challenging environment, as you mentioned that competition also is not as active, and you are kind of doing really better than them. So, is there overall demand on the ground relatively decent for you to now kind of push for double digit growth, or you think that the environment is still very challenging and you are not very sure in terms of how it will play out for you to achieve double digit growth?

Nikhil Aggarwal: So, I will not comment with respect to Campus, as I could be a forward looking statement. But what I can tell you is that, the demand is not like absolutely normal in terms of how it used to be let say two years ago, or three years ago rather. It is certainly an improvement from last year in Q3 as well and Q4 also. But I don't know if the demand is, we can call it absolutely normalized demand. So, there is still some pain in the market. And, we are doing the best we can to make out of this macro environment.

Aliasgar Shakir: Got it, and from new product point of view, we have launched sneaker range, and also become little active on the open footwear, also especially in the North, particularly in the summer season. So, can you share what would be the mix over there and how much should that help you in kind of upping your overall growth numbers?

Nikhil Aggarwal: Sure. So, I would refrain from sharing those numbers in terms of mix Ali, unfortunately because of the strategy, internal strategy that we follow, but it's certainly on the cards, like we have been increasing our active count, and I meant in terms of open as well. As that's helping us penetrate the Southern market and also normalize the impact in the summer months and reduce the seasonality impact. So, that is certainly on the card, while the MRPs are very decent but there will be some ASP impact on the count of the open inventory, but we are confident of mitigating that impact with respect to the premiumization of sneakers, so there is a counterbalance there. And net, net we believe that ASP should increase only.

Aliasgar Shakir: Got it. And the open footwear margins are in-line with the overall margin?

Nikhil Aggarwal: Yes.

Aliasgar Shakir: Okay. And what about sneakers, how is the sneaker traction in terms of new products, and the kind of contribution that is doing qualitatively?

Nikhil Aggarwal: Yes, the response is very encouraging Ali, as the brand is of course, we are the number one top of mind brand in our target audience, so they have accepted the sneaker range very well, and we are getting a really, really good response. So, there is a number of initiatives that we have been taking on that side as well. And there is a very exciting range also planned to be launched very soon with respect to sneakers. And we do anticipate a good movement there.

Aliasgar Shakir: Got it, very useful. Thank you so much and wish you all the best.

Nikhil Aggarwal: Thank you.

Moderator: Thank you. I request the participants to restrict with two questions with the initial round and join back the queue for more questions. Next question comes from Resha Mehta from Green Edge Wealth Services. Please go ahead.

Resha Mehta: Yes, sir thank you for the opportunity. If you could just comment on that over the last one or two years we had, if I go back to your past transcripts, I see that we have lost some market share in North and some of our key regions. So, what is the reason for that and also, second question is, are the online channels, I believe are classify till in sub three channels, which is O2O and B2B and the marketplace. So, can you just comment on, what was the problem in this O2O, and B2B channels, and what was the revenue contribution in the past, and what is now that reduced to?

Nikhil Aggarwal: Right. So, with respect to the market share in the North, right. So there used to be, and I like to call that out, that there was some conflict across channels, because online was an absolutely new beast that we had to tame. The dynamics of that channel are very different from the offline, the way it works and we were facing lot of conflict between the channel partners. As online there was some discounting versus offline, the discounting much lesser, so that was how it was about two years ago. But over the last two years, we have basically segregated the entire portfolio across the two channels, so there is no common designs as we speak like hardly just barring maybe a handful just in single digits which are very old designs, all the NPD, all the new designs have been completely segregated across the two channels, and therefore the conflict has been completely resolved. So there is no issues today and that is also really helped us to gain our market share back apart from, so these are some of the things we have done internally to gain that market share back in the North, especially in the Northern regions. Sorry, what was the other part of the question?

Resha Mehta: Yes, so before I go there, just a follow up here. So, we lost the market share primarily in the North market, or even we had lost in the Central, Western, Eastern markets. And the reasons for losing shares if any recent markets were also similar to the channel conflict reason given for the North?

Nikhil Aggarwal: So it was, well it was across India, but mainly it was in the North actually, because we continue to gain market share, maybe because our market share in the other territories was anyways the base was quite low. North was very high as a base it used to be about 50% or 52% about two to three years ago, if I remember correctly.

Sanjay Chhabra: I just want to add here that our saliency in North has gone down slightly that's not because of loss of market share in absolute terms, our North region is still showing a revenue growth. The saliency has gone down because in other regions we have grown disproportionately higher.

Resha Mehta: Understood. And the online channels like O2O and B2B. So firstly, what are these channels and I remember reading that, there were some problems in these channels and we had to kind of scale down on these channels. So what revenue, what was the problem here, number one and number two, what was their revenue contribution let's say in FY23, FY24 and what is it down to now and is it like a permanent loss in revenue, or we have kind of made it up with something else?

Nikhil Aggarwal: So, this O2O was something one and a half years back when some of the players wanted to players like Udaan and Ajio wanted to get into an online retail sort of business, or cater to the last leg of the retailers. And these channels suddenly show disproportionate growth, and then, let's say after a year or so, they scaled down because of the profitability issues, and it was just a cannibalization, these channels started catering to some of the distribution business, and when they were out of business, again the volume shifted back to the normal pockets of distribution online. So that's how it was and we have mitigated that, the volumes have gone back slightly to the marketplace and to some extent to the distributor.

Resha Mehta: So what is a B2B channel then, how do you set it up?

Moderator: Ma'am sorry to interrupt, can you join back the question queue?

Resha Mehta: It's a continuation of the same question, just a clarification.

Sanjay Chhabra: Let me answer this.

Resha Mehta: And the revenue contribution, which was there in the past and which is now from these O2O and B2B channels?

Sanjay Chhabra: So we call B2B something like when we sell outright to the platforms like Flipkart, Amazon or Myntra. So that business continues to be there, and it's for these channels to decide how much they want to sort of do the business in the outright vertical and again, between marketplace and outright, if it's just a swap. So if in a quarter there is a higher outright business to that extent marketplace orders or Flipkart is directly catering those orders through their outright inventories, instead of we supplying those orders through the marketplace or from our warehouses, so it's a swap between two verticals.

Resha Mehta: Understood. And your revenue contributions in the past versus now?

Sanjay Chhabra: I would say, wherever we have both the channels outright and marketplace in the nine months period have shown a growth. So, the revenue saliency continues to be flat versus last year.

Resha Mehta: And O2O would have come down significantly will that understanding be right?

Sanjay Chhabra: O2O does not exist now, so Ajio and Udan both are out of this business.

Resha Mehta: And at their peak, they would have contributed to how much of total revenue O2O channel?

Sanjay Chhabra: If I recall correctly, at the peak there were around INR 50 crore business.

Resha Mehta: All right, thank you. I will come back in the queue.

Moderator: Thank you. I request the participants to restrict with two questions in the initial round and join back the queue for more questions. Next question comes from Aditya Ketan from SMIFS Institutional Equities. Please go ahead.

Aditya Ketan: Thank you, Sir for the opportunity. Sir my first question is on to the EBITDA per pair. This quarter, we have the best EBITDA per pair of around INR 108. How much sustainable the number is for the near term and for the longer term and so gross per pair would be a good indication to look going ahead or we can look at the EBITDA per pair only?

Sanjay Chhabra: I would say that EBITDA level per pair benchmarking may not be a true reflection, because our number of units sold includes units sold to different channels at different price points with a different cost element. It also includes accessories and in our peers, wherein we sell even socks, so per pair EBITDA would not be a right benchmark. It's always good to see on a percentage basis, and as Nikhil mentioned, that we aspire to go back to the earlier days of 17% to 19% and we are just trying to optimize both on the or rather bring cost efficiencies and also at the same time, drive premiumization and operating leverage. So all these three pillars should help us to improve our EBITDA margins.

Aditya Ketan: Okay. Sir my second question is sir, any indication on to the demand side we have heard from the so many other companies that demand has started to slow from December, have you also witnessed the same and you see demand so structurally slowing down for the premium products especially in the coming six months because of the inherent slowdown. Also, what we are witnessing. Can this change some dynamics at the ground and like volumes and ASP can drip downwards from here?

Nikhil Aggarwal: We can talk about the quarter gone by and I would refrain from making any outlook, sort of statements for the next quarter or next year at this point in time, but if we see the quarter gone by, as I mentioned that in the distribution business, it was less of a push sale. It was more of a replenishment on the basis of secondary happening. So that's a reflection that there was a bit of demand uptick versus last two quarters, growth versus last year again, reflects that versus last year also there was demand uptick. So that's an indication, but again, at the same time the ASP, stagnation in ASP or dilution can be an indicator of less of premiumization but at the same time, it will be for a individual player, it will be a strategy, how to drive more reach, more expansion and introduce new product lines or product to drive premiumization and also to drive volume.

Aditya Ketan: Sir just one last question, any sort of new price point or.

Moderator: Sir, can you join back the queue please?

Aditya Ketan: Okay.

Moderator: Thank you. We have a follow up question from Gaurav Jogani from JM Financial. Please go ahead.

Gaurav Jogani: Sir regarding the dividend, you have first time announced a dividend of INR 0.70 but the percentage shows around 20% to 25%. So, this could be the only dividend or there could also be a final dividend also apart and if you can also highlight the dividend payment policy going ahead as well?

Nikhil Aggarwal: Gaurav of course the dividend, firstly we are very happy to declare the interim dividend, for the first time in the history of the company. So that does give us confidence in our ability to deliver and we would be looking, we will try to deliver dividends simply going forward, right that's the idea. I can't comment whether there will be a final dividend or not. That would depend on the final results and on the Board's discussion. But certainly, we see this as something of quite a significant to our organization.

Gaurav Jogani: Sir, the other way around, is there any percentage of PAT that you are targeting on an annual basis to pay out as dividend?

Nikhil Aggarwal: Not really, we have done about close to 25% at this point for YTD, but totally depends on the board.

Gaurav Jogani: That’s all, thank you.

Moderator: Thank you. We have a follow up question from Prerna from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: Thank you for the opportunity. I would just like to understand what will be the ASP of sneaker category that you are selling today in the books?

Sanjay Chhabra: So, this would be at least 15% to 20% higher versus our current revenue based.

Prerna Jhunjhunwala: Sorry, sir continue.

Sanjay Chhabra: Of course it would also have a higher cost component, but net, net it would be margin accretive.

Prerna Jhunjhunwala: Okay. And the new launches will also be in similar price points?

Sanjay Chhabra: For each of the channels we will have different price points, it caters to the different segment of consumers, if you go to the EBO, you will find our products at a higher price point because we display our entire range there, whatever is available in online or the rural part through distribution channel, and those price points are different.

Prerna Jhunjhunwala: Okay, understood. And the last question would be.

Moderator: Ms. Prerna, I am sorry to interrupt. Can you join back the queue please?

Prerna Jhunjhunwala: Sure, thank you.

Moderator: Thank you. I request the participant to restrict with one question and join back the queue for more questions. Next question comes from Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Hi. Just a quick follow up on, it was a bookkeeping question what was the growth in marketplace model this quarter?

Sanjay Chhabra: It was in line with our overall growth, distribution we did grow around 9% but in online it was 11%.

Umang Mehta: So, the marketplace model within online was also 11%?

Sanjay Chhabra: Marketplace was slightly lower, because we did grow more in the outside business.

Umang Mehta: Okay, sure. Thank you.

Moderator: Thank you. We have a follow up question from Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Same question, marketplace and online, YTD or nine months what would have been the growth and just a feedback, this all numbers now we can improve this disclosures via presentations so that we can have a concrete more discussion on the call. Nine months numbers on marketplace and online. Thank you.

Nikhil Aggarwal: Your point taken, we will try to include all those numbers in the investors presentation.

Priyank Chheda: Perfect. And sir on the EBOs, we haven't added much of the EBOs versus we had earlier plans to open at least 100 EBOs. Now what's the outlook on that, how should we look FY25-26 as well as on the trade distributions, at least on the presentation number, I can see that we have added a lot of new retail touch points versus the flat distributors. We were planning to improve the throughput within the same touch points right, now this has been the addition which so, how do we look into the sales throughput per touch point and as well as on the EBOs, thank you.

Sanjay Chabbra: So, on the EBO front, this quarter, the net addition has been less. That's purely because of market conditions we are now being more conscious about the geography wherein we want to set up our own COCO store. So, we did add around six stores in this quarter, but our strategy would continue to be 40 to 50 stores addition in the year. And as far as distribution is concerned, please appreciate this quarter three is both festival season and also seasonality in the North. So the retail touch point addition is highest in quarter three, having said that, we added around 7% to 8% retail touch points, but our sales growth was 9% to 10% so, the output or throughput per outlet is still higher, but yes Q3 numbers are skewed, and we look at reach more through a different yardstick, wherein how many retail touch points are getting billed on a monthly basis that's our internal yardstick, that is more consistent and more balanced number. Q3 the numbers go up slightly because.

Priyank Chheda: No, sorry I couldn't get the gist out of it, my question was. So, we were looking forward for an improvement in the throughput plus retail outlet versus we have added the outlets?

Sanjay Chhabra: So that's right. So, what I am saying is, we added around 7% outlets, the active outlet count increased by 7% but my revenue growth increased by 9% to 10% in distribution.

Nikhil Aggarwal: Per outlet has gone up.

Priyank Chheda: Perfect, even on the distribution channel wise numbers, it would be great if we can have a clarity because we are given for December, while the base quarter numbers are not there with us for distribution on D2C, online and offline.

Sanjay Chhabra: Okay.

Priyank Chheda: Thank you.

Moderator: Owing to the time constraint that was the last question for today's concall. On behalf of Campus Activewear Limited that concludes this conference. Thank you for joining us and in case of any further queries, please reach out to Campus Activewear investors relations team at ird@campusshoes.com. You may now disconnect your lines.