

22nd July 2022

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
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Sub: Disclosure pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015- Revision in Credit Rating

Dear Sir,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that India Ratings and Research has revised Campus Activewear Limited's (CAL), erstwhile Campus Activewear Private Limited, Outlook to Positive from Stable while affirming the Long-Term Issuer Rating at 'IND A+'. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based limits	-	-	-	INR1,400 (increased from INR1,250)	IND A+ / Positive/IND A1+	Affirmed; Outlook revised to Positive from Stable
Non-fund-based limits	-	-	-	INR110	IND A+ / Positive/IND A1+	Affirmed; Outlook revised to Positive from Stable
Long-term loans	-	-	FY26	INR254 (reduced from INR882)	IND A+/Positive	Affirmed; Outlook revised to Positive from Stable

This is also to mention that India Ratings and Research has revised Campus AI Private Limited's (Campus AI, 100% subsidiary of Campus Activewear Limited) Outlook to Positive from Stable while affirming the Long-Term Issuer Rating at 'IND A+'. The agency has simultaneously withdrawn the ratings since the facilities have been repaid in full and closed by Campus AI Private Limited. The ratings are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating	Rating Action
Fund-based limits*	-	-	-	INR100	WD	Affirmed; Outlook revised to Positive from Stable; Withdrawn
Long-term loans#	-	-	FY26	INR43	WD	Affirmed; Outlook revised to Positive from Stable; Withdrawn

*Affirmed at 'IND A+' /Positive/IND A1+ before being withdrawn

#Affirmed at 'IND A+' /Positive before being withdrawn

Aforementioned Rating Press Release by India Ratings and Research Private Limited links are <https://www.indiaratings.co.in/pressrelease/59015> and <https://www.indiaratings.co.in/pressrelease/59014> and the same are also enclosed with this intimation.

We request you to take the same on record.

Thanking You,

Yours truly

For Campus Activewear Limited

Archana Maini

General Counsel & Company Secretary

Membership No. A16092

India Ratings Revises Campus Activewear's Outlook to Positive; Affirms 'IND A+'

Jul 21, 2022 | Cotton & Textiles

India Ratings and Research (Ind-Ra) has revised Campus Activewear Limited's (CAL), erstwhile Campus Activewear Private Limited, Outlook to Positive from Stable while affirming the Long-Term Issuer Rating at 'IND A+'. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based limits	-	-	-	INR1,400 (increased from INR1,250)	IND A+/Positive/IND A1+	Affirmed; Outlook revised to Positive from Stable
Non-fund-based limits	-	-	-	INR110	IND A+/Positive/IND A1+	Affirmed; Outlook revised to Positive from Stable
Long-term loans	-	-	FY26	INR254 (reduced from INR882)	IND A+/Positive	Affirmed; Outlook revised to Positive from Stable

Analytical Approach: Ind-Ra continues to take a consolidated view of CAL and its 99.9% subsidiary, Campus AI Private Limited ('IND A+' / Stable), jointly referred to as the Campus Group, for the ratings, as both the entities have strong legal, operational and strategic linkages between them and are engaged in the same line of business of manufacturing footwear under the Campus brand. The management plans to merge the entities over the next six months.

The Outlook revision reflects a sustained premiumisation of the portfolio, resulting in a substantial increase in revenue and EBITDA during FY22, and the likelihood of the growth continuing over FY23, while maintaining a strong credit profile. Moreover, after the initial public offering and listing in May 2022, the company's corporate governance and financial disclosures have improved.

Key Rating Drivers

Significant Improvement in Revenue During FY22: CAL's consolidated revenue increased 68% yoy to INR11,942 million in FY22, driven by: (1) better realisations and improving product mix of its premium products, (2) a wider distribution network, and (3) an increasing contribution from the high-margin online sales channel to 33% of the total revenue in FY22 (FY21: 19%). The group's revenue expanded at a CAGR of 23.7% over FY18-FY22.

The company's revenue remains prone to seasonality with the majority of sales generated during August-December, the winter season in north India. While the company is expanding into other regions which experience less seasonality, the management expects the company to continue to generate majority of the revenue during the third quarter only, as North India would remain its major market over the medium term. Ind-Ra expects the revenue to increase 20%-25% yoy in FY23, backed by continuous premiumisation of the product portfolio, increasing online presence and an improving brand image.

Improvement in FY22 EBITDA Margins; Likely to Sustain: CAL's consolidated EBITDA margins expanded to 20.2% in FY22 (FY21: 16.3%), due to improving mix towards premium products, better operating leverage, and better pricing of portfolio, which were partially offset by increased advertisement spends. According to the management, given CAL's strong brand image, the company was able to pass on the entire raw material price increase to customers, thereby protecting its margins.

Ind-Ra expects CAL's consolidated EBITDA margins to remain steady in FY23, supported by: (1) the company's continued focus on shifting to the premium product portfolio, (2) an increasing proportion of online sales, and (3) cost efficiencies and savings realised from backward integration, partially offset by the increased spending towards marketing-related activities.

Sustained Premiumisation of Portfolio: Over FY18-FY22, CAL has been working on increasing its product profile and premiumisation. During FY22, while the revenue contribution from the premium category – shoes (above INR1,500) and semi-premium shoes (between INR1,050 and INR1,499) – increased to 41% (FY19: 31%) and 23% (21%), respectively, the share of entry level shoes (below INR1,050) reduced to 36% (48%). Consequently, the average selling price for CAL also increased to about INR620/pair in FY22 (FY19: INR485/pair).

Robust Credit Metrics: During FY22, CAL's consolidated net leverage (net debt/ EBITDA) reduced to 0.7x (FY21: 1.2x) and the interest coverage (EBITDA/interest expense) increased to 12.4x (6.8x), supported by a significant improvement in absolute EBITDA to INR2,415 million (INR1,160 million).

However, CAL's reported consolidated gross debt increased to INR1,743 million in FY22 (FY21: INR1,356 million), largely due to an elongated working capital cycle resulting in higher short-term facility utilisation (FY22: INR952 million; FY21: INR365 million). Ind-Ra believes that although the company's increased capex spends would be partly funded through term debt, the credit metrics would remain strong over FY23-FY24, with the net leverage remaining below 1.0x and the interest coverage rising above 15x.

Strengthening Brand Presence: CAL continued to strengthen its brand presence during FY22 by increasing exclusive brand outlets and expanding its presence in the online segment. The brand already benefits from a healthy presence in North India and is now focusing on expanding in other regions as well.

CAL's advertisement and marketing-related expenditure increased to 6.2% of the revenue during FY22 (FY21: 4.6%) and Ind-Ra expects the same to constitute about 6%-7% of the revenue over the medium term. The higher spends are likely to enhance the group's brand building initiatives and help in competing with its established peers.

Liquidity Indicator – Adequate: On a consolidated basis, the unencumbered cash balances stood at INR3 million at FYE22 (FY21: INR12 million). The group has access to fund-based limits of INR1,400 million with an average utilisation of 60% during the 12 months ended April 2022.

Despite increasing EBITDA and lower capex, CAL's free cash flows turned negative at INR351 million in FY22 (FY21: INR527 million), due to a large working capital outflow. The working capital outflow reflects payable days returning to historic trend of 60 days in FY22 (FY21: 88 days; FY20: 61 days) as suppliers had offered some support during COVID-19. Its inventory days also increased to 108 days in FY22 (FY21: 104 days; FY20: 85 days), given a large number of footwear designs manufactured and higher value of raw material inventory. Ind-Ra expects the company's net working capital cycle to remain around 90 days over the medium term.

The group incurred only about INR358 million capex in FY22 (FY21: INR556 million) towards expanding its assembly lines and the retail presence through exclusive brand outlets. The management budgeted a capex of INR1,500 million over FY23-FY24, primarily towards the capacity enhancement. Ind-Ra expects CAL to generate positive free cash flows over FY23-FY24, due to improving profitability, despite increased capex.

Intense Competition and Evolving Designs: The company's growth prospects continue to be impacted by increasing competition from several unorganised players, evolving footwear designs and changing fashion. However, regular interactions with customers and rigorous monitoring of inventories aid the group in mitigating these risks. Moreover, the group also faces competition, in its product portfolio, from established brands, and hence, increasing market share remains key to its growth.

Standalone Financials: In FY22, CAL recorded revenue of INR13,146 million (FY21: INR7,846 million), EBITDA of INR1,306 million (INR544 million), the net leverage of 1.3x (2.4x) and the interest coverage of 7.2x (3.4x).

Rating Sensitivities

Positive: A significant improvement in revenue along with profitability by way of increasing the share of premium products, while maintaining the current credit metrics, on a sustained and consolidated basis, will be positive for the ratings.

Negative: Lower-than-expected revenue diversification and/or a deterioration in the EBITDA margins, higher working capital requirements, or a large debt-funded capex, leading to the net leverage above 1.5x, on a sustained and consolidated basis, could result in Outlook being revised to Stable.

Company Profile

CAL commenced the commercial operations as Ankit International in August 2015. The company is a part of the Hari Krishan Agarwal group of companies within the larger Action Group, which has been in the footwear business for over three decades. Previously, the group had three entities: Nikhil International, Kabeer Textiles Private Limited and Ankit International. In March 2017, the entire business of Nikhil International and Kabeer Textiles was transferred to CAL, which did not have any significant operations prior to this transfer. On 7 February 2020, Ankit International was converted into a private limited company, named Campus AI. CAL holds a 99.9% stake in Campus AI. The management plans to merge both these entities over the next six months.

FINANCIAL SUMMARY (Consolidated)

Particulars	FY22	FY21
Revenue (INR million)	11,942	7,113
EBITDA (INR million)	2,415	1,160
EBITDA margin (%)	20.2	16.3
Gross interest coverage (x)	12.4	6.8
Net adjusted leverage (x)	0.7	1.2
Source: CAL, Ind-Ra		

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating/Outlook			Historical Ratings/Outlook		
	Rating Type	Rated Limits (million)	Rating	27 May 2021	28 February 2020	15 Feb 20
Issuer rating	Long-term	-	IND A+/Positive	IND A+/Stable	IND A/Stable	IND A-/
Fund-based limits	Long-term/Short-term	INR1,400	IND A+/Positive / IND A1+	IND A+/Stable / IND A1+	IND A/Stable/IND A1	IN A-/Posit A2
Non-fund-based limits	Long-term/Short-term	INR110	IND A+/Positive / IND A1+	IND A+/Stable / IND A1+	IND A/Stable/IND A1	IN A-/Posit A2
Long-term loans	Long-term	INR254	IND A+/Positive	IND A+/Stable	IND A/Stable	IND A-/

Bank wise Facilities Details

[Click here to see the details](#)

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Term loans	Low
Working capital demand loan	Low
Non-fund-based limits	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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India Ratings Revises Campus AI's Outlook to Positive; Affirms 'IND A+' and Withdraws Ratings

Jul 21, 2022 | Cotton & Textiles

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Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating	Rating Action
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Analytical Approach: Ind-Ra continues to take a consolidated view of Campus AI and its 99.9% parent, Campus Activewear Limited (CAL; 'IND A+' / Stable), jointly referred to as the Campus Group, for the ratings, as both the entities have strong legal, operational and strategic linkages between them and are engaged in the same line of business of manufacturing footwear under the Campus brand. The management plans to merge the entities over the next six months.

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disclosures have improved.

Ind-Ra no longer required to maintain the ratings, as the facilities have been repaid in full and closed.

Key Rating Drivers

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Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

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Fund-based limits	Long-term/Short-term	INR100	WD	IND A+/Stable / IND A1+	IND A/Stable/IND A1	IN A-/Posit A2
Long-term loans	Long-term	INR43	WD	IND A+/Stable	IND A/Stable	IND A-/

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Term loans	Low
Working capital demand loan	Low
Non-fund-based limits	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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