

6th July 2024

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- Credit Ratings Re-Affirmed

Dear Sir,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that CRISIL Ratings has reaffirmed its rating on the bank facilities of Campus Activewear Ltd to '**CRISIL A+/Stable/CRISIL A1**'.

The Rationale received from CRISIL is enclosed herewith.

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

Encl: As above

Rating Rationale

July 05, 2024 | Mumbai

Campus Activewear Limited

Ratings reaffirmed at 'CRISIL A+/Stable/CRISIL A1'

Rating Action

Total Bank Loan Facilities Rated	Rs.303 Crore
Long Term Rating	CRISIL A+/Stable (Reaffirmed)
Short Term Rating	CRISIL A1 (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its ratings on the bank facilities of Campus Activewear Ltd (CAL; part of the Campus group) to 'CRISIL A+/Stable/CRISIL A1'.

The rating continues to reflect the company's strong business risk profile. In FY24 there is a slight decline in the revenue at Rs. 1448 cr. from Rs. 1484 cr. which is majorly due to the volumes being impacted due to disruption caused by B2B sales. Loss of sales due to closure of operations by B2B platforms has been largely offset through higher marketplace sales. In FY24 company has achieved volume of 2.22 crores from 2.35 crores although the average selling price (ASP) has improved from Rs. 631 per pair to Rs. 652 per pair. EBITDA margins remained comfortable at ~15% in FY24 and is expected to remain in the range of 15-17%. Gross Margins are expected to be in the range of 50%-53%. Due to the muted demand across which is likely to improve by H2'FY'25. Considering the strong brand image the revenue is expected to grow in line with Industry growth. Company takes steps like locking in key raw material prices contracts and some other cost optimization related levers along with sustained price pass through to our end consumers in a regulated manner. With all these interventions company is expected to maintain margins at around 15-17% over the medium term which is supported by the inhouse sole manufacturing unit in Ganaur and sustained price pass-through to end consumers in a regulated manner. Focus on exclusive brand outlets, diversification through online channels and franchisee model should continue to support the business risk profile and healthy return on capital employed (RoCE) over the medium term. Sustenance of working capital cycle, primarily inventory management, remains a key monitorable.

The ratings also factor in the strong financial risk profile of the Campus group, driven by network of over Rs.640 crore in FY24 backed by continuous accretion to reserve. Gearing remained less than 0.04 times in FY24, driven by lower than expected debt and also minimum utilisation of working capital lines. Debt protection metrics remained healthy with expected interest coverage and net cash accrual to adjusted debt ratio of 15 times and 6.5 times, respectively, in fiscal 2024.

The ratings continue to reflect the healthy market position of the Campus group in the footwear industry backed by strong brand, geographically diversified presence and wide product portfolio, along with comfortable financial risk profile. These strengths are partially offset by stretched working capital cycle and exposure to intense competition.

Key Rating Drivers & Detailed Description

Strengths:

- Established market position with strong brand visibility:** The four-decade-long experience of the promoters, their strong understanding of market trends and healthy client relationships will continue to support the business risk profile of the Campus group. Moreover, robust brand visibility and diversified product range have helped maintain scale of operations. In FY24 there is a slight decline in the revenue at Rs. 1448 cr. with volume sales of around 2.22 crore pairs. Going forward the revenue is expected to improve owing to the strong brand recall of the company.
- Comfortable financial risk profile:** Network of the company has remained strong over Rs.640 crore with healthy total outside liabilities to adjusted network ratio expected below 0.5 time as on March 31, 2024, indicate the robust capital structure. Gearing remained below 0.50 time over the past four fiscals ending 2024, despite debt-funded capital expenditure (capex) in the past three years, driven by healthy network. Stable profitability and continuous accretion of reserve is expected to improve the debt protection metrics over the medium term. The financial risk profile of the company is expected to remain strong over the medium term on the back of higher cash accruals to meet the external debt required to fund any regular capex over the medium term.
- Geographically diversified presence and wide product profile:** The group has strong brand presence across India through multi-brand outlets and stores. It has a dominant market position owing to its strong focus on, and stocking of, various designs. The group markets products to retailers across India through 300+ distributors and more than 23,000

retail touch points. Also, CAL has 250 exclusive brand outlets. While it has a strong presence across India, more than half its revenue comes from the north and steps to increase presence in the south and west are bearing fruit as is visible from the increasing revenue contribution of these regions. This will help insulate revenue and profitability from change in preferences of customers in any region.

Weaknesses:

- **Exposure to intense competition:** The Campus group has positioned itself in the affordable to mid-luxury footwear segment, where it has to compete with established brands, such as Bata, Liberty, Lancer and Relaxo, and several unorganised players. Furthermore, the business risk profile is constrained by price sensitivity of the target segment, which limits the ability to pass on any sharp increase in raw material prices to customers. The group remains exposed to the risk of competitive designs, changes in customer preferences and growing presence of international brands. This forces the group to continuously develop new designs to stay ahead of competition.
- **Working capital-intensive operations:** Gross current assets (GCAs) stood at 168 days as on March 31, 2024, driven by inventory of 117 days and receivables of 30 days. GCAs are expected to over 145-160 days as operations are likely to remain working capital intensive over the medium term and its prudent management with increase in scale of operations remains a rating sensitivity factor. The receivables days are continuously improving over the past three years and will continue to do so over the medium term as the revised policy by the management now allows credit of 60-70 days. The working capital requirement is partially supported by payables of 110-120 days. The company maintains higher inventory due to higher lead time and also to cater to the requirements of each channel (Online, Distribution, Exclusive stores etc).

Liquidity: Strong

Cash accrual is expected to remain healthy at Rs.160-180 crore per annum, against yearly debt obligation of Rs.4-5 crore over the medium term. Bank limit was utilised 30% over the 12 months through Mar-24. Current ratio is expected to remain moderate at 1.9 times as on March 31, 2024. The group had unencumbered cash balance of Rs.61 crores as on Mar-24

Outlook: Stable

The Campus group will continue to benefit from its healthy market position, aided by strong brand visibility and diverse product range.

Rating Sensitivity factors

Upward factors:

- Improvement in market share with improvement in revenue to around Rs 2,000 crore with sustained margins leading to improvement in net cash accrual above Rs 250 crore
- Improvement in GCAs below 170 days with efficient inventory management, leading to better financial risk profile and liquidity

Downward factors:

- Stretch in the working capital cycle with GCAs of more than 275 days or debt-funded capex weakening the financial risk profile and liquidity
- Decline in operating income or in operating profitability by more than 400 basis points, leading to decline in cash accrual to Rs 125 crore

About the Company

In 1983, Mr H K Agarwal founded the Action brand, which became a household name in the casual and sports footwear segments in India. Mr Agarwal and his brothers subsequently entered other sectors, such as healthcare, power and coal mining. In 1997, the Action group launched its premium Campus brand.

CAL, incorporated in 2008, and CAIPL established in August 2015 as a partnership firm and reconstituted in 2020 as a private limited company, are part of the Hari Krishan Aggarwal group, which has been in the footwear business for over three decades. Both the companies got merged in Nov-22. In May 2022 the company got listed on the Bombay Stock Exchange and the National Stock Exchange.

Key Financial Indicators

As on / For the period ended March 31	Unit	2024	2023
Operating income	Rs crore	1448	1485
Reported profit after tax (PAT)	Rs crore	89	117
PAT margin	%	6.16	7.88
Adjusted debt / adjusted networkth	Times	0.04	0.33
Interest coverage	Times	15.7	9.10

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Complexity Levels	Rating Assigned with Outlook
NA	Fund-Based Facilities	NA	NA	NA	230	NA	CRISIL A+/Stable
NA	Non-Fund Based Limit	NA	NA	NA	22	NA	CRISIL A1
NA	Term Loan	NA	NA	June-2029	27	NA	CRISIL A+/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	24	NA	CRISIL A+/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	281.0	CRISIL A+/Stable		--	10-04-23	CRISIL A+/Stable	14-10-22	CRISIL A+/Stable	27-05-21	CRISIL A/Positive	CRISIL A1 / CRISIL A/Stable
					--		--	29-07-22	CRISIL A+/Stable		--	--
Non-Fund Based Facilities	ST	22.0	CRISIL A1		--	10-04-23	CRISIL A1	14-10-22	CRISIL A1	27-05-21	CRISIL A1	CRISIL A1
					--		--	29-07-22	CRISIL A1		--	--

All amounts are in Rs. Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Fund-Based Facilities	110	HDFC Bank Limited	CRISIL A+/Stable
Fund-Based Facilities	30	Axis Bank Limited	CRISIL A+/Stable
Fund-Based Facilities	40	CTBC Bank Co Limited	CRISIL A+/Stable
Fund-Based Facilities	50	ICICI Bank Limited	CRISIL A+/Stable
Non-Fund Based Limit	11	Axis Bank Limited	CRISIL A1
Non-Fund Based Limit	11	HDFC Bank Limited	CRISIL A1
Proposed Fund-Based Bank Limits	24	Not Applicable	CRISIL A+/Stable
Term Loan	27	Axis Bank Limited	CRISIL A+/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition

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