

April 22, 2022

Campus Activewear Limited IPO

Campus Activewear Limited (CAL) was incorporated on 2008. Campus is the largest sports and athleisure footwear brand in India, both in terms of value and volume in Fiscal 2021. The company manufactures and distributes a variety of footwear like Running Shoes, Walking Shoes, Casual Shoes, Floaters, Slippers, Flip Flops and Sandals, available in multiple colours, styles and at affordable prices. Campus Activewear sells its products through online platforms and offline stores. Campus Activewear Limited has a pan-India trade distribution network, with over 425+ distributors in 28 states and 664 cities. The company also has 19,200 retailers across India on December 31, 2021. Campus own and operates 5 manufacturing facilities across India with an installed annual capacity for assembly of 28.80 million pairs as on December 31, 2021.

Positives: (a) India's largest and fastest growing sports and athleisure footwear brand (b) Strong brand recognition, innovative branding and marketing approach (c) Robust Omni-channel sales and distribution network with pan-India presence and move to premium category (d) Experienced Board and senior management team.

Investment concerns: (a) Increase in competition (b) Slowdown in the economy could impact the overall revenue of the company.

Outlook & Valuation: In terms of valuations, the post-issue TTM P/E works out to 93.4x (at the upper end of the issue price band), which is high considering Company's negative PAT CAGR of ~17 % over FY19-21. However, CAL has strong brands and wide range of products but we believe that these positives are captured in the valuations commanded by the company. **Thus, we have a NEUTRAL rating on the issue.**

Exhibit 1: Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021	9MFY22
Net Sales	595	732	711	842
% chg		23.1	(2.8)	93.0
Net Profit	38	62	27	86
% chg		60.4	(56.4)	407.5
OPM (%)	16.8	18.6	16.3	19.4
EPS (Rs)	1.3	2.0	0.9	2.8
P/E (x)	231.4	144.3	330.7	
P/BV (x)	44.0	31.2	28.4	
RoE (%)	19.1	21.9	8.6	
RoCE (%)	21.4	20.2	17.0	
EV/Sales (x)	15.3	12.4	12.7	-
EV/EBITDA (x)	90.8	66.8	78.1	-

Angel Research; Note: Valuation ratios based on post-issue shares and at ₹292 per share.

NEUTRAL

Issue Open: April 26, 2022

Issue Close: April 28, 2022

Issue Details

Face Value: ₹5

Present Eq. Paid up Capital: ₹152cr

Offer for sale: ₹1,400cr

Post Eq. Paid up Capital: ₹152cr

Issue size (amount): ₹1,400cr

Price Band: ₹278-292

Lot Size: 51 shares

Post-issue mkt.cap: ₹8,460* – 8,886cr**

Promoter holding Pre-Issue: 78.2%

Promoter holding Post-Issue: 74.1%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50%
Non-Institutional	15%
Retail	35%

Post Issue Shareholding Pattern

Promoters	74.1%
Public	25.9%

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Company background

Campus Activewear Limited was incorporated on 2008. Campus is the largest sports and athleisure footwear brand in India, both in terms of value and volume in Fiscal 2021.

The company manufactures and distributes a variety of footwear like Running Shoes, Walking Shoes, Casual Shoes, Floaters, Slippers, Flip Flops and Sandals, available in multiple colours, styles and at affordable prices. Campus Activewear sells its products through online platforms and offline stores.

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Campus own and operates 5 manufacturing facilities across India with an installed annual capacity for assembly of 28.80 million pairs as on December 31, 2021.

Issue details

CAL is raising ₹1,400cr through OFS in the price band of ₹278-₹292 per share.

Exhibit 1: Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	23,80,09,004	78.2%	22,55,09,004	74.1%
Public	6,63,17,000	21.8%	7,88,17,000	25.9%
Total	30,43,26,004	100.00%	30,43,26,004	100.00%

Source: Source: RHP, Note: Calculated on upper price band

Objectives of the Offer

- The company is coming with this IPO mainly due to two reason (1) To carry out an offer for sale and (2) To achieve the benefits of listing the Equity Shares on the stock exchanges.

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021	9M FY22
Net Sales	595	732	711	842
% chg		23.1	(2.8)	93.0
Total Expenditure	495	596	595	679
Raw Material	321	380	374	416
Personnel	43	57	55	48
Others Expenses	130	159	166	215
EBITDA	100	136	116	163
% chg		36.2	(14.9)	220.0
(% of Net Sales)	16.8	18.6	16.3	19.4
Depreciation & Amortisation	14	23	33	38
EBIT	86	113	83	125
% chg		32.1	(26.4)	328.8
(% of Net Sales)	14.4	15.5	11.7	14.9
Interest & other Charges	21	17	17	14
Other Income	2	2	4	2
(% of PBT)	2.7	2.1	5.4	1.8
Recurring PBT	66	99	70	114
% chg		48.9	(29.2)	479.2
Tax	28	36	43	29
(% of PBT)	41.8	36.8	61.6	25.6
PAT	39	62	27	85
Basic EPS (₹)	1.3	2.0	0.9	2.8
% chg		60.4	(56.4)	407.5

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	0	152	152
Reserves & Surplus	202	133	161
Shareholders' Funds	202	285	313
Total Loans	199	276	177
Deferred Tax Liability	3	6	6
Total Liabilities	401	567	496
APPLICATION OF FUNDS			
Net Block	100	169	256
Capital Work-in-Progress	25	35	0
Investments	-	-	-
Current Assets	318	458	395
Inventories	119	173	207
Sundry Debtors	162	144	98
Cash	2	60	1
Loans & Advances	31	57	81
Other Assets	4	23	8
Current liabilities	105	155	193
Net Current Assets	213	303	202
Deferred Tax Asset	63	60	37
Total Assets	401	567	496

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (` cr)	FY2019	FY2020	FY2021
Profit before tax	66	99	70
Depreciation	14	23	33
Change in Working Capital	(48)	(18)	21
Interest / Dividend (Net)	21	16	16
Direct taxes paid	(9)	(40)	(25)
Others	10	19	10
Cash Flow from Operations	54	99	124
(Inc.)/ Dec. in Fixed Assets	(29)	(110)	(55)
(Inc.)/ Dec. in Investments	0	(45)	46
Cash Flow from Investing	(29)	(155)	(9)
Issue of Equity	0	20	0
Inc./(Dec.) in loans	13	52	11
Dividend Paid (Incl. Tax)	0	0	0
Interest / Dividend (Net)	(39)	(3)	(140)
Cash Flow from Financing	(26)	69	(129)
Inc./(Dec.) in Cash	0	14	(14)
Opening Cash balances	2	2	15
Closing Cash balances	2	15	1

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	231.1	144.0	330.2
P/CEPS	167.5	103.8	148.9
P/BV	44.0	31.1	28.4
EV/Sales	15.2	12.4	12.7
EV/EBITDA	104.5	89.0	105.1
EV / Total Assets	22.6	16.0	18.2
Per Share Data (Rs)			
EPS (Basic)	1.3	2.0	0.9
EPS (fully diluted)	1.3	2.0	0.9
Cash EPS	1.7	2.8	2.0
Book Value	6.6	9.4	10.3
Returns (%)			
ROCE	18.1	14.1	10.9
Angel ROIC (Pre-tax)	18.1	15.8	10.9
ROE	19.1	21.9	8.6
Turnover ratios (x)			
Asset Turnover (Net Block)	5.9	4.3	2.8
Inventory / Sales (days)	73	86	106
Receivables (days)	99	72	50
Payables (days)	53	62	88
Working capital cycle (ex-cash) (days)	120	96	69

Source: Company, Angel Research

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