

22nd August, 2022

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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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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 Conference Call held with the Investors/Analysts on 16th August, 2022 and the same is also available on the Company's website i.e. www.campusactivewear.com

This is for your information and records.

Thanking you

For CAMPUS ACTIVEWEAR LIMITED

Archana Maini
General Counsel & Company Secretary
Membership No. A16092

Encl: As above

Campus Activewear Limited
Earnings Conference Call
Aug 16, 2022

Moderator: Good day, ladies and gentlemen and a very warm welcome to the Campus Activewear Limited, Q1 FY23 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 * then 0 on your touch tone 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 other businesses that could 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, wholetime Director and CEO, Mr. Raman Chawla CFO and Mr. Piyush Singh, Chief Strategy Officer. 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 and welcome everyone for joining our Q1FY23 earnings call today. I believe everyone is staying safe. We appreciate and deeply acknowledge your trust in our vision to create India's leading sports and athleisure footwear brand. I'm delighted to share that our quarterly performance has been in line with expectations, despite an uncertain and inflationary macro environment. There has been a

sustained improvement in our YoY quarterly financial exhibiting marked improvement in both top line and bottom-line numbers as compared to Q1FY22 which was largely impacted by the 2nd wave of COVID-19 last year. Because of seasonality seen across product mixed consumption, quarter one empirically has been contributing 18% to 20% of our annual net revenue. During quarter Q1FY23, we sold more than 5.5 million pairs at an aggregate level, thereby clocking net income of INR 338 crores and YoY Growth of about 150% versus Q1FY22, which was at about INR 135 crores. Both trade distribution and D2C channels have delivered a holistic growth of more than 150% on a YoY in Q1FY23 versus Q1FY22. Just to highlight, we sold the highest ever first quarter volume in the history of campus at 5.6 million pairs, registering a YoY volumetric growth of about 141% in comparison to Q1 FY22. Along with volume, our quarterly ASP is also grown by about 3% from INR 580 in Q1FY22 to INR 597 in Q1FY23. Despite the challenging inflationary environment, Campus Activewear balance sheet continues to demonstrate strength with robust return ratios such as ROCE and ROE of 37.4% and 38.2%, respectively as on 30th June 2022. We are sincerely thankful to our end consumers, our channel partners and our passionate team which has helped us in delivering this performance which earmarked the underlying strength and resilience of the brand. As always, we thank you for your invaluable support and investment. I will now hand over to our Chief Strategy Officer, Mr. Piyush Singh, for his remarks. Thank you.

Piyush Singh:

Greetings to everyone, adding on to what Nikhil just said while FY22 was an exciting year for all our stakeholders. We had started FY23 on a strong note from both an operational and financial performance standpoint. All our distribution channels, category cohorts, and price segments have demonstrated robust growth, both in terms of volume

and value amid the challenging operating environment impacted by supply chain disruptions and inflationary trends. Basis price segments are sealed trade in Q1FY23 has exhibited sustained premiumisation vis a vis FY22 full year where in sales contribution from semi premium and premium categories have increased from 64% in FY22 full year to 68% in Q1FY23. Similarly, on a category basis, revenue mix across men and women and kids have improved from 84:16 in the favour of men in FY22 to 81:19 in Q1FY23 favouring men and women and kids respectively. On a trailing 12 month basis, revenue from operations increased by almost 17% on a year on year basis to INR 1,397 crores in TTM Q1 FY23 as compared to FY22, full year revenue at 1,194 crores. Similarly TTM Q1 FY23 EBITDA stood at INR 290 crores as compared to FY22 to full year EBITDA INR 244 crores demonstrating almost a 19% year on year growth. TTM Q1 FY23 EBITDA margin also improved at 20.8% versus 20.4% for FY22 full year. Net profit during the trailing 12 months of Q1FY23 stood at INR 151 crores with PAT margin of 10.8% as against full year FY22 PAT of INR 124 crores at a margin of 10.4%. On the supply chain front, we continue to stay cautious of the challenging inflationary environment in the near medium term, ensuring that RM and semi-finished goods availability above everything else to maximise sales potential in the coming quarters. We continue to maintain a close watch on our input costs as well. As an outcome while at material margin has improved from 48.4% in quarter four of FY22 to 49.6% in quarter one of FY23 as gross margins have stayed intact at 36% across both the quarters. We are confident of maintaining that trend line growth trajectory and margin profile in the near to medium term. I will now hand over to our CFO us here for Mr. Raman Chawla to take you through more details on the quarter one FY23 performance over to Raman.

Raman Chawla: Good afternoon, everyone and welcome to quarter one FY23 earnings call of Campus Activewear Ltd. During the quarter under review Campus as a brand demonstrated a lot of resilience. Campus delivered its best first quarter, both in terms of top line and the bottom line growth. Revenue from operations increased by 149.6% year on year to INR 338 crores during the quarter with both channels trade distribution and D2C exhibited similar growth profile in this quarter at about 150% YoY growth. Our Q1FY23 sales volume registered at 5.6 million pairs, as against 2.3 million pairs in Q1 FY22, thereby generating 141% YoY volume growth. While Q1FY23 aggregate ASP stood at INR 597 versus INR 580 in Q1FY22, thereby resulting about 3% YoY ASP growth. In terms of profitability, EBITDA was at INR 62.3 crores in Q1FY23. As compared to INR 16.1 crore in Q1FY22, EBITDA margin stood at 18.4% in Q1 FY23 versus 11.9% in Q1FY22. In terms of a net profit during the quarter, it stood that INR 28.7 crores as compared to INR 2 crore in Q1FY22 and a profit margin stood at 8.5% in this quarter versus 1.5% in Q1FY22. Moving on to the balance sheet, our net debt has reduced from INR 174 crore in FY22 end to INR 124 crores as of 30th June 2022. Net debt to EBITDA ratio has improved from 0.7 X in FY22 to 0.4 X in TTM Q1FY23. Similarly, our return on capital employed has also gone up from 29.7% in FY 22 to 37.4% in TTM Q1FY23 and our return on equity has also gone up from 32.9% in FY22 to 38.2% in TTM Q1FY23. With this I conclude and hand over to the operator for question and answer, thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Vicky Punjabi from UTI Mutual Fund. Please go ahead.

Vicky Punjabi: I wanted to understand the reasons for the seasonality in the business because my thinking was that the Macro impact the Q1 volumes could have been a little better than what we saw in the Q4 and Q3 volumes being similar. Can you help me understand what is leading to this seasonality?

Nikhil Aggarwal: We basically don't look at seasonality only on the basis of COVID. While COVID certainly is in the past now more or less, seasonality for us is also due to the winter season, where, there's festivities and when the purchase power of the consumer goes up against the other seasons other quarter. And also, because we primarily dominate enclosed footwear category and our portfolio for open footwear category is very limited, so because of that also Q3 and Q4 are basically the highest grossing quarters. From the seasonality perspective of the company, Q1 and Q2 are lower than the other two quarters. While we have done a lot in the last few years to bring this parity down. I hope that answers your question.

Vicky Punjabi: And just one more thing, if I see the realisations for this quarter versus, say realisations for the annual FY22. It seems to be a bit lower than what it was in FY22 and on the average realisation was on lower side than FY22 and I think in the comments. I heard that we've seen a better premiumisation in this quarter versus what we saw in FY22, any reasons for that?

Piyush Singh: There's a fair bit of seasonality in our first half of the financial year because during this time in the summer months, we sell a larger proportion of open footwear which are lower ASP products. Now there has been a premiumisation with the comparison to ASP of Q1 FY23 versus Q1FY22, so on a YoY basis there is there is a 3% premiumisation.

But that said our FY22 overall numbers in terms of ASP would be a tad higher because second-half of the year is not only contributing to roughly 60% of our top line, but it also is a higher ASP generating second-half. And hence fully attended number is a tad higher which was at INR 616 for last year, FY22 full year.

Moderator: Thank you. The next question is from the line of Jignesh Kamani from GMO. Please go ahead.

Jignesh Kamani: I just want to know about if you take about Q1FY22 was because of the COVID. So if you want to compare with normally say Q1 FY23, year ago, how is the revenue volume and ASP compared to Q1 FY20?

Piyush Singh: Q1FY20 revenue was almost equivalent to Q1FY22 revenue at INR 135 crores. So from that perspective, it's 150% growth. Similarly, our ASP is for Q1FY23 are way better as compared to our first quarter FY20 ASP, wherein the ASP of first quarter was closer to 570 this time it's 590.

Jignesh Kamani: And Volume share here.

Piyush Singh: The volume in Q1FY20 we did that 3 million pairs where in in Q1FY23 we did 5.6 million pairs.

Jignesh Kamani: Second question is if you take one last one year, how is the cost increase for you? You mentioned there is a 3 percent increase in the ASP roughly, so it is commensurate to all the cost increase or how is the scenario right now?

Nikhil Aggarwal: Yes, we have taken quite a bit of cost increase already factored into the ASP increase. While there has been certain inflation in the polymers and some raw material and compounds, so far we have incorporated most of the inflationary pricing keys. So given the trend now that we

are seeing in the markets. We are hoping and already seeing the trends to be sort of improving in terms of inflationary increases on the side of raw materials.

Piyush Singh: Just to add to it Jignesh, if you look at our QoQ trend while in Q4FY22, our material margin was 48.5%. It has gone up to 49 .5%. Just shy of 50% in Q1FY23. And despite the inflationary environment in freight logistics. And some increase in contract workers wages. We were able to maintain our gross margin levels at 36% in both quarters. So far we have maintained our control over the over the raw material inflationary prices, while also increasing our ASP because of the product mix.

Jignesh Kamani: I think since last one and half year we aggressively invested in the sneaker SKU portfolio, everything. How is the current performance of the sneaker in the market feedback, any idea how is the contribution of snicker as a category for us right now?

Piyush Singh: So contribution right now, I would say is not very significant because we've just launched the sneaker range recently. So, if you visit any of our showroom that we have across the country, about 140 of them. The sneaker range is present in our reviews. We are also in the process of launching a very good to sneaker range in the other channels, namely e-commerce and NPO distribution. So, the contribution I would say is still at a neutral stage, but the response is very, very encouraging.

Jignesh Kamani: And right now our portfolio will be similar in sneaker in terms of SKU versus other competitors. Or still we need to improve on the SKU and the portfolio size.

Piyush Singh: it's a work in progress, I would say so it's not like that we don't follow a system where we just launch one range and then we're done for the

year so it's a continuous process for us. A good range has been launched in the review channel and very soon you'll see a different kind of range or the other two channels as well.

Jignesh Kamani: And my last question on the seasonality, you mentioned that Q1 is around 18% to 20% of the full year revenue. Is the seasonality there in the margin also across the various quarters?

Nikhil Aggarwal: In the initial quarters there is a fair bit of fixed costs absorption that happens. As we progress down the financial year or operating leverage keeps on improving from here on. So we see two levels of improvement, one at the material margin gross margin level because of the enhanced product mix and a high ASP and are relatively high share of high ASP product being sold and second is on account of operating leverage with a better absorption of fixed costs in Q3 and Q4.

Moderator: Thank you. The next question is from the line of Ankit Kedia from Phillip Capital. Please go ahead.

Ankit Kedia: A couple of questions from my side. While you have shared the growth across the channels, could we get the revenue split across the channels?

Piyush Singh: Our trade distribution channel out of INR 338 crores have done almost close to INR 200 crores, INR 199 to be precise, and the remaining comes from our D2C channel which is the balance, it's INR 113 crores from e-commerce and another INR 21 crores from a EBO plus key account.

Ankit Kedia: So on seasonality perspective do you see seasonality across channels or a particular channel like the trade channel has more seasonality

while you know online should not be so seasonal in nature? Given that customers would tend to buy, throughout the year on online channel.

Piyush Singh: It's not about customer buying across all the channels. It's about what kind of product are the customers buying. So seasonality is holistic across all the channels. For example, we see relatively lower ASP's across all the channels in Q1 vs. full year ASP , Aggregate ASP is INR 597 in Q1FY23 vis a vis INR 616 in FY22. We see slight drop of say 2% to 3% in terms of ASP across trade distribution and E-commerce irrespective of the customer journey. The customer ends up buying relatively higher share of slip on, sliders and sandals in the first quarter and the second quarter when in the entire North, East and Western India belt there is a high degree of summer and high temperature ranges as winter months comes in with festivities and marriages and temperature dropping, people tend to switch to close footwear, which has a higher ASP. So seasonality is holistic across all channels.

Nikhil Aggarwal: Just to add, there is also an element of school shoes which are also lower in ASP compared to regular footwears, so that that's also mostly sold during Q1.

Ankit Kedia: And how big would be a school portfolio now?

Piyush Singh: It's catching up after 2 1/2 years. Earlier it used to be roughly 8% to 10% of our portfolio, now it's again catching up and very soon we'll be in the same trend line.

Ankit Kedia: So the kids portfolio broadly, school shoes portfolio should we understand that way?

Piyush Singh: See the kids portfolio for us so far over the last two years was excluding school shoes and it's roughly 10% as of now.

Ankit Kedia: My second question is regarding your working capital, from FY22 to Q1. We have seen a significant decline, can you just throw some light on the inventory and receivable days?

Piyush Singh: You will be happy to know that receivable days have improved from 40 days of sales outstanding to 35 days of sales outstanding. We are still maintaining the same level of inventory cover at almost 108 days of sales outstanding because end of quarter one is just the precursor of the beginning of our festive season because as you end July, in August and September, a lot of stock offtake starts across online and our trade distribution channel. So at this point in time, we tend to maintain the highest level of inventory cover from festive season preparedness perspective, despite that our inventory cover in terms of base sales outstanding stays the same. While we have managed to work on our payable days and stretch it to a certain extent and hence you see a significant improvement in net working capital.

Moderator: Thank you. The next question is from the line of Manish Poddar from Motilal Oswal Asset Management. Please go ahead.

Manish Poddar: I'm just trying to understand three-year volume CAGR for men, women and kids for this quarter now. What would that number be?

Piyush Singh: We can take that question offline, but I can give you a break up so last year for full year FY22, our distribution between men and women and kids portfolio was 84% towards men and 16% towards women and kids wherein it was equally spread between 8% piece across women and kids. It has improved to almost 80:20 now whereas. 80% is towards

men and 10% is for women and remaining 10% is for kids in child. And the year before that, FY21, the ratio was 88:12 where 88% was men and 6% was women and remaining for child.

Manish Poddar: OK, would you be able to help me with how much was ad spend during this quarter and the last quarter Q4 for 22, absolute amount.

Nikhil Aggarwal: We spent about INR 17 odd crores in marketing which is roughly 5.2%. And last quarter we did almost nine crores. The ad spends on a trend line basis are expected to stay between 6% - 6.5% of our top line. But there is some bit of lumpiness depending on what kind of product portfolio are you marketing and what kind of regions plus the channel you're targeting. So, Q1 for us typically contributes 5% to 5.5% of our ad spends, Q2 and Q3 tends to be heavy because they are the start of the season and the middle of the season and Q4 is typically the lowest quarter in terms of AD spends for us. Ad spend for Q4FY 22 was 2.5% and Q1 FY23 is 5% of sales.

Manish Poddar: Effectively, the delta change and other expenses, largely because of the ad spend.

Nikhil Aggarwal: Yes, it's because of the ad spend and some bit of employee appraisal that changes from Q4FY22 to Q1 FY23 on account of annualization because it'll spread over the full year now.

Moderator: The next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.

Akshay Kothari: In the last call you mentioned that we were focusing on product of aspiration, accessibility, affordability, I had a question regarding aspiration. So my question is specific like which are the major leagues?

Are we looking to sponsor for example IPL, Pro Kabaddi or Common Wealth? And who would be our brand Ambassador? Do we have any brand Ambassador and in terms of adjacency's, are we planning to go into the sport specific like football studs, cricket spikes or badminton shoes any of those, that's my question.

Nikhil Aggarwal: So, let me answer your second question first. We are not looking at any performance shoes category right now like cricket or badminton and all, because it's a fairly, very niche market in India. Very, very concentrated. So we do more of everyday wear shoes which our audience our consumers can wear throughout the day for all purposes or whatsoever they need and with regards to any of the aspiration components that you spoke about. We follow a very stringent. Firstly, , an ROI based marketing model. So we absolutely make sure that we wherever we do spend in the marketing, there has to be significant ROI generated from that and given the kind of the relatability and that these platforms have today, it's not exactly a very otherwise generating for that marketing in these let me say the IPL. So that is one of the main reasons why we shy away a little bit from marketing over there. But given you know if we we're not totally closed off to it. So if the right opportunity presents at the right time we could be open to looking at that as well in future.

Piyush Singh: We are fashion forward organisation and the kind of portfolio that we offer is bringing you the latest global fashion trends for the first time in India in the fastest time. From this standpoint, we have pivoted our marketing spends more towards digital influencer and community building where the relatability quotient is relatively higher. We are always on the lookout for the right kind of celebrity and endorsement, be it sports league that you talked about, be it kind of impact

properties across OTT and TV channels or be it any celebrity, but it has to justify the bottom line and the ROI that we are expecting out of it and hence all the decisions are driven by the profitability metrics.

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

Aliasgar Shakir: A couple of questions. First is on the margin profile you did indicate that as the quarter goes by you have heavy quarters Q3 & Q2 which are higher in operating leverage and higher margin acculative quarters. Just if you also help us understand from a two year point of view in the kind of growth one we are seeing in second is the kind of ASP mix improvement we are seeing. What is the kind of margin improvement one should think of how we should think of the matching improvement.

Nikhil Aggarwal: Unfortunately we cannot give you any forward-looking statements, but what we can tell you is that historically we performed at 8% to 9% of ASP growth minimum and about 22% to 23% for the last 10 years, almost 8 to 10 years and there is no reason we should be looking at performing lesser than that, so that's been the historical trend for the company. Even in terms of margins, we have seen a good 1%-1.5% growth in both the gross margins and flowing down to EBITDA and PAT margins for the last three years. So there have been significant margin improvement and we are working on many, many initiatives right now. Very fruitful initiative, which should lead to higher gross margins as well.

Aliasgar Shakir: Got it, this is very helpful. I mean I was coming more from the point of view. That if I see last three to four years EBITDA margins in fact. And of course even gross margin has gone up by nearly 400-500 bps, so you

still see room for improvement even from these levels, with the kind of revenue growth that you indicated.

Piyush Singh: Yes, obviously because operating leverage would keep on coming in with enhanced sales, even if we maintain the same revenue growth trajectory that is bound to show its impact on the operating leverage side.

Aliasgar Shakir: Second quick question is on the economics of the business in online versus offline. So is online equally margin accretive? If you could, just explain the margin profile between both on gross and on EBITDA level.

Piyush Singh: While we have explained this historically on FY22 full year basis I won't comment on this on quarter on quarter basis, but from a trend line perspective our D2C online channel has contributed at a higher EBITDA margin levels compared to our trade distribution level, so there is a delta of 300 to 400 bps in terms of margin between trade distribution versus our D2C online platforms with D2C online contributing a higher margin. So in fact, the reason historically for shift in our margin profile is largely because over last 3 years the online business has grown from incubation to almost 35% revenue contribution.

Moderator: Thank you. The next the next question is from the line of Jaykumar Doshi from Kotak. Please go ahead.

Jaykumar Doshi: I've got three questions. The first one is can you talk a little bit about the growth trends that you're seeing on e-commerce platforms? And this is marketplace and not the B2B distributors, its purely of the likes of Amazon and Myntra, Nykaa, and are you still seeing a month on month growth even after opening up Volume growth on those

platforms and how has market share been in the recent past on e-commerce platform as well as overall wherever you are able to track. That's question no 1.

Piyush Singh: So see from a D2C online perspective. Yes, we are still witnessing a decent month on month growth on the marketplace side anyway our B2B business is very small. It's only 10% of our overall D2C online portfolio, so, for example, compared to Q1FY22. Our online business in Q1FY23 has grown by 130% again with significant improvement over Q4FY22 as well. So just to answer your question, yes we are seeing fair bit of both volume and value growth across the marketplace. Yes, we can go on to your next question and in fact our Commission level just to add to it, our Commission levels on an aggregate basis for FY22 has reduced by one percentage point in Q1FY23. So it has also led to some bit of margin improvement as well in this quarter.

Jaykumar Doshi: And market share on these platforms. Do you get some industry growth and are you able to compute your market share.

Piyush Singh: It is difficult to comment on that while you'll be a better judge of what the market is growing at. The channel is growing at anywhere between 25% to 30% on a year on year basis. If we take that number as a baseline of performance. So far it has been better as compared to the market, so I mean on a derived basis. Yes, we tend to gain market share on these platforms but very difficult to triangulate it.

Jaykumar Doshi: Sure, my second question is South and West Market growing faster. Can you give some colour in terms of how growth is trending? South and West versus maybe Northern.

- Nikhil Aggarwal:** So South and West have particularly done quite well, even for quarter one. Where about 19% of the sale of the overall MP distribution sale I'm talking about has come in from West and about 6% is coming from South, so there has been an emphasis and a very clear focus on growing these specific these two markets. We're very happy to tell you that the both of the markets have done remarkably well for this quarter.
- Piyush Singh:** I mean FY 22 full year South and West put together, we're contributing close to 21%-22%, which has now improved to 26%.
- Jaykumar Doshi:** And the final question is on your thoughts or your views on Relaxo doubling down EBO on sparks. So competitive intensity end.
- Nikhil Aggarwal:** We don't comment on any of our competitor policies. I'm sure everybody has a strategy that they follow.
- Jaykumar Doshi:** And final bookkeeping that it is come from somebody else can you call out the operating cash flow for the quarter?
- Raman Chawla:** Our operating cash flow is about INR 83 crores of generation that we have done in this quarter Compared to EBITDA number of about INR 62 crores.
- Moderator:** Thank you. The next question is from the line of Ashwin Agarwal from Akash Ganga Investments. Please go ahead.
- Ashwin Agarwal:** I just had one question like could you give me a split like the revenue split between the tier one cities and Tier 2 cities like NCR region you're dominating and Mumbai, Bangalore, another Tier 2 cities like do we have a split over there?

- Piyush Singh:** We do have a split here on an aggregate basis 70% of our revenue comes in from Tier 2 tier 3 cities and 30% of our revenue comes in from Tier 1 and metros. While on a channel basis, trade distribution makes the same mix, but our D2C online business has a roughly 45-55 kind of a mix in the favour of tier 2 tier 3 cities.
- Ashwin Agarwal:** OK, so do we have any like major strategies to penetrate into the tier one cities because we can have a good market share over there as well. Looking at the opportunities like big cities like Mumbai, Bangalore, Kolkata?
- Nikhil Aggarwal:** Certainly, the way we are looking at premiumisation of our portfolio and we've significantly premiumizing over the last three years, this is one of the major reasons we've been able to garner extra market share in in the metros and tier ones. Also we have had a specific emphasis on opening EBOs in these cities, which has led to a very high aspiration quotient and a premiumisation, as well in these cities. So given with, both the factors we've been able to gain disproportionate I would say market share in these metros and tier ones.
- Moderator:** Thank you. The next question is from the line of Sahil from ICP. Please go ahead. As there is no response next question is from the line of Nitin from CLSA. Please go ahead.
- Nitin:** My question is, with respect to gross margin contraction of 570 bps, so would you be able to help me separate the in terms of the quantum of gross margin impact? I guess like GST changes like 200 bps impact. How much was the impact to be due to the product mix in terms of what is the share of open footwear and how it expanded YOY if you can throw some light on that?

Piyush Singh: Not sure why are you saying that there is a gross margin compression because compared to quarter four FY22 our gross margin have stayed intact at 36% in quarter one FY23.. On a full year basis gross margin was 37.5% in FY22 versus 36% in quarter one FY23, while our major quarters are yet to come in.

Nitin: So just comparing quarter on quarter. Like YOY? From Q1 to Q1.

Piyush Singh: OK, so, I think that would be an unfair comparison because last year for quarter one the majority of the revenue came in from our D2C online channel which by nature itself is a high margin generating channel because last year for all the three months of first quarter distribution got impacted severely by the 2nd wave of COVID-19.

Nitin: OK got it and in terms of like the raw material situation currently like what is the inventory position we have built up and how we are confident about the maintaining margin on the from the inflationary pressure. If you can quantify on the quantum of inflation we have seen in this quarter.

Piyush Singh: While it will be difficult to quantify the quantum of inflation that we have seen. All we can say is despite all the inflationary pressure, we have managed to improve our YoY ASP by 3% and even on an aggregate level while we closed FY22 with an ASP of INR 616. We have managed to achieve an ASP of INR 597 in the first quarter itself. Talking about our preparedness, we have taken certain steps as we had mentioned in our last quarter call itself, we have taken some proactive steps in terms of building up essential raw material supplies like forward purchase of EVA raw material that has really paid off from an availability perspective and hence we were able to place the product at a faster pace in the market. So from a GTM perspective of first to market and

passes to market has really helped us in gaining some bit of revenue growth in the first quarter itself and come from a preparedness perspective, all I can say here is that we have the requisite inventory levels to take care of our festive season in the coming quarters.

Nitin: OK, and lastly, like the in terms of the difficulty in sourcing EVA. So how exactly we have enter into contract? I'm just thinking from that perspective the competition is unable to source this raw material, will it be an opportunity for us to gain share?

Piyush Singh: EVA is just one of the components amongst the many raw materials that we purchased. While the EVA is certainly extremely important because I mean you cannot make a sole without it, so in our case we have booked EVA for the next six months for this quarter. We obviously pay only as it arrives, so it's not a payment impact on the on the cash outflow, but it's more of securing the supplies at us at specific price, so there is no volatility in terms of price and supply which has really helped us in terms of optimising our supply chain and making sure that we are the fastest to the market amongst other raw material as well, we are trying to follow a similar approach. We're not forward booking, but we are one of the largest consumers in our footwear segment for most of these raw materials, we have a very strong negotiating power with the vendors, and that's how we go about purchasing them.

Moderator: Thank you. The next question is from the line of Harsh Yogesh Shah from Incred. Please go ahead.

Harsh Yogesh Shah: Channel mix has considerably evolved over the past four five years, we do see now it is 35% of our overall sales. So how do you see the channel mix evolve going ahead, let's say 4-5 years from now?

Nikhil Aggarwal: Yes, certainly it has done very well for us as a brand, as a company, the D2C channel has grown significantly so today the mix is about 60-40 and going forward we in in a stable state situation. We see it stabilising. It's somewhere around 50-50 over the next couple of years, so that's how we are planning the two channels.

Harsh Yogesh Shah: OK, and Sir, within that if we look at trade distribution as you just mentioned, that close to, 80% of our sales comes from a core markets of North and East. So how do we look at growth there? Because I mean the kind of penetration and the market share would be high in those market, right? So how do we look at growth in those core markets in trade distribution?

Nikhil Aggarwal: So interesting question there is still and we debate this a lot internally as well. There is a lot of potential still in in our core markets left. It's not like we have saturated the markets in any way or there's still so many areas which have untapped potential. And we are always on the lookout to creating and growing a distribution channel with the wider reach with more number of distributors and retailers on hand. So there's a lot of potential still left, and there's no way nowhere even close to saturating in these core markets.

Harsh Yogesh Shah: So basically you are saying that there is still an opportunity for higher penetration as well as improving the throughput from a particular outlet in those core markets. And if I get it converted correctly.

Nikhil Aggarwal: Absolutely there's a lot of potential in increasing the market share and let say the watch share in each of these outlets that we have in the end use as well.

Harsh Yogesh Shah: OK, but when we think of wallet share, I mean in in the EBOs in the core markets, I mean increasing it marginally, increasing it from the current level. Competing with the other categories as well in which we are not creating like let's say men formal wear or I mean maybe casual wear.

Nikhil Aggarwal: Yeah, so there are two things happening there. One is that we are gaining market share on account of other sports shoe branch where the consumer is preferring campus over other price and the second factor that's contributing on account of the consumer preference shift towards casual and sport shoes. So there's a significant shift that has happened in the last couple of years and it's progressively happening much more and more after COVID happened, so like leather industry, for example, is on a downward trend right now. It's not growing at all. It's actually on a De growth path, so all of that market share is sort of converting to casual and sports segment.

Harsh Yogesh Shah: OK, so basically the product mix at an EBO level itself is changing, which is benefiting us right yes.

Nikhil Aggarwal: Yes, one of the factors that's contributing to our growth.

Piyush Singh: Hi operator just for everyone clarification, I would like to highlight a statement here. Maybe because of the statement that we have published in the newspapers, people are looking at gross profit for the quarter as INR 338 crores minus INR 170 crores equal INR 268 crores. In our parlance, we mentioned this as material margin, so material margin for Q1FY23 is 49.6% as against 55.3% in Q1FY22. Because of the disproportionately high revenue contribution coming in from e-commerce channel and as trade distribution was literally shut during

the first three months because of the 2nd wave of COVID 19. While if we look at the full year FY22 audited numbers, this material margin was close to 50%. Both on a full year basis as well as quarter for FY22 basis we have kind of maintained a material margin. We have a better view of our direct expenses and hence at gross margins for both these quarters Q4FY22 and Q1FY23 have stayed intact at 36% so I wanted to clarify this for everyone's benefit because the breakup is not given in our published financials.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: One observation across you the footwear industry, is that while the value segment has continue to struggle at least the premium in the mid premium continues to do very so just wanted to move your thoughts on this and how are you seeing this trend to continue? Or maybe change?

Nikhil Aggarwal: See the value segment, which is basically up to INR 999 MRP is extremely saturated as a market, if you notice that most of the private labels and there must be like hundreds of them in India, they're all manufacturing and selling shoes. Between this price point from INR 00 to INR 999 and that's where the saturation sort of creeps in. It is extremely competitive space which leads to very low margins for everybody operating in that value segment, so that's where we as a brand differentiate ourselves by because of the aspiration brand aspirations we've been we've created over the last several years. We dominate and do really well in this semi premium to premium segment which is INR 1000 to 3000 rupees and specifically. INR 1000 to 2000 is

of course as you know there is absolutely no competition and leads higher ASP and higher realisations in the gross margins.

Piyush Singh: Just to add to it, our revenue contribution from semi premium - premium category has significantly gone up on a year on year basis. Last year same quarter, we so anything above ₹1000 MRP contributed only 53% of our revenue which in Q1FY23 has gone up to 68%, even for full year FY22 the contribution from semi premium - premium for us for 64%. So with enhanced marketing focus targeting and image building and premiumization of portfolio, we've been able to significantly increase our ASP and contribution from the premium and semi premium categories.

Gaurav Jogani: So my other question of the other clarification is when you see your ASP is INR 600 odd rupees, so that would be the net that you realize, it's nothing to do with the selling price.

Nikhil Aggarwal: I mean. That is the X factorization in our books. That is the index realization for us.

Moderator: Thank you. The next question is from a Tejash Shah from Spark Capital. Please go ahead.

Tejash Shah: The first question is that in other retailers, we have seen this seasonality margins which emanates from the fact that they have a very wide variation of end of season sale and material prices which actually stretch over different quarters. So just wanted to understand how it plays out in our portfolio especially the Q1?

Piyush Singh: The way our business is constructed is very different compared to pure play retailers. 60% of our sales happen through trade distribution

network, where the level of discounting is sub 2% for us. It's almost a full price sales for us and entire ASP that compared to the couple of retailers that are listed in this space. So, similarly in our ecommerce portfolio which is 35% of our top line at discount percentage so far has states up 20% there despite it being touted as a discount channel. And lastly for our review and care sound channel. Our aggregate discounts have stayed below 6% for the channel so far in the first quarter. So that a takes impacts of everything, including EOSS happening at the store, but this part of the portfolio is only 5% of our top line. Just to give some more seller on the channel perspective trade distribution, which is 60% the average discounting that we typically see at a multi brand outlet for our brand is anywhere between 15% to 20%. So, for the large part of portfolio, which is roughly 95% of the portfolio, our aggregate discounting over some somewhere between 15% to 20% on an annual basis.

Tejash Shah: OK, and then there is no seasonality there which would have impacted us.

Piyush Singh: So, seasonality is there in terms of the product profile that we end up selling like in the first two quarters. There is a fair bit of open footwear which is as high as 25% but in the second-half of the year this percentage goes down to almost 10% and remaining 90% is closed footwear, which is the higher ASP product for us.

Tejash Shah: A second question is on the kind of expansion that we have done both geographic product portfolio and then even channel mix change, just wanted understand in last two years pre COVID the same quarter, what was the number of SKUs we are catering with and what will be the number of SKUs that we are catering today with?

Piyush Singh: The number of SKUs remain more or less the same. It is largely the channel mix that has changed, so there must be a small variation in that sense, because last 4-5 years we've been having a very good assortment of SKUs, so it's not exactly a function of how many designs is more about what's the volume per design that we can send, and that's where the throughput has really kicked in for us over the last couple of years.

Tejash Shah: So usually we have seen when we enter new market there's a new difference of fashion sense that we have to cater to usually and then that initially it actually builds some SKU pressure. You are saying that in our category, in our brand that pressure is not that high.

Piyush Singh: Yes it's not that high because as we entered into frontier markets like South India market, we had to be leave up our open footwear and slip on and slider portfolio. Similarly, when we entered this we had to add a significant bit of sandals as a portfolio. But if you look at the overall picture that incremental edition is not even 10% of our overall portfolio. And given the strength of our R&D department, we have one of the largest R&D teams development teams in India in this category so even creating products from that perspective is not exactly any bit of a challenge, it's more about creating the right product for the right market where we are really expectations.

Moderator: Thank you very much. That was the last question for today's Campus Activewear Q1 FY23 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, Investor Relations team at ird@campusshoes.com you may now disconnect your lines. Thank you.