

11th April 2023

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 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

Campus Activewear Limited

Ratings reaffirmed at 'CRISIL A+ / Stable / CRISIL A1 '; rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.303 Crore (Enhanced from Rs.293 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 rating 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 9MFY23 company has achieved the revenue of Rs.1126 cr. with sales volume rising to 1.80 crore pairs from 1.36 crore in 9MFY22 and average selling price increasing to Rs 630 per pair from Rs 547 in FY21. The revenue is expected to grow in the range of 25%-30% in fiscal 2023 supported by expected ramp-up of operations following capacity enhancement, healthy demand from 2500+ new designs launched and strong brand recall in the mid-premium segment. Earnings before interest, tax, depreciation and amortisation (Ebitda) declined to ~17.34 in 9MFY23 from 19.43% in 9MFY22, due to the rising raw material prices. The margin is expected to remain comfortable at around 18-20% 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 expected networth of over Rs 700 crore in FY23 backed by continuous accretion to reserve. Gearing is expected to remain less than 1 time in FY23, driven by expected healthy cash accrual leading to strong networth. Debt protection metrics remained healthy with expected interest coverage and net cash accrual to adjusted debt ratio of 15 times and 1.2 times, respectively, in fiscal 2023.

In August 2017, TPG Growth III SF Pte. Ltd, the growth equity platform of American investment firm has acquired a significant minority (17.19 percent) stake in Campus. Post the listing in May 2022 the stake was reduced to 7.63%. TPG Growth III SF Pte. Ltd. has further sold its remaining stake of 7.63% through the open market sales Rs. 347.24 per share on March 24, 2023.

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.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of CAL and its wholly owned subsidiary Campus AI Pvt Ltd (CAIPL). This is because both the entities, together referred to as the Campus group, are in the same business and have strong business linkages. Moreover, CAIPL is being merged with CAL, for which approval from the National Company Law Tribunal (NCLT) is received on Aug 11, 2022.

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. The revenue expected to improve to more than 25-30% year-on-year in fiscal 2023, driven by continuous enhancement in capacity and introduction of innovative designs and products over the years.

Comfortable financial risk profile: Networth is expected to remain strong over Rs 700 crore with healthy total outside liabilities to adjusted networth ratio expected below 0.8 time as on March 31, 2023, indicate the robust capital structure. Gearing remained below 0.50 time over the past four fiscals, despite debt-funded capital expenditure (capex) in the past three years, driven by healthy networth. Stable profitability and continuous accretion of reserve is expected to improve the debt protection metrics 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 425+ distributors and more than 20,000 retail touch points. Also, CAL has 180 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 184 days as on March 31, 2022, driven by inventory of 136 days and receivables of 41 days. GCAs are expected to over 190-200 days in FY23 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 group maintains large inventory to manage the inflationary challenges and supply chain disruptions and also due to increase in online sales the inventory levels have gone up.

Liquidity: Strong:

Cash accrual is expected to remain healthy at Rs 200-230 crore per annum, against yearly debt obligation of Rs 40-50 crore over the medium term. Bank limit was utilised 65-70% over the 12 months through Feb 2023. Current ratio is expected to remain moderate at 1.5 times as on March 31, 2023. The group had unencumbered cash balance of Rs.1.4 crores as on Sep 30, 2022.

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**Upside scenario**

- 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 175 days with efficient inventory management, leading to better financial risk profile and liquidity

Downside scenario

- 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. CAL did not have any significant operations before March 2017. In May 2022 the company got listed on the Bombay Stock Exchange and the National Stock Exchange.

Key Financial Indicators

Particulars	Unit	2022	2021
Revenue	Rs crore	1195	712
Profit after tax (PAT)	Rs crore	124	26.86
PAT margin	%	10.40	3.77

Adjusted debt/adjusted network	Times	0.29	0.29
Interest coverage	Times	13.28	7.24

List of covenants

Status of non cooperation with previous CRA: Not applicable

Any other information: Not applicable

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.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	230	Not applicable	CRISIL A+Stable
NA	Term loan	NA	NA	March-2027	45.38	Not applicable	CRISIL A+Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	22.00	Not applicable	CRISIL A1
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	5.62	Not applicable	CRISIL A+Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
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Campus AI Private Limited	100%	CAIPL is a wholly owned subsidiary of CAL
Campus Activewear Limited	100%	CAL is the parent company of CAIPL

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Fund Based Facilities	LT	281.0	CRISIL A+/Stable		--	14-10-22	CRISIL A+/Stable	27-05-21	CRISIL A/Positive	28-09-20	CRISIL A1 / CRISIL A/Stable	CRISIL A/Stable
			--		--	29-07-22	CRISIL A+/Stable		--	02-07-20	CRISIL A/Stable	--
			--		--		--		--	17-02-20	CRISIL A/Stable	--
Non-Fund Based Facilities	ST	22.0	CRISIL A1		--	14-10-22	CRISIL A1	27-05-21	CRISIL A1	28-09-20	CRISIL A1	CRISIL A1
			--		--	29-07-22	CRISIL A1		--	02-07-20	CRISIL A1	--
			--		--		--		--	17-02-20	CRISIL A1	--

All amounts are in Rs.Cr.

Annexure – Details of Bank Lenders/Facilities

Facility	Amount (Rs. Crore)	Name of Lender	Rating
Cash Credit	40	CTBC Bank Co Limited	CRISIL A+/Stable
Cash Credit	160	HDFC Bank Limited	CRISIL A+/Stable
Cash Credit	30	Axis Bank Limited	CRISIL A+/Stable
Letter of credit & Bank Guarantee	10	Axis Bank Limited	CRISIL A1
Letter of credit & Bank Guarantee	11	HDFC Bank Limited	CRISIL A1

Letter of credit & Bank Guarantee	1	Axis Bank Limited	CRISIL A1
Proposed Fund-Based Bank Limits	5.62	-	CRISIL A+/Stable
Term Loan	27	Axis Bank Limited	CRISIL A+/Stable
Term Loan	7.83	HDFC Bank Limited	CRISIL A+/Stable
Term Loan	10.55	Axis Bank Limited	CRISIL A+/Stable

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