

February 15, 2024

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BSE Limited Corporate Relationship Department 1st Floor, New Trading Ring, Rotunda Building, P. J. Towers, Dalal Street, Mumbai – 400 001 <b>SCRIP CODE: 543523</b>	National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 <b>SYMBOL: CAMPUS</b>
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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 Earnings Call held with the Investors/Analysts on 9<sup>th</sup> February 2024 and the same is also available on the Company's website i.e. [www.campusactivewear.com](http://www.campusactivewear.com).

This is for your information and records please.

Thanking you

For **CAMPUS ACTIVEWEAR LIMITED**

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**Archana Maini**  
**General Counsel & Company Secretary**  
**Membership No. A16092**

**Encl: As above**

**Campus Activewear Limited**  
**Q3 FY24 Earnings Conference Call**  
**February 10, 2024**

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**Moderator:** Ladies and gentlemen, good day and welcome to Campus Activewear Limited Q3 and 9M FY24 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 question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone.

Before we proceed with 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 our businesses that could cause future results, performance or achievement to differ significantly from what is expressed or implied by such forward-looking statements.

The Campus Activewear management is represented by Mr. Nikhil Aggarwal — Whole Time Director and CEO and Mr. Sanjay Chhabra — CFO. 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 good evening, everyone. Campus Activewear states a strong recovery in Q3 FY24, overcoming the disruptions caused by our B2B and O2O channels business model, changes that have happened in Q2 FY24. By focusing on marketplace potential and boosting our marketing efforts, we have managed to increase demand and restock in our primary distribution markets, which were previously suppressed in Q2FY24 due to destocking and inventory adjustments. Despite the revenue seeming stagnant with an amount of INR 472 crores in Q3 FY24 due to shifts and channel dynamics, we did see a very positive growth QoQ. This growth was facilitated by a lower consumption base, increase consumer spending during festive periods and a surge in online sales.

On the margin front, we benefited from the decline in material cost resulting in healthy gross margins at 38.3% during Q3 FY24. However, our marketing and advertising cost remained higher owing to several TV and online campaigns for promoting a wide range of Campus OGs, NitroFly, Nitro Boost and Air Capsule styles. In our ongoing pursuit to fortify our financial standing, we managed to reduce the debt by INR 112.6 crores in Q3 FY24. Additionally, by

maintaining rigorous control over inventory and receivables, we have managed to diminish our working capital days from 150 to 68 days as of 31st December 2023 on a quarterly basis. We continue to make judicious investments in the brand building exercise, positioning as a preferred one stock family sports and leisure footwear company for our esteemed consumers.

I'm delighted to report that we are steadily progressing towards our planned growth and expansion phase. A testament to this is our achievement of reaching the 250 stores milestone across the country, with our newest store inaugurated in Seasons Mall Pune during Q3 FY24. Echoing our discussions from past calls, I would like to emphasize that FY24 is a year of transition for us. We continue to invest in R&D and design capabilities leading to product innovation. It enables us to launch premium products resonating with a premiumization journey in the long run.

The company remains committed towards its legacy of fashion excellence and customer first approach and satiate the customer demand through its diverse trendy designs, captivating color styles and attractive price points for varied occasions. We are very well placed to create long term value for our esteemed stakeholders with a unique integrated business model coupled with strong balance sheet position. I will now hand over to our CFO, Mr. Sanjay Chhabra to take you through more details on the performance.

**Sanjay Chhabra:**

Thank you Nikhil. Good evening everyone and welcome to the Q3 and 9M FY24 earnings call for the Campus Activewear Limited. During the quarter under review, our revenues from operations stood at 472 crores. In terms of volumes, the company sold around 6.9 million pairs in Q3 FY24. The average selling price stands at 681 versus 669 last year in the same quarter. Similarly on a category revenue mix, the men to women and child ratio continued at 75:25 in Q3, driven by our continued focus towards growing this category. EBITDA stood at 57.6 crores in Q3 FY24. On the balance sheet side, our net debt stood at 48.3 crores as of 31st December, showing a substantial reduction of INR 100 crores both versus last year and also versus sequential quarter. This has resulted into our net debt to EBITDA ratio, reducing to 0.3 in 9M FY24 as against 0.6 in FY23.

Our balance sheet demonstrates the position of strength with robust return ratios such as ROCE and ROE at 12.7% and 9.7% respectively, as on 31st December 2023. With this, I will conclude and hand over to the moderator for questions-and-answers. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. First question is from the line of Priyank Chheda from Vallum Capital. Please proceed.

**Priyank Chheda:**

Sir my question is on, if I have to go back to your quarterly volumes, December 2021 you sold 6.6 million pairs, December 2022 you sold 7 million pairs and December '23 you sold 6.9 million pairs. What has been the reason for almost no growth for last two years now. And despite all

the **sneakerization** team, despite all the sports shoes athleisure wear growing in India, what has been the key reason if you can highlight would be great.

**Nikhil Aggarwal:** So, thanks for your question. So, basically, we had a remarkable growth right after COVID in 21 and 22 and 23, we have seen muted demand over these last almost 18 to 24 months now, this has been seen across this entire value segment price category and we fall into that, whereas the premium segment for us also has grown. So, the other product mix has substantially also changed in this volume, where our premium products mix has gone up to almost 49%, that is INR 1,500+, and semi premium, which is INR 1,000 to 1,500 is 30%, and entry level is about 20% versus approximately 35% in December '21 for the premium. So, it's been a significant shift. This is also the reason why our ASP has grown over these last two years. From December '21, I believe would not be more than INR 630 or 620, and now it's about INR 680. So, one is the product mix and also the channel mix. But yes, we have seen some muted demand despite all of these improvements.

**Priyank Chheda:** So, sorry I missed out one figure premium which is above INR 1,500 is 49% of the mix. What was the entry level, which is less than INR 1,000?

**Nikhil Aggarwal:** Is about 20%.

**Priyank Chheda:** And what was that two years ago?

**Nikhil Aggarwal:** That would be closer to 36% or 38%.

**Priyank Chheda:** So, in that case, if premium segment has done well, why would our EBITDA margins remain so low December '21, it was 21%, December '23 it's 12%. So, what has then led to in case the mix changes onto a premium side. We should have earned better margins if we could help even dissect this?

**Sanjay Chhabra:** Hi, this is Sanjay, let me just take up that question. You are right that we are heading towards premiumization, however, it is not getting reflected in our EBITDA margin. So, you are talking over a longer range of period wherein the channel dynamics has changed. The inflation has come up in our fixed cost. And when I say channel dynamics have changed, it also means that we have shifted from distribution lead market to the online. And within online like in this quarter, we have the saliency of marketplace has increased, which has resulted in a higher performance marketing spent, coupled with that we have invested in TV and print media in this quarter big time, to propel the growth in demand and also to create awareness of our all the new product launches during the quarter. So, that is showing a sort of reflection in a subdued EBITDA margin. However, it's a long term investment to create brand awareness and brand building. That's what is in the mind, we do have delivered a decent improvement in both material margin and gross margin.

**Priyank Chheda:** Sure. So, just last question to untangle the complete data point, what would be the ad spends in the current quarter versus what has been the normalized ad spend that we have done, as well as what would have been the performance marketing spends in the current quarter versus what it would have been in the normalize space?

**Sanjay Chhabra:** You can see in the current quarter our ad spends, or the marketing spends put together all performance and ATL spends are together roughly in the range of 10%. And in any normalized quarter we do spend anywhere between 5% to 7%. So, that's the differentiator between when we go into a sort of season, including the Big Billion Day stuff and all.

**Priyank Chheda:** And what would be the pure brand level marketing spends that we would do out of these 10%?

**Nikhil Aggarwal:** It would be closer to 6% odd.

**Moderator:** Thank you. Next question is from the line of Videesha Sheth from Ambit Capital. Please proceed.

**Videesha Sheth:** The first question was, can you help us understand what led to the sequential decline in gross margin, is it purely was to do with the increase in marketplace or sales, because that actually should have led to increase in your gross margins. Can you help out over here?

**Nikhil Aggarwal:** The gross margins have actually improved sequentially, we have ended the quarter 38.3% gross margin versus 37.6% last quarter. And even versus last Y-o-Y, it was 37.6%, Q3 last year.

**Videesha Sheth:** Sorry, I was referring to the reported numbers, which come to nearly 54.3% in 2Q and 51.0% in 3Q.

**Sanjay Chhabra:** That's purely the material margin thing. So, that's material margin would get influenced by the channel mix, and also the product mix. So, in which channel we are selling what at what price point so that drives the material margin. But eventually at a gross margin level, we are positive.

**Videesha Sheth:** Okay, got it. And the second question was again towards A&SP. Now in the current quarter you mentioned that the funds were elevated at 10% odd. So, going forward in the near future over the next two or three years, where do you expect this spend level to be at?

**Nikhil Aggarwal:** So, our endeavor is to continue to spend 6% to 6.5% ideally. What happened in Q3 is, because of the shift in sales and online from O2O platforms to marketplace, we had to spend additional and performance marketing. So, if you remember in Q2 we had lost out on O2O sales. So, we have managed to recover all of that sales back in Q3, which is a very encouraging sign and for that, but we had to spend additional on performance marketing. So, I believe this would not be ideally a recurring event and we would like to maintain our marketing spends overall at 6% to 6.5%.

**Moderator:** Thank you. Next question is from the line of Ankit Kedia from PhillipCapital. Please go ahead.

**Ankit Kedia:** Sir my first question is on B2C online revenues. Despite the shift in Big Billion Day sale, Amazon sale, AJIO sale to Q3 from Q2, still our online revenues is pretty much flattish in the quarter. And you also just alluded to the fact that you have been able to recoup the revenues from O2O to marketplace but that is not reflecting in our revenues actually. So, can you elaborate what has happened in the online B2C space?

**Sanjay Chhabra:** Let me just give some perspective here, the O2O and B2B in the online channels was a big chunk in the last quarter of this last year. And we have been able to sort of recover a large part of it through influencing the consumers in the marketplace, and that sale has got recovered. But there is also a element of O2O which caters to very small sub dealers or retailers, and that they must be sitting on some inventory. So, to recover that sales would take some bit of time and could be one more quarter phenomenon.

**Nikhil Aggarwal:** Yes, to recover that sales in the distribution channel. Like we have mentioned earlier as well, the O2O sales would be recovered in the distribution channel eventually over the next few quarters.

**Ankit Kedia:** So, we were made to get that last quarter itself more than 80%, 90% of it comes in Q1, Q2 and Q3 and Q4 is a very small proportion of that. So, how much would be that number if you can quantify from O2O this quarter you think that slippages would come?

**Sanjay Chhabra:** Whole of last financial year that number has raised in between 10% to 20% and we can safely assume that 50% of that sales or that channel has shifted to alternative routes, let's call it a marketplace or if it gets eventually integrated into the O2O portion eventually will integrate into the distribution and demand will come from these channels in due course.

**Ankit Kedia:** Sir on the Q2 concall we have specifically given the number that, Q1 and Q2 had bulk of that revenue. So, if you can quantify the revenue what was in the base quarter three, and now how much is that it will be really helpful to understand the flattish revenue growth?

**Sanjay Chhabra:** That's what I said, it would be in the range of 10% to 20% depending upon different B2B and O2O partners.

**Ankit Kedia:** Sure. My second question on the trade distribution part of the business, that number is also flat today, while at the same time, while on the gross margin side we are seeing on QoQ basis some deterioration, so have we gone ahead and have heavy promotions in the market, which has resulted in flat revenue growth and impacted margins in the quarter. And, corollary to that what is the inventory in the system today, which we have and how is that shaping up versus last year?

**Nikhil Aggarwal:** So, as part of the optimization of inventory and this was the reason in Q2 that we did not push sales in some of these Northern territories like UP and Bihar. We have very successfully navigated that in Q3, and we have been able to bring the growth back. Where, the salience from this five territories North has performed has given us 45% of the revenue. I just tell you for trade distribution North has been basically for 54% versus 44% last quarter. So, there has been a significant improvement in both the state's UP and Bihar in Q3. But we have not had to make any significant liquidation cost or discounting to achieve the sale. This was primarily driven by the brand building and the marketing spends in line with distribution budget.

**Ankit Kedia:** So, if I have to look versus last year, if you can just share how much is the growth in the North region?

**Nikhil Aggarwal:** Versus last year.

**Ankit Kedia:** Same quarter.

**Nikhil Aggarwal:** So, last year Q3 we did, the growth would be in line with about 5% odd.

**Ankit Kedia:** So, the West of India has actually declined then in the quarter?

**Nikhil Aggarwal:** That's right. Yes, so West has slightly declined which has been compensated by North, East has been flat as per Q2, so the major difference is coming in West where we have seen some muted demand in Q3.

**Ankit Kedia:** And sir typically Q3 is a heavy quarter for you. And with the delay in winter how is Q4, first 40 days of the quarter shaping?

**Nikhil Aggarwal:** So, we don't give any forward looking guidance, but we can tell you that we are trending in line with how the FMCG sectors have been reporting in terms of market sentiments. We do see pockets of growth and also muted demand from other pockets. So, it's a mixed kind of guidance that we are seeing from quarter four. But it seems to be, there is slowdown but there is growth in value that we are seeing. Sanjay, do you want to add to this?

**Sanjay Chhabra:** Yes, as we mentioned earlier that we continue to focus on retrieving whatever Q2 volume losses we had. And we continue to drive sort of higher reach and drive volume through distribution reach.

**Moderator:** Thank you. Next question is from the line of Jasmine Surana from VT Capital. Please proceed.

**Jasmine Surana:** I wanted to ask a question on the margin side, I assume that the other players in the industry are doing margin of 20% while we are at around 11% to 16%. So, do you see any headroom to grow and compete with the peers in the industry and what could be the levers which would drive the margin expansion ahead for us?

**Nikhil Aggarwal:** When you say margin, are you referring to EBITDA margin?

**Jasmine Surana:** Yes, sir.

**Nikhil Aggarwal:** Okay. So, yes we have seen a decline in margins we gave you the reasons for that, there was an increase in ad spends, that was a temporary increase. While we expected honestly, the second half of quarter three to deliver higher volumes, we did see very good demand in first half of quarter three. But second half, we saw a bit of slowdown again in the market. Therefore, we were unable to deliver the kind of volume that we had envisaged for quarter three. Therefore, we had to spend some extra performance marketing, but this will not be a recurring event like I said, so that will add back to the margins in due course of time. So, that would be one and second, we will continue to improve on the gross margin side in terms of both efficiency, in terms of savings, procurement savings and capacity utilization, etc. So, that should also bring in and improve the margins over time. So, these two, I would say are the biggest levers, also driven by the product mix and the channel mix, so this year has been a transition year in that sense where we have seen demand playing out in some pockets and some pockets being extremely slow. So, it's been, but we do see a normalized year going forward.

**Jasmine Surana:** Sure. And then other one is on the market share, you have been consistently reporting market share on the basis of FY21. So, if there could be some color on a Q-o-Q or on a Y-o-Y basis in terms of the S&A category. How well are we doing, are we gaining market share or is there a lot of local competition that you are seeing which is keeping the market share suppressed?

**Nikhil Aggarwal:** So, like I mentioned in last quarter earnings call we have seen market share, we did see some slowdown in some specific states like UP & Bihar, which we did call out where we did do some market share to probably competition and to some other new players that have entered. Because UP and Bihar is basically the first market they all, in fact all the new entrants try to cater to and it makes the whole state extremely competitive. But in doing that we have also gained a lot of market share in the West, the South and the central states. So, we therefore, we believe that we are pretty much at the same number as of two years ago. But we haven't done any recent latest study to quantify that. So, if we can come back to you on this.

**Jasmine Surana:** Sure. Just one last question from my side, would be on any category expansion which you are looking at?

**Nikhil Aggarwal:** So, yes, we have been focusing quite a lot on the sneaker range. They are called the Campus OG, the original. And they have been doing extremely well, we have got extremely positive response from both the online and offline platforms. So, that is something that continues to remain as a key focus category. Along with women and kids, where also we have seen consistent improvement QoQ for the last four quarters. So, these two would remain our key focus areas.



**Moderator:** Thank you. Next question is from the line of Jayesh Shah from OHM Portfolio Equity Research. Please proceed.

**Jayesh Shah:** My first question is, since our premium mix has moved from 35% to 48%, as we explained some time back, that has not materially helped our material margins or gross margin, am I correct?

**Nikhil Aggarwal:** It has, but the problem is that we have not been able to take a price increase for almost the last two years now, given the market situation, there is a certain cost to making these premium products. So, overall, yes the margins have remained the same, there would not be an improvement because of the inability to take a price increase due to market conditions.

**Jayesh Shah:** An urban price increase would be what, 5% per annum?

**Nikhil Aggarwal:** Yes, that's right.

**Jayesh Shah:** Okay. So, if the gross margin remained, let's say 38%, and 50% of your portfolio is close to premiumly. Where do you think is a realistic gross margin figure, I'm not talking of timeframe I'm just saying that let's say your premium settings let say around 60% do you see upside in gross margin, or it still requires price hike?

**Nikhil Aggarwal:** No, I don't think we would be, we will not be commenting on terms of the outflow. But, there are certain levers of optimization that we are targeting. And they include like continued savings and again, as and when we get the opportunity to take a price hike, as the markets macros improve we will certainly do so. And, BIS also now coming into play will definitely help as the imports are getting restricted from China now and the other countries that should also help the domestic manufacturers eventually take the price hikes. So, we are counting on some of these levers to eventually add into our gross margins.

**Jayesh Shah:** I understand that, but my question was more from the point of view that any increase in premiumization doesn't necessarily reflect on the material margins, it needs again, to be accompanied by price hike?

**Nikhil Aggarwal:** Yes, I would agree, it depends. So, a higher a higher premium product doesn't necessarily translate into higher margins, it depends on product-to-product and also the kind of strategy the company is following at that point in terms of the product mix and the portfolio mix.

**Jayesh Shah:** Understood. My second question is again on the EBITDA margin that, we have dropped from 21% to 12%, of which I could understand that close to 500 basis points is due to SG&A, ads and promotion and brand level, but the balance 5% is still something that is not explained, is that general factory over ads and fixed cost?

**Sanjay Chhabra:** This quarter, of course we get the volume leverage, but on a longer or in a subdued quarter, of course the fixed cost would where we are unable to take the leverage benefit, the fixed cost

would definitely impact the margins and even on the current quarter. If we see then the organic increase is of course 10% inflation there is an increase in our number of EBOs. So, that has resulted in a higher SG&A. And there is of course a phasing of CSR spend, there is some bit of reclassification of the short term leases which has come in, which is now sitting in SG&A which was earlier sitting below as depreciation and interest cost. So, clearly accounting stuff and of course, there is some bit of inventory obsolescence write offs and a bit of expected great loss provisions. So, those all there are accounting related reclassifications, there are inflation which is sitting in the numbers. And that's sort of subduing the margins, apart from the marketing spend we did in this quarter.

**Jayesh Shah:** Okay. So, is it fair to say that the new normalized level of EBITDA margins now would be between 15% to 18%, rather than 21%, which was there in the past?

**Nikhil Aggarwal:** We are taking quarter at a time, we are not really giving a guidance for the next year. But what I can assure you is the company is very actively working on improving the margins. With a lot of things, a lot of initiatives that are happening at the moment. And one of the initiatives as you would appreciate is reduction in our inventory days, which will also eventually help us recover the margins, because we are able to now create inventory with also better margins after you sell off the older inventory. So, we are taking a lot of proactive steps in order to recover the margin and bring them back to normalize state.

**Jayesh Shah:** Right. So, as of now given that price hikes are difficult, say in the short to medium term, the margin recovery is predicated on overall sales or volume recovery?

**Nikhil Aggarwal:** That's right, yes.

**Jayesh Shah:** Okay. And lastly, am I right in saying that, while it's 3Q on a Y-o-Y basis is flat, but currently our 3Q had the base effect of the festival, while last year the festivals were not basically in 3Q they were in 2Q.

**Nikhil Aggarwal:** It was a combination of both, there were some festivities effect yes, certainly in this quarter three, but we did against the a very mutish second half of the quarter where, just after the festivities ended the demand suddenly dropped. And this was like Pan India, that we saw, it was a very mixed demand quarter in that sense.

**Moderator:** Thank you. Next question is from the line of Manish Dhariwal from Fiducia Capital Advisors Private Limited. Please proceed.

**Manish Dhariwal:** And I basically wanted to understand how the BIS situation is emerging. Our understanding was, that from January 1st onwards, the product that was achieved import from any of these countries like China, Vietnam, etc. would not be able to be available in the market. But, I do think that is the case, some clarity on this matter will be helpful?

**Nikhil Aggarwal:** Sure. So, from 1st of Jan BIS has been implemented and it is in full force. Therefore, if you do a market survey, you will find out that any containers of finished goods being imported from China or Vietnam are being held up at the port, they are not being cleared since the 1<sup>st</sup> of January, therefore whatever inventory is already there in the system in the channels currently, will take some due course to be liquidated and consumed, across all the players, across all the companies. So, that's the situation in terms of import. While we have been manufacturing a fully 100% BI compliant stocks since December, already we were the first company to receive BI certification in the sports and athleisure space. So, while government has given some extension for a type two general category BIS till July for smaller players, therefore, we are one of the few players that are manufacturing fully 100% BIS compliant products today. Not everybody in the footwear space is doing so at the moment.

**Sanjay Chhabra:** Yes, but in the retail you will continue to see the inventory, which is already in the pipeline, it will definitely take a few months to sort of sell all the inventory in the pipeline.

**Manish Dhariwal:** Okay. Could you also clarify about this smaller players, they have been given this extension till July is it, maybe I didn't understand that point.

**Nikhil Aggarwal:** That's right. So, there are two types of BIS, type one and type two. The type two is a more lenient specification of sport shoes, where a lot of the smaller players are operating. And therefore, the government has exempted them, given them time till the July of this year to comply with type two BIS, but we being the largest in the space and very organized, and we take pride in our products, we are fully manufacturing in type one category which is the highest quality standard. And, we are supplying all the stock in that category today.

**Manish Dhariwal:** Absolutely, right the Campus product, the quality, I don't think is ever a question. So, in fact, my compliment to the team to ensure that and you build that impression in the market as well. But if someone is using a Campus product, then it's a high quality product, but let's see, at the consumers end, how will he determine or she determine that the product is a type two or type one, how can I say if I go to market?

**Nikhil Aggarwal:** Great question. So, as per BIS norms, every company is supposed to certify whether it's a type one or type two product. Therefore, like in all our packaging, we are certifying that it's an ISI product certified type one, whereas any type two manufacturer today, irrespective of the BIS getting implemented for them in July, they still have to certify from today itself, that is a type two product.

**Manish Dhariwal:** Is there a price differential as well on the products from type one and type two?

**Nikhil Aggarwal:** Yes, there would be, type two there are many categories that fall in type two like DIP injection, processed shoes, and school shoes and so on. So, there are different categories that fall in there

mostly cheaper shoes, but also some cheaper, some lower specifications. Therefore, there would be a price differential, that's right.

**Manish Dhariwal:** Okay, that's fantastic. Secondly, in your scheme of things, like you mentioned that this year has been a year of transformation. And you also like made a lot of efforts. So, and I am in fact engaging right now at the highest level of the business team here. So, I wanted to understand how much of importance do you give to the signage that is visible on any Campus Sport?

**Nikhil Aggarwal:** Its extremely relevant. We are eventually a brand right, a D2C brand that's directly going to the consumers. Therefore, the branding and the imagery and the perception and the signage, all of these are extremely important to the whole brand ethos, and the philosophy that you operate by. That's the whole reason we are making these strides and investing so much over the last six, seven years consistently in branding and marketing. And we will continue to do so. So, it's a long term objective, we do know that, we are one of the most preferred and most in demand brands in the market, our consumers love the product, they love the quality, they love the designs, the latest innovation that we provide in the Indian market today. So, that definitely is one of the biggest trends of our brand and signage is an equally important aspect of that.

**Manish Dhariwal:** Okay, so here, I would just like to give one feedback because I did takedowns of the various stores, without naming a typical or a particular store. I did find that there were cases where the lighting was not right. And then when I went in and spoke to the team they said that, we have raised a request but they didn't come, we will repair it, but then after I re-went, I found that things have not changed. That's why I wanted to clarify, so maybe some bit of tightening at the team that does the rounds about the sign, because that's the first thing that our customer sees, if the light is not working at night then the branding would be visible. So, that basically make an impact which you rightly observed yourself. So, one feedback for you.

**Nikhil Aggarwal:** Thank you for pointing it out to us, we will certainly take action, while we to make these rounds, but we will make corrections wherever required. Thank you for bringing this to our notice.

**Manish Dhariwal:** Thank you so much for taking this in the right spirit and I really appreciate the response that you have given. And lastly see, I'm not looking at what will be the margin in next quarter or maybe the margins in the next quarter or something but, at a very holistic level on a longer term basis where, see there will be like pluses and minuses, you will have to basically do a retreat ad spend in particular quarter, and you will have to do some x,y,z in another quarter. But at a holistic level, when I look at the Campus as a business, what EBITDA margin do you want your business to be at on a longer term basis, say BIS norms kind of fall in this, become more stringent and you will automatically start getting the benefit of that, because they will be so negligible who will basically be exiting out of the business because they will not be able to meet the standards. So, all those things will happen, some new competition will come, this guy started Sheela so he will also try to get in competition. But Campus, what are the normalized to long term basis EBITDA margins that you would be satisfied at?

**Nikhil Aggarwal:** So, we would love to, our aspiration is to get back to our previous ranges of EBITDA margin that we have delivered, let's say two to three years back as well. That would be, the aspiration for the brand and, that's what we are striving towards. Therefore, a lot of the initiatives, I would also like to call out that we have appointed, in pursuit of further strengthening the controls and processes which would also lead to also better margins in some sense is a migration from Navigen to SAP for which we just appointed Accenture as our consulting partner. And, this is again a 10 to 12 month project. So, a lot of initiatives again would lead to incrementally benefiting the margin. So, like I said, what we have delivered is our aspiration in the past.

**Manish Dhariwal:** Fantastic response was again, and Campus is a very strong brand, Campus has a very strong quality association, and you have good thing going, and it will require a lot of like mistakes to basically spoil the show, so I really hope that won't happen and all the very best.

**Moderator:** Thank you. Next question is from the line of Ankit Kedia from PhillipCapital. Please go ahead.

**Ankit Kedia:** Sir just wanted to know historically you have always eluded that the online margins are higher than the trade margins. Now, given the shift in the channel, where O2O pretty much doesn't exist, do you still vouch that the online margins will be higher given that you will need to spend more on the performance marketing as not much as the current quarter, but the performance marketing spends would still exist going forward so now the margins would normalize on online business as well?

**Sanjay Chhabra:** Okay, thanks for the question. This is Sanjay. Just wanted to add like it could be, due to the dynamic setup. And it will continue to evolve the way the O2O and B2B businesses came from nowhere in last two years, and then now suddenly, they have tapered down. Likewise, we might have to just to propel the demand at one point in time, we might have to sort of invest disproportionately in performance marketing, but that does not become the benchmark. We are not just skewed towards one channel; we did spend in the media and TV and print ads to create a larger set of awareness. Simultaneously from a go to market perspective, we are sort of consciously working in driving our reach to the more unique retail outlets and our active retail counts are increasing, over last six months they have increased. So, it will be a broad based approach and eventually the margins would converge and there would not be a major delta, either on the positive or the negative side between all the channels.

**Ankit Kedia:** So, last two years the margins which we enjoyed online are behind us and now the margin should converge to around 18% to 19%, that's what I gather from your statement?

**Nikhil Aggarwal:** It depends if the marketplace saliency continues to be on the higher side.

**Ankit Kedia:** Sure. And just on the online part, what was the mix which we have to take last full year in terms of O2O, B2B marketplace and own website. And today nine months scenario, what is this mix now so it will help us understand these dynamics better?

**Nikhil Aggarwal:** Yes, if you see our full year annual report so the online was roughly 38% of the mix. And as I said that different channels within the online space in the B2B would be anywhere in the range of 10% to 20%. So, it's a mix bag, I wouldn't be able to quote a particular number because there are multiple partners.

**Ankit Kedia:** Sure. Historically we have made, given the sense there are only four channels online which you had, probably I'll take it offline with IR team. Thank you.

**Moderator:** Thank you. We have our next follow up question from the line of Jasmine Surana from VT Capital. Please proceed.

**Jasmine Surana:** I have just one last question on the volume front. We were given the sales split between the different price segment on the revenue, it would be very helpful if you could also provide us on the volume front how much is premium, semi-premium and entry level?

**Nikhil Aggarwal:** Can you drop us a mail, we can revert back to you on this please.

**Jasmine Surana:** Sure, no problem.

**Nikhil Aggarwal:** We don't have the numbers handy just now.

**Moderator:** Thank you. Next question is from the line of Aditya Gupta from Tara Capital Partners. Please proceed.

**Aditya Gupta:** Three questions. First, back on the margins again. Find a little difficult to understand, I know you mentioned to an earlier question, the gross margin movement and this is again going by the reported numbers which is down 300 basis points quarter-on-quarter. If I look at your sales mix across channels that's pretty much remained same at 53, 37, 10 for this quarter versus 2Q FY24. I am assuming will not be a major movement in the commodity cost, or your raw material cost in the last three months. So, what explains this 300 basis point decline in gross margins on a Q-o-Q basis?

**Sanjay Chhabra:** Let me just correct here, you are talking about material, not the gross margin and gross margin front.

**Aditya Gupta:** I'm going by gross margin sir the way it is reported on these exchanges.

**Sanjay Chhabra:** So, that's driven by the channel mix and the phasing of consumption. So, whatever material we have procured in last quarter gets consumed in this quarter and so on. So, there is a cycle. So, despite the sort of improvement in our procurement prices versus last year, there will be a bit of inventory impact, there will be a bit of channel mix impact as to which channel we are selling what, at what price point we are selling. So, all things put together is getting reflected in the margins.

**Aditya Gupta:** The channel mix, unless I'm wrong is pretty much same right, it was a 60% for trade in 2Q, the 53, 37 and 10 almost for the 2Q 24 and 3Q 24. So, then, either your realization per pair is lower, because you have given some discounts to your channel partners or there is a significant movement in the commodities which was sitting on your book got consumed this time and then what happens next quarter?

**Nikhil Aggarwal:** Yes, so if you can see of course there would be an absorption impact if you are looking overall from the margin front. So, this quarter we sold more versus what we produced and our fixed costs remain same so there will be a bit of absorption impact as well. The channel mix what I was referring to is the highest sale in the marketplace. So, there, while we get a better realization there are associated costs, direct cost which means freight outward cost which would influence your margins.

**Aditya Gupta:** Okay. Second is on the flow through from the gross to the EBITDA. Now, Q3FY24 and Q3FY23, the volume is pretty much the same, but the other expenses are up by about 48 crores. You said the marketing spends were up so from 6% to 10% that's about INR 20 crores, we still have a INR 25, 28 crore increase in other expenses. When the volumes are flat, so what explains, which variable component went up by a significant amount if you could please answer?

**Sanjay Chhabra:** Okay. I did answer this question very beginning like there are in the SG&A space, they would be routine inflation in an average of around 8% to 10%. Apart from that, we had certain accounting impact roughly toward growth related to lease accounting which is now sitting in SG&A, which was earlier sitting in the depreciation and interest cost, we have a phasing impact of CSR spend, which we spent in Q3 versus last year Q4. And we have a bit of one offs related to inventory obsolescence provisions and the expected credit loss provision on our receivables. So, by and large accounting apart from the inflation phasing, etc.

**Nikhil Aggarwal:** And employee cost also have increased as per the expectations in line with the 10% increments and so on. So, it's also expected to grow.

**Aditya Gupta:** No employee cost is fine, that's understandable. It's been in that ballpark 5%, 6% range in the last seven, eight quarters except the seasonality so that's not, it's the other expenses 20%, the other expenses are up by 42% year-on-year which is what is really standing out besides the marketing spend also. And then, on the last question Nikhil, in terms of the build back towards higher EBITDA margins, the last time you did 20%, 21% EBITDA margins, your gross margins. And, again I'm going by the reported numbers we were at 49% to be precise. Now 10 quarters from now we are sitting on a gross margin of let's say, 51% to 53% in the last three quarters. But the EBITDA is down due to cost inflation due to lack of leverage, et cetera but how do you see this going back, with higher gross, you think the EBITDA on a normalized basis this should go back to what we used to do earlier or do you think there is some change, there is more competition, there will be more investment and the EBITDA is probably not going to go back to that 21%, 22%?

**Nikhil Aggarwal:** No, like I said our aspiration is definitely to go back to the previous EBITDA ranges, so definitely this year has been a year of transition again and a tough year in that sense from a demand outlook perspective for the entire industry. Therefore, but we have taken in terms, in spirit of transition we have taken some one offs, like Sanjay just mentioned in terms of smaller amounts, but both inventory and receivables provisioning as well. So, the objective for us is that, by the end of this year we should be fully transitioned and ready to go from FY25 onwards. So, that's the spirit with which we are taking this year. And, I hope our long term investor partners will realize this vision with us.

**Aditya Gupta:** Got it, thank you. Last question, if I just do simple math on trying to get to a revenue per EBO. There also we have seen and because a lot of these are new EBOs and they typically ramp up in a year after opening, there also we are seeing let's say for and I'm just doing an average over here. We are seeing a decline of mid-single digits, let's say on revenue per average EBO in the last three quarters. So, is this just market weakness or is it a function of the newer stores not coming in at a much lower starting point or is it a function of course not ramping up, what is happening over here?

**Nikhil Aggarwal:** Like you said, it's a combination of actually all the three factors. There has been like the demand in the market immediately reflects in our EBO channel, it's a like reflection every day and there we have seen that it's trending in line with how the market is responding. So, even for the new stores that we are opening. We have seen it being reflected by the actual demand in the market which is a little bit muted at the moment. So, that impact definitely is there in terms of new stores growth that you are seeing, but we still remain committed because it significantly helped us, the stores as of today stand at 250 as at December end and it has really, really helped Campus premiumize and build the overall brand perception and upgrade the imagery of the brand. So, it acts as a virtual showroom where it has also helped us increase our salience in the distribution market in the key territory. So, overall as a strategy it's worked really well for the brand and we will continue to maintain an open the same run rate of stores that we have been maintaining for the last three years.

**Aditya Gupta:** So, that's about a 100 a year is it, that's a number to go with?

**Nikhil Aggarwal:** Roughly.

**Sanjay Chhabra:** 100 a year including the franchisee owned ones.

**Nikhil Aggarwal:** Right.

**Aditya Gupta:** I am just going by all the views.

**Nikhil Aggarwal:** That's right.



**Moderator:** Thank you. Next question is from the line of Rajiv Bharati from DAM Capital. Please proceed.

**Rajiv Bharati:** Sir one small bit, if you can specify what is the quantum of the inventory provision and the provision for the receivable for the current quarter?

**Sanjay Chhabra:** Okay. Inventory would be close to around INR 400 odd crores, which includes the raw material inventory.

**Nikhil Aggarwal:** Inventory for the provision for quarter three.

**Sanjay Chhabra:** Okay, sorry provisions. Provisions would be around INR 7 crores both put together.

**Rajiv Bharati:** Great. And in the previous quarter also, was there any the base quarter was Q3 FY23?

**Sanjay Chhabra:** Yes, of course they would be around INR 2 to 2.5 crores. It's purely an aging base provision so again, as I said accounting shift between different age buckets resulting into a higher provision percentage.

**Nikhil Aggarwal:** Yes, but I just like to add that as the company, we have taken very proactive measures to consume and sell off this aged inventory. Therefore, that is also being reflected in our overall inventory days coming down significantly in quarter three. So, we will continue to maintain that momentum. And, like I said, for this year the objective is again to basically press the reset button from the 1st of April.

**Rajiv Bharati:** So, by Q4 end, you will be done or there is more required?

**Nikhil Aggarwal:** Majorly, yes I can put it that way.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today's call. 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](mailto:ird@campusshoes.com). You may now disconnect your lines. Thank you.