

Spencer's Retail

22 May 2026

Operator: Good day and welcome to the Spencer's Retail Limited earnings conference call hosted by Emkay Global Financial Services Limited. 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sunny Bhadra, Emkay Global Financial Services Limited. Thank you and over to you, sir.

Sunny Bhadra – Emkay Global Financial Services Limited: Thank you. Good morning, everyone. I would like to welcome the management and thank them for this opportunity. We have with us today Mr. Anuj Singh, CEO and MD; Mr. Manjinder Vasu, CFO; and Mr. Pankaj Kedia, Executive Director of Investor Relations. I shall now hand over the call to the management for the opening remarks. Over to you, gentlemen.

Management: Good morning everyone and welcome to Spencer's Retail Limited Q4 and FY26 results call. With me in the room today, I have Pankaj Kedia, our group head of Investor Relations; Manjinder Vasu, who is the CFO of Spencer's Retail Limited; and Pratik Kabra, who works in the CEO's office and looks after Investor Relations.

As always, I will give a short commentary on what the quarter was and the full year FY26 picture, and then we will open it up for questions. As some of you may have had the chance to glean through the results, we announced our results post our board meeting yesterday evening. Q4, and I will give commentary first on the consolidated level, then specifically about Spencer's Retail Limited and then about Nature's Basket.

Looking at a consolidated level for Q4, I would by all measures term it a respectable quarter. This was largely driven by the fact that this was a quarter where, after a long time, we were able to demonstrate and deliver growth. Q4 was a growth of 6% versus Q4 of last year. At a consolidated level, we did sales of 436 crores versus 412 crores in Q4 last year. Margins were maintained at a quarterly level at around 18.8% versus 19% last year in the same quarter. Our operating expenses continue to be run tightly and were in line, which resulted in a marginal EBITDA of 2 crores versus a flat zero EBITDA last year in Q4.

If we look at the 12-month picture, sales at a consolidated level were at 1,800 crores, down from 1,995 crores last year. As some of you would recall, in FY25, particularly in the second half, we had exited 49 stores across regions in the North and the South. This contraction in topline is a result of that. Year-on-year, it is almost a 10% decline, but that was done for a particular purpose—largely to exit non-strategic regions and high loss-making stores to drive efficiency. At an annual FY26 level, our margins were 90 basis points higher compared to last year, reaching 20.5% at a consolidated level. Our operating expenses came down sharply as a result of the reduction in the footprint on the Spencer's Retail Limited format. EBITDA was 15 crores compared to 60 crores last year. However, remember that last year's 60 crores EBITDA had a large component of other income resulting from the termination of leases and the Ind AS treatment on the closure of stores. At a PBT level, it remains flat at a 250 crore PBT loss.

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This performance of 6% growth in Q4 was largely powered by growth on the Spencer's Retail Limited format. In Q4, Spencer's Retail Limited delivered close to 380 crores versus 351 crores in Q4 last year, representing an 8% year-on-year growth. This is significant because, for the first time in many quarters, we have delivered growth over the previous year. I can confidently state that this is not just a one-off; we are seeing a sustained trend where we have been able to generate sales momentum.

Splitting H1 versus H2 for Spencer's Retail Limited, we were down in H1 compared to last year, but H2 has seen a good recovery. Our H2 growth rate versus H2 last year is the true like-for-like comparison because we had exited those stores during H2 of FY25. In H2, we delivered almost 4% growth, and since November, for the last 5 months, we have consistently delivered growth over the previous year every month. I think that is a good sign.

This sales growth was complemented by keeping our margins at healthy levels. Margins were 17.5% versus 17.8% in Q4 last year. On a full-year basis, margins improved by 90 basis points to 19% on the Spencer's Retail Limited format. Operating expenses continue to be tight. In the quarter, they were 61 crores versus 62 crores last year. At a full-year level, operating expenses are much lower given the exit from those regions, at about 250 crores versus 329 crores in FY25. EBITDA for the quarter was 14 crores, up 40% from 10 crores in Q4 FY25. At a full-year level, EBITDA is 56 crores versus 53 crores last year, which included the one-off impact of other income in FY25. Overall, on Spencer's Retail Limited, it is a good recovery. The actions taken in FY25 to reduce our footprint are now behind us and we have reset the business. Q4, which is traditionally not the strongest quarter in the retail industry compared to Q3, saw an 8% growth on the back of three key execution points.

Number one, given the situation, we are always constrained on funds and are not expanding the store footprint. Therefore, it was incumbent that we manage working capital well. Part of this was managing our assortment. Last year, extensive work was done in H1 on inventory optimization, looking at assortment strategy and optimizing the SKU mix. This focused on lowering aggregate inventory while putting focus behind fast-moving items to improve velocity.

Number two, the rewards program launched in July 2025 has picked up significant momentum. This started as a clean reward program where consumers received cashback into their wallet at the end of the month based on monthly purchases. At the highest slab for a purchase of 10,000 rupees, consumers were getting 600 rupees or 6% back, which is significant for a grocery environment. This paid membership cost 500 rupees a year. The proposition was simple: pay 500 rupees a year and benefit by up to 600 rupees a month. We closed the year with close to 100,000 members who had not only bought in but also used the membership. The objective was to drive stickiness and repeats. An average member shops more than 2.5 times a month, but participants in this reward program shopped an average of 4.5 times a month. The average monthly spend of members was also significantly higher. An average member was spending close to 8,000 rupees a month.

The return rate, or the N+1 retention rate, was also over 80%. Today, roughly 20% to 22% of our monthly sales are contributed via members.

Number three was continued focus on the online business. The online business grew 37% year-on-year, closing at 200 crores for FY26. We could have done much higher, but we took a conscious call in H2 to limit our burn because scaling further would have meant expensive

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customer acquisition. We focused on the omni-channel offer, primarily targeting our offline customer base and giving them an online option. It was largely organic customer acquisition. We focused on operational KPIs like in-full and on-time delivery. Our delivery proposition is 30 minutes, and our average delivery time was around 28.5 minutes. In-full levels are close to 90%.

We do an average of over 2 lakh orders per month, and our average bill values on the e-commerce business are at 760 rupees per order, which is best-in-class in the industry compared to quick commerce players at 450 to 500 rupees. These efficiency measures are in place and we will continue to expand online judiciously. On the online business, we are now breaking even at a unit order level. With an ABV of 760, we generate a gross margin of nearly 110 rupees per order, while fulfillment costs are around 98 to 99 rupees. We are making money at an order level. Of course, scale must increase to absorb tech and marketing costs for it to be EBITDA positive, which it currently is not.

The pain and contraction in H1 FY25 gave us the opportunity to reset our base and focus on productivity. We started the growth engine in H2, and I am confident we can sustain this throughout the current year. Since we did not add stores, driving growth from the same base while keeping operating costs tight meant this flowed into an improved level of store EBITDA. Our stated goal is a target of 8% store EBITDA. Last year, in FY25, we were at a low single-digit store EBITDA. This year, through growth and optimized costs, we have been able to double those store EBITDA levels. We have not yet reached the 8% target, but we have made significant progress and are confident about achieving it in FY27. This 8% level allows us to absorb DC costs, marketing, and corporate overheads.

Regarding the overall Spencer's Retail Limited and RPL level, we significantly reduced losses on the offline business. Pre-Ind AS EBITDA losses, which are the true measure of operations, have been halved for the offline business. The plan is to break even on the offline business this year. On the online business, where we had roughly 30 crores of losses mostly from acquisition and tech setup, we want to reduce this to low double-digits or even single digits.

Regarding Nature's Basket, I must be honest that we were not able to power the same level of growth as Spencer's Retail Limited. In Nature's Basket, the headwinds were largely internal. We recognize the issues at two levels. First, we have not yet synchronized our inventory with what is selling, so we are sitting on high days of stock cover in slow-moving SKUs while lacking the funds to fuel fast-moving items. We are currently performing the same inventory optimization exercise in Nature's Basket that we did for Spencer's Retail Limited last year.

Second, the online part of the business is relatively small. We revamped it using the same tech backbone as Spencer's 2.0. Nature's Basket operates 31 stores, and the effort will be on driving higher sales per square foot and store productivity rather than closing or opening stores. We have effected a leadership change at Nature's Basket, bringing in Lakshman as the new CEO. He has diverse retail experience with Future Group, More, and MedPlus. The focus is to turn around growth, which will solve challenges around store and overall format profitability.

Nature's Basket remains a strong, differentiated brand with loyal customers. We also started a rewards program there called Elysium. The concept is a 5,000 rupee annual membership where you get up to 10% off per transaction. You could save up to 15,000 rupees a year on purchases. We

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currently have about 9,000 members, but we plan to turbo-charge this to drive repeat frequency. The business is concentrated in Mumbai and Bengaluru, which makes it easier to implement a turnaround. Since percentage margins are healthy, higher sales will flow down to better profitability.

For the full year, it was a respectable performance. What gives me confidence is that we have delivered a quarter of strong growth on Spencer's Retail Limited. The playbook of smart inventory optimization, driving store repeats through rewards, and building a disciplined online platform is working. We have gotten off to a good start this year despite global instability. In West Bengal, which is a major market for us, the state and center alignment following the government change should bode well for consumption and investment.

Regarding network expansion, we are not planning massive additions. We believe there is still headroom to grow through store productivity and sales per square foot. In Spencer's Retail Limited, monthly sales per square foot went from 1,400 rupees to close to 1,700 rupees. I believe we can reach 2,000 rupees. We will evaluate opportunities in existing geographic clusters. You may see 3 or 4 Spencer's Retail Limited stores coming up this year, some new and some relocations of underperforming stores, but the basis of our growth is same-store sales growth. We will not add stores for Nature's Basket. We have discovered our growth mojo and will continue this journey toward EBITDA break-even by this time next year. I will now open it up for questions.

Operator: Thank you very much. We will take the first question from the line of Parikshit Gupta from HDFC Value Capital. Please go ahead.

Parikshit Gupta – HDFC Value Capital: Thank you for the opportunity. My first question is on the average bill value and the number of bills. Can you please quantify how much these figures were for both Spencer's Retail Limited as well as Nature's Basket?

Management: We do not give a breakout of numbers for ABV and orders on the offline business. On the online business, we did about 2.6 million orders in the year, which is approximately 2.15 lakh orders per month, with an AOV of 760 rupees. The AOV on our offline Spencer's Retail Limited business is in the region of 1,300 rupees, driven partly by liquor sales. The Nature's Basket number is slightly higher.

The growth we are seeing is driven more by ABV growth rather than number of bills (NOB) growth on the offline business. This is somewhat by design because the membership program incentivizes people to spend more per month to reach the cashback thresholds. In Nature's Basket, we have not seen an increase in ABV, and that is what we are going to drive in the next two quarters.

Parikshit Gupta – HDFC Value Capital: Understood. This is helpful. My second question is on the balance sheet. How much debt is maturing in the first half of FY27 and for the entire year? Are we considering refinancing the debt?

Management: During the first half of next year, we will be repaying about 108 crores of debt at a consolidated level, and we will need refinancing during the course of the year.

Parikshit Gupta – HDFC Value Capital: And do you anticipate the interest cost to meaningfully increase from what it is right now?

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Management: No, we do not foresee an increase in the interest cost. We are currently in the range of 9.5% to 10.5% and expect that to continue.

Parikshit Gupta – HDFC Value Capital: Regarding Nature's Basket, if ABVs have not grown and footfalls have decreased, what other strategic decisions have been taken for the first half of the current year in addition to inventory optimization?

Management: The internal challenges arose because when you do not have the right assortment at the right time, consumers walk out empty-handed and do not return. Our absolute level of stockholding is above the norm, but it is in the wrong categories. We have excess stocks in processed foods and imported trading lines, but we have had inconsistent availability in daily or weekly categories like fresh produce, chicken, and meat. The number one correction is ensuring consistent availability in those "fresh" categories that drive repeat footfalls.

Number two is a stronger push on rewards. Although we ended last year with 9,000 members, we should be looking at closer to 30,000 members. We added 1,250 members in the month of April alone by focusing on execution. Number three is the out-of-store business, which includes phone delivery and online. We have rebuilt the online platform to be a more seamless experience. These three levers will help us return to growth territory.

Parikshit Gupta – HDFC Value Capital: Have you considered enrolling onto other quick commerce platforms for Nature's Basket? Those platforms give you scale and could help increase sales per square foot.

Management: We are currently in a pilot stage with two platforms in Kolkata and Bengaluru. There are also talks regarding having a Nature's Basket store on Amazon's marketplace. It may lead to some margin dilution because of commissions, but it helps with visibility and top-line business. It is work in progress.

Parikshit Gupta – HDFC Value Capital: Have you considered the same strategy for Spencer's Retail Limited?

Management: No. The Spencer's Retail Limited online business is concentrated in West Bengal, where we have 42 stores and one dark store that can service 99% of pin codes. Given that Spencer's Retail Limited works on smaller margin pools, listing on a marketplace would give top line but would not make sense from an EBITDA point of view.

Our moat in the online business is liquor delivery. We are also augmenting our rewards program for Spencer's Retail Limited by launching Platinum and Diamond tiers. These will offer things like 25 free deliveries and rewards on liquor purchases. The online strategy for Spencer's Retail Limited is to reach 250 crores next year while minimizing losses, rather than burning 60 crores to reach 400 crores.

Parikshit Gupta – HDFC Value Capital: Any plans for equity infusion from the promoter's end?

Management: The mandate for the management team is to achieve an EBITDA turnaround. Once we break even at the EBITDA level, it will be a strong signal. We are currently managing with working capital and have line of sight on rolling over maturing loans. We are focused on the EBITDA

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break-even, and at that point, options for recapitalization or equity infusion will be evaluated.

Operator: Thank you. We have the next question from Sunny. Please go ahead.

Sunny – Emkay Global Financial Services Limited: Can you highlight the geography-wise growth split for the 8% growth delivered this quarter?

Management: Growth has been secular, manifesting in both the East and Eastern UP. In the East, growth was largely driven by the online business due to our large base of 40 stores in Kolkata. This 8% overall growth was roughly 50% growth on the online channel and 5% growth on the offline channel.

Eastern UP growth was largely store-led because our online presence is smaller there. Stores in Eastern UP saw double-digit growth in Q4, powered by a much higher level of membership drive. Customers there are value seekers and have responded well. In Nature's Basket, the decline was more pronounced in Bengaluru due to some supply chain issues, though Mumbai also saw a degrowth.

Sunny – Emkay Global Financial Services Limited: Just a question on the membership fees. Which line item is this being recorded in?

Management: The membership adjustment happens in the net sales line. For the current quarter, it is about 5.5 crores. The cashback given to members is reduced from sales according to accounting treatment, which impacts margins. The 17.4% margin in Q4 for Spencer's Retail Limited includes a 120 basis point impact from membership cashback. The real margin delivered on the category intake side is 18.6%.

Parikshit Gupta – HDFC Value Capital: Regarding the mandate for the business to be EBITDA positive, is that with or without other income?

Management: It is with other income, but the quantum of other income is decreasing. This is pure operational EBITDA, meaning that net of interest, your cash losses are zero. That is the first milestone. After that, we will look at refinancing to reduce interest debt and determine the next growth stage to reach a 2% to 3% positive EBITDA. The task for FY27 is to break even at an operational EBITDA level within this financial year.

Operator: Thank you very much. Ladies and gentlemen, that concludes the question and answer session. On behalf of Emkay Global Financial Services Limited, we conclude this conference. Thank you all for joining us and you may now disconnect your lines.

Management: Thank you so much everyone. Thank you.

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