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August 6, 2025

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G-Block
Bandra-Kurla Complex
Bandra (East),
Mumbai – 400 051
(Symbol: SPENCERS)

BSE Limited
Phiroze Jeejeebhoy Tower
Dalal Street
Mumbai – 400 001
(Scrip Code: 542337)

Dear Sir/Madam,

Sub: Transcripts of the Q1FY26 Post Results Earnings Conference Call

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Q1FY26 Post Results Earnings Conference Call held with Analysts on July 31, 2025 at 12:00 Noon (IST).

This information is available on the website of the Company at www.spencersretail.com.

You are requested to kindly take the aforementioned information on record and oblige.

Thanking you.

Yours faithfully,
For Spencer's Retail Limited

NAVIN KUMAR RATHI
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Date: 2025.08.06 20:57:52 +05'30'

Navin Kumar Rathi
Company Secretary & Compliance Officer

Encl: As above

“Spencer Retail Limited

Q1 FY26 Earnings Conference Call”

July 31, 2025

MANAGEMENT: **MR. ANUJ SINGH – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR**
MR. SANDEEP BANKA – CHIEF FINANCIAL OFFICER
MR. ANAND KUMAR – GROUP HEAD - INVESTOR RELATIONS
MR. PANKAJ KEDIA – EXECUTIVE DIRECTOR – INVESTOR RELATIONS

MODERATOR: **MR. AKHIL PAREKH – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Spencer's Retail Limited Q1 FY'26 Earnings Conference Call hosted by Batlivala & Karani Securities India Private 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Akhil Parekh from Batlivala & Karani Securities. Thank you and over to you, sir.

Akhil Parekh: Yes. Thanks, Shubham. Good afternoon, everyone. On behalf of B&K Securities, I welcome you all for 1Q '26 Spencer's Retail call. We have the entire management team of Spencer's, including Mr. Anuj Singh, CEO, Mr. Sandeep Banka, CFO; Mr. Pankaj Kedia. Without taking much time, I would hand over the call to Anuj sir for his opening remarks, post which we'll open the floor for Q&A session. Over to you, sir.

Anuj Singh: Thank you very much and good afternoon, everyone and welcome to the Q1 FY '26 results call for Spencer's Retail. Thank you for joining us. I'll start by giving a brief commentary and then as said, we'll open it up for questions. So, if you look at quarter one, it was a mixed bag with I would say moderate Q-on-Q growth, 1% at a consolidated level and I'm giving you the consolidated numbers first and then I'll dive into each of the components of the three formats.

So, at a console level, top line growth 1% Q-on-Q. The Y-o-Y comparison might not be -- not like-for-like since in quarter one of FY'25, we were operating on a much larger footprint in Spencer's. So, there was as you recollect an exit from two regions. If you look at the margin, there was a good margin recovery on both formats in quarter one.

We continued tight controls on all our operating expenses and costs and that resulted in 119 basis point improvement in our EBITDA. So, quarter-on-quarter, if you look at it, quarter 4, we were breakeven at a console level and in quarter one, we reported INR5 crores. At a PBT level, this is a slight reduction versus last quarter. We are at INR62 crores PBT loss versus INR68 crores in quarter 4.

Now if I look at -- this is at the console level. So, if I break it up into the three parts, which is the Spencer's offline part, the online which is our Jiffy online proposition and NB, I think that will give some more color in terms of where we are moving. So, on Spencer's, the offline, again in the continuing regions was flat. We had some supply issues given plus some deflationary pricing on staples.

So, as you all know, pulses and a few other staples were -- they were in a deflationary trend and significant deflation in pulses. So, on even slightly higher volumes, our ASPs, average selling prices were down. We had a softer FMCG part of it. But however, the margins came in at a strong 19.1% despite a mix which is now becoming a little smaller on apparel and GM for us because we've kind of toned that now.

The operating expenses of Spencer’s were, again, have been brought down dramatically from last year level. Even compared to the previous quarter, we were at INR60 crores, whereas the previous quarter was INR62 crores. The financial EBITDA of Spencer’s was INR15 crores for the quarter, which is compared to -- if you compare it to quarter 4, which was INR10 crores. So, there's an improvement versus quarter 4. And of course, if you look at it versus quarter one of last year, the EBITDA was INR8 crores, so almost 2x.

So, Spencer’s, clearly, again, continued story on efficiency-led EBITDA improvement with still some room to figure out the growth levers. As far as the online part of Spencer’s is concerned, this is an area where we've been investing and we've been making good progress. So, there was almost a 20% sales growth in quarter one over last year quarter.

This was on the back of obviously user growth. So, we've crossed 100,000-plus monthly average users, which is an 80% Y-o-Y growth. Our order numbers have also gone up. So, there's a total quantum of orders were at 41% growth. We're doing -- if you -- any of you recollect the previous one, we're doing an average for the quarter, we're doing about 6,500 orders per day.

We believe, again, there is headroom for us quickly to take this up to 10,000 that was the stated aspiration. And by September, we would be at that level. We've built up -- our AOVs continue to be 700 plus, which is significantly better than the quick commerce peers, but of course, our model is a bit different. We have built up the capabilities to do fulfilment in a large number of our store footprint.

So, in quarter one, we moved from about 40 stores in the previous quarter where we used to do fulfilment about 56 stores, which is across Calcutta, upcountry West Bengal, Lucknow, Banaras and Gorakhpur. So, I think all that set up which is -- while it's not dark stores, but even within the stores, one needs to have a little bit of a setup when it comes to dedicated pickers, hub managers, etc..

All that investment, infrastructure and people have been in place. So, this should help us to kind of drive those numbers towards 10,000. But in quarter one, we achieved about 6,500 orders per day. Our service levels are improving month-on-month. Our infill is at 90% plus, which is, I would say, the threshold in our quick commerce business. Our on-time delivery, we’re at 80% plus our average time is in 31 minutes.

So again, we are not -- we never wanted to be a 10-minute delivery player, but we wanted to be within 30 minutes. We're getting there with 31 minutes and I think from what our consumer feedback we get, people are quite happy with the 31 minutes. And I think the metrics which we are getting feedback, which needs to be sustained is consistency and input. People don't mind waiting three, four minutes, five minutes as long as they get 90% plus infill rates and they get it consistently. So that's a bit of color on the online business.

When it comes to Nature's Basket, if you look at it sequentially quarter-on-quarter, revenues were INR69 crores this quarter versus INR61 crores in the previous quarter and INR72 crores in the last year same quarter. So sequential quarter-on-quarter growth. Margins have come back, recovery in margins on NB as well, 28.2% versus 25% in quarter 4 and 27.5% in quarter one.

The operating expenses are in line. And. therefore, the EBITDA is, I would say, a nominal INR1 crores versus close to minus INR5 crores in quarter four. I mean last year, Q1 was not a comparative because there was a one-off income, which was on account of trademark, the Gift studio trademark assignment, which was done. So I think that income was there, but certain improve in EBITDA as far as Nature's Basket is concerned.

For Nature's Basket, they re-launched two stores, one in Inorbit Mall, Malad and the other in Oberoi Group Goregaon. Two high loss-making stores were shut down, one in Defense Colony in Delhi and the other in Linking Road, Krishna Curve. They've also re-launched the app for Nature's Basket and with an express delivery proposition in June.

Again, it's not time bound, it's not quick delivery, but it's express delivery. And the idea is to offer the same gourmet selection but offer an element of convenience and delivery. This has started -- this has been re-launched in June and will form a big part of the growth for the rest of the year.

They continue to make good progress on the Elysium membership, which is a program designed to get repeat purchase, high level of loyalty and get a certain minimum threshold of average monthly spend. So, they crossed 5,000 members in 6 months. So, I think that's the progress on Nature's Basket.

If one, therefore, to look at it, I think, look, again, yet again, I would say this has largely been an efficiency-led EBITDA quarter delivery. And I think we have now completed all the optimization initiatives which we undertook since, I would say, quarter three of last year. We are seeing a full flow-through of all of these in terms of operating expenses.

And I think now is the time for us where we are switching and I would say, flipping the gears to move from efficiency-led EBITDA to a top line growth-led EBITDA improvement. And this top line growth has to come across both Nature's Basket and Spencer’s, both in the offline and the online parts of the respective businesses.

And that will see -- that will directly flow into what I would call a consistent and a bigger EBITDA improvement I think the cost and the efficiency-led part is done. It doesn't mean that we get complacent and let cost feedback because that's the easiest thing to do. But I think now the focus and the gears have to shift towards driving top line growth.

We have all the levers available, and we have a playbook to drive this. Quarter two is going to be a critical quarter for us. We do have the tailwinds of festive quarter already in Q2 in West Bengal since Puja will be in September end. In addition to that, for Spencer’s, we've launched a membership program in July.

And again, the whole premise of the membership program was to get to increase, number one, your M1 retention, which is month-on-month, what percentage of your consumers are coming back and shopping and increase that. In a grocery business, that should be at least 80% plus. We are not at that level. So the idea of this membership program is to build some kind of an incentive for people to come back and shop regularly.

And the other big objective is to see if this membership program, the fact that people are coming back month-on-month also gives them some incentive to kind of increase or sustain a higher level of average monthly spend. This membership program is -- there is a nominal charge of INR500 a year. And there are three tiers at which you get your cash back. Currently, we've not done it on points. We've done it on a certain amount of cash that gets loaded into their wallet.

It starts with at a level of INR3,300 of monthly spend, whether it is on the stores, offline or it's on online, it's a consolidated view of what a customer spends with us in a month is a 3% discount at that level. At INR5,000 a month, monthly spend is 4%, which translates into INR200. And at reaching INR10,000 of monthly spend, it's a 6% incentive, which is INR600.

Now the numbers might not sound significant saying INR100, INR200, INR600, but looking at 3%, 4% and 6% off on grocery over and above the promotional prices which run in the stores, we believe is a strong incentive for people to sign up and to use this to keep coming back to the stores. Early days, but in July itself, where we launched the program, we have -- today is 31st of July, we've got 22,000 plus members who have paid and signed up for this.

We will see results of this obviously flowing through. It's not just the first month sign up, but I think the real benefit comes in the following month where people come back and then shop. So, we'll track this very closely to see how many of these 23,000 people shop, what frequency do they shop, what categories do they shop -- and now there's a complete, I would say, customer data enrichment.

Earlier, it was just a telephone number, which we had of a few people. But now for these 23,000 people, we will have a closer one, which should then be used to do focused CRM efforts. So, I think membership program will be an important one. The festive quarter preparations are on now with the festive quarter starts off with next weekend, which is the Rakhi weekend, moves into Independence Day.

And then in September, you have the build up for Durga Puja in West Bengal. So, with a combination of the membership program, the festive push, which we're seeing and the online, continuing on online, we do see quarter two being a top line-driven growth quarter. Similar plans are there for Nature's Basket and both for the offline and online business.

In addition, we are also doing -- building an optimization exercise in terms of our supply chain, where we are looking at our inventory the end objective is to work with a tighter inventory, bring down our days on hand and really focus on your bestseller effectiveness. And I think that's an effort which we're doing. But again, that's an efficiency led one, but the focus will be in terms of seeing how we'll drive growth.

So, I think that's a brief kind of commentary on how quarter one was and what the plans for quarter two and rest of the year are. And like I said, going forward, gears are being switched to see how we can drive top line growth so that then there is a sustained and I would say, quantum increase in EBITDA, which is because of the cost and the efficiency optimization is already in place.

I'll stop with that and then open it up for questions.

Moderator: Thank you very much. We will now begin with a question and answer session. The first question is from the line of Deepali Kumari from Arihant Capital Markets Limited. Please go ahead.

Deepali Kumari: Have you started to see any early sign of recovery in demand in July or Q2 so far? Are there any specific category or customer…

Anuj Singh: You were not very clear. So I just heard from you is there any evidence of -- if you could just repeat your question.

Deepali Kumari: Have you started to see any early sign of recovery in demand in July or Q2 so far? Any specific category?

Anuj Singh: Yes. So, I think, look, in July, definitely, like I said, Q2 for us -- I mean, we are starting off on a slightly stronger note. It's -- our traditional categories where we build momentum is on staples, is on FMCG and on the fresh part of the business. We are a food and food category-led grocery retailer. So we've seen a build up there.

But I would say that the larger part of your Q2 momentum will come starting in August and September. I mentioned August -- this is the start of the festive season in Rakhi. And July was also a bit impacted by -- it's localized to West Bengal it's because we were impacted with the higher monsoons, which does lead to a little bit of not just footfall drop, but certain categories which are pretty high on summer, things like carbonated soft drinks, etc. was slower than expected.

So I think the early and the heavy onset of monsoons in July has impacted a few categories, largely carbonated. And you see that in the -- also in the results and the numbers which are coming in for some of the CSD as well.

Deepali Kumari: Okay. Sir, on the new store at Oberoi and Inorbit it seems to represent like a very refreshed format. So are you seeing better unit economics in this location compared to older stores?

Anuj Singh: Yes. So both these stores were -- these are not newer in that sense. I mean both of them were existing locations. We -- in one location, we moved to another location within the mall and the other, we kind of made it into a slightly more compressed store with a renovation. Early days, it's just been 1 month, but the results in both stores have been encouraging.

We've seen a higher level of SPSF coming from that. But again, I'll wait for a couple of months to be able to pronounce that as a trend because typically, in the first 2 months of reopening of a store, you see higher numbers. But the numbers are higher than what was earlier there if you're referring to the Nature's Basket.

We are opening -- we are committed to opening stores as far as Spencer's is concerned in the existing clusters. So in quarter one, we added 1 store in Calcutta in a suburban area of Calcutta, and it's a 6,000 square feet store in an area, which is not a mall or a high street location, but concentrated in the residential area with lots of multi-store apartments, condos across it. And I must say in the first 2 months, the store has done quite well.

It is showing confidence that there is enough headroom for us to add on anywhere from 8 to 10 stores in the clusters where we exist, which is basically West Bengal and UP. So we've added one store. There are a couple of stores more in the pipeline in Calcutta, and there are a couple of more stores in Lucknow.

One in Gorakhpur and one in Lucknow. So we will add on stores in these clusters, but we'll do it of a certain size, and we'll do it in areas where we can get returns from -- pretty much in the first month itself without having to wait for a long gestation or a payback period.

Deepali Kumari: So sir, what's the capex plan for FY'26?

Anuj Singh: Yes. So I think capex is -- for us, the capex is around the stores which we are talking about, say, 8 to 10 stores, which will be roughly about 100,000 square feet of trading area, which will be added. The other part of our capex would go in terms of the online business where we will look at whatever needs to be spent on having a stable tech stack.

We are not doing dark stores, but in large numbers, would have 1 dark store in Calcutta. And we will look at the blind spots which we have in the city where we don't -- where our store footprint doesn't allow us to service. So we'll probably add one or two more dark stores. So yes, I mean, I think the capex spends are not going to be of a very high order, but they're going to be commensurate to kind of less than I would say, 8 to 10 stores 100,000 square feet of trading area.

Ballpark that will be between INR10 crores to INR12 crores is what we look at in terms of capex.

Deepali Kumari: Ok Sir. Thank you, so much.

Moderator: Thank you. The next question comes from the line of Parikshit Gupta from Fair Value Capital, please go ahead.

Parikshit Gupta: I have a couple of questions. First, on Spencer's. Can you tell me a little bit about the sales per square feet? In your presentation, you have mentioned that the number is INR1,523. Is that for the consol or Spencer's alone?

Anuj Singh: It's on a consolidated level.

Parikshit Gupta: I mean, a little bit of a back of the envelope calculation considering the Q3 top line and the area you mentioned. I do understand with closures and opening new stores, the area is a little different for the overall month. But Spencer’s is a little on the lower end, obviously, and Nature's Basket should be higher. Can you tell me individual sales per square foot, please?

Anuj Singh: Yes. Actually, we don't break it out, but let me give you that for quarter one, Spencer’s is at around INR1,450 and Nature's Basket is not that much higher in the number. And I think that is exactly where we are looking at driving efficiencies as far as top line is concerned in Nature's Basket.

So our SPSF has gone up versus last year simply because the stores in North and South were slightly lower productivity and the stores in East continue to be high. We do sell -- we have a good mix of liquor in our stores in West Bengal, and that does drive both, I would say, the ASPs and the AOVs, but also drive the SPSF.

So SPSF for Spencer’s continue to be in the INR1,500 level and Nature's Basket is slightly higher, but since the overall weightage for the top line is more skewed towards Spencer’s, it ends up at being around closer to INR1,560.

Parikshit Gupta: Understood. In terms of operating cost, while there has been a significant improvement since the past period, can you tell me, please, how much is the contribution from closures versus the savings initiative?

Anuj Singh: In the opex you're talking about?

Parikshit Gupta: Yes, the operating costs?

Anuj Singh: Look, I think -- the way I break that up is that when it comes to the store opex, the store opex is largely a function of the stores which we have closed. Where we have got benefits is because on the back of closing down stores, we also trimmed a few distribution centers in the region, the regional office, which was there. And we did a fairly large, I would say, optimization exercise when it comes to headcount in the corporate office.

So, what I would say is that about 65% of the overall costs are in terms of the stores which we closed, but 35% is also contributed by the support cost, which is all your RO, your distribution centers in those regions that we shut down and the corporate office. In corporate office, we've done savings, and I would say annualized savings in excess of INR30 crores.

And we've kind of looked at about 100-plus headcounts, which have been optimized over the course of the last 1 year. So roughly, it's 65 from direct closures and 35% from other efficiency measures and optimization, which we have done.

Parikshit Gupta: Got it. On new stores, you mentioned that you added one store in Calcutta, which was around 6,000 square feet. However, previously, you have mentioned that the sweet spot in terms of the area, retail area would be around 8,000 to 9,000. So is there any change in that? And how many stores are we ideally expecting to add in this financial year for Spencer’s alone?

Anuj Singh: So I think, look, like I said, the sweet spot optimum has to be – you're right 8,000 to 9,000, and we still maintain that. But having said that, sometimes we don't have the real estate options available also dictate. And I think what we have to look at it is with a certain degree of pragmatism in terms of also what are the rentals and what is the expected throughput, which is going to come.

So we do have, I would say, a floor that opening a store, we do have daily formats, which are at 3,000 square feet. We don't want to open more of those. But I think 5,000 plus is 5,500, 5,000 would be the bare minimum which you would require. And again, it all depends on the commercial. Sometimes you get structures which are both the landlord gives you basement plus ground or ground plus first. So you're forced to open that.

We believe that 8,000, 9,000 is a sweet spot. Anything above that might not be able to justify the returns in the first 1 year. And anything below 5,000 will probably not give you the returns as well. Anywhere 5,000 to 10,000 is the sweet spot being INR8,000 to 9,000. That's on the size.

On Spencer's, we are looking, like I mentioned that, look, we are looking at between 8 to 10 stores coming in. Yes, the first -- there was only 1 in quarter one, so one would say where is this thing, but there is sites under, I would say, finalization and even fit out to ensure that we will be able to roll it out.

If I were to kind of give you a breakup, we would expect at least two to three more stores in quarter 2. And then I would say another 3 in quarter 3 and another two to three in quarter 4. And the clusters where we will be opening these stores would be, of course, Calcutta, Greater Calcutta, looking at few upcountry West Bengal locations, Lucknow, Banaras, Gorakhpur and maybe one in Allahabad. We already have one store.

And on Nature Basket, as of now, this year is not -- we're not looking at adding on too many, but if there is -- there are some exceptional sites which come. But again, the focus would be on the existing clusters, which is Bombay, Bangalore as a primary one.

Parikshit Gupta: Okay. On Nature Basket, the top line is INR69 crores versus INR61 crores last quarter. However, there have been also store closures. So, is this number on including -- I mean, for the major part of the quarter, did they include the closed stores also?

Anuj Singh: So, we had -- at the end of the March quarter, there were 32 stores, right? And we had -- in these 32 stores, we had shut down -- it was a temporary shutdown because that was being renovated. So, it is -- the way I look at it is that, look, it's 32 stores in that quarter and 31 stores in this. So, the growth is not because of, I would say, addition of stores or major addition of stores.

This is better throughput which has come through out of existing stores.The area is actually slightly down as you can see, 6,000 square feet down. So, if your question is leading to the fact that, look, is the higher revenue on account of higher SPSF from existing stores, yes, that's the answer.

Parikshit Gupta: Understood. In terms of the online sales, you have mentioned that there is a 19% growth. So, this is only for Spencer's, right? So, in terms of Jiffy, you mentioned that previous quarter, the average bill value was around INR900, which was still higher than regular quick commerce ABVs. Now it is around INR700.

Going forward, do we see a further correction in this number or is this more like a steady-state value?

Anuj Singh: No, I think for us, it will be around that level. The reason -- and you're absolutely right, the reason why it comes down a little bit, ABVs, when you acquire new customers, a lot of these customers we've had -- our customer acquisition costs are fairly efficient. We are not spending INR1,000 as far as consumer acquisition costs are concerned. Our CACs are anywhere between INR300 and INR400.

And the reason is because we are being judicious about where we are spending and how we are targeting, and we are also targeting a lot of our offline customer base to come on. Now what tends to happen is when customers sign up in the first month or so on the first Q thing, the order value is low. So, I think -- and maybe next time, I'll see if I can provide that number.

It will be interesting to see the AOV split between new users and existing users. The existing users tend to have far higher AOV. So, we still have from existing users, we do have AOV in excess of INR900. But the new users typically come in at a lower AOV because their frequency is also lower and then their average bill value is also lower in the first few months. Once we have -- in the customer life cycle once you get to four to five orders on the platform, that's when frequency also increases. And as a result of it, the AOV also increases.

Parikshit Gupta: Understood. This is very helpful. In terms of our fleet, are we still focused on having the own managed fleet or are we also considering having a third-party logistics? Because this question is primarily towards the high cost of running a quick commerce business, and we do understand the challenges on the balance sheet?

Anuj Singh: So we have -- when we say we have owned, managed, it is basically we manage through a combination of retainer plus people who are offered incentives during surge. But 100% of the fleet -- let me say, none of the fleet is on our payrolls. So, this is not -- this is, in some senses, a 3PL arrangement, but a 3PL arrangement, which is, I would say, managed through some commitments in terms of minimum usage, minimum orders, etcetera, etcetera.

And I think that's the model. You can't have everything on your -- as a fixed cost on your payroll. And similarly, you cannot be completely outsourced that you're working with 20 different vendors because then our share is small, and you will be insignificant to all of them, and therefore, you will not get the desired level of service levels, right?

So, it is -- we are working with 2 to 3 maximum reliable suppliers, but we manage this by giving and working at a structure which ensures a minimum billing, minimum number of orders and getting the commitment on a certain minimum number of riders. Once you have surge and spike, then we need to kind of work on the variables. So that's how we manage our fleet.

Parikshit Gupta: This is super helpful. And the same model, I believe, would be applied for the Nature's Basket Express proposition that you just mentioned you launched in June?

Anuj Singh: Yes and no. I think currently, the scale is not something which is missing. And again, the fact is that we did have an existing arrangement where we had a managed fleet for the out of store, the phone delivery, which used to happen in Nature's Basket. So, in Nature's Basket in -- especially in places like Bombay, people place an order, especially regular customers place an order on the phone.

And we had built up a fleet. I would say 30% was our own people and 70% was dedicated outsourced people. And I think that was sufficient to service all the phone delivery orders. Now as -- for the time being, the online orders are being serviced through this network because they were not at the peak capacity.

We -- our model has shown that people can do an average of anywhere between 15 to 18 orders a day, depending on what is the traction of area and how far is the distribution. Today, our utilization in the NB is slightly lower than that. So, I think as the online business scales up, we will use the current one.

But once it starts outgrowing that capacity, then we will build in our capacity on the same model as what we have done for Spencer's, which is third-party but managed with a few third-party vendors and with a certain level of control.

Parikshit Gupta: Understood. In terms of the overall guidance, can you say that in FY '26, you will be able to be operating EBITDA positive overall console level?

Anuj Singh: We will be looking at an operating EBITDA level breakeven. That's still the guidance.

Parikshit Gupta: And that will be for the entire year, not one quarter or two quarters?

Anuj Singh: Yes, absolutely. That's for the full year. We've already lapsed one quarter, so we have some catch up to. But yes, we still maintain that. For us quarter 2 and quarter 3 are the quarters where we can catch up and make up.

Parikshit Gupta: Understood. Would you be able to give any guidance on the top line growth as well? Sorry? Is it better now?

Anuj Singh: Look, I think mid-single-digit growth is what we are looking at from the offline business on both the NB and SRL. And online, of course, we are looking at -- the base is much smaller. So, we are looking at how we can have at least close to 50% growth on the online business.

Parikshit Gupta: This is super helpful. Just my final question on the balance sheet. Can you please tell me the -- you already articulated the current liabilities exceeding the assets by INR815 crores. Can you tell me what are the gross and net debt levels at this time, please?

Anuj Singh: Sandeep?

Sandeep Banka: Hi, Parikshit, so the debt at consol level is INR950 crores.

Parikshit Gupta: And this is gross?

Sandeep Banka: For the quarter ending June 30, yes.

Parikshit Gupta: And what would be the net debt?

Sandeep Banka: That's the net debt borrowed.

Parikshit Gupta: You said INR950 crores is net, right? Gross or net? Sorry.

Sandeep Banka: Net.

Parikshit Gupta: Ok, understood. Thank you for answering all my questions, I will get back in the Q for any further, and good luck for the rest of the Quarter.

Anuj Singh: Thank you.

Sandeep Banka: Thank you.

Moderator: The next question comes from the line of Aradhana Jain from B&K Securities, please go ahead.

Aradhana Jain: Thank you for the opportunity. A couple of questions. First, sir, if you could just highlight how has the SSSG been for Nature’s Basket. I understand that for Spencer’s Retail it has been broadly flat. But for Nature’s Basket, how has it been?

Anuj Singh: So I mean, if you look at it, I said quarter-on-quarter, we've had a 13% growth. And if you look at it in terms of -- there were no major store additions. So that is roughly double-digit SSSG versus last quarter versus last year, it is almost flat.

Aradhana Jain: And sir, in terms of your category assortment, could you throw some light that how has the mix been and whether there's been any change in the mix in terms of liquor, meat or it's been stable? And what sort of assortment changes are we doing to attract more consumers?

And what has been our right-to-win in the NBL space specifically compared to the other formats that are there? Are we doing anything to make sure that the demand keeps growing? And what sort of repeat purchases are we seeing in the NBL space?

Anuj Singh: So I think it's a very good question, and I'll break it up into -- the mix is very distinct as far as Spencer’s is concerned and nature is concerned. In Spencer’s, over the last, I would say, 4 or 5 quarters, we have become more focused and targeted at what I would say, the food and the FMCG non-food-led categories, which means that if you look at between FMCG, staples, fresh, which is both fresh F&V, fish and meat, bakery, dairy, this is roughly about 65% of our mix is coming from these categories.

We believe that this is what as a retailer stand for, this is where we believe that we have the right to play and right to win. We are not -- while we do have an apparel assortment, we are not a destination for apparel. People will come and -- new people will come to our stores driven by the assortment, which I mentioned earlier, which is your FMCG staples, fresh, etcetera. And there are also drivers of regular consumption and footfall.

In Spencer's, we have liquor, which is also in West Bengal, a part of our mix. It is about, I would say, in the region of 18% to 20% mix depending on the season. There is a bit of seasonality involved. So clearly, I mean, those are the key categories for us. They also allow us to manage and deliver margins.

I mean, 19% margin with a mix which has around 15% or lower of general merchandise and apparel, I think, is a very good delivery of margins. Going forward, our approach on assortment would be to really tighten some of the assortment. And then over the years, we stood for a very wide assortment. I think what we need to kind of optimize is the breadth of the assortment and maybe optimize a little bit of that, but really focus on best sellers, focus on certain classes within these categories, which drive very high repeat and loyalty.

So, we want to win in things like staples. If you're in East, we've got to be really standing for the most optimal assortment at the best prices as far as, let's say, rice is concerned. Similarly on fresh, we do stand for not just a wide assortment, also good quality. So, I think these are the things which we will continue to focus on along with what we do in, let's say, FMCG. And that's how we will drive the mix.

We will not -- I mean, we've been very good in terms of delivering percentage margins. But like I said, as we switch to a growth kind of a gear, we will have to also take calls on where we make some of the pricing investments. And therefore, for me, the real yardstick would be to deliver a higher level of RGM.

Percentage margins are not -- you really don't bank the margins, you bank absolute money. So, we will look at where there is an opportunity, where there is elasticity, where with the right desired optimal level of price investment we can drive higher volumes. So, category for us, we deliver almost 17% and you know what the grocery peers deliver at an average level.

So is there a possibility for us to drive higher level of sales with some price investment. So maybe percentage margins take a little bit of correction. But overall, at an RGM level, we grow. So that will be the focus for us, driving top line and driving RGM even if it means that we will have to do some price investments.

And therefore, you will see the percentage gross margin being a bit moderated. That will be the approach as far as Spencer's is concerned. On Natures Basket, again, it's a very -- it's a mix which is driven by food -- we don't have non-food FMCG we don't have the category of...

Aradhana Jain: Sir just on just on Spencer's, what sort of discounting do we provide? Like is there a day of the week where there's a lot of discounting like a Wednesday discount or anything like that for a specific day or like how do we attract more customers to come to our store per se across the days that are there? Like anything that we are running?

Anuj Singh: Yes. So, look, again, we don't want to -- we're not an everyday low price for a consistent price. We do kind of have offers at specific times of the whole month. So typically, on the -- there is a attractive, whether it is ladder pricing or it is about combos or it's about even on certain monthly buy categories.

During the first 10 days buying cycle, we do have promotional offers, which kind of have attractive prices because that's the period when people do a fair bit of pantry loading. Besides that, we do have on Wednesdays, I wouldn't call it discounting, but we have a special focus on our F&V.

So it's called the Wow Wednesday where we have a fresh, higher assortment of fruits and vegetables. And then on the weekends, we do make sure that we have sharper pricing when it comes to certain categories. So that's how we manage it. It's not flat discount right through the month.

We don't do everyday low pricing we do have a bit of highs and lows. We are, like I said, thinking of obviously continuing with this. We don't see any reason why we should change this. And again, all of this is relevant to Spencer's. I'll come to NB later. So, have I answered your question?

Aradhana Jain: Yes.

Anuj Singh: On Nature's Baskets, on the mix, like I said, look, we don't have -- we don't sell non-food FMCG, which is things like health and beauty. So really, the mix is around FMCG, F&V, fruits and vegetables. It's a much higher constituent of fruits and vegetables, both exotic imported and Indian.

So roughly, I mean, I would say between staples, F&V, fish and meat and bakery, that's close to 50% of the business is coming from that. And FMCG food part is another 25%-odd. So -- and then you have dairy and frozen. So we don't have apparel and GM in the mix as far as NBL is concerned.

In India, we have a good assortment of private brands. We have Indian brands, but we also do carry a lot of imported trading lines. That's all part of the whole gourmet proposition, which we do.

Aradhana Jain: And any sort of discounting that we provide in the NBL format or it's broadly full priced?

Anuj Singh: No. So I think, look, there is -- NB is not a format where we do discounting. From time to time, we do have offers, which could be things like pricing on buying two units, etcetera, but it is not a discount platform.

Aradhana Jain: Got it. And in terms of the e-commerce share in NB, that was approximately around 13%, 15% in FY '25, and we had aspired to take it to around 18%, 20% this year. So how is the mix now?

Anuj Singh: You're talking about Spencer's, not NB. NB was not 20%...

Aradhana Jain: E-commerce share.

Anuj Singh: Yes, that you're referring to as the Spencer's share, not in NB.

Aradhana Jain: How much would that be?

Anuj Singh: It's very early single digits. There in Natures Basket, it is more I would say, out of store, which is your phone delivery, which was the highest. The app and the online part has just been built, and I think we will see how we build that up.

Aradhana Jain: Okay. So out of the e-commerce share coming from Spencer's, have you seen any uptick there from the levels that we were in FY'25, given that e-commerce is?

Anuj Singh: So like I mentioned in my commentary, if we look at it, we've had almost 20% growth over quarter one of last year as far as the e-commerce part in Spencer's is concerned, driven by new users, higher orders we reached a level where we are doing close to -- like I mentioned, close to 6,500 orders a day. Definitely, both counts.

Aradhana Jain: Any challenges that we are facing in the Jiffy space? I mean, the express delivery in Jiffy space. Any sort of -- obviously, there will be a lot of competitive intensity that you'll be facing from the quick commerce side. But the sort of operational challenges, are there any -- given that we've recently gotten into this space, how are we dealing with those sort of challenges that are arriving?

Anuj Singh: Yes. So, look, as you rightly said, this is an absolutely high competitive intensity sector. So there are external challenges. But again, we are kind of dealing with it given what our unique positioning in the market is we're targeting our off-line customers. we're looking at categories which work well for us.

From an internal point of view, absolutely, I think operational challenges are at a daily level. Again, it is around, obviously, fleet management, availability of fleet. We do see spikes which happen for all players at the same point of time. So, the last few days in Calcutta is been pouring. And when it pours, people don't go to the stores, people end up ordering.

So, you see a high surge. And again, the challenges happen around both sourcing of and availability of fleet, but also to have the capability to deliver it within time. But I would say that, look, these are operational problems, and these are good problems to have. I'm -- the organization is happy to deal with these problems on a day-to-day basis.

If we can get to 10,000 orders a day and that creates a certain level of internal challenges and kind of intensity, that's a good problem for us to have. And these are also problems which are solvable. Now some of these problems, of course, end up for us kind of costing because then you have -- when you have high surge, you have to give incentives to the fleet.

You can partially offset it with some surge fees, but we are not a big believer in charging surge fees, etcetera. So yes, I mean, I think these are all challenges which come up in day-to-day operations, but nothing of the magnitude that which cannot be handled.

I think that's how we are building a robust operations team, which is able to address all of this because like I mentioned, the capability is for us to do fulfilment from now 50-odd stores and the capacity is there to service 10,000 orders. You always keep having those challenges, but I think they're all addressable. And we are doing that on a daily basis.

Aradhana Jain: Got it. Just last two questions from my end. One, I wanted to understand the store -- the mix -- region-wise store mix for Spencer's, which is Calcutta, Banaras, Lucknow, UP, what sort of revenue mix is there?

And second question is the margins. Do we expect that the margins that -- the improvement that the margins have happened across both Spencer's and Nature's basket to sustain and to improve from these levels as well or would it be sustained at these levels? Just these last two questions?

Anuj Singh: Yes. So, I'll start with the margin question. I think look, the margin for me, like I said is, look, the idea is not to keep enhancing the margin. I think at 19% margin, it's, I would say, if I may dare use the word best-in-class as far as grocery retail is concerned. And again, the objective is not to increase percentage margin.

The objective is to increase your rupee gross margin, which is a product of your sales and your gross margin. So, I'd much rather be in a situation where I'm able to drive sales by double digit even with a 50 basis point moderation in margin because that will lead to a higher RGM, which will lead to a higher EBITDA. That's the quest.

So, we will not either give a guidance or drive expansion of margins. We need to drive expansion of RGM. And this is for both Spencer's as far as -- and as well as NBL is concerned. NBL at 28%, 29% margin is I would say, is an optimal level of margin. We need to drive a higher level of sales.

SPSF is what we need to drive, and that will drive your sales and then even with a slightly, I would say, moderated level of margin, we will have a much higher RGM. And I think that's the game we are in. On your second question in terms of what's the split between regions. Look, we have – for Spencer's we have I would say 65% of our sales or maybe even 70% of our sales coming from West Bengal and the balance from East UP.

In East UP, we have Lucknow, Banaras, Gorakhpur and Allahabad as our clusters. And the store number for us is we have roughly about 55 stores in West Bengal. And then in Lucknow, we have 18. In Banaras, we have 8 -- sorry, yes, 8 in Banaras, 5 in Gorakhpur and 1 in Allahabad. So that's the split between these two. West Bengal has a higher SPSF and higher productivity in stores. We do sell liquor in West Bengal..

Aradhana Jain: Got it. This was very helpful. Thank you so much and all the best.

Anuj Singh: Thank you.

Moderator: The last question for the day comes from the line of RS Gupta from Fair Value Capital, please go ahead.

RS Gupta: Hi, thanks for taking up the question. Sir, a couple of questions from my side. So, when you refer to the net debt of INR950-odd crores, there has been INR100 crores increase. Can you specify like it is responsible towards the store additions as well as what kind of a capex we have -- we would be incurring towards the Jiffy side, the expense side on Jiffy?

Sandeep Banka: INR100 crores increase. Mr. Gupta, which quarter you are talking about because quarter 4 of last year also, it was almost same.

RS Gupta: So, what kind of cash expense you will be incurring towards Jiffy?

Anuj Singh: Specifically on Jiffy?

RS Gupta: Right.

Anuj Singh: Well, look, like I said, our model is we are not setting up dark stores to do the fulfilment. Our fulfilment is happening from our stores. To that extent, the capex spends would be limited. Of course, there will be opex, which will be spent in terms of the tech stack. Our tech stack is built on a model where there is -- it's a SaaS kind of a module.

So, number of orders go up from x to 3x, your opex will go up. But again, those are all variable costs depending on the scale and which means that if you're going to drive 50% top line growth in certain element of the cost, that cost will also go up. Your variable cost in terms of number of orders going up, which means that the expenses in terms of fulfilment will also go up at an absolute level, but they remain the same.

So, I think those are the kind of expenses which is there. We are not -- like everything else, we're not saying that our e-commerce part of the business will be profitable at a -- not at a -- maybe if you look at contribution margin, one, it could be. But if you look at net profit, no, it will not be because there are costs associated with it.

We are looking at online being a growth driver for us. And therefore, there will be losses in that part of the business, but we don't expect losses in the offline part of the business. And therefore the total cash or fund requirement for the year is to service debt and to kind of have a little bit of losses on the online business. So that is where this thing. Capex like mentioned, we will have capex 8 to 10 stores and I did talk about a number which is closer to INR10 crores to INR12 crores on the capex side.

RS Gupta: Right. With respect to Jiffy alone, like you mentioned, so what time frame we have, like when we expect to achieve EBITDA breakeven in this particular segment because we are seeing a good amount of growth in this segment. So, any pillars which you can provide like when do we plan to reach out to EBITDA breakeven in this segment alone?

Anuj Singh: I think on online, I think EBITDA breakeven for us, it's about getting to a scale. So I think if you can get to 50%, 55% growth over last year, that's the number which you need to get to 10,000 orders a day is what we're looking at. I think the breakeven happens on a much higher scale. So just to give you an example, it would probably be at a level where we are doing about 15,000 to 16,000 orders a day. So I think that's a bit further out.

Right now, it is about driving growth, retaining our customers. We want to have omni channel customers. We want to have the customers who are coming less frequently to our stores. We want them to migrate to our platform because we believe our platform is quite efficient. It's quite user-friendly, it's reliable, and we have consistent delivery.

So I will not give a guidance or a time frame for breakeven on the online part of the business since for me, online is about driving the growth. But on the offline part of the business, we've already given a guideline that full year FY'26, the offline part of the business, the endeavor is to break even at an operational EBITDA.

RS Gupta: Right. And with respect to debt numbers, so what kind of targeted levels we have with respect to this financial year, where we are targeting? And is there any repayment of debt which is there in the near future?

Management: Your query was, I think, around the debt level, I guess.

RS Gupta: Right. So I was just asking what kind of repayment plans we have with respect to debt for this fiscal year?

Management: Just one second.

Sandeep Banka: Around INR140 crores of repayment will be there in this financial year.

RS Gupta: Right. So, at the console level, so we'll be looking at somewhere close to INR800-odd crores by March '26. Is that understanding, correct?

Management: We might have to borrow.

Anuj Singh: Definitely, obviously, we'll have to borrow to do that. So, I would say that it will probably remain at the same level.

RS Gupta: Okay. That's it from my side. Thanks.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to management for closing comments. Thank you and over to you, sir.

Anuj Singh: So I think, look, we've kind of given my opening commentary, I've answered a lot of the questions. So, I think just to summarize by saying that from here on quarter 2, quarter 3, quarter 4 and the rest of the financial year, it's about switching gears from an efficiency-led EBITDA improvement to driving a top line-led EBITDA improvement.

And we do have planned playbook as well as clear levers identified for that, both for the offline part of the business and the online part of the business in both Spencer's as well as Nature's Basket. And with the festive tailwind starting off from the first week of August, we anticipate and we are committed to capitalizing on that and building momentum as far as top line growth is concerned. So that will be it.

Thank you very much for your time and attention and look forward to talking to you again at the end of the quarter 2. Thank you very much.

Moderator: Thank you. On behalf of Batlivala & Karani Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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