

**CMP: INR 58**

**Rating: Buy**

**Target Price: INR 140**

**Stock Info**

BSE	532337
NSE	SPENCERS
Bloomberg	SPENCER:IN
Reuters	SPEN.BO
Sector	Diversified Retail
Face Value (INR)	5
Equity Capital (INR Cr)	45
Mkt Cap (INR Cr)	527
52w H/L (INR)	116/55
Avg Daily Vol (in 000')	422

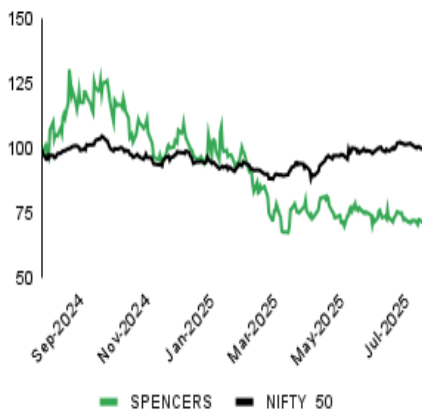
**Shareholding Pattern %**

(As on June ,2025)

Promoters	58.81
Public & Others	41.19

Stock Performance (%)	1m	6m	12m
Spencer's	(9.4)	(32)	(32)
Nifty 50	(3.03)	6.02	(0.97)

**Spencer's Vs Nifty 50**



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Source: Arihant Research, Company Filings

Spencer's Retail reported Q1 FY26 revenue of INR 4,158 million, up 1% QoQ, down 24% YoY. EBITDA rose 119 bps to INR 5 mn, with PBT loss narrowing to INR 62 mn. Offline sales were flat, margins strong at 19.1%. Online sales (Jiffy) grew 20%, hitting 100,000 users and 6,500 daily orders. Nature's Basket showed revenue of INR 69 ml with a small positive EBITDA. Capex is INR 10–12 mn; net debt stands at INR 950 mn with INR 140 mn repayments planned.

**Investment Rationale**

**Shift Toward Revenue Growth and Profitability:** After completing major efficiency initiatives resulting in a 119bps EBITDA rise and lower PBT loss for Q1 FY26, Spencer's Retail is moving its focus from cost-cutting to driving sales growth across both Spencer's and Nature's Basket, in-store and online. This change aims to deliver steady, larger EBITDA gains, with a target of reaching operational break-even at the group level for FY26.

**Robust Growth in Online Segment (Jiffy):** Spencer's digital platform, Jiffy, recorded strong numbers in Q1 FY26—sales rose 20% YoY, users grew 80% YoY, topping 100,000 monthly, and daily order volume increased 41%. Average order size remains high at INR 700+, outperforming quick commerce competitors. Spencer's is pushing for 10,000 daily orders by September, leveraging logistics from 56 stores in several cities.

**Customer Loyalty and Membership Initiatives:** Launched in July, Spencer's new membership scheme charges INR 500/year and offers tiered cashback (3%-6%) based on combined offline/online spending. It saw a swift uptake, with 22,000 sign-ups in July. Nature's Basket's "Allesium" membership, focused on high-value customers, reached 5,000 subscribers within six months.

**Selective and Profitable Store Expansion:** While the company closed 47 stores and withdrew from two regions in Q1 FY26 as part of optimization, it's now building out new, strategically chosen outlets. The single new 6,000sq ft Kolkata store performed well in its first two months; plans are in place to add 8-10 more in established clusters. Nature's Basket reopened two stores in premium locations with positive initial results.

**Outlook and Valuation**

Spencer's Retail is strategically shifting focus to aggressive topline growth across all formats. The company plans to add 8-10 profitable new stores primarily in West Bengal and UP clusters, while driving significant online sales growth through Jiffy. With the festive season as a key tailwind and new membership programs, Q2 and Q3 are crucial for momentum. This concerted effort aims to deliver consistent EBITDA improvement and achieve operational break-even at a consolidated level for the full FY26. **We maintain our "BUY" rating and value Spencer's Retail by SOTP with a target price of INR 140.**

Year-end March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin (%)	IND-As EBITDA Margin	EV/EBITDA	EV/ Sales
FY24	23,450	-116	-2,662	-29.5	-0.5%	4.5%	-110.1	0.5
FY25	19,952	-433	-2,464	-27.3	-2.2%	2.8%	-34.4	0.7
FY26E	21,321	532	-1,660	-18.4	2.5%	7.5%	35.9	0.9
FY27E	25,922	949	-1,161	-12.9	3.7%	8.7%	20.6	0.8

## Exhibit 2: Q1FY26 - Quarterly Performance (Consolidated)

INR Mn (Consolidated)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>4158.38</b>	<b>4118.74</b>	<b>5483.21</b>	<b>0.96%</b>	<b>-24.16%</b>
Raw Material Costs	3292.06	3334.48	4359.45	-1.27%	-24.48%
Gross Profit	866.33	784.26	1123.76	10.46%	-22.91%
<i>Gross Margin</i>	<i>20.83%</i>	<i>19.04%</i>	<i>20.49%</i>	<i>179bps</i>	<i>34bps</i>
Employee costs	314.41	335.52	445.72	-6.29%	-29.46%
Other Expenses	618.64	563.24	664.98	9.84%	-6.97%
<b>EBITDA</b>	<b>-66.73</b>	<b>-114.50</b>	<b>13.07</b>	<b>-41.72%</b>	<b>-610.62%</b>
<i>EBITDA margin</i>	<i>-1.60%</i>	<i>-2.78%</i>	<i>0.24%</i>	<i>118bps</i>	<i>-184bps</i>
Other Non-Operating Income	114.08	112.58	281.74	1.33%	-59.51%
Depreciation	263.08	272.23	302.05	-3.36%	-12.90%
<b>EBIT</b>	<b>-215.73</b>	<b>-274.15</b>	<b>-7.24</b>	<b>-21.31%</b>	<b>2878.82%</b>
Finance costs	400.96	410.53	427.70	-2.33%	-6.25%
<b>PBT</b>	<b>-616.68</b>	<b>-684.68</b>	<b>-434.946</b>	<b>-9.93%</b>	<b>41.78%</b>
Tax Expense	-0.58	-0.63	-0.63	-7.19%	-7.04%
<i>Effective tax rate</i>	<i>0.09%</i>	<i>0.09%</i>	<i>0.14%</i>	<i>0bps</i>	<i>-5bps</i>
<b>PAT</b>	<b>-616</b>	<b>-684.05</b>	<b>-434.321</b>	<b>-9.93%</b>	<b>41.85%</b>
<i>PAT margin</i>	<i>-14.82%</i>	<i>-16.61%</i>	<i>-7.92%</i>	<i>179bps</i>	<i>-690bps</i>
<b>EPS (INR)</b>	<b>-6.84</b>	<b>-7.59</b>	<b>-4.82</b>	<b>-9.88%</b>	<b>41.91%</b>

## Key Highlights (Q1FY26)

- Offline sales were flat in ongoing regions due to supply issues and staple deflation. Margins remained strong at 19.1%. Operating costs fell to INR 600 million from INR 620 million last quarter. EBITDA rose to INR 80 million from INR 10 million in Q1 last year.
- Jiffy (online business) sales grew 20% YoY, with the user base surpassing 100,000. Orders increased 41% to 6,500 daily, with average order value above INR 700. Fulfillment expanded to 56 stores; over 90% stock availability and 80%+ on-time deliveries within 31 minutes via 3PL.
- Nature's Basket revenue increased to INR 690 million (from INR 610 million). Margins improved to 28.2%. EBITDA turned positive at INR 10 million versus a loss of INR 50 million prior. Two loss-making stores closed; the gourmet app relaunched with express delivery.
- Focus is on increasing sales and gross margins in both offline and online channels. Percentage margins may slightly dip to boost volumes through strategic pricing, especially in staples.
- Q2 is critical with festive season demand. Initiatives include expanding memberships, adding new stores, and optimizing the supply chain.
- FY26 capex is planned at INR 100–120 million for store openings and tech upgrades. Net debt stood at INR 9,500 million as of June 30, with INR 1,400 million repayments expected; overall debt to remain stable.
- The online segment is not expected to be profitable soon and requires scale-up to about 15,000–16,000 daily orders to break even.

## Key financials

Income statement (INR mn)					
Year End-March	FY23	FY24	FY25	FY26E	FY27E
Gross Sales	24,526	23,450	19,952	21,321	25,922
<b>Net Sales</b>	<b>24,526</b>	<b>23,450</b>	<b>19,952</b>	<b>21,321</b>	<b>25,922</b>
YoY (%)	6.6%	-4.4%	-14.9%	6.9%	21.6%
<b>Adjusted COGS</b>	<b>19,597</b>	<b>18,724</b>	<b>16,048</b>	<b>16,683</b>	<b>20,207</b>
YoY (%)	7.5%	-4.5%	-14.3%	4.0%	21.1%
<b>Personnel/ Employee benefit expenses</b>	<b>1,986</b>	<b>2,011</b>	<b>1,599</b>	<b>1,379</b>	<b>1,592</b>
YoY (%)	5.2%	1.3%	-20.5%	-13.7%	15.4%
<i>Manufacturing &amp; Other Expenses</i>	<i>2,907</i>	<i>2,832</i>	<i>2,738</i>	<i>2,727</i>	<i>3,174</i>
YoY (%)	10.0%	-2.6%	-3.3%	-0.4%	16.4%
<b>Total Expenditure</b>					
YoY (%)	<b>24,490</b>	<b>23,567</b>	<b>20,385</b>	<b>20,789</b>	<b>24,973</b>
<b>EBITDA</b>	<b>-85.0%</b>	<b>-425.8%</b>	<b>271.5%</b>	<b>-222.9%</b>	<b>78.6%</b>
YoY (%)	<b>36</b>	<b>-116</b>	<b>-433</b>	<b>532</b>	<b>949</b>
<b>EBITDA Margin (%)</b>	<b>-85.0%</b>	<b>-425.8%</b>	<b>271.5%</b>	<b>-222.9%</b>	<b>78.6%</b>
<b>IND-As EBITDA</b>	<b>0.15%</b>	<b>-0.50%</b>	<b>-2.17%</b>	<b>2.49%</b>	<b>3.66%</b>
<b>IND-As EBITDA Margin</b>	<b>1,262</b>	<b>1,056</b>	<b>565</b>	<b>1,598</b>	<b>2,245</b>
Depreciation	5.15%	4.50%	2.83%	7.49%	8.66%
% of Gross Block	1,317	1,325	1,426	1,454	1,493
<b>EBIT</b>	<b>21.4%</b>	<b>24.1%</b>	<b>23.5%</b>	<b>21.7%</b>	<b>20.0%</b>
<b>EBIT Margin (%)</b>	<b>-1,282</b>	<b>-1,441</b>	<b>-1,858</b>	<b>-922</b>	<b>-544</b>
Interest Expenses	-5.23%	-6.15%	-9.31%	-4.32%	-2.10%
Non-operating/ Other income	1,152	1,480	1,643	1,725	1,797
<b>PBT</b>	<b>326</b>	<b>256</b>	<b>1,035</b>	<b>987</b>	<b>1,180</b>
Tax-Total	<b>-2,108</b>	<b>-2,665</b>	<b>-2,466</b>	<b>-1,660</b>	<b>-1,161</b>
<b>Adj. Net Profit</b>	<b>-4</b>	<b>-4</b>	<b>-3</b>	<b>0</b>	<b>0</b>
<b>Reported Profit</b>	<b>-2,104</b>	<b>-2,662</b>	<b>-2,464</b>	<b>-1,660</b>	<b>-1,161</b>
<b>PAT Margin</b>	<b>-2,104</b>	<b>-2,662</b>	<b>-2,464</b>	<b>-1,660</b>	<b>-1,161</b>
Balance sheet (INR Mn)					
Year-end March	FY23	FY24	FY25	FY26E	FY27E
<b>Sources of Funds</b>					
Equity Share Capital	451	451	451	451	451
Reserves & Surplus/ Other Equity	-1,955	-4,609	-7,067	-8,727	-9,888
<b>Networth</b>	<b>-1,505</b>	<b>-4,158</b>	<b>-6,616</b>	<b>-8,276</b>	<b>-9,437</b>
Unsecured Loans/ Borrowings/ Lease Liabilities	13,406	16,216	15,715	17,343	18,668
Other Liabilities	378	373	350	378	410
<b>Total Liabilities</b>	<b>16,294</b>	<b>16,959</b>	<b>13,095</b>	<b>13,368</b>	<b>13,975</b>
<b>Total Funds Employed</b>	<b>23,374</b>	<b>22,554</b>	<b>16,246</b>	<b>15,412</b>	<b>15,556</b>
<b>Application of Funds</b>					
<b>Net Fixed Assets</b>	<b>-80</b>	<b>-21</b>	<b>-9</b>	<b>0</b>	<b>0</b>
Capital WIP	21	9	0	0	0
Investments/ Notes/ Fair value measurement	738	559	426	285	191
<b>Current assets</b>	<b>3,640</b>	<b>3,736</b>	<b>2,517</b>	<b>78</b>	<b>762</b>
Inventory	2,645	2,659	1,700	2,854	3,470
Days	49	49	49	49	49
Debtors	198	253	183	254	307
Days	3	5	5	4	4
Other Current Assets	400	418	350	420	462
Cash and Cash equivalent	132	315	217	-2,602	-3,046
<b>Current Liabilities/Provisions</b>	<b>8,585</b>	<b>9,753</b>	<b>9,767</b>	<b>10,319</b>	<b>11,018</b>
Creditors / Trade Payables	3,436	3,846	3,170	3,429	3,819
Days	50	51	61	57	54
Liabilities	483	596	396	410	426
<b>Net Current Assets</b>	<b>-4,946</b>	<b>-6,017</b>	<b>-7,250</b>	<b>-10,242</b>	<b>-10,256</b>
<b>Total Asset</b>	<b>16,294</b>	<b>16,959</b>	<b>13,095</b>	<b>13,368</b>	<b>13,975</b>
<b>Total Capital Employed</b>	<b>21,239</b>	<b>22,976</b>	<b>20,345</b>	<b>23,610</b>	<b>24,232</b>

## Key financials

Cash Flow Statement (INR Mn)					
Year End-March	FY23	FY24	FY25	FY26E	FY27E
<b>Profit before tax</b>	<b>-2,104</b>	<b>-2,662</b>	<b>-2,464</b>	<b>-1,660</b>	<b>-1,161</b>
<b>Adjustments: Add</b>					
Depreciation and amortisation	1,317	1,325	1,426	1,454	1,493
Interest adjustment	826	1,224	608	738	617
<b>Change in assets and liabilities</b>	<b>40</b>	<b>-113</b>	<b>-430</b>	<b>532</b>	<b>949</b>
Inventories	-41	-14	960	-1,155	-616
Trade receivables	69	-55	70	-71	-53
Trade payables	102	410	-676	259	391
Other Liabilities and provisions	1,186	1,018	786	289	304
Other Assets	-68	-43	84	-75	-48
Taxes	131	-4	8	0	0
<b>Net cash from operating activities</b>	<b>1,419</b>	<b>1,200</b>	<b>802</b>	<b>-221</b>	<b>927</b>
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-2,089	-2,106	1,163	-4,278	-1,481
Net Sale/(Purchase) of investments	324	637	1,169	1,128	1,274
Others	33	33	-88	-28	-30
<b>Net cash (used) in investing activities</b>	<b>-1,731</b>	<b>-1,435</b>	<b>2,243</b>	<b>-3,179</b>	<b>-236</b>
Interest expense	327	414	-3,157	-340	-723
Other financing activities	-19	8	0	0	0
<b>Net cash (used) in financing activities</b>	<b>308</b>	<b>422</b>	<b>-3,157</b>	<b>-340</b>	<b>-723</b>
<b>Closing Balance</b>	<b>176</b>	<b>363</b>	<b>252</b>	<b>-3,483</b>	<b>-3,516</b>

Key Ratios					
Year-end March	FY23	FY24	FY25	FY26E	FY27E
<b>Solvency Ratios</b>					
Debt / Equity	NA	NA	NA	NA	NA
Net Debt / Equity	NA	NA	NA	NA	NA
Debt / EBITDA	151.47	-62.94	-21.41	18.30	10.76
Current Ratio	146.54	-59.82	-20.82	24.85	14.46
<b>DuPont Analysis</b>					
Sales/Assets	1.51	1.38	1.52	1.59	1.85
Assets/Equity	NA	NA	NA	NA	NA
RoE	NA	NA	NA	NA	NA
<b>Per share ratios</b>					
Reported EPS	-23.34	-29.53	-27.33	-18.42	-12.88
BV per share	-16.69	-46.14	-73.40	-91.82	-104.71
Cash per Share	1.46	3.49	2.41	-28.87	-33.79
Revenue per Share	272.11	260.18	221.36	236.55	287.61
<b>Profitability ratios</b>					
Net Profit Margin (PAT/Net sales)	-5.28%	-8.58%	-11.35%	-12.35%	-7.79%
Gross Profit / Net Sales	20.10%	20.15%	19.57%	21.75%	22.05%
EBITDA / Net Sales	0.15%	-0.50%	-2.17%	2.49%	3.66%
EBIT / Net Sales	-5.23%	-6.15%	-9.31%	-4.32%	-2.10%
ROCE (%)	-16.63%	-20.00%	-55.83%	-30.24%	-18.40%
<b>Activity ratios</b>					
Inventory Days	48.89	48.88	48.73	48.86	48.86
Debtor Days	3.45	5.12	4.72	4.35	4.32
Creditor Days	50.36	51.29	60.83	57.03	54.48
<b>Leverage ratios</b>					
Interest coverage	-1.11	-0.97	-1.13	-0.53	-0.30
Debt / Asset	0.33	0.43	0.71	0.73	0.73
<b>Valuation ratios</b>					
EV / EBITDA	310.41	-110.13	-34.36	35.87	20.64
EV / Sales	0.45	0.55	0.75	0.89	0.76

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**Stock Rating Scale**

**Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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