

**CMP: INR 65**

**Rating: Buy**

**Target Price: INR 151**

**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)	584
52w H/L (INR)	55/116
Avg Daily Vol (in 000')	447

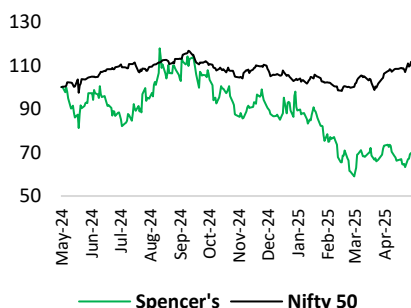
**Shareholding Pattern %**

(As on Mar, 2025)

Promoters	58.81
Public & Others	41.19

Stock Performance (%)	1m	6m	12m
Spencer's	(7.7)	(21.5)	(30.5)
Nifty 50	3.71	6.68	11.1

**Spencer's Vs Nifty 50**



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Source: Arihant Research, Company Filings

Spencer Retail reported its Q4FY25 results with revenue at INR 4,120 Mn, down 24.7% YoY and 20.3% QoQ, missing our estimate of INR 4,510 Mn. Gross profit stood at INR 780 Mn, declining 27% YoY and 29% QoQ, below our expectation of INR 897 Mn. Gross margins came in at 19%, down from 21.3% in Q3FY25 and 19.5% in Q4FY24, in line with our estimate of 19.42%. The company reported a loss of INR 680 Mn, wider than our estimated loss of INR 220 Mn. The drop in revenue was primarily driven by the closure of 47 stores in Q2FY25. Nature's Basket posted a soft quarter, with sales declining 13% YoY, and weak sales per square foot.

**Investment Rationale**

**FY25's story:** Spencer's reported a 400% YoY increase in consolidated EBITDA to INR 60 Cr (vs INR 14 Cr in FY24), supported by strategic cost optimization and regional rationalization. However, consolidated revenues declined 15% YoY, reflecting the closure of non-core geographies.

**Spencer's Core Retail:** Q4FY25 revenues stood at INR 351 Cr, down 26% YoY, impacted by regional exits. Nonetheless, the business turned EBITDA-positive at INR 9.8 Cr (vs a loss of INR 7.7 Cr in Q4FY24), driven by INR 76 Cr in cost savings through operational efficiencies and headcount rationalization.

**Nature's Basket:** Q4 performance was weak, with revenues down 13% YoY to INR 70 Cr and EBITDA turning negative at INR 4.6 Cr (vs INR 0.2 Cr profit in Q4FY24), due to supply chain challenges. FY25 revenues were flat at INR 294 Cr, while EBITDA improved to INR 18.9 Cr (vs INR 13.6 Cr in FY24), aided by operating leverage despite pressure on margins from SPSF softness and new store-related opex.

**Digital (JIFFY):** Launched in January 2025 in Kolkata, JIFFY showed promising early traction — user base grew 58% YoY, orders grew 47%, and average order value stood at INR 760, ~1.5x that of q-commerce peers. Order conversion exceeded 25%, and the app maintains a strong 4.3+ rating on the Play Store. FY26 expansion is planned in Lucknow and Banaras, with a target of scaling to 10,000 daily orders (~300K monthly).

**Outlook and Valuation**

Spencer's Retail delivered a notable operational turnaround in FY25, achieving EBITDA breakeven at the core retail level and demonstrating early success in its digital foray. While revenue growth remains subdued due to the ongoing store rationalization, a structurally leaner cost base and improving contribution from digital initiatives provide visibility on a more sustainable operating model. Management is targeting consolidated operational EBITDA breakeven for both Spencer's and Nature's Basket in FY26, with mid-single-digit revenue growth guided. Digital channels are expected to scale meaningfully, with contribution rising to ~20% of revenues from the current 13–14%. The company also launched a “vernacular plus English” campaign to strengthen brand visibility and reach for its quick-commerce platform, JIFFY. **We maintain our “BUY” rating and value Spencer's Retail by SOTP with a target price of INR 151.**

**Exhibit 1: Financial Performance**

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: Q4FY25 - Quarterly Performance (Consolidated)

Consolidated (INR Mn)	Q4FY25	Q3FY25	Q4FY24	QoQ%	YoY%
<b>Net sales</b>	<b>4118.7</b>	<b>5169.7</b>	<b>5467.9</b>	<b>-20.3%</b>	<b>-24.7%</b>
COGS	3334.5	4069.9	4400.3	-18.1%	-24.2%
<b>GP</b>	<b>784.3</b>	<b>1099.8</b>	<b>1067.6</b>	-28.7%	-26.5%
<b>GP Margin (%)</b>	<b>19.04%</b>	<b>21.27%</b>	<b>19.53%</b>	-223.29	-48.39
Employees benefits expense	335.5	322.7	506.0	<b>4.0%</b>	<b>-33.7%</b>
Other expenses	563.2	659.1	682.4	-14.5%	-17.5%
<b>EBITDA</b>	<b>-114.5</b>	<b>118.0</b>	<b>-120.8</b>	-197.0%	-5.2%
<b>EBITDA (Margin%)</b>	<b>-2.78%</b>	<b>2.28%</b>	<b>-2.21%</b>	-506.28	-57.07
Depreciation and amortisation exp	272.2	215.6	319.1	26.3%	-14.7%
<b>EBIT</b>	<b>-386.7</b>	<b>-97.5</b>	<b>-439.9</b>	<b>296.5%</b>	<b>-12.1%</b>
<b>EBIT margin (%)</b>	<b>-9.4%</b>	<b>-1.9%</b>	<b>-8.0%</b>	-750.30	-134.42
Other Income	112.6	<b>30.7</b>	<b>43.6</b>	266.8%	158.4%
Finance Cost	410.5	<b>407.2</b>	<b>411.4</b>	0.8%	-0.2%
<b>PBT</b>	<b>-684.7</b>	<b>-474.0</b>	<b>-807.8</b>	<b>-44.4%</b>	<b>15.2%</b>
Tax	-0.6	-0.6	-0.9	0.2%	-29.3%
<b>Reported PAT</b>	<b>-684.1</b>	<b>-473.4</b>	<b>-806.9</b>	<b>-44.5%</b>	<b>15.2%</b>
<b>PAT Margin (%)</b>	<b>-16.6%</b>	<b>-9.2%</b>	<b>-14.8%</b>	-745.07	-185.11

## Key Highlights (Q4FY25)

- Successful reset of the cost base has driven material margin expansion despite topline pressure.
- Core operations are now structurally leaner and more focused on profitable clusters.
- Digital initiatives are scaling, with JIFFY gaining early traction and set to expand geographically.
- EBITDA contribution now stands at ~3% of sales.
- FY25 PBT remained negative at INR 247 Cr, reflecting continued drag from fixed cost absorption and underperforming units.
- Ongoing store rationalization may constrain near-term revenue growth.
- Nature's Basket had a soft Q4, and margin pressures could persist.
- The digital business, while promising, remains nascent compared to scaled D2C and q-commerce players.
- Store closures have improved the cost structure and sharpened geographic focus.
- Selective store additions planned in FY26: 3–4 stores each in Kolkata and Lucknow, with a profitability target within six months.
- Nature's Basket to prioritize supply chain stabilization and margin recovery.
- Net debt stands elevated at INR 858 Cr, limiting near-term growth flexibility.
- A significant portion of long-term debt is due in FY26.
- Management is evaluating equity raise options to ease leverage pressures.
- They currently have about 89 operational stores of Spencer's.
- For Nature's Basket: They currently have 32 stores, and 2 stores that were shut last year for renovation will reopen, bringing the total to 34 stores.

## 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%
<b>Manufacturing &amp; Other Expenses</b>	<b>2,907</b>	<b>2,832</b>	<b>2,738</b>	<b>2,727</b>	<b>3,174</b>
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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