Spencers Retail Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Avoid The company is technically insolvent with a negative net worth of **-₹913 Cr** and remains entirely dependent on promoter-backed credit to sustain operations amid a material going-concern uncertainty.

Key findings

Must know * [-] The auditor reports a material uncertainty regarding the company's ability to continue as a going concern given that current liabilities exceed current assets by **₹895.93 Cr**. * [-] Net worth is negative at **-₹913 Cr**, leaving the equity base fully eroded and providing no buffer for sustained operating losses. * [-] Operating profit covers interest obligations only **-0.63 times**, signaling a structural inability to service high debt costs from core retail earnings. * [-] The Group breached financial ratios in its bank loan agreements, creating high refinancing risk for **₹992.53 Cr** of debt and leases due within one year. * [-] Solvency depends on the RP-Sanjiv Goenka Group providing **₹131.25 Cr** in letters of comfort to secure critical bank credit facilities. * [-] Liquidity-driven supplier distress is likely as trade payables overdue by more than one year reached **₹85.67 Cr**, representing 28.6% of total payables.

Business * [~] Organised retail revenue contracted **9.78%** as the company rationalized its footprint by exiting 47 underperforming stores to lower fixed costs. * [+] JIFFY quick-commerce orders reached **235K+** monthly, using a store-led fulfillment model to expand digital urban reach without heavy infrastructure spend. * [+] My Spencer's Rewards members now contribute over **20%** of total sales, providing a base for relationship-led marketing and tiered pricing.

Financial picture * [-] Cash from operations fell to **-₹60.22 Cr** as a ₹51 Cr working-capital drag reversed the prior year's inventory liquidation gains. * [-] Contingent liabilities of **₹58.86 Cr** from claims not acknowledged as debt pose a significant further threat to the already eroded equity base.

Governance * [-] Audit trail edit logs were not enabled at the database level for SAP and POS software, which the auditor flagged as a data integrity risk. * [-] Management remuneration of **₹7.31 Cr** was paid despite the company reporting a negative operating EBITDA of -₹11 Cr.

What to watch

Monitorable	Current level	Level that changes view
Consolidated Net Worth	-₹913 Cr	Above ₹0 Cr
Interest Coverage Ratio	-0.63x	Above 1.0x
Trade payables overdue > 1 year	₹85.67 Cr	Below ₹20 Cr
Net Cash from Operating Activities	-₹60.22 Cr	Above ₹0 Cr
Monthly JIFFY Orders	235K+	Below 150K

1. Business

1.1 What it sells, to whom

- **What it sells:** Fresh produce, groceries, staples, liquor, apparel, and gourmet foods. It operates through the value-focused Spencer's and premium Nature's Basket formats.

- **To whom:** Urban retail consumers in India, specifically in core clusters of West Bengal and Uttar Pradesh, and quick-commerce users through the JIFFY platform.
- **How it earns:** Retail margins (price x volume) from physical stores and omnichannel sales, supplemented by membership-led tiered pricing.

1.2 Segment performance

Segment	FY25 (□ Cr)	FY26 (□ Cr)	YoY	Share change (pp)	Margin	What drove it
Organised retail	1,995.20	1,800.00	-9.78%	0	-13.86%	Store rationalization and consumption moderation
Total	**1,995.20**	**1,800.00**	**-9.78%**	**0**	**-13.86%**	**Consolidated revenue contraction**

Forward visibility: It is not disclosed.

Organised retail

- **Capacity:** 120 stores (89 Spencer's, 31 Nature's Basket) covering a total trading area of 8.73 Lakh sq. ft.
- **Visibility:** Not disclosed.
- **Cost driver:** Inventory procurement costs and landed cost of materials.
- **Change:** Scaled the JIFFY quick-commerce platform to 235K+ monthly orders and expanded the My Spencer's Rewards ecosystem.

1.3 Operating measures

Measure	FY25	FY26	Unit
Stores (Organised retail)	Not disclosed	120	Stores
Trading area (Organised retail)	—	8.73 Lakh sq. ft.	Sq. ft.
My Spencer's Rewards Sales Contribution (Organised retail)	—	□314 Cr	INR
Monthly Jiffy Orders (Organised retail)	—	235K+	Orders
Contribution to Sales from Members (Organised retail)	—	20%+	%

Not disclosed: same-store sales growth; revenue per sq ft; store additions and closures. * Revenue fell year-over-year as the company exited 47 underperforming stores, but membership-led sales now contribute over 20% of total turnover. * Inventory efficiency improved with standalone turnover days dropping from 38.45 to 34.47, reflecting aggressive stock liquidation to manage liquidity.

1.4 What the company is building

Initiative	Type	Size	Timing / status	What it changes
Store Rationalization	Divestment	47 stores	Completed	Exiting loss-making markets to lower fixed costs
JIFFY Quick Commerce	Expansion	235K+ monthly orders	Ongoing	Leveraging store-led fulfillment for 30-minute urban delivery
My Spencer's Rewards 2.0	New venture	97K+ members added	Ongoing	Transitioning to relationship-led marketing and tiered pricing
Special Window for Securities	Capital restructuring	Not quantified	Feb 2026–Feb 2027	Facilitating dematerialization of physical shares
Fractional Share Settlement	Capital restructuring	□0.01 Cr	Completed	Clearing legacy demerger proceeds transferred to IEPF

1.5 Cost base

Cost line	□Cr	Share of total cost	YoY	What drives it
Finance costs	169.03	8.16%	2.87%	Borrowing rates and lease liability interest
Depreciation	95.69	4.62%	-32.88%	Shrinking store footprint and asset disposals
Audit Fees	1.39	0.07%	Not disclosed	Statutory compliance for parent and subsidiaries

Sensitivity not disclosed.

1.6 Competitive position

- Market share has slipped as consolidated revenue declined in a year when the broader Indian retail market grew 9%.
- The source of advantage is a "food-first" multi-format presence in high-recall clusters and structural credit support from the RP-Sanjiv Goenka Group.
- Competitive threats are intensifying from digital-first quick-commerce platforms and discount-led organized retailers.

1.7 What must stay true

- **Promoter Support:** The business remains a going concern only if the RP-Sanjiv Goenka Group continues providing Letters of Comfort (□131.25 Cr) to back its credit facilities (carried from last year).
- **Lender Condonation:** Banks must continue to waive financial ratio breaches on □926 Cr of debt to prevent immediate recall of loans (carried from last year).
- **Intangible Valuation:** Brands and Goodwill must maintain their □332 Cr valuation; any impairment would further collapse the negative consolidated net worth.
- **Technical Insolvency Tolerance:** The company depends on stakeholders accepting a "shrinking to survive" strategy while the equity remains fully eroded (carried from last year).

2. Management's view

2.1 Outlook on the business

Area	What management says	Number or date given	Horizon
Demand	"Resilient" domestic demand driven by "urbanisation" and "rising incomes."	7.6% GDP growth	FY26
Pricing	"Sharper pricing interventions" to strengthen food-first positioning.	—	Ongoing
Organised Retail	"Reset" complete; focusing on "disciplined execution" in core regions.	120 stores	Current
Margins	Supported by "assortment optimisation" and "sourcing efficiencies."	19%	Current
Growth Targets	Pursuing "sustainable growth" through "omnichannel integration."	—	Medium-term
Capex	Deployment will remain "selective and return-focused."	—	Ongoing
Balance Sheet	Focused on "operating discipline" and "tighter control."	—	Current
Guidance	"Path to breakeven" through improved "operating leverage."	—	None given

Backdrop: Indian GDP growth of 7.6% reinforces resilience against global moderation (3.1%) and commodity price volatility.

2.2 Plans and expansion

- Scale the "My Spencer’s Rewards" ecosystem to drive "Members Save Everytime" pricing; funded through internal cash flows to improve "shopping frequency" and "wallet share."
- Accelerate "JIFFY" quick-commerce via a store-led fulfilment model to avoid "heavy infrastructure" costs; expansion is cluster-led and depends on urban "customer density."
- Strengthen "Nature’s Basket" premium positioning through "curated gourmet experiences"; expansion is selective and depends on navigating "import dynamics" and "supply chain volatility."
- Issue securities up to □300 Cr to bolster the "operating foundation"; shareholder approval was obtained via special resolution at the August 2024 AGM.

2.3 Risks and challenges management names

Risk (management's words)	Mitigation stated	Where it shows in the numbers
"Intensifying Competition"	Focus on "food-first orientation" and "omnichannel integration."	Revenue fell 9.78% to □1,799.99 Cr.
"Margin Pressures"	"Disciplined sourcing" and "inventory planning."	Consolidated EBITDA margin at 0.84%.
"Operational and Supply Chain Risks"	Strengthening "replenishment systems" and "shrinkage control."	Inventory turnover improved to 34.47 days.
"Rising finance costs"	"Structural interventions" to improve "operating leverage."	Interest Coverage Ratio at 0.00.

2.4 Tone

Cautiously optimistic -- Management signals a shift from "structural corrections" to "reigniting growth," though acknowledges the "challenging retail environment" and continued losses.

"The foundation built over the past two years has strengthened our resilience, sharpened our focus, and prepared Spencer’s for its next phase of disciplined and sustainable growth."

"The transition from reset to growth is underway: measured, deliberate, and execution-led."

The tone has shifted from **Defensive** to Cautiously optimistic as management emphasizes "momentum" and "recovery" over the prior year’s focus on "survival."

3. Financial picture

3.0 What looks out of line

What it could mean	What would confirm or disprove it	Likelihood
Liquidity-driven supplier distress	Evidence of legal notices from creditors or a spike in legal/consultancy fees for dispute resolution.	Likely
Inventory obsolescence or channel stuffing	A significant inventory write-down in FY27 or a spike in "sales returns" disclosures.	Possible
Asset valuation inflation	An independent impairment test results or a downward revision of future cash flow projections in MD&A.	Possible
Solvency dependency on promoters	Withdrawal of support from RPSG Ventures or a failure to refinance ₹992.53 Cr of current maturities.	Likely

The audit trail (edit log) feature was not enabled at the database level for SAP and POS software, creating a risk to data integrity.

3.1 Is it making money, and is the profit real?

The company is structurally loss-making, with operational improvements from store closures entirely offset by a massive interest burden.

- Operating loss narrowed from -₹43 Cr to -₹11 Cr, driven by ₹156 Cr lower material costs and the exit of 47 loss-making stores (transitional).
- Reported profit is non-existent; the ₹249 Cr net loss is driven by structural finance costs (₹169 Cr) that now consume 9.4% of total revenue.
- Negative ROCE of -8% fails the 6.5% risk-free benchmark, while the auditor’s "going concern" warning confirms the business cannot sustain its capital structure without external support.

What moved operating profit (FY25 -₹43 Cr to FY26 -₹11 Cr, +₹32 Cr): lower revenue -₹195 Cr, lower materials +₹156 Cr, lower employee cost +₹34 Cr, lower other operating costs +₹27 Cr. **Where the profit came from (FY26):** pre-tax loss of ₹250 Cr = a core operating loss of ₹11 Cr, plus recurring other income ₹26 Cr, less interest ₹169 Cr, less depreciation ₹96 Cr.

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To break even at the operating line the company needs ₹11 Cr: a 0.6% cut in operating costs (₹1,811 Cr), or, with costs unchanged, 0.6% more revenue. Both are upper bounds on difficulty: costs are rarely fully fixed, and revenue rarely arrives at zero marginal cost.

Five-year record

Metric	5-yr mean	FY25	FY26	Low ‹ band › high	Vs trend	Why it moved	Durable?
Revenue growth %	-4.23	-14.93	-9.77	-14.93 `[--#--○-----]` 6.65	**Worse than trend**	Store rationalization and consumption moderation	Structural
EBITDA margin %	-0.32	-2.16	-0.61	-2.16 `[-----#○----]` 1.09	**Worse than trend**	Exit of 47 loss-making stores	Structural
PAT margin %	-9.37	-12.33	-13.83	-12.33 `#[---○-----]` -5.26	**Worse than trend** (worst in window)	Fixed finance costs on a shrinking revenue base	Structural
ROCE %	-7.5	-10	-8	-10 `[--#○-------]` -2	**In line with trend**	Store rationalization reducing the capital base	—

What the checks found

Is the growth real? Flag · Is the P&L being manufactured? Watch

Check	FY25	FY26	Status	What it means
Audit trail (edit log) not enabled at database level	—	Not disclosed	Flag · high impact	Auditor reports that the edit log feature for SAP and POS software is not enabled at the database level, creating a risk to data integrity.
Depreciation policy / useful-life change	₹142.56 Cr	₹95.68 Cr	Watch · medium impact	Depreciation expense dropped by ₹46.88 Cr because the prior year (FY25) took 'accelerated depreciation' on stores identified for closure.
Receivables growth vs sales growth	₹18.26 Cr	₹24.93 Cr	Watch · low impact	Receivables grew while revenue fell 9.8% (₹1,995 Cr to ₹1,800 Cr).
Non-operating / other income as % of PBT	₹103.52 Cr / -₹246.61 Cr	₹25.76 Cr / -₹249.56 Cr	Watch · low impact	Other income fell significantly from FY25, which had included a ₹24.75 Cr brand sale to a related party.

Clean (9): Receivables ageing / ECL provisioning; Unbilled revenue, contract assets, deferred revenue; Revenue from related parties as % of revenue; Customer concentration; Advances from customers trend; Exceptional items and their effect on PBT; Deferred tax movement and cash-vs-book tax; Provision reversals credited to income; Valuation-method or accounting-policy change.

3.2 Is profit turning into cash?

Profit is not turning into cash, with operating cash flow hitting a five-year low due to severe working-capital drag.

- CFO fell to -₹60 Cr as a ₹51 Cr working-capital outflow reversed the prior year's inventory liquidation gains, reflecting poor cash conversion (Flag).
- Inventory rose ₹14 Cr despite a ₹195 Cr revenue decline and significant store closures, suggesting a build-up of slow-moving or obsolete stock (Watch).
- Liquidity pressure is confirmed by trade payables ageing; ₹28.56 Cr has remained unpaid for over three years, signaling potential disputes or inability to pay.

Five-year record

Metric	5-yr mean	FY25	FY26	Low ‹ band › high	Vs trend	Why it moved	Durable?
Debtor days	3.5	3	5	3 `[--o--] #` 4	**Worse than trend** (worst in window)	Not explained	Not explained
Cash conversion cycle (days)	-17.75	-30	-24	-30 `[---#--o----]` -10	**Better than trend**	Inventory efficiency and aggressive stock liquidation	—
Cash from operations	38.5	37	-60	27 `# [o-]` 55	**Worse than trend**	Reversal of prior year inventory liquidation gains	One-off

What the checks found

Does profit become cash? Flag

Check	FY25	FY26	Status	What it means
CFO vs clean EBITDA (cash conversion)	□37.41 Cr / □60.26 Cr	-□60.22 Cr / -□11.00 Cr	Flag · high impact	CFO is negative -□60.22 Cr in a year of negative operating profit, signaling cash burn.
Pre-tax operating conversion (CFO + tax paid) / EBITDA	□38.97 Cr / □60.26 Cr	-□59.44 Cr / -□11.00 Cr	Flag · high impact	Even before tax, the business is burning cash faster than it reports operating losses.
Working-capital movement	□46.00 Cr	-□51.00 Cr	Flag · high impact	Working capital consumed □51 Cr of cash in FY26 compared to a release of □46 Cr in FY25.
Inventory absorption of operating cash	□103.26 Cr	-□15.88 Cr	Watch · high impact	Inventory grew by □15.88 Cr despite a 9.8% decline in sales, consuming cash.

Clean (1): Cash tax paid vs book tax.

3.3 Where is the cash going?

Operating cash is negative, leaving the company entirely dependent on fresh debt and promoter-group support to fund interest and capex.

- Interest payments and lease liabilities are the primary cash sinks, with finance costs exceeding the total consolidated employee benefit expense.
- Growth is not self-funded (SSGR -35.7%); five-year cumulative CFO of □94 Cr covered only 76% of capex, leaving interest and repayments to be funded by debt.
- Intra-group liquidity is vital; the company cycled □234.60 Cr in related-party loans to manage daily cash flow and bridge the □69 Cr FCF deficit.

Where five years of cash went: capex □118 Cr · FCF -□24 Cr · dividends □0 Cr · net borrowing □811 Cr · acquisitions □0 Cr.

Where 5 years of cash went: the business generated □94 Cr of operating cash; it went to interest □523 Cr, capex □118 Cr; net borrowing raised □811 Cr, no equity raised, no dividends.

What the checks found

Is value leaving to insiders? Watch

Check	FY25	FY26	Status	What it means
Related party transaction quantum and trend	□140.00 Cr	□234.60 Cr	Watch · high impact	Massive increase in loans taken from and repaid to related parties (□234.60 Cr) to manage liquidity.
Interest paid on loans taken FROM promoters or directors, against the company's own cost of debt	□4.91 Cr	□6.84 Cr	Watch · medium impact	Interest paid to related parties is rising and significant relative to operating losses.
New related-party counterparties this year	22	26	Watch · low impact	Four new RPSG entities (Bowlopedia, Dhariwal, etc.) added to the common control list.
KMP / director remuneration vs EBITDA	□7.70 Cr	□6.85 Cr	Watch · low impact	Remuneration was paid despite negative operating EBITDA of -□11 Cr.
Promoter pledge / encumbrance	—	Not disclosed	Unresolved	The AR discloses that promoter group entities provide securities and comfort letters for the company's debt, but not the pledge status of SRL shares.

Clean (3): Loans, advances or guarantees to group entities; Interest earned on loans/advances to related parties, against the company's own cost of debt; CSR spend and shortfall.

3.4 How strong is the balance sheet?

The balance sheet is technically insolvent with negative net worth, facing acute refinancing risks on its massive debt pile.

- Negative equity widened to -□913 Cr, leaving the company with no loss-absorption buffer and total reliance on the RPSG ecosystem for survival (Flag).
- Refinancing risk is critical; □992.53 Cr (46% of total debt and leases) is due within 12 months, despite admitted breaches of bank financial covenants.
- Contingent liabilities of □58.86 Cr represent a significant further threat to the balance sheet, especially given the "material uncertainty" regarding the company's going-concern status.

Runway: □85 Cr of cash and investments against an operating loss of □11 Cr and capex of □9 Cr (underlying burn □20 Cr a year) is about 4.2 years at the current loss. Borrowings of □1,919 Cr sit on top.

Five-year record

Metric	5-yr mean	FY25	FY26	Low ‹ band › high	Vs trend	Why it moved	Durable?
Interest coverage	-1.06	-1.13	-0.63	-1.13 `[–○–]` # -0.95	**Better than trend** (best in window)	Narrowing operating loss despite high finance costs	Too early

What the checks found

Can the balance sheet take a hit? Flag

Check	FY25 (□ Cr)	FY26 (□ Cr)	Status	What it means
Contingent liabilities vs net worth	53.29	58.86	Flag · high impact	Contingent liabilities are large relative to a negative equity base of -□913 Cr.
Borrowing terms, security, covenants	—	Not disclosed	Flag · high impact	The Group breached financial ratios in its bank loan agreements; while condoned, this creates high refinancing risk.
Encumbered assets / title deeds not in company name	—	Not disclosed	Watch · medium impact	Most assets are hypothecated to banks; furthermore, related entities' assets are charged to secure SRL's debt.

Clean (2): CWIP ageing and stalled projects; Dividend vs free cash flow.

Runway: □85 Cr of cash and investments against an operating loss of □11 Cr and capex of □9 Cr (underlying burn □20 Cr a year) is about 4.2 years at the current loss. Borrowings of □1,919 Cr sit on top.

Contingent liabilities and commitments

Type of contingency	FY 2026 (Cr)	FY 2025 (Cr)
Claims against Group not acknowledged as debt	58.86 Cr	53.29 Cr
Sales Tax / VAT / GST under appeal	1.46 Cr	3.42 Cr
Capital Commitments (Net of advances)	2.49 Cr	2.60 Cr

- "Claims against the Group" increased by 10.4% YoY. These include ongoing disputes where the Group assesses outflow as "possible but not probable," yet they represent 6.4% of the (negative) equity base.
- The Group has a long-standing dispute regarding service tax on commercial rent (RAI case). While it settled some via the "Sabka Vishwas" scheme, it still carries a provision of 4.60 Cr for older periods.

Financial statements

P&L statement (□Cr)

Line item	Mar 2026	Mar 2025
Sales	1,800	1,995
Sales Growth %	-9.78	-14.92
Expenses	1,811	2,038
Material Cost %	80	80
Raw material cost	1,447	1,509
Change in inventory	-15	96
Manufacturing Cost %	0	6
Employee Cost %	7	8
Other Cost %	14	8
Operating Profit	-11	-43
OPM %	-0.60	-2.20
Other Income	26	104
Exceptional items	0	20.51
Other income normal	25.76	83.01
Interest	169	164
Depreciation	96	143
Profit before tax	-250	-247
Tax %	0	0
Net Profit	-249	-246
Exceptional items AT	0	21
Profit excl Excep	-249	-267
Profit for PE	-249	-267
Profit for EPS	-249	-246
Profit Growth %	7	1
EPS (□)	-27.66	-27.33
Dividend Payout %	0	0

Balance sheet (□Cr)

Line item	Mar 2026	Mar 2025
Equity Capital	45	45
Reserves	-958	-707
Borrowings	1,919	1,571
Long term Borrowings	449	377
Short term Borrowings	786	550
Lease Liabilities	684	645
Preference Capital	0	0
Other Borrowings	0	0
Other Liabilities	390	400
Trade Payables	299	317
Advance from Customers	0	0
Other liability items	91	83
Total Liabilities	1,396	1,310
Fixed Assets	971	953
Building	—	592
Plant Machinery	—	24
Equipments	—	5
Computers	—	7
Furniture n fittings	—	60
Vehicles	0	0
Intangible Assets	336	332
Other fixed assets	—	30
Gross Block	—	1,051
Accumulated Depreciation	—	97
CWIP	0	0
Investments	36	43
Other Assets	389	314
Inventories	184	170
Trade receivables	25	18
Receivables over 6m	—	6.22
Receivables under 6m	—	18.26
Prov for Doubtful	—	-6.22
Cash Equivalents	49	26
Loans n Advances	68	6
Other asset items	64	94
Total Assets	1,396	1,310

Cash flow statement (□Cr)

Line item	Mar 2026	Mar 2025
Cash from Operating Activity	-60	37
Profit from operations	-10	-10
Receivables	-7	3
Inventory	-16	103
Payables	-18	-68
Loans Advances	0	0
Other WC items	-10	7
Working capital changes	-51	46
Direct taxes	1	2
Cash from Investing Activity	-8	-20
Fixed assets purchased	-9.10	-22
Fixed assets sold	0.51	5.66
Investments purchased	-2.80	-234.75
Investments sold	11.68	251.95
Interest received	0.33	0.21
Acquisition of companies	0	0
Other investing items	-8.71	-21.32
Cash from Financing Activity	92	-27
Proceeds from shares	0	0
Proceeds from borrowings	438	276
Repayment of borrowings	-299	-82
Interest paid fin	0	-165
Financial liabilities	-47	-56
Net Cash Flow	24	-10
Free Cash Flow	-69	21
CFO/OP	575	-83

Key ratios

Line item	Mar 2026	Mar 2025
Debtor Days	5	3
Inventory Days	47	39
Days Payable	76	72
Cash Conversion Cycle	-24	-30
Working Capital Days	-192	-137
ROCE %	-8	-10

4. Management & governance

Governance check matrix

Check	Status	Detail
Audit opinion (type)	Clean	Unqualified opinion
Fraud reported by the auditor	Clean	None reported
Audit trail (edit log)	Flag	Not enabled at database level for SAP and POS
Statutory dues unpaid	Watch	□5.22 Cr outstanding
Promoter pledge (%)	Not disclosed	Pledges mentioned for security but % not stated
Independent directors (%)	Clean	66.67% (4 of 6)
Woman director	Clean	1 (Independent)
KMP pay against statutory ceiling	Clean	Within Section 197 limits
Related-party transactions (%)	Watch	3.26% of revenue

A. Auditor report & key audit matters

Beyond the matrix, the auditor highlights a **material uncertainty regarding Going Concern**. The Group has a negative net worth and current liabilities exceed current assets by □895.93 Cr. Management’s defense relies on future cash flow forecasts and the availability of additional capital from the promoter group as needed.

Key Audit Matters (KAM): 1. **Going Concern:** The auditor assessed management's business plan and the historical renewal of credit facilities. Management is confident that operating cash flows and promoter support will meet obligations for the next 12 months. 2. **Impairment of Intangibles:** Brands (□197.99 Cr) and Goodwill (□131.27 Cr) have indefinite useful lives. The auditor tested the valuation models (Relief from Royalty and DCF), noting they are highly sensitive to discount rates and growth assumptions.

Control Weaknesses: The auditor flagged that the audit trail (edit log) feature was not enabled at the database level for accounting and POS software, though it operated at the application level. Audit fees and non-audit fees were not separately itemized in the provided summary.

B. Related party transactions

The company is critically dependent on the RPSG ecosystem for survival, evidenced by □234.60 Cr in intra-year loans and extensive "comfort letters" from group entities to secure bank debt.

Counterparty	Relationship	Nature	FY26 flow (□ Cr)	FY25 flow (□ Cr)	Balance at FY26 year end (□Cr)	Assessment
Entities under common control	Associate	Purchases/Rent/ Services	38.65	31.90	11.23	Arm's length
KMP & Directors	Management	Remuneration/ Sitting fees	7.74	8.62	Not disclosed	Routine
Serene Vibes Pvt Ltd	Common Control	Sale of Brand	0	24.75	0	One-off support
RPG Power / ICML	Common Control	Interest on Loans	6.85	4.92	0	Cost of debt
Total	—	—	**53.24**	**70.19**	**11.23**	—

The table cannot show the full risk of the "Comfort Letters" provided by RPG Power Trading and Integrated Coal Mining Ltd, which back □144.64 Cr of the Group's debt. Last year's sale of "The Gift Studio" brand for □24.75 Cr appears to have been a strategic liquidity infusion. No write-offs or impairments against promoter entities were reported.

C. Shareholding

The promoter holding remains high and stable, while institutional interest is minimal.

Category	FY26 (%)	FY25 (%)	Change (pp)
Promoters	58.81	58.81	0
Institutions (Foreign & Domestic)	8.55	8.57	-0.02
Others (Public/Bodies Corporate)	32.64	32.62	0.02

The report states that promoter entities provide security for company borrowing via comfort letters and charges on their own assets, but does not specify the percentage of the promoter's own shares in the company that are encumbered.

D. Board composition

The Board is led by Shashwat Goenka (Non-Executive Chairman). There were no sudden resignations of directors during the year. However, there was a transition in the finance function: Mr. Manjir Basu was appointed as CFO on September 19, 2025, succeeding Mr. Sandeep Kumar Banka, who moved to a different role within the RPSG group. All Independent Directors have confirmed their independence, and none are related to each other or the executive management.

E. KMP compensation

Management compensation is high relative to the company's financial distress.

Name	Role	FY26 (□Cr)	FY25 (□Cr)	Change
Anuj Singh	CEO & MD	5.90	5.59	5.5%
Other KMP	CFO/CS	1.41	2.54	-44.5%
Total	**KMP & Directors**	**7.31**	**8.13**	**-10.1%**
Pay as % of EBITDA	—	**Finding**	**Finding**	—

Finding: Measure pay against this year's EBITDA of -₹11 Cr. Total KMP compensation exceeds 100% of operating profit as the business is loss-making. Notably, the CEO's pay rose by 5.5% in a year where revenue fell.

F. Capital allocation & capex

The company spent more than it earned, buying survival with debt rather than funding growth from operations. Over the five-year window, cumulative free cash flow was -₹24 Cr, with ₹311 Cr in net borrowing required to plug the gap. In FY26, the business generated negative operating cash flow of -₹60 Cr, while capex was a minimal -₹9.1 Cr (only 0.1x depreciation). This capex was entirely debt-funded. Returns have not held up; the company is in a negative equity trap. The share count remained stable at 9.01 Cr shares, but the asset base is shrinking through disposals and lack of replacement investment.

G. Accounting policy stance: revenue and depreciation

Policy	What the company does	Standard or industry norm	Stance
Revenue Recognition	Point of sale; Agency basis for concessionaires	Point in time for retail	Conservative
Depreciation	SLM; Leasehold improvements over lease term	Schedule II / Useful lives	Aggressive
Intangibles	Indefinite life for Brands/Goodwill; No amortisation	Tested for impairment annually	Aggressive
Policy Changes	Accelerated depreciation in FY25 for closures	Consistent application	Watch
Credit Loss	100% provision for high-risk receivables	ECL Matrix	In line

Overall accounting stance: Aggressive — because the company avoids amortizing ₹329.26 Cr of intangibles despite technical insolvency and has slowed depreciation rates while significantly under-investing in asset replacement.

4.1 Credibility: said versus delivered

What they said last year	What happened	Verdict
Strategic pivot toward the Wholesale Bazaar format to improve turns.	No specific revenue or inventory data for Wholesale format in FY26.	Not addressed
Focus on increasing Private Label contribution beyond 11%.	Report is silent on current Private Label share.	Not addressed
Store Rationalization to preserve cash by closing loss-making stores.	Exited 47 stores; trading area reduced to 8.73 Lakh sq. ft.	Delivered
Continued focus on Omnichannel growth via digital segments.	JIFFY quick-commerce orders reached 235K+ monthly.	Delivered
Strategic shift to "Survival and Refinancing" mode.	Net Debt rose to ₹1,870 Cr; refinanced ₹234 Cr with related parties.	Delivered

1 further claim too vague to check: Long-term vision to become a "Consumer-Centric, Multi-Format Retailer."

This year's claims against the numbers

- Management claims the "Reset [is] complete" and focus has shifted to "reigniting growth," yet Revenue growth % remains negative at -9.77% and the store footprint continues to shrink. **Verdict: CONTRADICTED.**
- Management cites a "Path to breakeven" through improved operating leverage, but PAT margin % fell to a five-year low of -13.83% as fixed interest costs remain high. **Verdict: CONTRADICTED.**

- The claim of strengthening the "operating foundation" is supported by the issue of ₹300 Cr in securities and successful expansion of the My Spencer’s Rewards ecosystem to 20% of sales. **Verdict: Delivered.**

Credibility: Medium Management has followed through on the painful necessity of store closures and digital scaling, but the narrative of "reigniting growth" is not yet reflected in the financial performance, which shows deepening net losses and negative operating cash flow.

What has not changed

- The company remains technically insolvent with a negative net worth, persisting for the fourth year running.
- Reliance on promoter-group "Letters of Comfort" (₹131.25 Cr) to secure credit facilities has persisted across the five-year window.
- Non-amortization of ₹332 Cr in Brands and Goodwill persists for the third year despite a negative ROCE of -8% and continuous losses.
- Negative interest coverage has been a constant feature throughout the five-year window, indicating an inability to service debt from operations.

5. Scorecard

Dimension	Rating	Vs last year	What decided it
Business quality	1	Down	Pre-tax return on net fixed assets was below 6.5% in all four observed years and ROCE was negative at -8%.
Financial health	1	Same	Net worth is negative -₹913 Cr, interest cover is -0.63x, and the auditor reported a material uncertainty regarding going concern.
Earnings quality	2	Up	The auditor flagged that database-level audit trails are not enabled, and the business burned -₹60 Cr in operating cash.
Management & governance	2	Same	Total KMP remuneration exceeded 10% of EBITDA, which was negative this year.
Capital allocation	2	—	Capex was funded by debt while returns on capital remained negative and the company is in a negative equity trap.