

## Spencers Retail Ltd — 13 Jan 2026 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	Reaffirmed at CARE BBB- / CARE A3 (No notches moved)
Outlook (Current vs Previous)	Stable vs Stable
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Parent Support:</b> Ratings heavily anchored by RP-Sanjiv Goenka (RP-SG) Group's financial flexibility despite SRL's poor standalone health.</li> <li><b>Store Rationalization:</b> Closed 51 loss-making stores (Footprint: 167 in FY24 → 121 in H1FY26); narrowed H1FY26 operating loss to ₹10.18 Cr (vs ₹43.62 Cr YoY).</li> <li><b>Revenue Contraction:</b> FY25 TOI de-grew 15% to ₹1,995.20 Cr; H1FY26 de-grew 19% to ₹860.98 Cr due to store exits and Quick Commerce competition.</li> <li><b>Balance Sheet Stress:</b> Cumulative losses (-₹246.36 Cr in FY25) led to <b>Negative Net Worth</b> and high debt reliance.</li> </ol>
Rated Instruments	<ul style="list-style-type: none"> <li>• <b>Term Loan:</b> ₹371.08 Cr (BBB-; Stable)</li> <li>• <b>Purchase Invoice Financing:</b> ₹285.00 Cr (A3)</li> <li>• <b>Cash Credit:</b> ₹100.00 Cr (BBB-; Stable/A3)</li> <li>• <b>Bank Overdraft:</b> ₹2.00 Cr (A3)</li> </ul>
Key Observations	<ul style="list-style-type: none"> <li>• <b>Strength:</b> Strong promoter backing; 73-90% revenue from non-discretionary goods (stable demand).</li> <li>• <b>Strength:</b> Negative working capital cycle with low inventory days (39-45 days).</li> <li>• <b>Strength:</b> Geographical shift focusing on Eastern India (83% of standalone revenue).</li> <li>• <b>Risk: Negative Net Worth</b> as of March 31, 2025; "Not Meaningful" debt coverage metrics.</li> <li>• <b>Risk:</b> Extreme competition from Quick Commerce (Blinkit, Zepto, Swiggy Instamart).</li> <li>• <b>Risk:</b> High bank limit utilization (&gt;90% for the last 12 months).</li> <li>• <b>Risk:</b> Total store area shrunk to 8.90 lakh sq. ft. from previously higher levels.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li>• <b>Growth:</b> Bearish; revenue is shrinking as the company prioritizes store profitability over scale.</li> <li>• <b>Margins:</b> EBITDA remains negative; PAT turnaround is not imminent without further cost-cutting.</li> <li>• <b>Leverage:</b> Critical; company is funding operational losses through debt/group support.</li> <li>• <b>Dilution Risk: Very High;</b> CARE explicitly cites "sizeable equity infusion" as a positive rating sensitivity.</li> </ul>
Agency / Cross Analysis	<p><b>Same Agency:</b> Rating held steady despite a 15-19% drop in TOI and erosion of Net Worth. CARE is placing higher weight on the <b>RP-SG Group's "demonstrated support"</b> and the flagship CESC Ltd's strength rather than SRL's deteriorating P&amp;L.</p> <p><b>Conclusion: Deterioration in Standalone Financials</b> masked by <b>Parental Floor</b>.</p>
Final Inference	The rating is a <b>"Support Story,"</b> not an "Operational Story." While store closures reduce cash burn, the negative net worth and Quick Commerce onslaught signal high equity risk. Investors should treat the "Stable" outlook as a reflection of promoter pockets, not business recovery.