Spencers Retail Ltd — Jul 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Operational) / Beat (Reported) **One-line:** Margins are expanding through cost-cutting and premiumization (Nature’s Basket), but the core Spencer’s format is suffering from shrinking sales and declining store throughput.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Margin expansion offset by top-line de-growth (SRL -6% YoY).	□
Earnings Quality	Low (One-off driven)	Reported EBITDA includes a □24 Cr one-time gain in Nature's Basket.	□
Guidance Confidence	Neutral	Focus on "Artisan Pantry" format shows traction; core recovery vague.	□
Management Credibility	Neutral	Operating costs reduced by □12 Cr YoY, meeting efficiency goals.	□
Business Quality Signal	Deteriorating	Gross Sales per sq ft dropped to □15,400 from □16,900 QoQ.	□
Key Q&A Exchange	Section not applicable — investor presentation only.	N/A	□
The Street's Primary Anxiety	Negative Operating Leverage	Revenue de-growth in SRL format due to lower conversion.	□
Capital Cycle Stage	Consolidation	Store count stable; focus on cost reduction over expansion.	□
Margin / Return Ratio Trajectory	Improving	Consolidated Gross Margin up 90 bps YoY to 20.5%.	□
Pricing Power	Stable	Gross Margin improvement driven by food category mix.	□
FCF Conversion & Quality	Weak	Continued PBT losses despite higher EBITDA.	□
Competitive Moat Signals	Shrinking	Lower conversions suggest pressure from quick-commerce/e-comm.	□
Balance Sheet Strength	Stressed	Finance costs (□43 Cr) consume all operating EBITDA.	□
Working Capital Efficiency	Not in document	Inventory/DSO details absent from PPT.	□
Mgmt Guidance Track Record	First entry	Baseline quarter.	□
Key Vulnerability / Red Flag	Negative Sales Growth	SRL (main format) sales fell 6% YoY; throughput/sqft fell 1.3%.	□
Management Tone	Guarded but Optimistic	Focused on "Fine Living" and "Artisan" premiumization.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** Management has successfully attacked the cost base, reducing operating expenses by ₹12 Cr YoY in the Spencer’s format. Gross Margins are expanding (+90 bps) across both formats, signaling better product mix or procurement. Nature's Basket (NBL) is a bright spot with 8% YoY revenue growth, fueled by the "Artisan Pantry" luxury format. * **Negatives:** The "beat" in EBITDA is artificial, aided by a ₹24 Cr one-time gain; excluding this, NBL EBITDA is ₹9.5 Cr. More concerning is the 6% revenue decline in the standalone Spencer’s format (SRL) due to lower "Number of Baskets" and conversions. Sales per square foot have declined to ₹15,400 (annualized), indicating the retail footprint is becoming less productive. * **Forward-looking Watchpoint:** Whether the high-margin "Artisan Pantry" format can scale fast enough to offset the persistent footfall erosion in the traditional hypermarket format.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q1FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue	₹574 Cr	↓ 3.8%	↑ 0.3%	↓	De-growth in SRL due to lower conversion and footfalls.
Gross Margin (%)	20.5%	↑ 90 bps	↑ 100 bps	↑	Improvement across both formats; food category driving gains.
EBITDA	₹31 Cr	↑ 287.5%	↑ 487.5%*	↑	Aided by ₹24 Cr one-time gain in Nature's Basket.
EBITDA Margin %	5.4%	↑ 410 bps	↑ 680 bps	↑	Core margin (ex-one-off) is approx. 1.2%.
PAT	(₹43 Cr)	↑ 32.8%	↑ 46.9%	↑	Losses narrowing but remain significant; interest costs are a drag.
Store Count	169	↑ 5.0%	↓ 1.2%	→	Total 169 stores across 43 cities.
Sales per Sq Ft (₹)	₹15,400	↓ 1.3%	↓ 8.9%	↓	Calculated on annualized basis; sharp drop from Q4.
Net Debt / (Cash)	Not in document	-	-	-	Balance sheet details not provided in PPT.
Interest Coverage	0.72x	↑	↑	↓	Consolidated EBITDA (₹31 Cr) / Finance Costs (₹43 Cr).
Trading Area	13.73 Lac Sqft	↑ 3.3%	↓ 3.8%	↓	Exit of 1.20 Lac sq ft in NBL Standalone noted.

**QoQ EBITDA change reflects move from negative 8 Cr in Q4 to positive 31 Cr in Q1.*

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (EBITDA)	Trend	vs Company Avg	Key Development
SRL (Standalone)	□470 Cr	↓ 6.0%	0.02%	↓	Below	Operating cost reduction of □12 Cr YoY; sales conversion issues.
NBL (Nature's Basket)	□105 Cr	↑ 8.0%	31.9%*	↑	Above	"Artisan Pantry" traction; includes □24 Cr one-time gain.
ORIPL (E-commerce)	□5.4 Cr	↑ 1.7%	-24.4%	↓	Below	Omni-channel platform; remains EBIT-negative.

**NBL margin is 9.0% excluding the one-time gain.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Cost Reduction	Reduce operating costs vs Q4 and Q1LY.	Delivered □12 Cr reduction in SRL vs Q1LY; □8 Cr vs Q4LY.	Delivered	Low
Strategy	Premiumization	Traction in "Artisan Pantry" luxury format.	Needs higher store count to move consolidated needle.	Ongoing	Medium
Strategy	Omni-channel	E-commerce growth through ORIPL.	Current revenue (□5.4 Cr) is too small (<1% of total) to impact thesis.	Lagging	High
Macro	Consumer Demand	Address lower conversions/NOB.	Requires SSSG turnaround; current trend is negative.	Missed	High
Balance	Profitability	Narrowing PAT losses.	PAT loss of □43 Cr still exceeds EBITDA; needs debt reduction.	Improving	High

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction

STOP HERE.