

## Spencers Retail Limited

January 14, 2025

S.No.	Facilities/Instruments	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
1.	Long-term bank facilities	371.08 (Enhanced from 334.72)	CARE BBB-; Stable	Reaffirmed
2.	Long-term / Short-term bank facilities	152.00	CARE BBB-; Stable / CARE A3	Reaffirmed
3.	Short-term bank facilities	235.00	CARE A3	Reaffirmed
4.	Long-term / Short-term bank facilities	-	-	Withdrawn
5.	Long-term bank facilities	-	-	Withdrawn

Details of facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Spencers Retail Limited (SRL) continue to derive strength from the strong financial flexibility it enjoys by being a part of the established RP-Sanjiv Goenka group (RP-SG group), and geographically diversified presence of the retail stores. Ratings also derive strength from high contribution of non-discretionary products in the product basket safeguarding the revenue to an extent from the adverse impact of any sudden downturn or pandemic situation, tie-up with Indian and international brands and own brand sales, and favourable working capital cycle.

However, ratings remain constrained due to the continued cash losses incurred by the company in FY24 (refers to April 01 to March 31) and H1FY25 on a consolidated basis, which has resulted in weakening of its debt protection metrics. The sales have decreased y-o-y in H1FY25 considering the company closing 37 of its loss-making/low-margin stores. Ratings take cognisance of the steps, including focus on online platforms and closure of loss-making stores which is expected to result in improved profitability and higher sales going forward. The funding of the cash deficit entirely through debt has led to elevated debt levels. Ratings are also constrained by the erosion of its net worth due to the increasing losses and no equity infusion in the recent past.

Due to reclassification of limits, CARE Ratings Limited (CARE Ratings) has withdrawn ratings assigned to the long-term/short-term bank facilities [S. No. 4] with immediate effect. CARE Ratings has withdrawn the rating assigned to the long-term bank facilities [S. No. 5] with immediate effect as the same have been fully repaid and there is no outstanding against the same.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Turnaround in the performance thereby achieving operating profit with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of 2% on a sustained basis.
- Positive net worth with improvement in performance and/or sizeable equity infusion.

#### Negative factors

- Withdrawal of fund support from the promoter group and/or reduction in the shareholding of the RP-SG group in SRL below 51%.
- Higher-than-envisaged losses on a sustained basis.

#### Analytical approach: Consolidated

For arriving at ratings, CARE Ratings has considered the consolidated business and financial risk profiles of SRL and Natures Basket Limited (NBL), as these companies are engaged in similar line of operations under a common management. The consolidated financial statement also includes Omnipresent Retail India Private Limited. Furthermore, significant comfort is drawn from SRL being part of the RP-SG group. The list of companies being consolidated is given in **Annexure-6**.

#### Outlook: Stable

The stable outlook reflects the strong financial flexibility available to the company by virtue of being part of the RP-SG group and demonstrated support from the group to the company, which is expected to continue going forward.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key strengths

#### Experienced and resourceful promoters

The RP-SG group has interest across diverse business segments such as power, carbon black, retail, education, sports, business process outsourcing, rubber and tea plantations, fast-moving consumer goods (FMCG), and media & entertainment. The group is spearheaded by Dr Sanjiv Goenka (previous Chairman of SRL) who has over three decades of professional experience. Retail and FMCG business of the group is looked after by Shashwat Goenka (Chairman of SRL), who has significant experience in the retail industry.

CARE Ratings observes, the group has demonstrated support to the company in the past and the same is expected to continue going forward as well.

#### Geographical diversification with presence in multiple cities across India

The company offers a diverse assortment of food, personal care, and lifestyle (fashion, home, entertainment) products. As on September 30, 2024, the company operated through 131 retail stores [including 33 stores of NBL] in 27 cities in India, spread across a trading area of 10.33 lakh square feet. In H1FY25, the company had ~82% revenue from the eastern part of the country, while it had ~4% and 14% revenue generated from northern and southern parts of the country, respectively. In H1FY25, SRL closed 37 loss-making stores and opened two new stores, while NBL closed one of its loss-making stores. SRL closed most of its stores in northern India (NCR region) and southern India, leading to decrease in revenue contribution from those regions.

SRL operates in two distinct retail formats being convenience (small format stores) and hypermarket (large format stores) under the name "Spencers". In FY23, it had also ventured into value format stores. Its subsidiary, NBL, operates its stores on small retail format under the name "Natures Basket". The company (consolidated) has also been expanding its stores in Tier-II and Tier-III markets to capture the rising demand of goods in other cities.

#### High contribution of non-discretionary product in the product basket

SRL offers a wide range of food and lifestyle products (fashion, home, entertainment). Approximately 75% of SRL's and 90% of NBL's product basket is non-discretionary in nature, which provides stability to demand for the products. Presence of large amount of non-discretionary nature of products in the basket provided cushion to the company in FY21-22 from the significant decline in overall demand considering COVID-19 pandemic, when consumers curtailed their discretionary spending with reduced income and tendency to preserve cash.

#### Tie-up with Indian and international brands and own brand programme

SRL provides customers with wide choice across 100,000+ SKUs. The company has tie-ups with various multinational brands. On the other hand, NBL has a product base of ~10,000+SKUs from reputed Indian and multinational brands. It also operates through its own portfolio of private brands. The private brand products contribute ~10-11% to the total sales of the company.

#### Favourable working capital cycle

SRL (consolidated) has low collection period which is inherent in the industry. The average inventory holding period is relatively low (40-45 days) considering high share of fast-moving food items with low shelf life which leads to lower working capital requirement. SRL is exposed to the risk of slow, non-moving, expired, and non-saleable inventory for which it follows suitable provisioning norms. The average creditor's period is generally of 1.5-2 months with actual credit period ranging between 7 and 120 days depending on the type of product and relationship with the supplier. Hence, the company continues to maintain negative working capital cycle.

#### Liquidity: Adequate

On the back of sustained cash losses, SRL's liquidity gets comfort from the expected support from its promoter group. SRL's working capital limits were utilised to the extent of ~89% in the past 12 months ended September 2024, while in NBL, working capital limit utilisation stood at ~83.50% for the last 12 months ended September 2024. SRL had cash and cash equivalents (consolidated) of ₹66 crore as on September 30, 2024. It also has other investments of ₹28.02 crore, which can be liquidated if required. Its capex requirements are expected to be met out of availment of debt. SRL enjoys significant financial flexibility as a part of the RP-SG group. The group in the past has also demonstrated support to SRL by way of capital infusion.

### Key weaknesses

#### Weak financial performance in FY24 and H1FY25

On a consolidated level, the company's TOI decreased in FY24 by ~4% compared to FY23 with de-growth of 6.8% in H1FY25 from H1FY24, due to closure of loss-making stores. SRL continued to incur losses in FY24 and H1FY25 due to intense competition

from other retail stores and quick commerce platforms. Lower PBILDT, increase in capital charge and lower non-operating income led to significant widening of losses in , from ₹210.40 crore in FY23 to ₹266.15 crore in FY24. In H1FY25, the company incurred net losses due to decline in revenue and under absorption of overheads, while the operating losses were at ₹43.62 crore. Since the company closed many of its loss-making stores in H1FY25, the accumulated depreciation increased for the period. The company has taken various steps, including closure of multiple loss-making stores in FY24 and H1FY25, alongside focusing on online platforms, to increase sales and improve profitability. However, the impact of the same is to be seen going forward.

### Weakening in debt protection metrics

Continuous losses and absence of equity infusion resulted in erosion of the net worth leading to negative net worth position on consolidated basis as on March 31, 2024. The debt coverage indicators remain weak. The funding of the cash deficit and other obligations entirely through debt has also resulted in increase in debt level as on September 30, 2024. Timely equity / fund infusion by promoter group would be critical going forward.

### Intensely competitive nature of the retailing industry

Increased competition from both brick and mortar and online players is impacting overall same stores sales growth (SSSG) of SRL and NBL. There is increased competition in retail sector from quick commerce players including Blinkit, Swiggy Instamart, Zepto among others, which continues to be a key threat. Also, change in FDI norms can lead to further competition. The government had allowed FDI in food processing sector. Apart from this, the government is also contemplating liberalising rules relating to multi-brand retail. This will open foreign investments, which may pose a threat to existing retail players such as SRL among others.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Retail](#)

[Consolidation](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Retailing	Diversified retail

SRL was incorporated on February 08, 2017, as a part of the RP-SG Group. The retail business (except the business in Gujarat and some investments) of erstwhile SRL (wholly owned subsidiary of CESC Ltd, the flagship company of the group) was transferred to RP-SG Retail Limited, under the scheme of arrangement of the CESC Group. Subsequently, RP-SG Retail Ltd was rechristened as SRL in December 2018.

SRL is a multi-format retailer providing merchandise across categories such as FMCG, fashion, food, staples, general merchandise, personal care, home essentials, electrical and electronics with 98 stores as on September 30, 2024. In July 2019, the company acquired 100% stake in NBL from Godrej Industries Ltd at an enterprise value of ₹300 crore, which was settled through cash and takeover of outstanding debts. NBL operates with 33 stores as on September 30, 2024.

Omnipresent Retail India Private Limited, a 100% subsidiary of SRL, is engaged in operating an online platform and also acts as delivery agent on commission basis.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	2,452.58	2,345.03	1,066.36
PBILDT	4.45	-9.17	-43.62
PAT	-210.40	-266.15	-130.62
Overall gearing ratio (times)	NM	NM	NM
Interest coverage (times)	0.04	NM	NM

A: Audited, UA: Unaudited, NM: Not Meaningful; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of facilities

Name of the facilities	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	31/07/2024	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	09/12/2029	371.08	CARE BBB-; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	152.00	CARE BBB-; Stable / CARE A3
Fund-based - LT/ ST-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - ST-Purchase Invoice Financing		-	-	-	235.00	CARE A3

### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	1)CARE BBB-; Stable (05-Apr-24)	1)CARE BBB-; Stable (01-Dec-23)	1)CARE BBB; Negative (23-Feb-23) 2)CARE BBB; Stable (07-Jul-22)	1)CARE BBB; Stable (01-Oct-21) 2)CARE BBB; Stable (07-Jul-21)
2	Fund-based - LT/ ST-Cash Credit	LT/ST	-	-	1)CARE BBB-; Stable / CARE A3 (05-Apr-24)	1)CARE BBB-; Stable / CARE A3 (01-Dec-23)	1)CARE BBB; Negative / CARE A3 (23-Feb-23)	1)CARE BBB; Stable / CARE A3 (01-Oct-21)

							2)CARE BBB; Stable / CARE A3 (07-Jul-22)	2)CARE BBB; Stable / CARE A3 (07-Jul-21)
3	Fund-based - LT-Term Loan	LT	371.08	CARE BBB-; Stable	1)CARE BBB-; Stable (05-Apr-24)	1)CARE BBB-; Stable (01-Dec-23)	1)CARE BBB; Negative (23-Feb-23) 2)CARE BBB; Stable (07-Jul-22)	1)CARE BBB; Stable (01-Oct-21) 2)CARE BBB; Stable (07-Jul-21)
4	Fund-based - LT/ST-Cash Credit	LT/ST	152.00	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (05-Apr-24)	1)CARE BBB-; Stable / CARE A3 (01-Dec-23)	1)CARE BBB; Negative / CARE A3 (23-Feb-23) 2)CARE BBB; Stable / CARE A3 (07-Jul-22)	1)CARE BBB; Stable / CARE A3 (01-Oct-21) 2)CARE BBB; Stable / CARE A3 (07-Jul-21)
5	Fund-based - ST-Purchase Invoice Financing	ST	235.00	CARE A3	1)CARE A3 (05-Apr-24)	1)CARE A3 (01-Dec-23)	1)CARE A3 (23-Feb-23) 2)CARE A3 (07-Jul-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Fund-based - ST-Purchase Invoice Financing	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Annexure-6: List of all the entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Natures Basket Limited	Full	Subsidiary
2	Omnipresent Retail India Private Limited	Full	Subsidiary

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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