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February 13, 2026

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G-Block
Bandra-Kurla Complex
Bandra (East),
Mumbai – 400 051
(Symbol: SPENCERS)

BSE Limited
Phiroze Jeejeebhoy Tower
Dalal Street
Mumbai – 400 001
(Scrip Code: 542337)

Dear Sir/Madam,

Sub: Transcripts of the Q3FY26 Post Results Earnings Conference Call

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Q3FY26 Post Results Earnings Conference Call held with Analysts on February 9, 2026 at 4:30 P.M. (IST).

This information is available on the website of the Company at www.spencersretail.com.

Kindly take the aforementioned information on record and oblige.

Thanking you.

Yours faithfully,
For Spencer's Retail Limited
NAVIN KUMAR RATHI
Digitally signed by NAVIN KUMAR RATHI
Date: 2026.02.13 17:21:52 +05'30'
Navin Kumar Rathi
Company Secretary & Compliance Officer

Encl: As above

"Spencer's Retail Limited
Q3 FY26 Earnings Conference Call"

February 09, 2026

MANAGEMENT:	**MR. ANUJ SINGH – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – SPENCER'S RETAIL LIMITED** **MR. MANJIR BASU – CHIEF FINANCIAL OFFICER – SPENCER'S RETAIL LIMITED** **MR. ANAND KUMAR – GROUP HEAD- INVESTOR RELATIONS** **MR. PANKAJ KEDIA –EXECUTIVE DIRECTOR – INVESTOR RELATIONS**
MODERATOR:	**MR. SUNNY BHADRA – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Spencer's Retail Limited Q3 FY '26 Earnings Conference Call hosted by Emkay Global Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sunny Bhadra from Emkay Global Financial Services Limited. Thank you, and over to you, sir.

Sunny Bhadra: Thank you, Palak. Good evening, everyone. I would like to welcome the management and thank them for this opportunity. We have with us today, Mr. Anuj Singh, CEO and MD; Mr. Manjir Basu, CFO; Mr. Anand Kumar, Group Head, Investor Relations; and Mr. Pankaj Kedia, Executive Director, Investor Relations. I will now hand over the call to Mr. Anuj Singh for the opening remarks. Over to you,sir.

Anuj Singh: Thank you very much, and good evening, everyone, and welcome to Spencer's Retail Limited's Q3 Results Call. I'd just like to start by giving you a brief commentary. I'm sure you guys would have had a time to go through the results, which were announced post our Board meeting on Friday at around 3:15 p.m.

So, look overall, Q3 is actually a true like-for-like comparison when it comes to Spencer's Retail, especially the Spencer's part of the business because as you would be aware that in Q2 of last year, we had done the optimization and the exit from certain regions in South and in NCR.

So up till then, the comparative was not like-for-like. But Q3 onwards, it's a like-for-like comparison because we were operating with our current footprint in Q3 last year. However, having said that, the only difference this time in Q3 is that the festive season, which for us is a combination of Durga Puja and Diwali was split between September and October.

So, the goodness of the festive season, which last year was fully baked into 1 quarter i.e.Q3, this time was split between Q3 and Q2. So therefore, it's not really a like-for-like. But having said that, let me give you some colour on the overall. So overall, if you look at the Spencer's consolidated performance for Q3, I will term it as a very solid performance.

We saw good QoQ growth. Obviously, compared to Q2, there was good growth, 13% QoQ growth. Even comparing it with Q3 of last year, there was notwithstanding the split festive season, there was a marginal degrowth of 2.7%. We've done a good job in terms of sustaining the gross margins, and this was despite a bit of a blip in margins as far as Nature's Basket is concerned.

So, Spencer's has delivered strongly as far as the margins are concerned. Our operating expenses for the quarter were slightly higher than both for the previous quarter as well as YoY. This was owing to a onetime provision arising from the new Labour Code requirements. EBITDA, which is the post INDAS EBITDA was INR8 crores for the quarter at a console level compared to 0 in the previous quarter and compared to INR15 crores in the Q3 of last year.

Overall, I'll just get into now talking a little bit about Spencer's separately and Nature's Basket separately because those two are following a different course of action, and we've also seen slightly different results. So, when it comes to Spencer's, again, I would comment a very solid performance for the quarter. QoQ growth was ~ 12%. If you look at comparison versus Q3 of last year, it's only about INR10 crores down and which is actually the impact of not just the split festive between September and October, but also due to a certain accounting treatment wherein the cash back, which we give on to our members for the membership program is netted off from the overall sales.

So if I were to actually take that out, and I think the good indicator is look at, say, September, October, November, December of this year versus September, October, November, December of last year, which to me is a true comparative to how the festive was, we were in marginal growth.

So, I think that's very reassuring to see that in Spencer's, we are entering into a growth kind of trajectory after a very long time. And this is driven largely by both the off-line decline being stemmed by, a very good traction in our membership program as well as the continued growth in the online.

If you look at the online numbers which were there, online in Q3 for us has grown compared to Q3 of last year, by 27%. So, we delivered close to INR54 crores in sales on Jiffy, which is the online platform. Now this could have been higher, but we took a very conscious call to also limit our burn and therefore, focus on good quality organic recruitment as opposed to expensive inorganic customer acquisition.

Our number of orders in Q3 of this year was close to 235,000 orders per month at an average. Our AOV continues to be strong at 775, it's amongst the highest amongst quick comm players. And what is really heartening to note is that not just our in-full KPI is at 93.5%. Our cancellations came down from 6% in the previous quarter to less than 3%.

Our on-time delivery continues to be around 92% and our delivery time frame is under 30 minutes. So, 9 out of 10 orders for us are delivered within 30 minutes, which is good. I think on Jiffy, good part on e-commerce is that our unit economics is positive in Q3. And when I say unit economics is positive in Q3, what I mean by unit economic is that if you look at your RGM per order and the fulfilment cost of an order, net of that, are you making money. And for the first time in Q3, we have been able to have positive unit economics. So, we make roughly about INR100 plus as far as our RGM per order is concerned, and our fulfilment cost is INR94. So, we make about INR6. Now obviously, this is at a contribution margin. But then again, below that, you have your marketing tech and people costs, which we are still not able to absorb fully because of the cost.

So, I think on online, good progress, 27% YoY growth. On the offline business, like I said, good momentum in the last 4 months. I would say, we've netted off at a slight growth versus last year. What's really working for us in offline are 2 things.

One is despite, I would say, constrained working capital, we've done a good job in terms of inventory optimization, not just from days on hand optimization, which has resulted in better availability, but we focus on what we call our quick selling items and got a higher level of availability, which has translated into a good level of sales.

So, I think good work done there. Like I said, the membership program for us, which we launched in July-2025, has started giving us good results. If I give you a slight sense of the scale at which we are operating right now, so we exited Q3 with more than 70,000 members who have registered and paid for this membership, which is roughly about 10-11% of our active monthly customer base.

What's heartening to note for this program is that the behaviour, the consumer buying behaviour for these members is remarkably different from non-members. So, if I look at it in terms of three metrics, one is the N+1 return, which is a measure of somebody buying this month coming back and buying next month, that N+1 retention rate or the return rate for members is 80% plus.

The second KPI around members is if you compare the average monthly spends which a member does as opposed to a non-member, the average monthly spend is about 3x. So, it's about INR7,500 per month is what members spend.

And the third and the most critical one is that the frequency of shopping in a month for the members is 2x. So, it's more than 4x a month. So directionally, this membership program is really working well.

This is helping us to stop the erosion in footfalls, NOBs and therefore, sales offline. So, while online continues to grow, I think offline, we have kind of, I would say, arrested the degrowth to a significant amount as far as the last 4 months is concerned.

If I look at the other salient part in Spencer's performance is if you look at the gross margins. So gross margins have been at 20%, which I think is a very high number. Given the fact that our fashion and GM mix is not very high from a pure food, fresh and non-food FMCG point, 20% margin is, I think, a creditable job. If compared to last quarter where we were 19.6%, 40 basis points up and compared to last year's again, 30 basis points up.

Operating expenses, just a little –higher compared to the previous quarter, largely on account of the Labour code, but still lower than last year. And we've been able to deliver an EBITDA, which is post IND AS EBITDA of INR15 crores versus last quarter of INR13 crores and the previous year of INR17 crores.

So, if I were to kind of adjust for three things. One is the split festive season, the accounting treatment for the cash back on our membership purchase and for the new Labour Code expenses, I would say in Q3, we would have seen growth. We would have seen good margins. We would have seen operating expenses controlled and therefore, slight, I would say, improvement in the EBITDA.

If I look at a 9 month picture for Spencer's, I think that will be a good one because in the last year, in the first 6 months, we were operating in all regions. And since Q3, we were in optimized regions. So even if I look at it from a 9 month period, the important thing is if you look at from an EBITDA level, I'm talking about post-IndAS EBITDA, EBITDA is flat, but that kind of taking into account the fact that even in last year, there was some exceptional other income on account of store closures.

Last year, Q3, we had INR65 crores of other income. This year in Q3, it was INR11.7 crores. And despite this close to INR53 crores of lower other income, our financial EBITDA is flat, which is a good measure of operational efficiency. We don't break out the pre-INDAS numbers, but I can tell you that the pre-INDAS EBITDA, which is purely operational EBITDA.

On the offline business for Spencer's, in the 9 months compared to last year, we have now operated at half the level of EBITDA losses, which we were last year at an operating EBITDA level. So, I think that's all in all, it augurs well. We are quite confident that the Spencer's part of the business from a growth perspective is driven by online.

Offline is stabilized and will come back into growth definitely in Q4. And both of them are coming at decent expenses. Online, of course, there's some investment, but we will see a tapering of that as well. And we are quite confident that we are moving in the right direction towards a true operational EBITDA breakeven for Spencer's I would say, in two quarters from now. So that's at the EBITDA level.

I think on Nature's Basket, we did see an improvement QoQ, obviously, the festive quarter. So, if you look at it, it's INR81 crores versus the INR68 crores in September quarter. YoY a drop. Again, this is owing to two things. One is the split festive season plus also the fact that last year, the gifting part of the business was with Nature's Basket, but as the gifting studio was part of Nature's Basket and now had been hived off last year. So, that sales is not coming.

So, net accounting for that, I would say it was a flat quarter for NB. The only blip for Nature's Basket was the 300-basis point, reduction in margin versus Q3 of last year. And again, that's something which is largely internal. It's got to do a little bit with not so much a change in the mix, but certain terms and negotiations with suppliers.

We are quite confident that this is something which we will fix because the true margins of this business have to be what we have delivered in the past, in the region of 29-30%. I think Spencer's can get to 19.7-20%. There's no reason why Nature's Basket should not be delivering close to 30% and which is what it has missed in this quarter, but we are quite confident that it will come back.

On the operating expenses side, good work done on Nature's Basket in terms of controlling costs. And therefore, at a financial EBITDA level, a slight EBITDA of INR1 crores versus flat in last year Q3. So overall, I would say, look, it's a strong QoQ performance YoY, excluding the impact of split festive, we are getting back to growth as far as Spencer's is concerned.

In Q3, they have been months of growth. December, we've also kind of done operational EBITDA breakeven. Offline is coming back. Online is growing, but we are trying to control the losses here. The ORIPL online losses were INR12 crores in September quarter last year. And this Q3 of this year, we brought it down to INR 9 crores.

With focus on retention, focus on organic acquisition of our offline customers and not burning too much of money in terms of expensive new customer acquisition, we are quite confident that we will do Q4 as well at the same level, if not higher, but with a much lower level of EBITDA. So, overall, I remain quite confident in terms of how the journey has been progressing on Spencer's. We took some tough calls in Q2 last year. Q3 was good for us.

Q4, I can give some guidance that on the Spencer's part of the business, we are looking at good growth. We will get to, I would say, mid-single-digit growth as far as Spencer's is concerned on top line. It will still not be enough for us to kind of get into EBITDA breakeven. But I think, as you will all know, generating momentum in businesses is tough.

And now that we have been able to do that in the last 4 months, we have every intention of continuing that and accelerating that in Q4 and then even further into Q1 and Q2 of next year. So overall, I think if I were to summarize, good strong performance QoQ.

I think we are doing the right things in terms of keeping the eye on the ball as far as operational efficiency is concerned. Our gross margins, despite a little bit of a blip in Nature's Basket have been commendable 21.2% gross margin consolidated level, Spencer's at 20%. And we intend to see how we'll keep that at that level.

I think going above this level of gross margins is neither sustainable nor is it the right thing. I think we need to look at how we drive a much greater level of throughput and therefore, maximize RGM by keeping the percentage margin at this level. On operating expenses, we don't see any more one-off provisions on account of the new Labour code. They've been largely baked in, in Q3. So, we will come back to the true operating costs in Q4, which should be able to help us in terms of delivering decent EBITDA margins. As far as the growth levers for the business are concerned, there are largely 3 growth levers. Number one, both on Spencer's and Natures Basket, it is about driving the membership program.

We've seen that membership program creates the right level of skin in the game for our customers. Customers make full use of it to come back and shop more often and shop for a higher amount, and that helps us to kind of manage our offline business. So, that will be driven even higher. We are hoping to exit this year, which is at the end of Q4 with about 100,000 members for the membership program which is, I think, in 9 months is good progress.

And the intention is to see how we can double that in the year going forward. We are sharply focusing our limited marketing budgets on a very focused CRM towards these members because these members do drive a significant portion of our sales. Just to give you a colour, I mean, these members account for close to 25% of overall sales and 15-16% of total number of bills in a month.

So, as this base becomes stronger for us, this ensures that we have solid performance as far as the offline business is concerned. So, that will be one key growth driver continuing in quarter 4 and for next fiscal. The second pillar will be online, again, both for Spencer's and Nature's Basket, we have said that our out-of-store business, which is a combination of the phone delivery and the e-commerce business should be at around 20% of the overall mix.

We are today at making progress at around 16-17%, and we expect to get to that level, if not at the end of Q4 by early quarter 1 of next year. Online, like I said, for us, is an important part of the proposition as an omnichannel provider, but we are again very cognizant. Neither do we want to nor can our P&L afford to burn a big hole just to scale up that business.

I think we'll see good organic growth. We will exit this financial year with close to INR200 crores coming from our e-commerce business alone, phone deliveries extra. And I think that's a good jump from where we were last year. We are maintaining our proposition of responsibly delivered, which is delivered within 30 minutes.

And, we are kind of looking at continuing to keep our unit economics positive as far as the online business is concerned. So really, membership across both segments, Nature's Basket and Spencer's will continue to be a growth driver. Online, again, both on Nature's Basket and Spencer's will continue to be the second growth driver.

And the third is, of course, continuing to be very mindful of how we operate with our inventories. I think we've done some good work on Spencer's. We're going to replicate the same thing in Nature's Basket this quarter and optimize. I think our level of stockholding is a bit high in Nature's Basket and therefore, we need to look at how do we have a good sell-through. And I think that will also come back to improve our margins.

So operational efficiencies in terms of discipline on cost lines and on optimal inventory holding and looking at fast liquidation of old aging inventory will help us to improve our profitability. Gross margins will continue to be at that level of what we have delivered in Q3 and in fact, YTD. So yes, that's the brief commentary from my side. I would now just take a pause and open it up for any questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Anita Bajaj, an Individual Investor.

Anita Bajaj: Congratulations on good set of results. Just a couple of questions from my side. Firstly, I wanted to understand that since the QoQ growth is picking up, which parts of the business are showing the strongest momentum as we move into Q4?

Anuj Singh: Okay. So, thank you. I just want to understand a little bit when you say which parts of the business, are you referring to the channels, the categories or between Nature's Basket Spencer's and Spencer's offline, online? Or is it a combination of everything?

Anita Bajaj: A combination of everything and particularly categories?

Anuj Singh: Okay. So, look, like I said, what we've seen is QoQ, of course, Q3 is historically better than Q2 and Q3 is even better than Q4. But therefore, I would not look at this QoQ. I'd also look at YoY. And I think on YoY where I see good momentum and where I see growth witnessing growth, if I look across the three business segments, it is online, which is growing for us. It is parts of our offline business, which is growing in the Spencer's part. And Nature's Basket has a bit of catch-up to do as far as growth is concerned.

If I look at it from a category point of view, what is really firing growth for us is staples and fresh, which are important ones because they are the monthly planned shopping basket and we are getting a higher share of that, which is good. So, I think that's showing good growth.

On FMCG, on certain parts like beverages, we are doing better. Non-food FMCG, home care and personal care are doing better than what our beauty portfolio is doing. And I think that's a function of how consumers are shopping between offline and online.

We are being again very pragmatic as well as I won't call it aggressive, but very mindful of our price index versus both offline competition and online competition. And, we are using that to make Spencer's a destination for monthly purchase for most of the categories, but particularly so for staples, fresh and for processed food and beverages. And we see the results of that coming in. It's heartening to see that growth coming through.

In terms of our geographies, for us, Eastern UP has done, I would say, relatively better in terms of growth, both QoQ and YoY compared to East as far as Spencer's is concerned. And for Nature's Basket, Bombay and West, has done slightly better than South. South, we've had some internal challenges as far as operations are concerned with a Natures Basket operation in Bangalore, which we are fixing, and I'm sure that they'll come back.

So, I think between channels, categories and geographies, I've been able to tell you where we are seeing good momentum, where we are seeing good traction. And we are quite confident that this will continue into Q4. I wouldn't call out and saying that we have discovered or rediscovered our growth mojo but we have certainly built the momentum in some parts of the business, in some channels in some categories.

And we don't intend losing on that momentum but building on that momentum to see how we can fire the other categories as well. So, for us staples, fresh, processed food, beverages continue to be what will drive our growth. We are a grocery food first retailer, and we're seeing that. And it will be both offline as well as online, which will drive our growth. And geographies, we don't intend to have any particular geography which is lagging behind.

So, both East and East UP will be in growing in Q4 for Spencer's and for Nature's Basket will be both West and South. So yes, that's how we are looking at growth. I'll pre-empt the question in terms of what are our plans for new store openings, et cetera. Look, we have a few stores in the pipeline, but we are not actively looking at adding because so far, we believe that we have a footprint from where we can juice more sales. We are not close to the ceiling as far as productivity per store is concerned as measured in SPSF.

Our SPSF, though have kind of improved compared to last year. So, at a consol level, we are at about INR1,800 a square foot per month. But I think there is opportunity for us to grow that. Where you will see new stores will be largely a few where there's relocation from existing stores, which we will shut down because of underperformance of the store.

As you can appreciate, as a city develops, there are certain parts which because of whatever construction, flyovers, redevelopment sees a change. And therefore, we will relocate those stores. So, you will see a couple of relocations. We will do a couple of relocations in Lucknow. We'll do a couple of relocations in East as well.

But we are not going to add on too many new stores at least in Q4 and Q1. We believe we have the playbook. We have the levers to drive growth from our base of stores which are currently there and drive the online and out-of-store business from our network of grey stores, which is basically fulfilment zones within the stores. So that's what our growth would be. I hope I answered your question. It was a bit of a comprehensive answer.

Anita Bajaj: Yes. That was quite detailed and helpful. Just a follow-up question around margins. You have maintained margin discipline while driving the growth. Which efficiency initiatives are delivering the most impact right now?

Anuj Singh: No. So, I think from a margin point of view, it's ongoing. For a grocery retailer, I would try to be modest, but I'd say we have best-in-class gross margins. And for us, that's something which we take a lot of pride in, and we kind of focus, work through it.

I think as we start seeing growth because if we see growth, then our brand partners will also see growth in our format and therefore, investments in the right things will go up. So, I think from here onwards, it's not just margin expansion by working with new suppliers or listing new brands.

I think it is about delivering growth. And once growth starts happening in the business, we see the same level of cooperation, collaboration, commitment and investments coming in from our supplier partners. So, I think this will continue. I don't foresee nor do I want to push further expansion in margins.

What I want to push is continued growth. If I get sales growth at the same level of margins, I will get RGM growth. And at the end of the day, what helps us or what covers the costs is absolute rupee gross margin and not percentage margins. So, the intention is to keep driving the RGM. And we will make those calls in terms of being competitive and driving the right level of sales.

Anita Bajaj: Yes, yes. Understood. Just one more question. What are your growth targets for Jiffy in FY '27?

Anuj Singh: Look, I'm not going to call out my FY '27 growth thing. I think on Q4, we're looking at it QoQ. Like I mentioned, it is possible to drive a much higher level of growth than what we are doing. But like I said, it comes with a certain level of investment, which is in terms of customer acquisition, higher level of marketing activity.

And unlike other large quick commerce players, which have much, much higher scale, but also have much, much higher burn, our P&L does not allow for that. Our model is quite unique. We do our fulfilment through largely a network of our own stores. And that also helps us in terms of sweating our assets better. And we want to continue on that journey.

Our contribution margins are positive. We just need to get increase our number of orders. We need to get to a level of close to 300,000 orders a month. We are currently at around 240,000. So, I think that will be the level. I would measure myself more in terms of can I go from 240,000 orders a month to 300,000 orders a month without disturbing the unit economics.

And obviously, there's no question of adding more dark stores, continuing to use our current infrastructure to service. So that will be this thing. Now whether that growth is 25% or 30%, I'll take it because we can't afford to burn too much of money on our online business. The way I look at it, we have a very good visibility and a path to breaking even at an EBITDA level in the offline business in FY '27.

And we don't intend to kind of burn too much of money on the online business so that our EBITDA losses for next year would be largely on account of whatever little investments we are doing on online. So, online will be a measured growth. It will definitely be growth, but it will not be growth at any cost or growth by incurring a huge loss.

Anita Bajaj: Okay, sir. Very clear. That’s it from my side. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Sidharth Negandhi from CWC.

Sidharth Negandhi: Just wanted to understand in terms of the improvement that you've seen on sales per square feet basis, are you seeing this improvement happen across sort of town classes? How are you seeing the impact of online grocery shopping happening across town classes? And if you could sort of split that between, say, metros, Tier 1 cities and below? That is question one?

Question two was in terms of behaviour that you're seeing on your members, which you called out as a critical growth lever, are you seeing members sort of also shop both online and offline or are you seeing that set being a little more mutually exclusive? Yes. Those are my two questions?

Anuj Singh: Yes. Thank you. I think very good questions. So, I think, look, this whole thing on online consumer behaviour, as you guys know it better and as you guys are also consumers, it's not a fad. It is a trend. And I think it will only continue. But this trend is more pronounced in, I would say, large metro cities, and it is more characterized in households where nuclear families and where probably both husband wife are working.

So, it's for those time starved, I would say, unplanned right through the month kind of shopping trips, and that will continue to be a phenomenon. And we see that is reflecting when I look at our performance of offline and online, between the larger cities where we operate versus the not-so-large cities.

So, for example, if I look at West Bengal and I split it between Calcutta and upcountry West Bengal, my offline is a lot more resilient and growing with good footfalls in the upcountry, non-Calcutta locations. And my online is correspondingly getting better traction and does bulk of my business when it comes to Calcutta as compared to upcountry.

I think when it comes to places like Lucknow, Banaras, Allahabad, Gorakhpur in Eastern UP, where we operate, there, again, offline does well. And I don't see such a big impact of online. Yes, what tends to happen is that we still do have people who come in regularly and do the pantry loading or the trolley loading or the basket filling at the beginning of the month.

But as the month goes, their replenishment or stocking up or refilling shopping missions are more online. And that is why we want to offer in all our places; both the offline and the online proposition. So yes, there is a bit of a different performance of offline and online when it comes to the larger cities as well and the upcountry.

Your second question was on our members, our membership program and whether we see other membership or these members, their behaviour and their sign-ups being a lot more pronounced in one channel offline versus online that's actually true. And I think that's got to do with the fact that, again, it goes back to the hypothesis that an online consumer is largely looking for convenience, and it's an unplanned or a top-up where it is about you need it.

And therefore, they are maybe less price sensitive. I'm not saying they're not price sensitive. All Indian consumers are value seekers. So, they will still look at between online, what is the cheapest option, at least a thing. But they're more convenience seeking, whereas the offline guys are people who are coming in, you call it out of habit, out of the pack that they want to see experience and buy.

And we've seen that both by design, we have driven this program more in the offline part of it than the online because online, we're already giving a customer the convenience and our pricing is the same between online and offline. So, this membership program by design has been given to the offline consumer.

Now it doesn't mean that if I'm an offline consumer and I have registered for this program and if I do an online purchase, I will not be eligible for this. No, you are eligible, but the active recruitment pushing is happening more in our offline business. And we don't see a big overlap today between the members' offline purchase and online purchase. So, most of our members are buying this in the stores and the offline.

Sidharth Negandhi: Okay. Yes, that was my question to understand whether offline consumers were also sort of offline members, but also then subsequently purchasing online or not? Or is that more a mutually exclusive set? So that's clear. This point was interesting that you mentioned on sort of metros versus non-metros in the East.

If you could give us some colour in terms of whether that sort of is a thing across India in, say, Nature's Basket in West or Spencer's in North in NCR with whatever limited sort of presence that's there, but if I may, you're seeing a 5% sales per square feet growth on a year-on-year basis. Could you give us a sense of at what index would metros be versus 5%? And what index would say, non-metros be?

Anuj Singh: Yes. See, first of all, I think for Spencer's, we don't operate in the South. We don't operate in the West. We don't operate in NCR. So, I think I've given you those things. Nature's Basket, the whole proposition is gourmet curated assortment. And therefore, so far, we have not seen too much of online consumer buying in those categories. Though having said that, in places like Bangalore, there are a few online start-ups which are focusing on gourmet. But that's not been the case. So, I don't think on that part of the business, the impact is there.

Most of our business of Nature's Basket is concentrated in Bombay and Bangalore, which are the metro cities where quick commerce is also quite prevalent. I think given the assortment, given the uniqueness and the whole experiential buying, I don't think the impact of quick commerce would be that high.

Now having said that, we are also strengthening our e-commerce proposition for Nature's Basket. So, in Q2 we had revamped the app for Nature's Basket. As you know, for Spencer's, we had made a native app. And given the fact that Jiffy had performed very well from a tech stack point of view and was able to seamlessly cater to 250,000+ orders, we felt that the same tech stack can be applied on Nature's Basket.

So, we've done that migration or upgradation of the Nature's Basket app to the Jiffy's backbone. And that has been completed at the end of Q2, and we will see growth. So, I don't see a big impact of quick commerce in the Nature's Basket Gourmet segment. But having said that, we are not going to be underprepared and we are consciously building that option for consumers to also order their refill through the month on Nature's Basket through the online app as well.

Sidharth Negandhi: Okay. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Sunny Bhadra from Emkay Global Financial Services Limited.

Sunny Bhadra: Sir, I just wanted to check on the competitive intensity in the delivery space. So large quick comm players are seeing strong NOV growth trends. Have you seen any impact on our business? And what are the initiatives the company is taking to gain or protect the market share in this space?

Anuj Singh: Yes. We are not in the same league as the other quick comm players which you're talking about. They have a much higher scale. They have a slightly different business model, both in terms of acquisition of customers in fulfilment and in terms of their ability to sustain losses of far higher magnitude.

So, we are not in a race with them to either compete on that scale or on that business model of opening thousands of dark stores or losing hundreds of crores per quarter on that. So, we are not in that game. Our model is very different. Our model is to offer our Spencer's customer an online option and also acquire customers who are loyal to us and who are familiar with the Spencer's ecosystem.

And we are doing this in a manner where we are utilizing our store footprint because in cities like Calcutta, we have stores which have a coverage of at least 99% of the pin codes, and we are able to deliver within the radius of 4-5 kilometres, which is what it is. So, our model is very different. What competition is doing is keeping the relevance of the need for instant delivery convenience.

And therefore, for us also, we have to be cognizant that we need to have some proposition, which gives consumers a convenience. Our model is built around brick-and-mortar, but we also want to give an online option. So, I'm not getting into a fight with the big boys. They have a different model. They have a different scale and they have a different P&L funding means, which I don't have.

Sunny Bhadra: I understand that. I got your point. I wanted to check since they're expanding now into smaller tier of cities as well, right, big time. So maybe if you could help us better understand what is the hooking point of your format, right? So as in what brings the consumers back and back to your format, even if these formats are sort of offering unmatchable convenience. So, within 10 minutes, you're getting everything that you want at your place, then what is our format offering for the consumer to sort of move from his house to our stores from that perspective?

Anuj Singh: Yes. So, I think if I look at our proposition for the offline business is that we give a wide assortment. We give good quality. And where we are able to create that differentiation is from our fresh assortment. Fresh is what keeps people coming back to the stores. I think that's a category which is relatively higher on touch and feel as opposed to, let's say, dry packaged grocery.

Also, what is driving people back to our stores is the value perception which they see when they come back, which is further being enhanced through our membership program, where we are giving as much as 6% cash back on our monthly spend.

So, I think a combination of the fresh piece, the assortment, the value is what is continuing to hold on to consumers in that. Now having said that, I'm not saying we are immune to competition from online. That's only going to get more and more. But I think there will be some level of sanity, which will come in.

And I think as you go into smaller towns and all, this 10-minute requirement is not a requirement everywhere. And especially when people start seeing that with that 10-minute, you have to pay a small cart fee of INR30, a delivery fee of INR20 and a platform fee of INR5, it all does add up over there, in smaller towns, commute to the store is not a big deal. Parking is not a big deal, right?

People have relatively more time because they're not spending time and traveling towards to work. So, I think there will be a level of sanity, which will thing. Now for those consumers in those towns who are still looking for online, I mean, they do have the option. If they shop offline for us, we do give an online option as well as a phone delivery option. Look, we are not in a crazy market share thing. We want to grow our business with our model and what works for our P&L.

Sunny Bhadra: Fair enough. Sir, lastly, if you could just back this by some data points you must be having access to a lot of data crunching that you must be doing, right? So maybe some of your loyal customers, that have been shopping with you, are you noticing the same consistent trends in terms of spends per month, visits per month by these consumers or at least maybe the top-ups that used to be there towards the later half of the month, at least that is now going to online, but pantry loading is still happening at our stores. Maybe some color from that perspective. Are you noticing any change?

Anuj Singh: Yes. So, like I said, look, I mean, I mentioned this when I was talking about the membership program in my initial opening commentary. What we have seen–that if I kind of demarcate or if I look at the difference in behavior between people who have become members versus people who shop from us and not members, I see a big difference in the frequency.

The frequency of people who have become members of our program is 5-plus largely offline, right? Their average monthly spend is in excess of INR7,500 plus. So, I think this is a good indicator that you give people a reason, and that reason could be a combination of assortment, that assurance of consistent pricing. I'm not saying it's the cheapest, but people don't want to see too much of high, low.

People want to see consistent pricing. They want to see value pricing when it comes to categories like staples. So, whether it's rice or atta or oil or masalas. So, if you give them the right assortment, you give them fair value and you give them some added incentive for repeat transactions, you will see people coming in and we are seeing people coming back and sticking with the offline space. So, to me, that's the best indicator of consumer behaviour.

Sunny Bhadra: Very clear, sir, assortment, fresh and value pricing are the key differentiators. Maybe from a market perspective, definitely, the growth rates are very hard to digest for quick commerce place, right? So maybe this market is segmented across, say, modern retail chains like Spencer's, then there are e-commerce players like Amazon, Flipkart, then there are quick commerce place and then there is this general trade, right?

So, from your outlook and commentary, it seems that the modern trade organized chains are not at that big loss, right? So, they have a good proposition for customers to come in. So, is quick commerce sort of taking share from general trade and online? Maybe is that a right assessment to make? Or what's your view on this?

Anuj Singh: No, look, I never said that we are not impacted by online. I think that's the thing. I think the point is that India is a very large market. Grocery retail is a large market. Still Kiranas do contribute to upward of 80% of the overall FMCG spend. I think we've seen this phenomenon. When modern trade came into India, everyone said, oh, what's going to happen to kiranas.

I think while there is channel share shift which happens, but what also tends to happen is the overall pie becomes larger. Now having said that, I'm not for saying or suggesting and not just me, the data also doesn't suggest that online is not growing. Online is growing at the expense of both modern trade as well as kiranas.

I think what the kiranas need to do and what we need to do in modern trade is everyone needs to figure out what is their playbook. So, if you look at it for the last 6 quarters, does indicate the impact of this trend where we are losing business, but my numbers for the last 4 months are suggesting that we have figured out what would be our path and our path is not just going and completely pivoting to online.

It is building an omnichannel proposition where we not just build online, but we also make sure how do we make offline resilient. And I think there are enough and more levers. And whatever initiatives we have done in the last 5-6 months, whether it be strengthening our assortment, whether it be strengthening our continuous availability, whether it be strengthening our price proposition by being consistent pricing and fair pricing. I think these are enough.

And then, of course, introducing a membership loyalty reward program. I think all of these are levers which are helping us bring back this business. And I'm sure similarly, Kiranas are also responding by upping their level of personalized service, delivery, pricing, credit, et cetera. So yes, I mean, there will be some shift, but I think it's a large market. And ultimately, players who respond, who adjust and who kind of discover new muscles are the ones who will be able to ride this out. So, I think that's the way I would look at it.

Sunny Bhadra: Just a small follow-up, sir. How far are we from reaching a steady state here as in will online continue 1 to 2 years take share from modern trade or is it like now more of an equilibrium now all of them should grow at that respective paces?

Anuj Singh: Look, I'm not an expert prophecy thing in terms of what is going to happen to online. I think online will look again; it is going to continue to grow. I can't comment whether it grow at the same rate as the base starts becoming larger and larger, you will see some of those growth rates coming down.

I think also the pressures on the P&L would come into thing, especially as players moving from being private players to becoming more in the public market after their IPOs. So, I think look, there will be some level of sanity. I think both the leading quick commerce players have in their last quarterly comments have talked about, I don't know exactly the term, but it said something like irrational competition.

So, I think they will realize that there has to be some level of pragmatism in terms of how long and how much can you afford to build. So, I think businesses will need to be over long term, built sustainably and with sustainable levels of margin with sustainable level of cost and with sustainable level of profitability. So far, across the world, we haven't seen a profitable online grocer, right.

But we have seen profitable offline grocery retail chains across the world. So, I think, look, I mean, that says it all. Growth at any cost is good at the start-up phase might be still doable for a company which has access to deep private capital. But once you're in the public market, once you're a publicly listed company, I think there are different pressures and you need to kind of do it. So, I think there will be some moderation, which will definitely happen.

Sunny Bhadra: Sir, you mentioned assortment, availability, pricing. All of these are great attributes for the business, right? Anything on private labels, are you thinking on those lines as in across categories that can also be a key differentiator, right? So, are you thinking on those lines?

Anuj Singh: Yes. So, when I say assortment, it means you need to have a good mix of what we call good, better, best, a good mix of national brands, regional brands, local brands and private brands. So I think that's all encompassed when I talked about assortment. It's not that we don't have a private label business. We do have a pretty strong private label mix. Our mix of private label is more pronounced and is stronger as far as staples is concerned.

Close to 35% of our staples category is accounted for by private label. So yes, private label is an integral part. But again, we have to be pragmatic enough to see which of the categories which lend themselves to private label better than certain other categories. So typically for retailers, staples is highly indexed on private label. It is some parts of cleaning. So whether it is floor cleaning, toilet cleaning, those are the kind of categories which are amenable. And then, of course, you have fashion and apparel.

Sunny Bhadra: Packaged foods?

Anuj Singh: Packaged food also to some extent, yes. So we do that. But we are strong as far as staples and a bit of packaged food is concerned. We are not expanding into other things. But private label is an important part, yes.

Sunny Bhadra: The non-foods FMCG and apparels are a bit on a lower end, but staples, foods as well as packaged is a high component of their private label?

Anuj Singh: Yes. And I think the other way to look at it is I don't think the issue on Spencer's is on the margins. I think the margins at 21.2% for the quarter and YTD margins at Spencer's close to 20-19.6%. I think they're healthy.

I keep saying this, it's not about the percentage margins. It is about your rupee gross margin. I would love to trade off. And I'm not saying I'm doing this, so please don't get me wrong. But I would love to trade a 20% margin for a 19% margin, if I can get a 10% sales growth and if my SPSF can be INR 2,500 a square foot.

I think that's where magic happens in retail. You can look at the most successful grocery retailer in the country and go and look at the SPSF figures and go and look at their gross margin figures. Their gross margins are not more than 14.5%. So you look at the benefit.

Sunny Bhadra: Suppose their SPSF is INR35,000 per square feet, right?

Anuj Singh: So that's what I'm saying. So at some point of time, this obsession with just higher margins, percentage margins has to be replaced with more of a top line driving your SPSF and driving a far higher share of this thing. 20% of INR100 and 19% of INR1,000, you can do the math, which gives you a higher RGM and what helps you absorb cost is not percentages.

All our other costs are not in percentages. Rents, salaries, operating expenses are all in absolute amount. So I think, yes, I mean, the focus is on driving RGM. And of course, I'm not saying we will sacrifice margins, but we'll be pragmatic about how much we can push percentage margins and how much we can push our top line and drive absolute rupee margin growth. Thank you very much.

Sunny Bhadra: Thank you so much.

Moderator: Thank you, sir. Ladies and gentlemen, that was the last question for today. On behalf of Emkay Global Financial Services Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Anuj Singh: Thank you so much. Thank you for hosting and listening in.