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November 11, 2024

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 Q2 (FY24-25) 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 Q2 (FY24-25) Post Results Earnings Conference Call held with Analysts on Wednesday, November 6, 2024 at 5:00 P.M. (IST).

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

You are requested to 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: 2024.11.11 18:09:25 +05'30'
**Navin Kumar Rathi**
**Company Secretary & Compliance Officer**

Encl: As above

"Spencer's Retail Limited

Q2 FY25 Earnings Conference Call"

November 06, 2024

**MANAGEMENT:** **MR. ANUJ SINGH – CEO & MD, SPENCER'S RETAIL LIMITED**
**MR. SAKET SHAH – GROUP HEAD (IR AND ESG) – RPSG GROUP**
**MR. SANDEEP BANKA – CFO– SPENCER'S RETAIL LIMITED**
**MR. PANKAJ KEDIA – VP (IR) – RPSG GROUP**
**MR. HARSHIL GATHANI – CHIEF MANAGER – SPENCER'S RETAIL LIMITED**

**MODERATOR:** **MR. AKHIL PAREKH – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Spencer's Retail Limited Q2 FY25 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in 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 touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Akhil Parekh from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

**Akhil Parekh:** Thank you, Sejal. Good evening, everyone. I welcome you all to Spencer Retail's Q2 FY25 conference call.

From the management side, we have with us Mr. Anuj Singh, MD, CEO. Mr. Saket Shah, Group Head IR and ESG Reporting. Mr. Sandeep Banka, CFO. Mr. Pankaj Kedia, VP IR. And Mr. Harshil Gathani, Chief Manager. So without taking much time, I'll hand it over the call to Anuj, sir, for his opening remarks, post which we'll open the floor for Q&A. Over to you, sir.

**Anuj Singh:** Thank you, Akhil, and good evening, everyone. Thank you for joining our Q2 earnings call. Before I start giving some more color on the numbers for Q2, the numbers were announced after our board meeting around noon time.

Just would like to preface with the context that this period, Q2 was one where we were executing the previously announced decision of ramping down of our operations in South and NCR, an exercise that involved 47 stores, a large employee base in the stores, as well as a streamlined, optimized workforce in the corporate office and the regional office. This large-scale exercise had to be managed without operational disruptions across the continuing regions. And I would like to acknowledge the tremendous work put in by the team in executing this in line with the agreed timeframe.

Further, Quarter 2, as you would have also, you know, kind of noticed from all the earning calls of a lot of other retail companies, as well as FMCGs, was a tepid trading environment. There were weak consumption trends, particularly in discretionary categories like non-food FMCG, apparel, and general merchandise, more pronounced in urban areas where we operate. We don't really operate in any rural areas.

And a quarter where we saw continued channel share shift from modern trade, Kirana, to quick commerce. In that context, I would call the Q2 performance at Spencer's as resilient and respectable, and in line with the guidance given last quarter. If you look at it, the top line at a consolidated level de-grew by 9.8%. Spencer's de-grew by 11.3%, largely an impact of the closure of stores and ramping down of operations.

Our margins were also impacted due to this one-off, one-time activity of ramping down. At Spencer's, at a standalone level, our gross margins were lower by 448 basis points, largely due to rundown of inventory in stores, which were earmarked for closure, as well as lower other income, which was happening in both the continued and discontinued regions as a result of the lower scale of operations.

However, our controllable operating costs, both at a store and corporate level, were lower than the comparable period last year. And this does not include the full flow-through of all the optimization which has been done in the corporate office, which will only start coming through in Q3. So, overall, at a consolidated level, our EBITDA, which is the post-Ind AS, was at INR16 crores for the quarter, which is roughly 4% of the sales, versus the minus INR4 crores in quarter 2 last year.

The PBT for quarter 2 was minus INR87 crores versus minus INR70 crores in Q2 last year, largely on account of increased interest costs. Translated at a first-half H1 level, the revenue de-growth is minus 6.8%. Spencer's de-growing by minus 8.3%, again, as an impact of the Q2 ramp down, whereas Nature's Basket on a H1 level is a plus 4% versus last year H1. Our gross margins were lower by 142 basis points at 19%, again, largely on account of quarter 2 Spencer's, where the Spencer's H1 margins are at 17.5%. Again, I'd like to reiterate this is one-off and post the closure of stores when we operate in our continuing regions. This will come back to the 19% levels which Spencer's delivers.

Nature's Basket was almost flat, a slight 10 bps reduction at 27.8%. Our operating costs for the first half were lower by INR10 crores, and the Consolidated EBITDA post-Ind AS is at INR46 crores versus INR4 crores in H1 of last year. The PBT, slight reduction versus last year, we're at minus INR131 crores PBT at a consolidated level for H1 versus minus INR134 crores in H1.

We strongly believe that we are on the right path to streamline the fundamental shape of the P&L, specifically at Spencer's, wherein we will operate in regions where we have demonstrable right to play and win. We're talking about mid-single-digit growth, mid-single-digit store EBITDA in the continuing regions. Our e-commerce propositions in this region is gaining traction.

We're growing by 20% compared to last year's same period. And our support organization costs as a result of all the optimization would also be in mid-single digits. So, we're quite confident that this is the right direction which we're moving in.

If I look at the Q2 results in the continuing regions of UP and East, it reinforces this confidence as we've grown by 4% Q2 as well as in H1 versus last year Q2 and H1. Our margins in this region are around the target 19% level, and our store EBITDA is in the 5% region, and our e-commerce is growing at a healthy 20%. So, with all of this resetting which we have done and the one-offs, the festive consumption momentum which has set in in Q3, and the evolution of our e-commerce proposition to a 30-minute delivery proposition, wherein we are revamping the entire tech stack for an enhanced UX UI.

We are expanding the footprint of stores from where we do our fulfilment. So, today, as you know, we don't use dark stores, but we leverage our existing stores from where we do fulfilment of our e-commerce orders. We have enabled the backend, both in terms of technology and operations, to ensure that we can now start increasing the number of stores from where we fulfil.

And this has a direct impact on reducing the delivery time. Today, for example, in a city like Calcutta, we have 42 stores. Our e-commerce fulfilment happens from nine stores, and our average delivery time is 50-55 minutes.

With the improvement, with all the tech and operations backend optimization which we have done, we are today doing our e-commerce fulfilment from 12 stores, and we see that going up to as high as 30 stores in Calcutta, which will not only allow us to service all the pin codes in Calcutta, but will also allow us to reduce the delivery time to within 30 minutes, if not less than 30 minutes. So really, for us we are quite confident that Q3, with all the decisive actions of ramping down, focusing on a few geographies, focusing on e-commerce, will lead to strong results in Quarter 3. And we strongly believe that we can achieve the operational profitability for the business.

And when I say operational profitability, I'm talking about pre-Ind AS EBITDA level, as early as Quarter 3 end of this year. So, that's a brief commentary on how Q2 went, in line with all the actions which we had earlier announced, and giving you a brief, glimpse of where, what the outlook for Quarter 3 is, and what the shape is. We will also continue to look at measured expansion in the continuing regions.

When I say measured expansion, we're talking about stores in regions of East and in UP. We've added one store for Spencer's in this quarter, in Siliguri. We're adding on two more stores in Calcutta in the coming weeks. And we see going up to three to four more stores by the end of the year in Spencer's. And on Nature's Basket, we're looking at three more stores.

So, totally, we're looking at five to six stores coming online, as far as these focus. So, that's the overall commentary for Quarter 2. I just hand over to our CFO, Sandeep, to just talk a little bit more about, the one-time expenses and the impact on the P&L as a result of the closures which we did in Quarter 2. Sandeep.

**Sandeep Banka:** Hi, good evening, everyone. Just to give more details about the recent closure cost of South and NCR, I'm just referring to the note number six of the financial statement. Pursuant to company's ongoing initiative for improving operational performance and financial health, the management has initiated appropriate steps for opening stores in selected geographies and ramping down operation in South and NCR. Their costs are higher, thereby adversely impacting overall margins at store level.

Accordingly, the necessary accounting treatment and impacts relating to the stores identified for closure has been considered in the current quarter, resulting into net credit of INR32.39

lakhs which comprises reversal of net liability on termination of lease contracts INR57.546 crores. That's a gain.

And the accelerated depreciation, dismantling cost INR37.89 crores and the provision against inventories and security deposit and other claims are INR19.24 crores. This is on estimate basis. Adding to this, I'm just mentioning the sale done by the company in South and NCR region where we are ramping down our stores we had the loss of INR25.87 crores. If I'm not considering this loss and I'm just taking the ongoing reason that's Eastern UP, my overall EBITDA should have been otherwise INR7.5 crores. Handing over to Akhil for further questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Akhil Parekh from Batlivala & Karani Securities. Please go ahead.

**Akhil Parekh:** Hi, thanks for the opportunity. The first question is a demand scenario. I mean, as Amit sir has highlighted, we are seeing urban slowdown and some of the FMCG players have already highlighted this. So what are some of the key patterns or observations that we are seeing at our Spencer's and Nature Basket stores in terms of demand weakness? Are there any specific line of items where the growth has fizzled out and are there any items where we continue to see a decent growth momentum that will be my first question.

**Anuj Singh:** I think it's a great question. Giving some more kind of commentary around that, you're absolutely right. While the overall consumption in Q2 has been a bit soft, if I were to break that down in terms of categories, like I mentioned if we look at some of the discretionary categories when it comes to, let's say, FMCG beauty, when it comes to general merchandise and apparel that saw, I would say, flat trends as far as Q2 is concerned.

However, when we look at categories which are non-discretionary which are everyday consumption, when you look at staples, when you look at fresh bakery, these are all categories which have performed well for us. Further, if I look at this whole mix between the NOBs, which is the number of bills versus the average bill value, we see an interesting phenomena where our NOBs have grown. So it is not to say that we are getting lesser traffic.

The NOBs have grown by 5%, but the ABVs have gone down which probably supports the hypothesis that consumers are maybe downgrading either from a price point or buying lower quantities. So wherein they would either buy a 10 kg, they might be buying 5 kg or if they were buying a more expensive one, they're buying. So it's not a secular trend of degrowth everywhere.

It is demarcated between categories. I think the discretionary categories have been impacted more. The non-discretionary items which are part of a monthly household consumption basket have remained strong. So we've seen staples for us have done well, fresh has done well, whereas some of the non-discretionary categories have got impacted in quarter 2, which subsequently as the festive quarter sets in in Q3, we see a correction which sees a lot more non-discretionary going up and discretionary remaining the same.

So I think that's a bit of a trend. When it comes to nature's basket, nature's basket is slightly different. Our quarter 2, I would say muted growth of 1% was largely due to a bit of external factors. There were heavy monsoons which hit us and our operations in August and September in the West. We also had some delays in terms of shipments, etc and we had a festive order, institutional order which did not come through. So I think it's largely because of that, but fundamental consumer trends or consumption trends in nature's basket, given the nature of the categories there is not something which is a cause for worry.

I think the overall sentiment is more in terms of Spencer's where certain discretionary categories were a little bit more muted, whereas the non-discretionary categories did well. So I hope I have answered your question and given you some more.

**Akhil Parekh:** Just in addition to this and before I get back in queue, so would you be able to quantify what will be the growth in fresh items like bakery you have highlighted? So in non-discretionary versus discretionary, if you can bifurcate if we have that number or at least some ballpark.

**Anuj Singh:** So I'll give you some things. So first of all, I think in our continued operations which is the regions where we continue operations versus the operations where we have kind of ramped down the sales, the growth numbers are different. We were about 4% growth in continuing operations, whereas I won't give, I mean, the number for the discontinued operation doesn't make sense.

For our staples business and for our bakery fresh business, we have grown in mid-single digits, whereas the other non-discretionary items have been flat. For our NOBs, which we said we've grown again mid-single digit growth in number of bills whereas our ABVs have dropped by 3% to 4%. So that's the quantification.

**Akhil Parekh:** Okay. And this pattern is similar on the online channel as well like what we have seen in the brick-and-mortar?

**Anuj Singh:** So I think online is very different because online is for us, it's coming off a small base. So our growth in NOB are much higher, but as you know, the ABVs tend to be slightly lower in online. And as we've expanded our number of orders, our ABVs have come down. But our ABVs on the business are around INR900, they used to be around INR1,100 when we were on a smaller base.

So online, definitely given the nature of consumption, given the fact that there are orders, there are lesser quantity per bill, the ABVs tend to be lower, but I would say, not that we are at the same scale as some of the other big guys, but our ABVs are definitely higher than the industry ABV. The industry ABV in Quick Commerce tends to be INR550. We're at around INR900.

**Akhil Parekh:** Sure. This is helpful. Just a suggestion, if we can provide this parameter in terms of number of bill cuts or number of orders and average bill value, at least, if not quarterly maybe annual basis, that would be really helpful.

**Anuj Singh:** Sure. Do join us quarterly. Ask us the question. We'll share the numbers. You'll get the numbers.

**Akhil Parekh:** Sure. Thanks a lot.

**Anuj Singh:** Thank you.

**Akhil Parekh:** Thank you. The next question is from the line of Parikshit Gupta, from Fair Value Capital. Please go ahead.

**Parikshit Gupta:** Thank you very much for the opportunity. So I have a couple of questions. I will start with the balance sheet, please. I read the note in the results which mentions that the group aims to fulfil obligations in the next 12 months, along with the credit line availability and promoter capital. Can you please articulate the debt which is maturing in the next 12 months, please?

**Anuj Singh:** Can you ask your second question? We'll respond together.

**Parikshit Gupta:** Sorry.

**Anuj Singh:** Can you ask your next question. We can respond together.

**Parikshit Gupta:** Sure. I just wanted to understand, are there any plans to raise any equity capital? And if yes, are there any debt covenants that restricts us from raising capital either through the debt or the equity market?

**Anuj Singh:** So your first question is, what's the total debt and what is the debt which is maturing in the next 12 months? And your second question is plans to raise debt? And if there are any impediments in terms of any debt. So these are your two questions?

**Parikshit Gupta:** Equity as well, please.

**Sandeep Banka** **S**o my total debt as on 30th September is INR896 crores on console level. And the debt amount for maturing within 1 year to pay is INR106 crores.

**Parikshit Gupta:** Okay. And just to follow up on this, the company plans on servicing this current portion of debt, along with the interest payments through internal approvals at this point?

**Pankaj Kedia:** Yes, see, Parikshit, Pankaj Kedia this side. You are already aware that we sometime back announced in one of our board meeting, enabling resolution for raising capital. Since then, the board is consciously evaluating the multiple options for us to raise capital. In the last couple of calls, if you recall, our MD Anuj, has very clearly articulated that at the company level, we are deeply engaged in looking at a path of profitability.

And in the last 1 year, multiple measures have been taken for us to ensure that the business is streamlined. We have closed down a reasonable number of stores. And the guidance for Q3, which Anuj just mentioned, where we are actually looking at a path to EBITDA breakeven pre-India's level.

We believe that these are the major catalysts, which will actually help us to come to a point where we would be able to raise capital of an appropriate amount at an appropriate valuation. But as and when we decide to do something specifically, you do understand that we have to first implement the stock exchanges. But I can only give you an assurance that the company is working towards that path. Beyond that, we will not be able to share any specific thing.

**Parikshit Gupta:** I understand. I have one more question on store operations, and then I will rejoin the queue. So you mentioned that in this quarter, you have already optimized the costs, and which has resulted in about INR15 per square feet of cost savings. Is there any further room to it? And just along with that, I understand that the sales per square feet has been marginally impacted.

**Anuj Singh:** Sorry, we lost you.

**Pankaj Kedia:** Can you repeat your query, Parikshit?

**Parikshit Gupta:** Yes. So the first part of the question is on the operating costs on the store level. I understand that you have already articulated savings of INR15 per square feet in the current quarter's result. Is there more room to it?

And second part of the question is to understand, is there any sales per square feet optimization activities being undertaken? Because I had the opportunity to visit a couple of stores in the Lucknow area, and there was a difference among different store sizes in terms of sales per square feet. Just this final question, please.

**Anuj Singh:** I think, again, I'll take that question. So I think on the opportunities for further store cost optimization, I think I would say that a bulk of the heavy lifting has already been done, and that starts flowing in already in quarter 2. Having said that, what we are going to do is also look at it at a store profitability at a store level.

And I think it's not good enough to look at an aggregate level and you say that you're at 5.5%, 6%. I think every store has to be in that zone. And therefore, if you're not getting the right level of efficiency, we look at it in a case-by-case basis in a store where there is further scope of, I would say, opex reduction.

But let's remember that the levers available are limited in the sense that, you can't do much with your rent, you can't do much with your utilities. So then ultimately, it just boils down to staff and manpower. And there is a very fine line between going very thin on manpower and compromising your service levels.

So I think that's something which we will be cognizant of. So I would say that I don't see too much more headroom for optimization of controllable opex at the store level. However, at the corporate and the support level, we've been doing a series of optimizations. The last one was done in July 24, which means that what you're seeing as, costs at the support level, they have not flown through in quarter 2, given the fact that, you typically have 2, 3 months' notice period. That will flow through from quarter 3.

So just to kind of give you a thing, we had about, 100-plus positions which were optimized, headcount which were optimized, the full impact of which will start coming in in quarter 3. And just to give you, again, a number which I think I mentioned in the last call also, our support cost, which is corporate overheads plus RO, DC & Marketing, last year for Spencer's was INR172 crores, which is about 8%.

With all the activities which we are doing, this entire corporate overhead plus RO, DC & Marketing, we believe we'll be able to exit at a rate which will be closer to INR114 crores, which is almost a INR60 crores savings, and comes down from an 8% of sales to closer to 6% of sales. So I think that's the play which you will see flowing through in quarter 3. The actions for which have already been done in quarter 2, and the full flow through will start happening from quarter 3 and quarter 4. I hope I've answered your question.

**Parikshit Gupta:** Yes, absolutely. Thank you very much for your time.

**Moderator:** Thank you. The next question is from the line of Chirag from SKP Securities. Please go ahead.

**Chirag:** So my question is, what is the roadmap for the next 5 years? And how will there be a turnaround?

**Anuj Singh:** Yes. That's it. That's the question. Okay. So look, I would say we're at that stage. And I think I've been consistently boring by repeating the same thing. The answer to this question, I think five years is too long a timeframe for me to give you. And it is it is building, I think, for what we the task on hand is what we're going to do in the next one quarter, what we're going to do in the next two quarters.

And in service of that, our first primary objective, which the management had committed to the board and also communicated to all of you, our first primary objective is to get to a level of operational EBITDA or pre-IMDS EBITDA break even. I think once we do that, that reinforces a lot of confidence in the model, the model P&L, which again, I had mentioned last time, what we're looking at is a P&L, which gives a 19% gross margin, where our store, opex is in the region of 12%, so that you end up with 6%, 6.6% of store EBITDA.

And your corporate overheads are in the region of 5%, 5.5%, so that you get to 1% EBITDA. This is not the end state. This is where we want to get to. We had earlier at the beginning of the year, we had given an 18 to 24 month timeframe to reach that. We have significantly accelerated that timeframe.

We are quite confident that we will be able to achieve this in by the end of quarter four exit of this year. And that will really set the base for us to build on where do we go from there. This will include clearly identifying further growth opportunities in the regions. It will also give us a good sense of the e-commerce growth, which we are able to drive. At what profitability that comes, it will also give us more options in terms of looking at recapitalizing our balance sheet.

And I think that would stretch, that would truly set the stage for giving a 3 to 5 years picture of how we can get to an EBITDA of 3% to 4%. If I start talking about in 5 years, I will deliver 4% EBITDA, you guys will not believe me, because what you would want to see is how soon can we reach to an EBITDA breakeven.

And that's the primary task and objective which we are focused at. I'm pretty sure once we get there, we're not going to rest at that level. We will then look from building that stage. But from where we are today, last year we were, just to remind you, we were at minus 6% EBITDA. So, I mean, let's get to the breakeven, let's get to the 1%, and then we'll build a very robust 3 years pathway to getting to mid-single-digit EBITDA.

**Chirag:** Got it. Thank you.

**Moderator:** Thank you. The next question is from the line of Ravi from Nuvama Wealth Management. Please go ahead.

**Ravi:** Hello. I have four questions. Why has depreciation gone up two times on a year-on-year basis? Is there an accelerated depreciation or closure of stores here? And do we take this depreciation level to be the new number for all quarters of the year? Another question. You mentioned that Natures Basket depreciates, in fact due to delay of consignment. How do you fundamentally derail from this? Is it possible to have more Indian merchandise in Natures Basket?

And what is the average order value of quick commerce, business, and Spencer's? And what is the percentage of business that now comes from quick commerce, and where can it go? That's it. Thank you.

**Anuj Singh:** So, three questions. One is around depreciation, the increase in depreciation, and will that be the base for all quarters? The second question is on Natures Basket. How can we have more Indian products in Indian supply chain to minimize potential disruptions due to import? And your third question is what is the ABV on our e-commerce business, and what is the mix of our e-commerce business? Have I captured your three questions?

**Ravi:** Yes.

**Anuj Singh:** Okay. So, on depreciation, I'll ask Sandeep, if you could just comment on that. It's a one-off increase, but maybe you can give more.

**Sandeep Banka:** Thanks. Hi. There is a one-time depreciation on account of stores closure in South and NCR region, INR32 crores, which is an accelerated depreciation and considered into the books of account.

**Anuj Singh:** So, going forward, we don't see that the base is going to be at INR55 crores, it will be at the regular level of INR20-odd crores depreciation.

**Sandeep Banka:** Over to you.

**Anuj Singh:** Now, I think on your second question, how do we kind of insulate the supply chain from, import vagaries for Natures Basket? Well, I think, that's something which comes with the nature of the products if you stop. Given the fact that Natures Basket carries a gourmet range, a wide range of both international cuisine and international taste products manufactured in India, but also it has to have products which are imported.

Now, I think having said that, this is a pretty well-established supply chain in India, and we've been dealing with well-established suppliers who have the capability to supply to us. So, this is – we don't see this as a big risk in our supply chain. Yes, one or two odd incidents in a year happen, and the best way to mitigate this is to hold a decent level of inventories as well of these products.

So, I think this is – I would not call it a continued risk factor, but as a one-off. But having said that, yes, we do balance the inventory between products sourced from India and what are imported products. But again, given the nature of the products, we do sell fruits which are both Indian fruits grown in India as well as we do sell high-quality imported fruits.

We do have packaged goods, foods which are international cuisine made in India, but we also do have imported products. So, given the nature of the whole proposition, the products which we have, the clientele and the pricing, it will always have a component of imported products, and the supply chains for these are very well-established. We don't expect major shocks or volatility in that. It was just a one-off impact which was there, and we will handle that.

Your third question was on the ABVs on e-commerce. I thought I'd kind of explained, but I'll again give color on that. So, our ABVs on our e-commerce business are in the region of INR900 crores, – sorry, INR900 per order. And again, like I said, our e-commerce proposition is a combination of slotted delivery, which is, if your cart size is high, 20-plus items, then you go into a slotted delivery, which happens at given times of the day. And those ABVs are much higher.

The ABVs on our slotted e-commerce proposition are upward of INR1,500. And the express delivery format, which is our version of Quick Commerce, that is where we guarantee delivery within 60 minutes, there the ABVs are in the region of INR900 per order, still, higher than the industry average. But again, what has to be borne in mind is that today we are at a small base as far as number of orders are concerned.

We do about 1.25 lakh orders a month, which used to be 75,000 orders a month last year in the same quarter. But as, like I said the primary focus there on e-commerce is to really increase your orders, increase the frequency of orders from the same customers, increase the retention of customers. And with that, you would probably be at a ABV of anything above 650-700 is a decent industry benchmark to be at.

Because let's remember that this channel is not a channel which is planned, month beginning, large basket filling. This is a top-up channel. An average consumer here shops upward of 10 times a month. And therefore, the basket size will always be lower. So, we will evolve into that. Right now, we are above industry benchmark.

But as we increase our base, as we increase our number of orders, this will come down. Yes, So, I hope I've answered all your questions on depreciation, Natures basket, as well as ABV. Your question on e-commerce mix is e-commerce, what we call is out-of-store, which is a combination of e-commerce and phone delivery, is at 15% of the overall business mix.

And again, as given, stated ambition is to get it to 20% plus. And the key driver for this would be, like I keep saying, is about further evolving our e-commerce proposition. As I mentioned, we are in the midst of doing all the necessary investments, upgrading our tech stack, looking at all backend operations to get into an evolved e-commerce proposition for us.

Today, our express delivery proposition in Calcutta, Lucknow and Banaras is a within 60-minute proposition. With everything which we are doing, we are quite confident that by December mid, we will re-launch our express proposition to be within 30 minutes, which will be a big improvement and in line with what the market is demanding today. So, that's a bit of color on the e-commerce mix. Yes.

**Ravi:** Okay.

**Anuj Singh:** Answered all your questions, sir?

**Ravi:** Yes.

**Moderator:** The next question is from the line of Saransh Gupta from Svan Investments. Please go ahead.

**Saransh Gupta:** Yes. So, thank you for the opportunity. Actually, I have a couple of questions and a few of them were answered already. So, one is that, as you mentioned that there is no more headroom to reduce the store cost in the future. So, what is the current store cost for Spencer's and Natures Baskets, if you can give more details on that?

And the second one is that, as we know that we have gone through some store closures. So, what is the upcoming sustainable cost and the opex after store closure in Spencer's?

**Anuj Singh:** So, I think, look, I'm not going to give you numbers in terms of opex per square feet. But I think what would suffice is that our guidance is to get to a 12% operating cost at store, which is broken into roughly 6% rental and 6% non-rental opex. So, I think that that's what it is.

And we will not break this up further in terms of giving you SPSF and therefore opex per square feet. I think that's the rough number. Are we at that level? No. Are we going to get to that level soon? Yes, absolutely. That's what the design is.

**Saransh Gupta:** Sure. Thank you.

**Moderator:** As there are no further questions from the participants, that concludes this conference. On behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.