SRL:SEC:SE:2023-24/90

February 7, 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 Q3 (FY23-24) 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 Q3 (FY23-24) Post Results Earnings Conference Call held with Analysts on Friday, February 2, 2024 at 10:00 A.M. (IST).

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

You are requested to take the afore-mentioned information on record and oblige.

Thanking you.

Yours faithfully,
For Spencer's Retail Limited

VIKASH KUMAR AGARWAL
Digitally signed by VIKASH KUMAR AGARWAL
Date: 2024.02.07 18:30:04 +05'30'

Vikash Kumar Agarwal
Company Secretary & Compliance Officer

Encl: as above

"Spencer's Retail Limited"

Q3 FY '24 Post Results Earnings Conference Call"

February 02, 2024

MANAGEMENT: **MR. ANUJ SINGH – CEO AND MANAGING DIRECTOR**
MR. SAKET SHAH – GROUP HEAD, IR AND ESG REPORTING
MR. PANKAJ KEDIA – VICE PRESIDENT, INVESTOR RELATIONS
MR. SANDEEP BANKA – GENERAL MANAGER- FINANCE
MR. HARSHIL GATHANI – CHIEF MANAGER

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

Moderator: Ladies and gentlemen, good day and welcome to the Spencer's Retail Q3 FY24 Post Results Earnings Conference Call hosted by Batlivala and Karani Securities India Private 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 0 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 and Karani Securities India Private Limited. Please go ahead, sir.

Akhil Parekh: Thank you. On behalf of B&K Securities, I welcome you all to the Spencer Retail's Mid-and-Quarterly Conference Call of Q3 FY24. From the management team, we have with us Mr. Anuj Singh, CEO and MD, Mr. Saket Shah, Group Head, IR and ESG Reporting, Mr. Pankaj Kedia, Vice President, Investor Relations, Mr. Harshil Gathani, Chief Manager and Mr. Sandeep Banka.

Without taking much time, I'll hand over the call to Mr. Anuj Singh for his opening remarks and post which will open the floor for Q&A sessions. Over to you, Mr. Anuj.

Anuj Singh: Thank you so much and good morning, everyone. My name is Anuj and I'm the MD and CEO of Spencer's. I'm very happy to talk to you today post our Q3 earnings. I'll start by giving a brief personal introduction. So, I joined the company in the end of March 2023, so it's been close to 10 months that I've been at the helm of the company. And I come in with experience both in the FMCG domain as well as in retail.

I've had a long career in FMCG both in India and internationally. I worked with Unilever and Nestle. And in retail, I was at Walmart India in their B2B business as their Chief Merchandising Officer for three years prior to joining Spencer's.

So, I'll start by giving a brief context of the business and I won't take you back to two years, three years. I'll keep the context limited to when I started 10 months ago. So obviously at that point of time, the organization was going through and is still in the midst of a pretty challenging situation both external and internal.

But as the new management, new leadership, we kind of took stock of where we were in, let's say, April 23. What we quickly realized is that, look, we do have a right to win in the space which we are. And that's stemming from the fact that we have a strong legacy and a very high brand recall owing to the fact that we are probably, not probably, we are the first and the pioneering modern trade retail format in India going back to over two decades.

We also have a right to win because we have a unique and differentiated positioning and offering both on Spencer's as well as on the Nature's Basket side. And we were quite strong in certain focus geographies while we did not have a Pan-India footprint. So clearly the task was to build on some of our inherent, I would say, strengths or right to win and really turn around the organization both from a top line and a bottom-line part of it.

Some of you, we had interacted in September when we were talking about what actions we had taken in quarter one and quarter two. And we had clearly called out that, look, for us, H1, which is quarter one and quarter two, was in large senses recalibrating the business. As we said, this recalibrating of the business was looking at it very dispassionately from areas which were not adding value and were being dilutive to both either the top line or the bottom line, as well as looking at areas which were not making strategic sense.

As a result of that, in Q2, we took some big strategic calls. We exited two states, Kerala and Tamil Nadu. We were of the opinion that they were not of a certain scale and they were not in the strategic clusters which we wanted to focus on.

This meant that we actually shut down 20 stores. And if you look at it from a top line, it did have a top line impact of about 100 crores. But the stores were also loss-making, so we would avoid, on an annualized basis, close to 18 crores of EBITDA loss.

So, it was a tough decision, but it was the right decision which we took. We also then looked at right-sizing the organization, looking at our operating structure, which was to the scale that the business was, and we right-sized the organization in phase one, which was both at the corporate office level as well as the store level. So, I think these were some actions which we took, which obviously, if you look at the H1 results, does have an impact on the top line and the bottom line as far as H1 was concerned.

So therefore, clearly for us, Q3 was a quarter where some of the actions which we had taken should have started playing out and resulting. And therefore, if you look at the Q3 results, the earnings which were shared yesterday, on a Q3 basis, I mean, quarter three, we reported a 2.4% growth on a year-on-year basis and a 14% growth on a quarter-on-quarter basis. Now, while this might seem modest, 2.4%,

I think it has to be looked at in the context of what the quarterly performance was in the last three quarters. It's still too early to call it a turnaround, but it is clearly, I would say, a phase where we are shifting momentum and we are turning around from experiencing de-growth to getting even modest growth of 2.4%. If you look at, obviously, this is both on Spencer's and Nature's Basket. Nature's Basket has delivered stronger growth, higher growth, 10% growth on a year-on-year basis. Margins are strong on Nature's Basket, 29.6%, which is an improvement.

And therefore, Nature's Basket has also contributed to this overall 2.4% growth which is there. On Spencer's, on the Spencer's standalone basis, like I said, the growth on a year-on-year basis was 1.2%, but if you net it out for the stores' closure, the like-for-like growth is almost 6%. So, with the same set of stores, you know, excluding the stores' close, you know, there is good growth which is coming through.

Obviously, this is a festive quarter, so we are not discounting the momentum which you get or the tailwind which you get because of festive. In that context, I think the performance was strong. As I also mentioned, it was not just the initiatives are not just focused on top line, but it's also looking at our costs.

And we did, you know, effect measures to control costs both at the store and the corporate office. You know, this resulted, if you can, I mean, some of you can pick up the numbers, you know, the benefits will start flowing, continue to start flowing in quarter four and quarter one. But in quarter three itself, there was close to a 9% reduction in operating expenses.

And this is what has lifted the EBITDA for the quarter. The EBITDA for the quarter is 250 basis point improvement on a year-on-year basis. And I think that should give confidence to all of us that we will be able to drive both the top line as well as the bottom line.

So really, I mean, that's the crisp, short commentary on what quarter three was. I think going forward, you know, this, like I said, this reaffirms the belief and the confidence in the plan to drive top line and to control costs, to really accelerate our path to profitability. The key priorities for the organization will therefore continue to remain how to grow the top line.

And our top line drivers will be really focused on the three geographies where we operate in a clustered manner. And these geographies are East, primarily West Bengal, Eastern UP, which is we have a good concentration of stores in Banaras, Lucknow, Gorakhpur, NCR. So that is the second cluster.

And the third cluster is Hyderabad and Coastal Andhra, so Telangana and Coastal Andhra. So again, the plan would be to grow our top line focused on these stores. While we did, you know, close down, take the call on closing down stores, it does not mean that this is going to be a one-way street and we're only going to be looking at rationalizing stores.

We will expand and we will open new stores, but we will do it in these key clusters. You know, in Q4, we'll have about 25k square feet of trading area, which will come online. And we expect for next year as well, we will have between Nature's Basket and Spencer, we'll have one lakh square feet of trading area.

So, we will open new stores. We are also spending, we are also taking conscious calls to judiciously picking stores where we will refurbish some of the stores which are, you know, we have stores, which have been with us for 12 to 15 years. So, we will refurbish stores as well in these areas to elevate the overall experience.

So, growing Topline through focused expansion and focused execution in these clusters is one component. The second part of our Topline expansion plan centers around our omnichannel business. You know, we launched in September, we launched what we call the Express Delivery Business model in Calcutta.

And we have a pretty unique e-commerce model because we do our fulfillment from the stores which we have for a variety of reasons. It avoids us having to incur additional costs in terms of putting, dark centers, fulfillment centers, etcetera. And it helps us to spread our existing assets as far as the stores are concerned.

It used to be a slotted delivery kind of a system where you pick your slots. But in Calcutta, we, in September, we launched an express delivery where the proposition was, a wide assortment, 50,000 plus products delivered within one hour. So, it was not a 15-minute delivery, but it was still within one hour.

And we believe that that's a relevant proposition in grocery for where you can give variety, but you can still deliver within one hour. And with our footprint of stores in Calcutta, we are able to service 99% of the pin codes from our existing network which is there. This has met with good response.

You know, we have seen a good increase in the express orders and with good ticket size. So, this is again, given us confidence that this is a model which we will continue to expand. Our share of Omni-Channel today is 12%. And again, the plan is to keep pushing this up towards a number which will be 20% in the 12 to 18-month period.

So really, I mean, you know, the second center point for growing top-line is around driving this business. It's not just going to be in Calcutta. This is the model of Calcutta. We will look at – we're looking at a couple of other cities. Again, the key criteria for us is where we can – where we have the ability to deliver this proposition of covering the entire city from our existing footprint of stores.

So there are – like I mentioned, we have, cities like Banaras and Lucknow where we have a good concentration. And we will be expanding this express delivery component in those two cities as well. The third part of our top-line expansion would be obviously, continuously looking at our portfolio and our mix of categories.

We are a multi-category retailer. So, it's important to manage that portfolio very well. And we will look at increasing the mix of our general merchandise, which is complementary to the food. We will be – we will continue to be a food-first retailer. So food, which is everything from fresh to packaged food to staples will be our driver. But we will also have a very complementary mix of general merchandise, which we all know helps us in terms of managing the whole margin mix.

Our two big USPs in our portfolio, or I would say differentiators, are fresh, which is fish and meat specifically. It's something which is also a frequency builder. And we do liquor retailing in East. We will continue to build on these differentiators to have a healthy portfolio and a mix, which is not just from a margin point of view, which is internal, but also from a customer point of view, where we are offering products which are differentiated every day, and that therefore drives stickiness and frequency.

So those are three top, I would say, you know, top-line drivers. The other key part going forward is, you know, this cost optimization, right-sizing. This is not a one-off exercise. This is a continuous exercise to make sure that we operate in a very efficient and a lean manner. And like we said, we did one, phase one of the cost optimization exercise in quarter two of this year, which centered around 20-plus stores, which we exited, plus some right-sizing of the organization at the corporate level.

We are continuing that in quarter four. And really the plan is from last year's level, we are looking at taking out close to 10% to 11% of our operating costs compared to last year, which is a significant one, but we are confident that we can identify the inefficiencies and areas where we can remove that. So really, cost would also remain a key focus.

And I think driving top-line and improvement of costs would have that impact on EBITDA, as we've seen a little bit of it in quarter three as well. You know, the impact in quarter three of improving sales, keeping your margins the same, led to a RGM increase of 5%. Your costs came down, and therefore, you saw that, you know, that there is impact as far as EBITDA is concerned.

So top-line and cost would be the focus, and then looking at different, efficiencies, scaling up the share of our online and e-commerce business. So, I think that's where we will continue focusing. If I were to give you some additional color on Nature's Basket, Nature's Basket, again, start with the fact that, we do have a very definite and defined right to win in this.

It's a unique premium positioning, you know, proposition in retail, you know, sustaining good gross margins, 29.6% is what I've kind of called out. And this is centered around, an experiential shopping environment focusing on food, fresh as assortment, fresh including everything from cheese to, vegetables, fruits, exotics, imported, meat, charcuterie, a good bakery section. So a very, very relevant premium proposition, and the fact that it is positioned like that, it also operates in a very focused geography.

So, we are present in four cities, and again, growing it in those four cities. So, Nature's Basket would continue to be driven, keeping true to this proposition of being a kind of a gourmet retailer. We have in this quarter, we've launched India's first luxury grocery retail format called the Artisan Pantry.

The first store was launched at the Palladium Mall in Bombay, with a very high experiential zone which has everything from, a large selection of cheese, a great bakery section, even a salt bar, a big mushroom collection, also having things like, a cocoa and a chocolate center. So really, I mean, driving this experience is what Nature's Basket would be.

While keeping our operating costs quite lean, and the fact that we are focused in focused geographies, four cities helps us to do that. So, Nature's Basket would also be a story which will be driven on staying true to the proposition, driving top line as well as keeping your costs in control. So that's really, you know, how we want to drive this. If I were to summarize, I would say that, look, quarter three, like I mentioned earlier, we've played out some part of this strategy, and we see that coming through with top line growth as well as a bit of improvement.

The task on hand is to make sure that this is not one-off, and we keep sustaining it, both into quarter four and going forward for next year. But we are quite confident that, this is a plan which will help us to drive the organization towards growth, and a bit of improvement.

So I'll stop at that, and we'll open it up for questions from the team.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Bharat Gupta from India Retail. Please go ahead, sir.

Bharat Gupta: Hi, it's Bharat Gupta from India Inside Value Fund. Thanks for taking up my question. So, sir, I have a couple of questions. First, in regard to the debt profile, so can you just share what is the current debt number? Because I searched whatever numbers which you have reported, so thing which points out to that, though we are not doing that meaningfully in operations.

But we are stuck up and there is a lot of pileup of debt. I think in September numbers, it was close to INR650-odd crores. So, what's our plan? Like in terms of scaling up also, we will be requiring good amount of debt, good amount of fund raise… So, any plan?

Moderator: Hello, Bharat, sir? Sir, you are not audible. Can you please take your device closer to you?

Bharat Gupta: Am I audible now?

Moderator: Sir, a little bit louder.

Bharat Gupta: Hello, am I audible?

Akhil Parekh: Yes.

Bharat Gupta: Yes. So, my question pertains to the debt profile. So, sir, can you share what was the debt number with respect to December quarter, the gross debt number?

Anuj Singh: Yes. So, if you look at the debt position at the consolidated level, debt is at 785. Which includes 100 odd at Nature's Basket and balance at Spencer. And look, we are cognizant of this. You know, we are also looking at debt in relation to the equity. And we believe that we have, at the right time, we will look at how we bring in more funds. But the group remains committed to the business. And I think our first task as a business is to improve the operations metrics, which like I mentioned, is on the right step. And then I think the funds and managing that will be a natural outcome of the improvement which comes and the group is committed to that.

Bharat Gupta: But in terms of even if we want to scale up and create new experience, so we will be requiring good amount of capex and also our working capital is also stuck. So, any timeline to which we are adhering right now? And with respect to any like spinoff or any like we want to sell off any particular segment, so are we exploring any opportunity with regard to it?

Anuj Singh: Yes, so as it comes to do we have sufficient working capital as well as making the investment in the stores? Absolutely. This is part of the plan for the year. We will have working capital as well as – like I said, it's about a judicious expansion. We're talking about 1 lakh square feet. So, we are well capitalized and funded for that.

When it comes to stake sales and looking at this thing, these are premature kind of conjectures. And we will, at the right time, we will keep evaluating and doing it, but nothing concrete at the moment.

Bharat Gupta: Sir, secondly, like in terms of like we have not been able to do successfully with respect to markets in certain states. So, what kind of like you can say lessons which we have learned from that and how we want to scale up further? I know we want to confine majorly towards

Eastern UP, Bengal, but any particular plans which we have like with respect to scaling up within those segments also? And particularly are you evaluating opportunities also further in respect to other markets?

Anuj Singh: Yes, so I think the point is that it's – our ability – it's not that we were not successful. I think what we said is given our size and given our kind of our operating structure, it makes sense to operate in clusters with high penetration of stores.

So just to give you an example, in Chennai, we had nine stores, small stores, most of them were small stores. And therefore, to drive efficiencies focused stuff, even to do a marketing campaign, so it becomes very suboptimal if you don't have scale in that particular thing. So, the reason was not that we are not able to drive.

I think that that comes with a little bit of concentration as well. In the East, we have, like I said, in Calcutta, we have 42 stores. So, the ability to service these stores efficiently from a supply chain perspective, to do a campaign which can be where you do a media campaign, which is isolatable to that state, becomes far easier and more efficient.

So, I think that was the reason why we kind of took a call to focus on this. And secondly, we also believe that within these clusters, there is still headroom for growth. So, there is no need to have a token present in six geographies and then kind of be inefficient in terms of servicing them.

We believe that we can drive growth in existing four or five clusters, deepen the penetration of store counts in these clusters, and service them more efficiently from a supply chain perspective, as well as from a whole communication perspective. Otherwise, the cost of servicing and the cost of communication at a multi-state level, at an all-India level, just escalates. So, I think it was – that was the decision.

And therefore, we will first deepen our penetration in these three clusters. And obviously, once, we get to a certain level, we will evaluate if there is merit in expansion into more strategic clusters. But right now, I think we have enough of opportunity, enough of an existing footprint to expand in these three geographies, and that is what we will do.

Bharat Gupta: Right, sir. What will be a market share in those regions, particularly where we are operating in the branded retail space?

Anuj Singh: There is no Nielsen equivalent in retail. So, it will be very difficult for me to give you a number. But we are – in the East, we are a strong leader. So that's clear. And again, the task is to ensure that we maintain this leadership. And which is why it goes back to what I was saying earlier is, it is about strengthening, deepening presence and consolidating your leadership.

So yes, in areas where we operate in cities, we have distinct leadership, which is why when I said right to win, right to win is in these three clusters. And that is where we want to focus. Yes.

Bharat Gupta: But in terms of competitive intensity, I think with respect to other, there are different players, all in together, everyone is trying to capture and gain the market share across pan India basis. So, like how we want to position ourselves and distinct ourselves with respect to other peers? And I believe so then comes the question on funding and such, because we are also combined with respect to the debt side.

So, even when we want to scale up our operation side, so we would be requiring – like we want to curtail down on the cost part as well as reduce the debt side. At the same time, we also want to have a growth ambition. So, like how we want to match the two things and particularly grow out?

Anuj Singh: Yes, I think we've already answered that question. So again, just summarize, look, we have – we are adequately funded for the business, both from a working capital as well as the store expansion for next year. And with respect to competitive intensity, yes, this is a competitive thing.

But also, let's remember the context that modern trade in India today has 6% to 7% of the overall grocery. So, it's about not just a market share gain, but it's also about gaining in overall the modern trade as well as in e-commerce. So, I think there are enough growth opportunities and we are well capitalized for the year to kind of execute our plans, both from a working capital and a store expansion.

Bharat Gupta: Right. Sir, also with respect to Natures Basket, I think it's been more than two years now since we have boarded out from…

Anuj Singh: Sorry, I couldn't get you clearly. Could you be a bit louder?

Bharat Gupta: Yes, sure. I was just asking with respect to Natures Basket. So, it's been more than two years now since we started out with the operation. So, particularly in your assessment, how long will it take to stabilize now? Because on the EBITDA front, though, we might – we have been profitable with respect to this quarter. But eventually, if we want and be on the profitable side, so how do you see the assessment from your side? Like, how much time will it take to stabilize on the operation side? And what kind of addition with respect to stores are we looking at?

Anuj Singh: Yes. So, I think, just to factually say, we acquired this in 2019. And by all measures, the operation has been quite stable. In fact, we are adding stores, like I mentioned. We've added a new gourmet part of it called the Artisan Pantry. So, yes, we are growing. And I think if you look at – again, I mentioned, if you look at Natures basket financial performance, almost 30% gross margin. So that's evidence of a more than stable operation.

We've got 10% growth year-on-year, 13% quarter-on-quarter. So, I think both of them do support the fact that it is – the positioning is well-defined. We are delivering on that, and it is translating into financials.

On your question on profitability, well, if you look at the numbers, a INR6 crore EBITDA in the quarter, and if you look at the – if you take out the non-cash part of it, it's a INR1 crore loss, right? So, I think this is something which is easily fixable with growth. And I think that's not – I think the primary driver here is to build the scale over here. And like I said, we will be adding stores in the focus geography. That will help us with the margin profile it has.

It will help us – the 7% EBITDA on that quarter, that is something which will set us up well on scale to deliver...

Bharat Gupta: So, the margins of near about 29% on the gross side, so that will be on a sustainable basis in this segment?

Anuj Singh: Absolutely. It's almost 30%, 29.6%, right?

Bharat Gupta: Right. But in terms of the footfalls, so across the stores, like whether it is Natures Baskets or even in Spencer, so the footfalls are just equivalent to the pre-COVID numbers or we are…

Moderator: Sorry to interrupt, sir. Can you join the queue for the follow-up question?

Bharat Gupta: Sure. Thanks. I will join the queue.

Anuj Singh: Thank you.

Moderator: Thank you. And the next question is from the line of Kunal from Fairvalue Capital. Please go ahead, sir.

Kunal: Hello. Can you hear me?

Anuj Singh: Yes, we can hear you, Kunal.

Kunal: Okay. Sir, my first question was about Spencer's Retail. How are the D2C brand tie-ups progressing in there? And what was the quarterly run rate for the latest quarter? And can you also provide any guidance?

Anuj Singh: Sorry, your question was on the D2C brand tie-ups? Yes. So, look, we don't single out and say a driver for operational thing is not that I should have X percent growth of D2C. I think the way we look at it is, D2C brands, they should be fairly represented in our assortment because they are a signal of the fact that these kinds of offerings are gaining traction with consumers.

And if you want our overall proposition and format to be relevant to consumers, we need to make sure that we have the right assortment. Just because it's not a fact that if it is D2C brands in a certain category, if there are 100 brands launched, we don't put a KPI saying I should have 50 out of those 100 brands.

We will put the brands which are relevant with our consumers, because, ultimately, our goal is not to build D2C brands. That is the job of the D2C brands. Our job is to build an assortment which is relevant to the consumers and the evolving consumer preferences.

And if, as in when D2C brands evolve, they are an integral part of our assortment. So today we have D2C brands like Mamaearth is well represented. We have brands in coffee, in health and beauty. You look at brands like sugar, you look at brands like plum. We do have it, but we will not get swayed and have an over-representation.

Every brand, and in fact, as part of efficiency, we need to keep a tight assortment, an assortment which is reflective of what the consumer preference is, but also has a certain velocity. That's the way we will control it. Otherwise, just listing D2C brands or any other new brand comes back to bite you from an efficiency point of view. So, we are balancing that with, as a particular brand in a particular category evolves, takes market share, we do give a representation. But we have been a launchpad for quite a few D2C brands.

So, I hope I've answered your question. We don't have a separate metric and we don't track the metrics as saying that in a particular category, X percent share should be given to D2C brands. It's a function of how the D2C brand does in the market.

Kunal Tokas: Yes, that was very helpful. Thank you. My next question was about the private label. How is the growth traction you're seeing in there? And can you also provide some data about the margins? And what is your thought process behind scaling this segment?

Anuj Singh: Yes, I think a very good question. So, look, I mean, a private label is always, a retailer's, I would say, secret weapon to improve the mix. And for us, we have a good mix as far as the private mix, private label business is concerned. Of course, it varies across category. I would say in Staples, we have a very good, private brand listing, and it comes at a margin which is normally accretive to the category margin.

Our focus has been, to be honest, I mean, our focus has been on Staples. And we are looking, we have a presence in some of the other FMCG categories as well. But if I were to give you a blended mix, it's in the range of, 11% to 12%, which I would say is quite healthy. And like I said, it comes at margins which are accretive to the category margin.

Kunal Tokas: Understood, sir. That was also helpful. And the next question is about the Nature's Basket. How's the competitive intensity shaping up from the quick commerce players?

Anuj Singh: Yes, so I think, Nature's Basket, like I said, has a very unique positioning. In fact, I don't want to sound arrogant, but we are probably the only Gourmet premium grocery retailer in the country now. So, it operates in a very different space. In the grocery sector, I mean, when it comes to Spencer's, we do compete with certain others. But I think, Nature's Basket has no direct competition so far, given the positioning and where we are.

And then your second part of the question, how does it, how does e-commerce or Quick commerce? I think, look, even the nature and positioning of Nature's Basket, it's a very high experiential format. So, it is not that, people who want to go and experience and buy different cheese, they will order on BigBasket or Quick commerce. I mean, this is a very store experience led format.

And we believe that's what the strength is. Now having said that, there will be plans to strengthen and build the online part of Nature's Basket as well. But in a typical consumer psyche, I would expect that the customer adoption, and I would say, loyalty will stem from visiting and experiencing the Nature's Basket store. And the online part of it will be of your convenience of follow up purchases.

So that's how that segment will operate. So, I would not go as far as saying it is insulated from the intensity of Quick commerce, but Nature's Basket given its positioning and assortment, and the price points which it carries, so far does not have competition. And in that space, direct competition, and is less impacted by Quick commerce.

Kunal Tokas: All right. So, it will be right to say that you're also catering to a different customer set than what the general Quick commerce?

Anuj Singh: Yes, I think it's a different consumer need state which you're which you cater to. I don't think we should say it's a different consumer because the same consumer has different needs. You know, you might want to buy, premium Gourmet stuff, two, three times a month, when you have a special occasion, you're making something.

And on top of you're buying your, atta, dal, chawal either on Quick commerce or on visiting a grocery store. So yes, it's different needs states which you kind of cater to. And Nature's Basket is clearly positioned towards the premium Gourmet, grocery, retail needs of a consumer in the large metros. So large concentration in Bombay. Yes.

Kunal Tokas: Right, sir. Thank you very much for a detailed answer.

Anuj Singh: Thank you.

Moderator: Thank you. And the next question is from the line of Yash Bajaj from Lucky Investment Managers. Please go ahead, sir.

Yash Bajaj: Yes. Good morning and thanks for the opportunity. Am I audible?

Anuj Singh: Yes, you are.

Yash Bajaj: Okay. So, my question was around, so just wanted to get a sense.

Anuj Singh: Sorry, I lost you. Your question was around what?

Yash Bajaj: Nature's Basket?

Anuj Singh: Yes.

Yash Bajaj: I just wanted to understand the kind of parameters we look at before opening a Nature's Basket store when it comes to -- comes in terms of locality, the customer profile or any other retailing stores which are around?

Anuj Singh: Well, I think, it's besides the standard parameters, which you look at in grocery retail, obviously, the one which is most important is, I would say, the affluence of the catchment area. And obviously, then looking at, the affluence and therefore the affluence determines the propensity to spend on categories which we keep.

So clearly, I mean, the single biggest, I would say, criteria would be the affluence. Of course, we also look at the density of population and where it is. And yes, I mean, those are the ones besides the standard, location, accessibility, etcetera. But the differentiating factor is looking at the catchment area demographics more from an affluence and income point of view.

Yash Bajaj: And so just to follow up to this is that we currently we when it comes to Gourmet or retailing, we compete with the standalone one or two mom-and-pop stores? That's how it is?

Anuj Singh: Sorry? You're saying that the competition for Nature's Basket from standalone? Yes, look, I think, I mean, don't take me literally when I said it has no competition. In India, there's competition for everything. What I'm saying is that there is organized on scale. There is no one retailer today who has a premium Gourmet luxury retail kind of a yes, you do have in localities, you have your, established, kirana stores who stock either a wide variety of imported goods, or you will find, they will have a one good selection of exotic fruit.

So you will have that. But I think on an organized branded level, we do have, I would say the uniqueness and differentiation of being the one which is there. But Yes, in pockets, I mean, if you look at Bombay, South Bombay, I'm sure in every, locality, like Nepean Sea Road, Worli, wherever you do Colaba, you will have those, kirana stores, which will have a good assortment of imported, somebody will have a good assortment of exotic fruits, which they get. But Yes, not on a standardized organized way, as a branded chain, we are right now the only one. Yes.

Yash Bajaj: Got it. And just my last question. So, so, I mean, Nature's Basket caters to the luxury segment of groceries. So, if I look at the other categories, when it comes to consumption, look at premium cars, or watches or apparel, they are the kind of growth rates we are seeing there is relatively higher was the Nature's Basket growth rate. So how should we look at this? How should we reconcile this?

Anuj Singh: Well, look, I think, comparing luxury cars, or let's say any other thing with premium grocery might not you might not get a like-to-like index, you would buy a luxury car once in three years. But if you go and buy groceries, probably three to four times a month. So, I think I mean, it's not comparable. But one has to look at it more from a point of view, is there a sizable market? And is there a growing category of people who are willing to either try, premium price products, pay for it? I think that's how you will have to look at it.

So, it's not a like for like the luxury car grew one year by 20%. And Nature's Basket grew by 10%. I don't know whether we can draw a conclusion that it is underperforming for the position. I think the fact is that both are growth in both are an indicator that the Indian consumer has, greater, not just, liquidity and, and consumption power, but it's also going out and putting their money where their mouth is in terms of spending.

So, I think that's the way I would look at it. I would not draw a comparison between different luxury categories, that's the way I would look at it. But yes, I mean, both should move in the same direction. So double digit growth in Nature's Basket is something which is, corroborates the point that overall in the, in that premium luxury space, there is growth.

Yash Bajaj: Okay, got it. That's all from my side. Thank you and all the best.

Anuj Singh: Thank you.

Moderator: Thank you. And the next question is from the line of Nisarg Vakharia from NV Alpha Fund Management LLP. Please go ahead, sir.

Nisarg Vakharia: Yes, good morning, everyone. You have entailed in your presentation that the benefits of the restructuring and cost cutting exercise will be visible from quarter one. My question is that you obviously have an MIS report of understanding which stores are unprofitable, like you have done to shut down the South India stores.

Will you stop burning cash by quarter one, if I from next year of quarter one with the restructuring exercise that you have done? Because I think you've burned INR40, INR45 crores of cash even in this quarter.

Anuj Singh: Yes, I mean, that's the ultimate goal. I can't give, a forward-looking absolute guidance. But both the right sizing and focusing on the stores is with the effort of making sure that all stores and as a network of stores are all store EBITDA positive.

Nisarg Vakharia: No, sir, which year you will stop burning cash? Because last three years, I think INR600 crores of debt has been piled on because of cash burn. So as investors, it's very important and pertinent for us to understand that when will you stop burning cash Indicatively?

Anuj Singh: Yes, I think that is exactly what we are doing in terms of exiting certain things. If you want, specific thing, I mean, that obviously the time frame with the management has taken is the 18 to 24 month thing where we will...

Nisarg Vakharia: Okay, perfect. Okay. Second, sir, the, the most successful retailer D-Mart makes 8% margin of because they don't, because they own most of the properties. Now, we are essentially in high end malls where the rental costs are much higher as compared to likes of a D-Mart. So, in your opinion, what should be the steady state EBITDA margin in our business in retail whenever the business turns around? What is your endeavour? What is your goal?

Anuj Singh: I think we will take it one step at a time. I think the first endeavour is to break even and then to look at what it is. So, I think, yes, I mean, anywhere from, once you break even and, I've kind of given you a kind of a timeframe, which we're looking at doing that. I think, anywhere from 6% to 8% is where we should be targeting. But right now, I think that's looking too much ahead for us the immediate priority is to break even.

Nisarg Vakharia: Okay. Thank you so much and all the very best.

Anuj Singh: Thank you.

Moderator: Thank you. And the next question is from the line of Akhil Parekh from Batlivala & Karani Securities India Private Limited. Please go ahead, sir.

Akhil Parekh: Thanks for the opportunity. My first question is, how do we balance the game between, say, keeping wider assortment versus being efficient in terms of inventory management? If I look at, say, a global player like Costco or in India, if you look at DMart, right, they don't leave enough choices for the customer in terms of the assortment.

And that's why the sales throughput of the assets are very high. While I understand our value proposition is different as compared to, say, DMart or other value retailers. So how do we find balance between these two things, basically where we keep fewer assortments, I mean, relatively okay assortments, and at the same time, be efficient in terms of inventory lines?

Anuj Singh: Yes, I think it's a very good question. And I think that is one of the secret sauces, if I would say, to manage retail. The way it is done is it's a bit of a science and a bit of an art. I think the art part of it is you look at what your proposition and positioning is. And therefore, you need to give a minimal credible assortment. So, if you are, if your proposition is on value, then you have to have an assortment which is giving deep value.

And therefore, you're not really, from a consumer point of view, you're not really projecting a width of assortment, you're giving value in whatever you're giving in the assortment. If our proposition is about, you're giving multiple options or a range, then I think you optically you're and you have to give a certain level, your minimal credible assortment would be slightly wider. That's the thing.

The science part of it is that look, even if you're giving a certain assortment, based on your positioning, you have to constantly do what is called range effectiveness. So you have to, the merchant's job is to figure out that know what part of the range is, it's faster moving and the where the velocity is higher, and then kind of constantly keep trimming the tail, there is always a tail in the assortment. Even the most efficient retailer in the world will have a tail.

I think the trick is how quickly you respond and you prune the tail and you work on over a period of time on an assortment which is quick moving. So yes, I mean, that's the key part of it. And given our positioning of a wide assortment, it makes that even more challenging.

And that is where, efficiencies have to be there. If, if you do that, well, that translates into lower days on hand and therefore higher inventory terms. And that's the operating metrics, which I'll be honest, we have not been very sharp at in the last few years. And that is what we will drive going forward in terms of looking at how are we forecasting. How are we building the assortment?

And more importantly, how we are reacting every 30 days to do a range effectiveness and take corrective action. So, it's a very good point. I mean, that is one of the single biggest, I would say, levers of operational efficiency in terms of what you're buying, what is selling and therefore what you're buying next, and how you kind of making sure that you're tight.

Akhil Parekh: So, I'm only taking some of the steps, do we have a technology stack in place, which should be able to kind of help us in fighting the inventory?

Anuj Singh: Yes, so look this is, like I said, this is, we are we are working right now on, on what is a predictive model. So, you kind of feed in what your sales has been. And therefore, what your pipeline for next month has to have that at some point of time, yes, you're right with the kind of, machine learning and analytics tools which are there, we can build that.

But to be honest, right now, we don't have a, you're not running any AI or, machine program, which kind of tells you exactly what you should be buying. What we do is we do an analysis of what we have sold. And then we look into the buy, and then we keep doing that. So, we call it the SNOP plan.

And then we kind of, measure what the sell through was from the previous month and the previous month and we look at trends and then we therefore factor the pipeline for the next month. So right now, it does not have all of that high tech AI machine learning built into it.

But definitely that's an area which we will keep looking into and how do we sharpen our analytics around supply chain planning.

Akhil Parekh: Yes, sure. Thanks. This is helpful. Second on the sales per square foot, right? I mean, given that our store addition will be relatively on a restrictive side or limited this thing. So obviously, I'm assuming that our endeavour would be to increase the sales throughput. If I look at our sales per square foot is roughly at around 17,000 to 18,000 square feet.

And pardon me for comparing with DMart, which may not necessarily be a right subculture, but they are almost 2x of what we need. So, any specific measures we are taking in terms of improving the sales per square foot, mainly on the Spencer side?

Anuj Singh: Yes, so I think, again, on Spencer, definitely, if you look at our SPSF or sales per square foot, it's not forget about comparison with DMart, it is not what it also used to be two, three years ago. And I think the endeavour to or the decision to exit some of these stores or regions was because they were like far lower and they were the drag on the SPSF as well.

Today, while we don't call out numbers on SPSF, but I'll take the liberty of maybe things look, we are in excess of, 1,250 SPSF per month. And again, the clear, driver operational driver is what I say, how do we drive more from the same? So therefore, how do we take that number closer to 1,500-1,550 per square foot per month, which is what we used to do in the past.

So, I mean, that I think should tell you that we are looking at that as a serious operating measure. And we will drive that we have seen that in quarter three, we have been able to deliver close to that and lift that up. And we keep sustaining that and taking that if we don't be bound by that 1,500 level, but we need to consistently deliver that.

And therefore, it goes back to that it's not about, adding on stores and increasing your trading area, it is also driving the ability to get higher productivity and higher SPSF from the same stores. And that's what we are focusing on. And we will improve that metric.

Akhil Parekh: Sure, just to clarify the decline in sales per square foot, which we had from past, was largely because of the increase in denominator that is the square foot increase, not because of the change in the product. Is that correct?

Anuj Singh: Not really. I mean, it was also the top line was – had not grown. So, it was it was a combination of that.

Akhil Parekh: Sure. So, thanks a lot. And wishing you best luck for coming quarters.

Anuj Singh: Thank you so much.

Moderator: Thank you. And the next question is from the line of Rakshit Sethi from Fair Value Capital. Please go ahead, sir.

Rakshit Sethi: Good morning, gentlemen. To start off with, I want to thank you guys for having this analyst call. This is a pleasant change, and I hope this will be a regular feature and we'll get to interact with you all on a quarterly basis going forward. Having said that, two follow up on the last analyst's comments, you were very right in pointing out that the assortments in the store depends on what the value proposition is.

And so my first question would be, with regards to Spencer's Retail. we've been watching the company for the last five, six years. What is our -- where do we want to position Spencer's Retail? And I ask this because there have been a number of experiments. So, in terms of the size of the format, we've lately seen a couple of Spencer Kirana's having popped up as well.

There used to be a Nature's Basket that was converted into a Spencer's Kirana. So, going forward, when we are looking at adding, say, a million square feet a year, where in terms of format and in terms of positioning value proposition, where are we focusing on and what is the thought process that the management has behind that?

Anuj Singh: Yes. Thank you for that question. And I think, just to think your question is very specific to what is the positioning value proposition for Spencer's. So, which tells me that there's no ambiguity on where the positioning and value proposition of Nature's Basket is, which is...

Rakshit Sethi: I'll come to Nature's Basket subsequently, because anyway, we'll come to that later. But yes, first...

Anuj Singh: Look, I think on Spencer's has -- what we are clear is, we should also be clear on what we are not. And then we are clear on what we are. I think what we are not, we are not going to be a value discount retailer for a variety of reasons. And I'm not going to dwell on that. But, in the past, we -- I'd be honest, I mean, you succumb to competitive, not competitive, but you succumb to where the whole sector is going in terms of, trying to follow that.

And not playing off your strengths. So our strengths will not be able to -- will not be that we will be able to drive a certain level of scale with, deep discount of value, where our inherent business model DNA, and our strength is to be, to offer the right assortment, when I say right, it is, it's an assortment, which has choices relevant, as well as which give a great shopping experience in store.

So that's, that's something which, you speak to consumers, yes, they get value in a certain store. But the whole shopping experience is very different in our stores. And, there are, like I said, different consumers and the same consumer sometimes, sometimes they're looking at value, sometimes they're looking at the whole shopping experience.

So, our proposition is very clearly on giving a wider assortment, more choices, actually, I would not divide assortment, more choices in categories. So, it's not just, staples, like I said, a differentiator in our assortment, in the east are things like liquor, fish and meat. So, you give the complete household, grocery assortment, and more choices within that.

It's the experience, you have the right complimentary non-food mix. So again, some correction there, what we need to do. And that's the positioning for Spencer's in, in the relevant areas.

Rakshit Sethi: So then how would you explain entry into Spencer's Kirana? And how would that translate into store sizes? What typically going forward would be the store size formats that should be adding more?

Anuj Singh: So, your second part of your question is, look, what is the Spencer's Kirana, Spencer's Hyper Market? So today, in our format, we have, let's say two broad levels, we have the smaller stores, which are, anywhere from 2,000 to 6,000 square feet. And then you have the Hyper's, which are anywhere from 10,000, going up to, as big as 20,000.

And, our experience and the performance is shown, depending on region that we need to have a good mix of both. So, we are not veering towards one and saying we don't we have Hyper's, you have a thing. The shopping mission is very different in a Kirana and in a Hyper.

A Hyper size, the fact that it's located in maybe high street mall, not high street, but a mall is more of a destination shopping experience, whereas the Kirana becomes more of a regular convenient top up kind of a grocery model.

So, like I said, depending on the city we are in, we would like to have a good mix of a few large Hyper formats, which gives the complete experience of what Spencer's is, the complete assortment, the width of assortment, the shopping thing. And then that's complemented by in the same city, you have, you have a network of small stores, which are meant for your convenient top up shopping trips over there.

So just to get it, take an example. And again, I will not just say Calcutta, even if you take a city like Siliguri, right, which is in North Bengal, we have six stores, five stores. And we have two large stores, which gives the complete thing. And then we have stores which are 5,000 square feet, and we have a store which is 3,000 square feet.

So, I think it's a mix of both of them going forward. Yes, I mean, we also have to see the costs involved, the rising, rental costs, high street location, we would, if you're deepening our presence in a city, we would look at sizes which are more, I would say the sweet spot would be 8,000 square feet.

But if you're entering a new city, which actually we are not going to do in the next 12 months, if you were to enter a new city to establish the whole Spencer's experience and proposition, you will need to have a combination of a large store as well. So yes, I mean, the strategy for me is it's not an “or”, it's an “and”, we need to have both.

But we need to be very clear of, going forward in depending on the city, are we going to add more large stores? Are we going to do more 8-10? I think in existing cities where we already have a footprint, we will see a lot more of the 8,000 to 10,000 square feet kind of stores, which can give the complete experience

Rakshit Sethi: That’s very reassuring to hear because as someone who’s based out in New Delhi, one say, in East, the brand is established, it stands for experiential retail. If you’re already established as a brand, and then you launch a smaller plate size store, then it transcends right, the eventual customer appreciates what’s happening. When you enter Delhi and you start up with a Spencer’s Kirana, Delhi, I can’t experience to what a Spencer hypermarket is like. So, it dilutes the whole brand of Spencer’s for an entire market like Delhi.

And that was a big concern. But I’m glad that clarity is there. That can have a negative impact when you enter a new city and you don’t enter with the actual thing that you stand for.

Anuj Singh: So, you’re right. I mean, if you have to establish the brand experience through, you know, through a representative format, and when you when you want to penetrate deeper in that city, then you have to have the small stores, you can’t launch in a new city. That’s what I said with a small format, which does not, you know, give the establish the whole experience. So yes, that’s what we’ve learned.

Rakshit Sethi: I’m surprised to see that Spencer’s Kirana. Now coming to locations of Nature’s basket. Again, you know, we had been giving the feedback to the earlier CEO, it’s good to see that it appears that you are now also trying to look at the space that has completely been vacated by a food hall.

Earlier, if I would, give or take our store formats were similar to say a modern bazaar or a Le Marche. So, my question would be that going forward, a how many? What is the addition store addition that you are going to be looking at?

And in terms of again, plate size, are we going to be looking at more food hall or like large format with the artisan pantry or smaller plates?

Anuj Singh: Yes, so look, like we said, nature’s basket would be looking at somewhere between 40 to 50,000 square feet additional coming in next year, it will be focused in the cities where we are, what I call the mega metros. So, Bombay, where we have a good density, looking at, we’ve just opened in this quarter, we opened one more store in Calcutta. So, it’ll be Bombay, Bangalore, which will be the focus from a plate size or from a what is the format?

We’ve, like I said, we’ve launched artisanal pantry in Bombay, we’ve launched one more. So it will be, it will, it will be a combination of the artisanal pantry, which are which I would say become would become a flagship in a city, plus, you know, the regular nature’s basket. So, it will be a combination of both.

But we are not looking at new cities, no further expansion in cities at the moment. We believe there is enough headroom in these existing cities to put, launch a few more stores.

Rakshit Sethi: And especially given the fact that food hall is completely packed up. I mean, that's a clear runway, right? That there is no one who's there taking that space at all completely right now.

So, again, I know, someone asked this earlier, I'm going to take a chance and ask again, for both formats, first for nature's basket. By when do we see PBT, like throwing out cash? And Spencer, you said 18 to 24 months. Are we going to stick to that for cash burn ending?

Anuj Singh: So, look again, don't want to give a specific timeline. But look, I said this, that is the clear task on hand for the management. And, we've already started the journey in some small measures, one quarter is showing a path.

The path to profitability will be shorter and quicker for nature's basket. And then not too distant for Spencer. So yes, I mean, operating in the same timeframe of, 18 to 24 months, at a consolidated level, we should be, kind of on track to do that.

Of course, it's not going to be easy. But that's what we've all signed up for. And that's what we are, charging up the team and committing to deliver.

But yes, I mean, nature's basket would be sooner than what Spencer's.

Rakshit Sethi: Great. And I hope, like I started the call with, we'll have these interactions more regularly going forward.

Anuj Singh: Oh, No, absolutely. I mean, I think it is my first one, but I can reassure you, this will not be the last. And we will do it at a more periodic basis. And a more regular.

Rakshit Sethi: Thank you very much. That'll be all from my side. Thank you.

Moderator: Thank you. And the next question is from the line of Tushar Sarda, from Athena Investments. Please go ahead, sir.

Tushar Sarda: Yes, thank you. Thank you for the opportunity. There have been a lot of questions on, you know, reaching profitability. I wanted to know what is rent as percentage of your sales in Spencer's and nature's basket separately?

Anuj Singh: Look, I think we don't call out that number. But I mean, you can gaze it from the operating spend. But rent as a thing is more ballpark in the region of 5% to 6%.

Tushar Sarda: So, to reach profitability, your gross margin in Spencer's will have to increase from 15%, which you're reporting now. What do you think it will need to go to?

Anuj Singh: Well, actually, I would like to correct Spencer's margins are 19%. So, I mean, it's not 15%.

Tushar Sarda: So yes, I mean, I deducted from the reported numbers, I deducted nature's basket. And then I arrived at 15% from the console numbers. So, nature's basket seems to be 29. And Spencer seems to be 15. Is that not right?

Anuj Singh: No, so I think for the December quarter, Spencer's at 18.9%, to be precise, which is a slight improvement from December of last year, which was at 18.8%. So, we will try to keep that as the level and Nature's Basket is at 29.6%.

Tushar Sarda: Okay, so that's 18.9 is gross, right?

Anuj Singh: Yes.

Tushar Sarda: No, it's for the consol, right? Not for the Spencer's standalone.

Anuj Singh: That's for Spencer's. So, you were saying 15% for Spencer's and I said, no, it's 18.9 for Spencer's, for Nature's Basket and at a consolidated level, the margins are 20.3%.

Tushar Sarda: Okay. And my second question was on, how scalable is Nature's Basket business? If we take a longer term view, say 5 year kind of a view, what do you see the opportunity as?

Anuj Singh: Yes, so look, there is, like I said, the exact numbers, we're in the cycle of a three year AOP, which we put together. But like, somebody else had asked the question and they were saying that the growth in luxury segment is much higher. There is headroom for growth.

The previous person asked the question of saying that, now with food hall thing , you have a clear runway. I think these are all kind of indicators that there is headroom to growth. You know, we've got the operating model on Nature's Basket with the margins, and we therefore will be committed to scaling it up. And there is enough opportunity to scale it up.

Tushar Sarda: So, you have 33 stores now, in 5 years, what can this, I mean, in terms of opportunity in the market, what is the size that is possible? I mean, I just want a rough idea of the market size. Like, when you talk to a pizza guy, he will say 2000 stores, 3000 stores. So here, what do you think you can go to 100 stores, 200 stores in 5, 6 years' time?

Anuj Singh: I think, look, if, again, it's a forward looking one, I would say, if you look at the trajectory of, growth, as far as the economy is concerned, you know, premiumization, which is happening, to say that, in 5 years from now, is we can the market take 150 of these format stores? Absolutely. So, I would most answer from a category size. Yes, the market in five years. Absolutely. Yes, absolutely.

Tushar Sarda: I'm asking about category size, and you're the only player. So you know, dominant the category. So, from that point of view...

Anuj Singh: I think from a category point of view, this is a category where, it is only going to get bigger as the income expands in urban cities and in large metros. And it's not just large metros in 5 years from now, I mean, you could see the same thing in, in other large cities as well, whether it be a Pune or it be an Ahmedabad. So yes, there is I think the whole category will grow.

It's a function of how we tap into that and how we scale up. But in 5 years from now in India for a format, which is premium gourmet to have 200 stores, absolutely, kind of, it doesn't sound like a wide number.

Tushar Sarda: And currently, what do you think is the size possible in a city like Bombay or Delhi? For this format, I'm again asking for category not necessarily for you, but how many stores as of now Bombay or Delhi can take of this format?

Anuj Singh: Yes, look, again, like I said, Bombay, we have close to 22 stores. Now, you know, city like Bombay, for a format like this, could easily probably, take, I would say 30-35 stores. Besides Bombay, we also have cities like Bangalore, which is, again, a very big concentration of consumers who will resonate with this proposition very well spread out.

We have eight stores there. As a category, I mean, Bangalore could also take, I would say 15-16 stores. So yes, there is again, it all keeps going back to the fact that I said that, look, there is headroom and there is this category will only grow.

And that is going to be influenced by not just rising incomes, but more affluent lifestyle people, the propensity for people to consume and to kind of, experiment with a lot of international cuisines. So, I think, yes, there is headroom for growth over here. Each of these cities can take stores.

Tushar Sarda: So, which means you are underpenetrated currently, right? I mean, if you're saying Bombay itself has so much potential, if you consider cities like Delhi and Calcutta, Chennai, Hyderabad, the potential is a lot more even currently?

Anuj Singh: Well, I mean, if you're saying that we have 22 stores in Mumbai, so again, I don't know where, you're trying to pin me, but it's 22 stores. You said, what is the outlook? I said, Bombay could take 30, 22 out of 30 is not really underpenetrated. The point is, are there more cities like Bombay?

Tushar Sarda: No, underpenetrated in the sense you are not there in Delhi, for example, or Hyderabad or Chennai. So, from that point of view, what I wanted to say is can you grow much faster in Nature's Basket?

Anuj Singh: I think it's, again, can we grow? I mean, you started with what is the size of the category in five years. And I said, actually, we can look at, as a category, we can look at 200. You know, in terms of cities, one specific city, which I said, you talked about is Bombay. So, I gave you a number. Similarly, Bangalore, yes, has a potential.

Delhi, of course, has a potential. But it's a question of how much we want to resource and build. I think we are saying that we want to first do it in Bombay and Bangalore. And then, of course, yes, we will then expand it to other cities as well. We'll evaluate it. So, at the moment.

Tushar Sarda: Thank you.

Moderator: Thank you. 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.

Anuj Singh: Thank you so much for being here. Thank you very much for all the questions and the participants and hope to connect with you on an ongoing basis.