

Business Standard

With an eye on growth, Spencer's works on Natures Basket turnaround

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As Spencer's works towards turning around Natures Basket, plans are afoot to expand the brand

In the past one year since Spencer's Retail acquired Natures Basket, the focus has been on blending the two operations, with cross-sale, replicating parts of Natures Basket operations in Spencer's and rationalisation of unviable stores at the centre of it.

Spencer's acquired a 100 per cent stake in Natures Basket from the Godrej group in a Rs 300 crore deal last July and turned to restructure the business. A number of integrations followed through 2019-2020.

Shashwat Goenka, Sector Head - Retail and FMCG, RP-Sanjiv Goenka Group, said, "Over the last year, we have exploited synergies in multiple areas between both the companies, for cross sale of private brands, gifting and a range of products which were unique yet complementary to each other's offerings."

The Healthy Alternative brand, for instance, was launched in some Spencer's stores, which added a specialty option to its existing range of

private labels - Spencer's Finest, Smart Choice, Tasty Wonders, Clean Home, Care & Essentialz, and 2BMe. The Natures Basket acquisition came with private brands such as Natures, L'Exclusif, and Healthy Alternatives that account for 12.6 per cent of its overall revenues.

The numerous measures for integration between Spencer's and Natures Basket led to cross saving in areas including (but not limited to) supply chain, technology, inventory management, marketing, said Goenka.

The other leg of the restructuring exercise was rationalising unviable stores. Spencer's took over 36 stores of Natures Basket and the count today is 33, including a new store in Park Street, Kolkata.

Does that complete the rationalisation exercise? Goenka explains, "Rationalisation of operations in any business is a continuous process and we will actively review business performance. We took corrective actions where we did not see a long term potential for turn around."

So far, the acquisition has been a drag on Spencer's financial performance. For the year ended 2019-2020, Spencer's recorded a pre-tax loss of Rs 57 crore, while on a consolidated basis, it stood at Rs 130 crore; the company's total income was at Rs 2,671.88 crore.

Spencer's has two wholly owned subsidiaries: Omnipresent Retail India Private Limited and Natures Basket Limited. For the year ended March 31, 2020, Natures Basket had a turnover Rs 268.67 crore and pre-tax loss of Rs 69.31 crore.

The year, however, was also marked by slowdown and weak consumer sentiment. Spencer's had ended 2018-2019, with a pre-tax profit of Rs 4.2 crore.

"We are working towards a turnaround in Natures Basket and the key areas of focus will be around growth and cost optimizations within the business. We have already witnessed a significant improvement between the time we took over the business and now," Goenka said.

Spencer's annual report mentioned that there was a perceptible quarter-on-quarter improvement in performance of Natures Basket as revenues

increased, inventories declined, cash flows strengthened, the business turned working capital-negative and losses declined quarter-on-quarter.

The company believes that the business of Natures Basket would scale from this point onwards, and reach its break-even point across the foreseeable future and thereafter contribute to the bottomline of the company's business.

But as Spencer's works towards turning around Natures Basket, plans are afoot to expand the brand. Goenka says, "Natures Basket is a strong brand with massive potential, and we will continue to expand the brand- both in newer micro catchments available in our existing markets of operation, and by taking it to newer cities, like we did by expanding into Kolkata."

Combined footprint of Spencer's:

191 retail stores including Natures Basket

Presence in 42 cities across trading area of 14.60 lakh square feet

Online presence in 17 cities

Nature's Basket financials:

FY 2019-2020

Turnover: Rs 268.67 crore

Loss before taxation: Rs 69.31 crore

(acquisition with effect from July 5, 2019)