

Talwalkars Better Value Fitness Limited (Revised)

June 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	84.20	CARE D; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Non-Convertible Debentures	50.00	CARE D; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Non-Convertible Debentures	30.00	CARE D; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Non-Convertible Debentures	25.00	CARE D; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Non-Convertible Debentures	25.00	CARE D; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated June 08, 2022, reaffirmed the rating(s) of Talwalkars Better Value Fitness Limited (TBVFL) under the 'issuer non-cooperating' category as TBVFL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. TBVFL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated May 14, 2023, May 09, 2023, April 24, 2023 and several emails sent. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

CARE has considered combined financials of Talwalkars Better value Fitness Limited (TBVFL) and Talwalkars Healthclubs Limited (THL, Erstwhile Talwalkars Lifestyle Limited) for analysis referred as TBVFL (combined) due to business and financial linkages along with common management. The rating takes into account ongoing delays in debt servicing by the company.

Detailed description of the key rating drivers

As per PR dated June 30, 2021, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Deteriorating debt coverage indicators; asset monetisation remains key rating monitorable: As on March 31, 2019 (UA), the total outstanding debt stood at Rs. ~759 crore an increase of 45.30%. The debt was primarily on account of to fund its various expansion plans, predominantly for the David Lloyd Club in Pune. Consequently, the debt coverage metrics also deteriorated. As of March 31, 2019 (UA), the interest coverage ratio stood at 4.99x as against 7.10x as of March 31, 2018. Similarly, overall gearing as well as total debt to gross cash accruals deteriorated to 1.05x and 5.33x as against 0.89x and 3.91x respectively. Furthermore, TBVFL (combined) has invested in other complementing ventures in the lifestyle segment such as 'Sarva'. As these investments are taking longer than expected to generate material returns, adjusting for the same (including goodwill), the overall gearing ratio as on March 31, 2019 stands at 1.57x as against 1.11x as on March 31, 2018. The management is looking to raise funds by the end of calendar year 2019 through various avenues such as sale of equity, sale of stake in joint ventures/associate companies and to monetise some of its gym properties by entering in a sale and lease back transaction to partially retire its debt. The ability of the company to timely raise funds and subsequent debt reduction is a key rating monitorable.

Reduced financial flexibility: The financial flexibility of TBVFL (combined) has reduced on account of significant reduction in market capitalisation along with increase in promoters' pledged shares. The promoters' stake pledged has increased to 76.11% (TBVFL) and 77.30% (THL) as on June 30, 2019. The ability of the promoters' to reduce quantum of pledged shares continues to remain a key rating monitorable.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Relatively moderate scale of operations: TBVFL's scale of operations are moderate and seasonal in nature as second quarter and fourth quarter of the fiscal year together contribute almost 61% of its overall consolidated revenues in FY19. Hence, any adverse impact on the business in the peak season may adversely impact the profitability.

On-going significant capex towards existing line of business as well as towards newer business segments which have not generated returns in line with expectation: During FY19, on a combined basis, the company had incurred capex of Rs. 173.03 crore of which, Rs. 111.18 crore was for gym business and Rs. 61.84 crore was for the lifestyle business. The company's ability to improve its asset turnover and increasing turnover of higher value added segment is crucial to improve its credit profile. Further, the company is setting up a club in Pune in collaboration with David Lloyd Leisure Limited which got delayed and is expected to start operation shortly. The performance in terms of member addition remains a rating sensitivity.

Key Rating Strengths

Long track record and extensive experience of the promoters in the fitness industry: TBVFL and THL, promoted jointly by the Talwalkar and Gawande families in 2003 has well-established track record of operating gyms/fitness centres of over a decade and half in the fitness industry with presence across the country. The brand "Talwalkars" is in existence since 1932. The promoters, Mr Madhukar Talwalkar and Mr Prashant Talwalkar, have more than four decades of experience in various segments/aspects of fitness industry.

Diversified product portfolio; albeit higher dependence on revenues from gym services: TBVFL (combined) have a diversified product portfolio offering multiple products spanning from basic gym services to aerobics, yoga, diet-based weight reduction programs, massage, spa, and health counselling. While the contribution from its value added services is increasing the company continues to derive major share of revenues from basic gym services across its outlets.

Liquidity: Poor There are ongoing delays in company's debt service obligations.

Analytical approach: Combined Financials of THL and TBVFL have been considered for analysis; given the strong operational synergies along with common management.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Leisure Services	Amusement Parks/ Other Recreation

Incorporated in 2003, Talwalkars Better Value Fitness Limited (TBVFL) was jointly promoted by Mr. Madhukar Talwalkar, Mr. Prashant Talwalkar and Mr. Anant Gawande. The company is one of the leading fitness chains in India offering a wide range of services like weight loss, weight gain, and other fitness programs like body sculpting, shaping, general fitness, massage, spa and health counselling under the brand "Talwalkars". The company offers various value added fitness programs in its bouquet

of fitness programs like Zumba (dance inspired fitness program), NuForm (Electric Muscle Simulation based Technology fitness program), Reduce (weight loss diet program), Transform (holistic fitness program). TBVFL (combined) operates gyms/fitness centre on three models viz directly managed gyms, franchisee route and subsidiary model (wherein TBVFL enters into an agreement with a master franchise, and TBVFL owns around 51% equity and the brand). Over the last seven years, TBVFL has grown rapidly from operating 63 gyms/fitness centres as on March 31, 2010, to 272 gyms/fitness centres as on March 31, 2019.

TBVFL has split its operations into lifestyle business and gym business and form two separate entities in the following manner:

- a) Lifestyle business: This business is housed under TBVFL. The business including various joint ventures/associate companies comprises of Nuform, Zumba Fitness, Mickey Mehta, Sarva (Yoga), Group X, Reduce, and sports club. As on March 31, 2019, there are 116 centers of Reduce, 80 centers of Nuform, 85 centers of Sarva Yoga and 19 centers of Mickey Mehta.
- b) Gym Business: This business is housed under Talwalkar Healthclubs Limited (THL); erstwhile Talwalkars Lifestyle Limited (TLL).

Brief Financials (Rs. crore)	31-03-2019 (UA)*	31-03-2020 (A/UA)	31-03-2021 (A/UA)	31-03-2022 (A/UA)	31-03-2023 (A/UA)
Total operating income	398.09	NA	NA	NA	NA
PBILDT	198.67	NA	NA	NA	NA
PAT	88.04	NA	NA	NA	NA
Overall gearing (times)	1.05	NA	NA	NA	NA
Interest coverage (times)	4.99	NA	NA	NA	NA

A: Audited; UA: Unaudited; NA: Not Available

*FY19 numbers are combined by CARE as per the abridged financials submitted by TBVFL and THL to the stock exchanges

Status of non-cooperation with previous CRA: As per ICRA's press release dated January 13, 2023, rating of TBVFL continues to remain [ICRA]D; ISSUER NOT COOPERATING as the entity's management has remained non-cooperative.

As per Brickwork's press release dated October 14, 2022, rating of TBVFL continues to remain BWR D; ISSUER NOT COOPERATING as the entity's management has remained non-cooperative.

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE502K07138	03-Oct-2018	9.85%	03-10-2025	25.00	CARE D; ISSUER NOT COOPERATING*
Debentures-Non Convertible Debentures	INE502K07096	07-Aug-2016	9.85%	08-07.2021	30.00	CARE D; ISSUER NOT COOPERATING*
Debentures-Non Convertible Debentures	-	08-Feb-2019	9.55%	Proposed	25.00	CARE D; ISSUER NOT COOPERATING*
Debentures-Non Convertible Debentures	INE502K07120	25-Oct-2017	9.50	25-10-2024	50.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	Nov-2024	84.20	CARE D; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Non Convertible Debentures	LT	50.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (08-Jun-22)	1)CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1)CARE D; ISSUER NOT COOPERATING* (27-Jul-20)
2	Fund-based - LT-Term Loan	LT	84.20	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (08-Jun-22)	1)CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1)CARE D; ISSUER NOT COOPERATING* (27-Jul-20)
3	Debentures-Non Convertible Debentures	LT	30.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (08-Jun-22)	1)CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1)CARE D; ISSUER NOT COOPERATING* (27-Jul-20)
4	Debentures-Non Convertible Debentures	LT	25.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (08-Jun-22)	1)CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1)CARE D; ISSUER NOT COOPERATING* (27-Jul-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
5	Debentures-Non Convertible Debentures	LT	25.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (08-Jun-22)	1)CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1)CARE D; ISSUER NOT COOPERATING* (27-Jul-20)

*Issuer did not cooperate; based on best available information.

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

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

Contact us

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About us:

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