

Talwalkars Healthclubs Limited (Revised)

June 6, 2023

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	280.74	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	63.34	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
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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

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. had, vide its press release dated June 08, 2022, reaffirmed the rating(s) of Talwalkars Healthclubs Limited (THL) under the 'issuer non-cooperating' category as THL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. THL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated May 14, 2023, May 04, 2023, April 24, 2023 and various email. 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

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

on June 30, 2019. The ability of the promoters' to reduce quantum of pledged shares continues to remain a key rating monitorable.

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.

Applicable Criteria

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

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

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

About the Company

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 Brickwork's press release dated October 14, 2022, rating of THL 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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	March 2026	280.74	CARE D; ISSUER NOT COOPERATING*
Debentures-Non Convertible Debentures	INE627Z07032	August 07, 2018	9.50%	01.01.2019	25.00	CARE D; ISSUER NOT COOPERATING*
Debentures-Non Convertible Debentures	INE627Z07040	October 03, 2018	9.50%	03-10-2025	25.00	CARE D; ISSUER NOT COOPERATING*
Debentures-Non Convertible Debentures	INE627Z07057	December 03, 2018	Proposed	03-12-2021	25.00	CARE D; ISSUER NOT COOPERATING*
Debentures-Non Convertible Debentures	-	February 09, 2019	9.55	proposed	25.00	CARE D; ISSUER NOT COOPERATING*
Debentures-Non Convertible Debentures	INE627Z07024	July 20, 2018	9.5%	17-7-2025	25.00	CARE D; ISSUER NOT COOPERATING*
Debentures-Non Convertible Debentures	INE502K07047 INE502K07104 INE502K07112	April 25, 2014	11.75%	04.04.2023	63.34	CARE D; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Debentures-Non Convertible Debentures	ST	-	-	-	-	-	1)Withdrawn (11-Jun-19)
2	Debentures-Non Convertible Debentures	LT	25.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1)CARE D; ISSUER NOT COOPERATING* (27-Jul-20)	1)CARE D (02-Aug-19) 2)CARE B (CWN) (30-Jul-19) 3)CARE A+; Stable (11-Jun-19)
3	Debentures-Non Convertible Debentures	LT	63.34	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1)CARE D; ISSUER NOT COOPERATING* (27-Jul-20)	1)CARE D (02-Aug-19) 2)CARE B (CWN) (30-Jul-19) 3)CARE A+; Stable (11-Jun-19)
4	Fund-based-Long Term	LT	280.74	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1)CARE D; ISSUER NOT COOPERATING* (27-Jul-20)	1)CARE D (02-Aug-19) 2)CARE B (CWN) (30-Jul-19) 3)CARE A+; Stable (11-Jun-19)
5	Debentures-Non Convertible Debentures	LT	25.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1)CARE D; ISSUER NOT COOPERATING* (27-Jul-20)	1)CARE D (02-Aug-19) 2)CARE B (CWN) (30-Jul-19) 3)CARE A+; Stable (11-Jun-19)
6	Debentures-Non Convertible Debentures	LT	25.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1)CARE D; ISSUER NOT COOPERATING* (27-Jul-20)	1)CARE D (02-Aug-19) 2)CARE B (CWN) (30-Jul-19) 3)CARE A+; Stable (11-Jun-19)
7	Debentures-Non Convertible Debentures	LT	25.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1)CARE D; ISSUER NOT COOPERATING* (27-Jul-20)	1)CARE D (02-Aug-19)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
						(30-Jun-21)	(27-Jul-20)	2) CARE B (CWN) (30-Jul-19) 3) CARE A+; Stable (11-Jun-19)
8	Debentures-Non Convertible Debentures	LT	25.00	CARE D; ISSUER NOT COOPERATING*	-	1) CARE D; ISSUER NOT COOPERATING* (30-Jun-21)	1) CARE D; ISSUER NOT COOPERATING* (27-Jul-20)	1) CARE D (02-Aug-19) 2) CARE B (CWN) (30-Jul-19) 3) CARE A+; Stable (11-Jun-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based-Long Term	Simple

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

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About us:

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