



Talwalkars
Spreading fitness

TALWALKARS BETTER VALUE FITNESS LTD

Quarterly Update – Q3 FY2012 (Sep-Dec)






DISCUSSION SUMMARY

1. INDIAN FITNESS MARKET
2. TALWALKARS (TBVF) – ABOUT US
3. BUSINESS STRATEGY
4. MARKETING INITIATIVES
5. QUARTER 3 RESULT UPDATE
6. OUTLOOK

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INDIAN FITNESS MARKET - overview

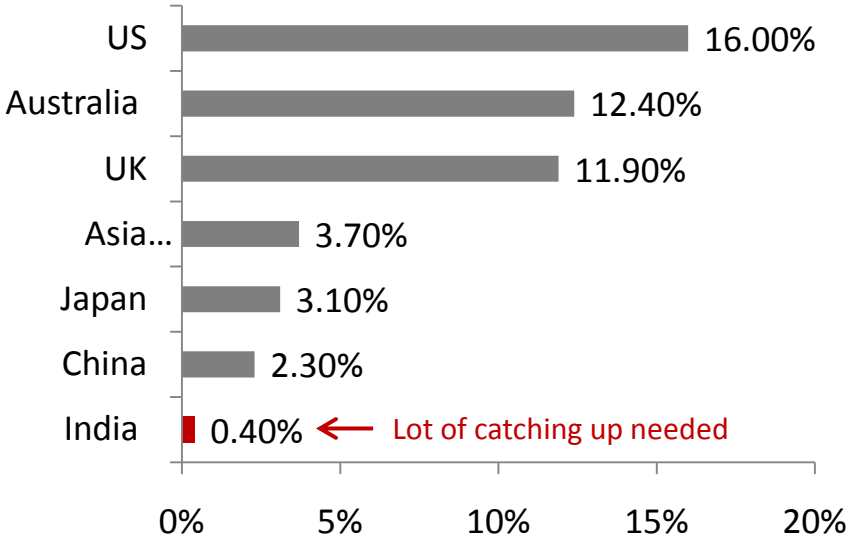
Rs 25 bn+

1175 gyms

Under penetrated

- Fitness and sliming market is Rs 40 billion out of which fitness services comprise of more than 50% i.e. ~Rs.25 billion growing at CAGR of 20%.
- As of 2011, there are 1175 fitness clubs in India with total membership of ~0.41 million members in the Organized segment.
- Indian fitness industry is a hugely underpenetrated market compared to several developed and developing countries in the world.

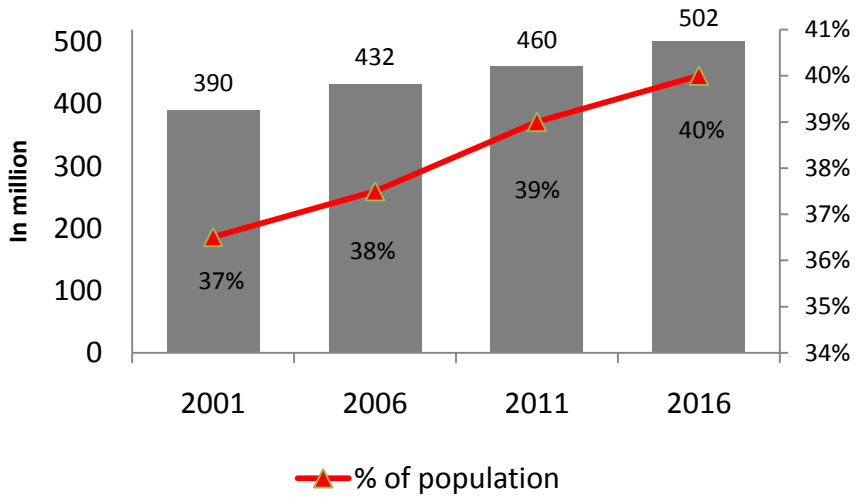
MEMBERSHIP PENETRATION RATES



Talwalkars command a 9.8% market share in numbers whereas 27.5% share in terms of members

INDIAN FITNESS MARKET – opportunity

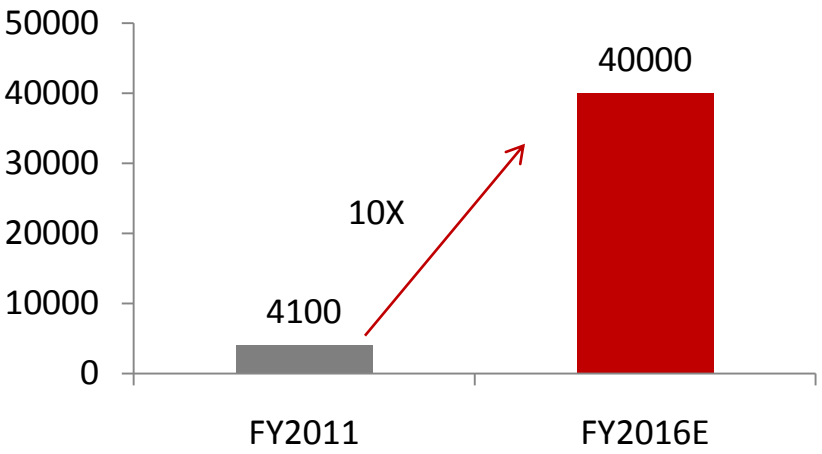
400 MN YOUTH BY 2016



SIZING THE OPPORTUNITY

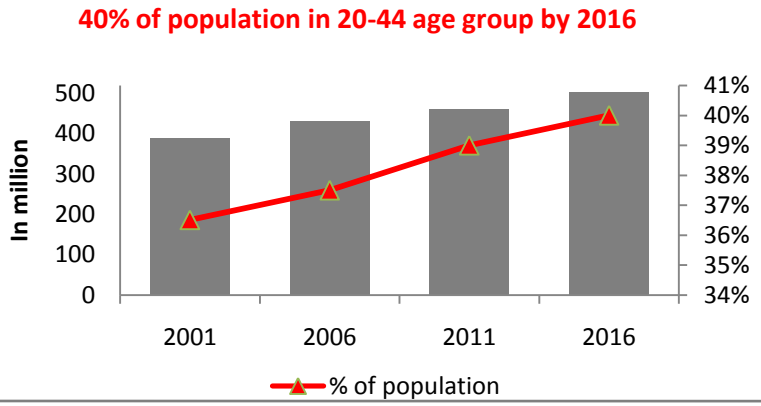
	2011	2016E
Population age between 20-40 (mn)		400
% Population – Gym		1%
No of Members (mn)	0.41	4
Avg Membership Fee (Rs)	10000	10000
Estimated Organized Mkt Size (Rs mn)	4100	40000

IF 1% OF YOUTH JOIN GYMS (Rs mn)

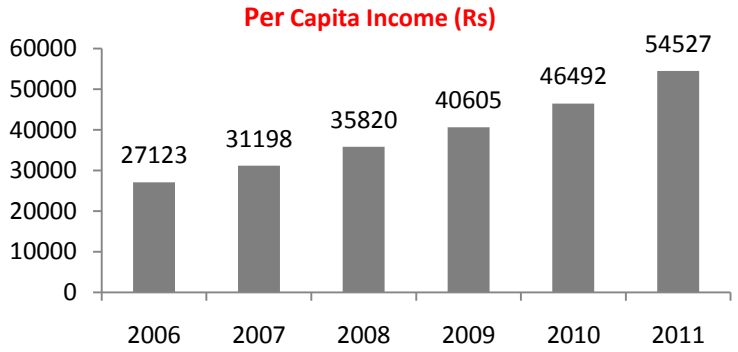


The macro tailwinds are strong indicators that the awareness to health and fitness is rising rapidly .

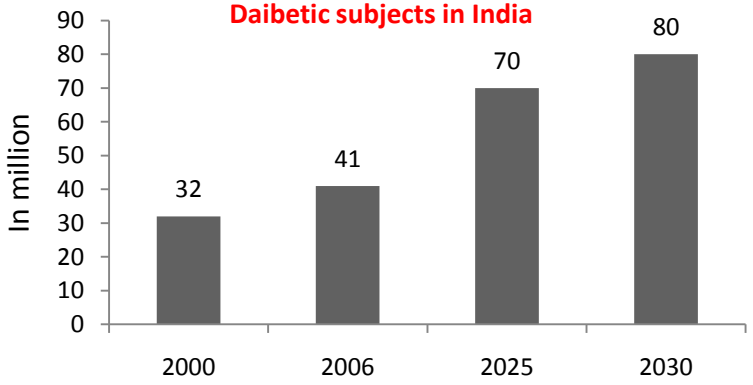
INDIAN FITNESS MARKET – driving factors



CHANGING DEMOGRAPHIC PROFILE –
India has a population of around a billion which is growing at a rate of 1.7%.In India, age group 20-44 can be identified as the prime market for Fitness Clubs.



HIGHER DISOSABLE INCOME –
An estimated 5mn people in India had annual income more than Rs0.6mn p.a in 2005-06 which is set to increase up to 20mn people by FY14e as per NCAER.



INCREASING INCIDENCE OF LIFESTYLE DISEASES –
India has the largest base of diabetic patients and by 2030, nearly 8% of the total population is set to be affected from the disease.

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ABOUT US – overview

- Pioneer in the Fitness Industry – India's largest fitness brand Talwalkars & HI FI with 113 health clubs & gyms across 61 cities serving over 1,12,000 members.

- Talwalkars Better Value Fitness (TBVF) is the only listed Fitness & Wellness Company on the Indian bourses.

- In India TBVF is the largest health club operating chain with Pan-India presence, second largest health club chain in Asia and is present in top 20 chains in world in the owned health clubs category .

- TBVF holds highest market share in the organised health club market in India (approx. 10%)

- TBVF has a state of the art 25000 sq. ft. residential training academy through which it produces quality Talwalkars trainers

- TBVF is proud to be listed in “Business Today 500 “- November 2011 issue

- Consistent financial performance; achieved 6Yr CAGR(FY’05-11) of 58.17% in Income from Operations, 63.44% in EBITDA & 93.38% in PAT.

- Talwalkars being the market leader in the Indian Fitness Industry, it is a provider of total health and fitness solutions ranging from weight loss consultation to nutrition counseling and behavior modification.

ABOUT US – pan-India brand, and presence



Note – Cities in Red indicate more than 1 health club

Present in more than 61 cities and 18 states with 113 gyms and a member base of more than 1,12,000.

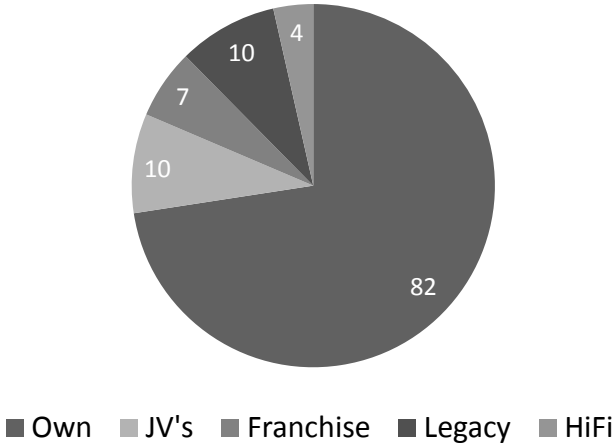
TALWALKAR MODEL VALIDATION

- Most of the Organized Chains have presence limited to Tier I Cities .
- Talwalkars has demonstrated the scalability of gyms by establishing presence in smaller towns of India like Sangli, Jaipur, Jabalpur, Agra, Nellore and Ichakaranji among others.
- Talwalkars will further continue to bring quality fitness at affordable prices across the country.

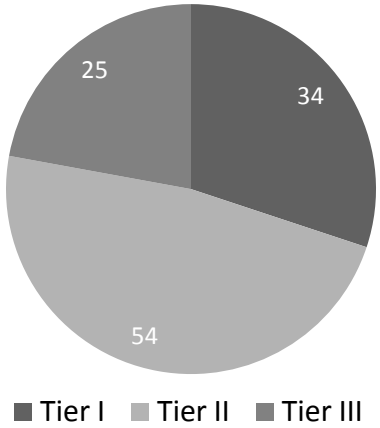
Format	No of Gyms
Talwalkars – Own	82
Talwalkars –JV	10
Legacy	10
Talwalkars –Franchise	7
Hi- Fi	4

ABOUT US – acceptance across India

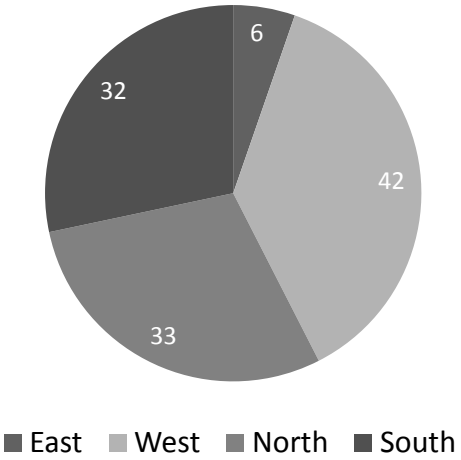
TOTAL NO OF GYMS



TIER DISTRIBUTION



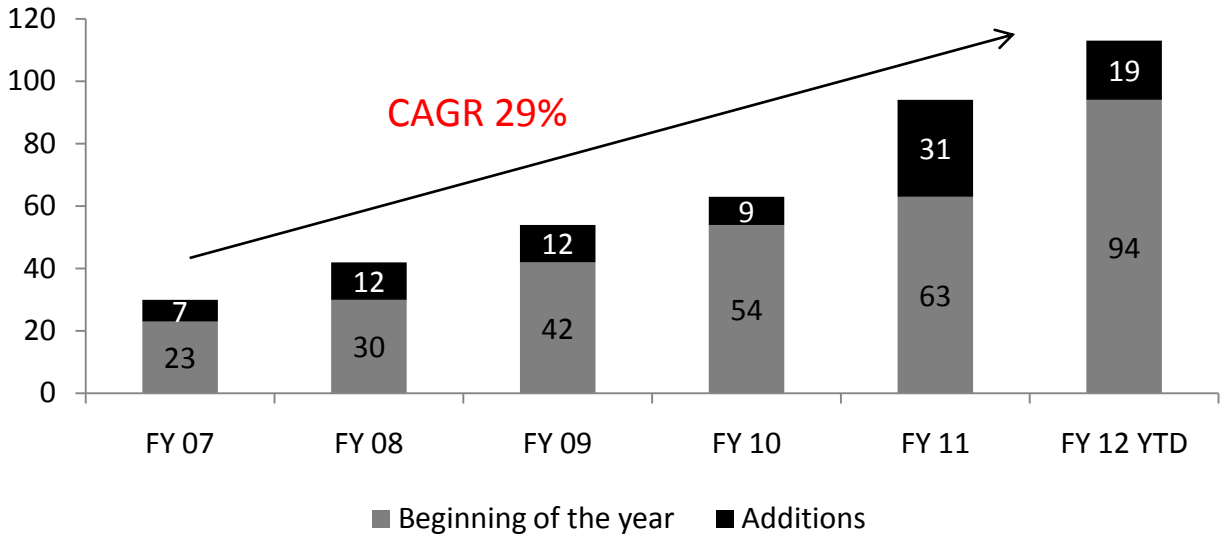
ZONAL DISTRIBUTION

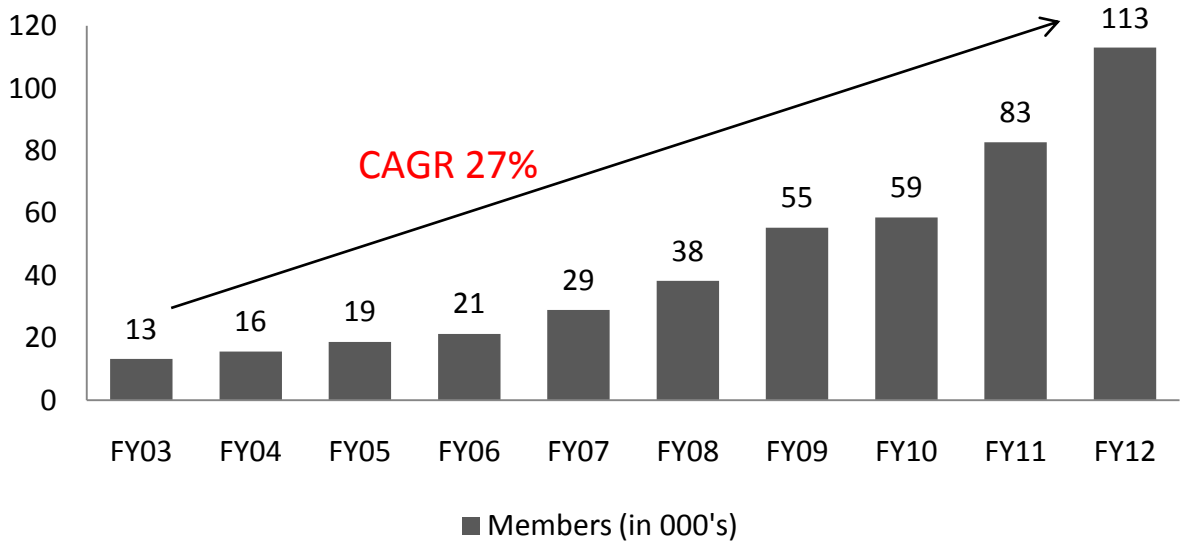


- Penetration across Target customers spread over Tier I,II,III Cities through different formats and price points.

- Opened several gyms in the Mini-Metros and Mid-India towns like Solapur, Vijaywada , Jalandhar, Ulhasnagar, Dehradun and many more, and the response has been ahead of our expectation.

ABOUT US – gym growth, membership growth





*Note : In addition to current 113 health clubs & gyms, it also owns 6 additional clubs in a minority JV with a mall based chain.

ABOUT US – strengths

CONSISTENCY

- Across all locations the gym experience remains uniform with similar equipments and Infrastructure.
- Brand Identity ensures quality in both gym experience and member numbers.

QUALITY

- World Class Equipments from reputed international manufacturer, viz., Precor from the US, Matrix from Taiwan, Hoist from US etc
- In House Training ensures quality of the Trainers and improves the Resource pool for rapid expansion.

TRAINED MANPOWER

- Talwalkars has its own 25000 sq ft residential training academy in thane , Mumbai which gives training to existing and newly recruited trainers.
- The course duration typically ranges from 30-35 days.
- In-house project management team
- Critical to scaling up business.

ABOUT US – key differentiators

Market Leadership: TBVF is one of the largest fitness chain in India with a pan- India presence. Brand Talwalkars is present at 113 locations spread across 61 cities in 18 states ,serving over 1,12,000 members. The newly launched HIFI format will hasten our penetration in to the smaller markets of the country.

Brand Equity: The brand is over 75 years old and has strong recall. This factor along with personalized services and competitive pricing helps in customer retention and breaking the competitive clutter of the industry, dominated by unorganized sector.

Promoters' Experience and Expertise: Company has benefited from the diverse expertise of its Promoters. While the Talwalkars Group has several decades of experience in the health and fitness industry, the Gawande Group has vast experience in several are as of business management including finance marketing and legal.

Diverse service offering: Apart from the standard workout facilities, the gyms also offer personalized fitness training and weight control programs. Value-add offerings such as spa and aerobics also helping gaining footfalls and member retentions.

Quality and Consistent gym experience: The company assures a uniform gym experience for its patrons, across all its locations in the country, including world-class equipments and consistent quality of the trainers . The in-house Academy provides tremendous competitive advantage in a n industry , with shortage of quality fitness trainers.

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BUSINESS STRATEGY – high ROI, scale & low capex



EXPANSION STRATEGY DRIVEN TO MAXIMIZE ROIC

TYPE	OWNERSHIP	CAP-EX	ROIC IMPLICATION
Talwalkar	100%	Full	Neutral
Talwalkar - Subsidiary	51%	Half	Higher
HiFi	Nil	Nil	Highest

1. Franchisee get full support from TBVF with regards to the set-up of gym, equipment, trainers etc. The company offers a turnkey solution to its franchise partners for setting up the health club.
2. The franchise agreement entered ensures quality supervision of gym equipment , trainers , ambience etc by TBVF

BUSINESS STRATEGY – subsidiary model

SUBSIDIARY MODEL

- Operate through Brand "TALWALKARS"
- Full Service Gym spread over ~5000 sq ft.
- Target Customers – Tier 1,2 Cities

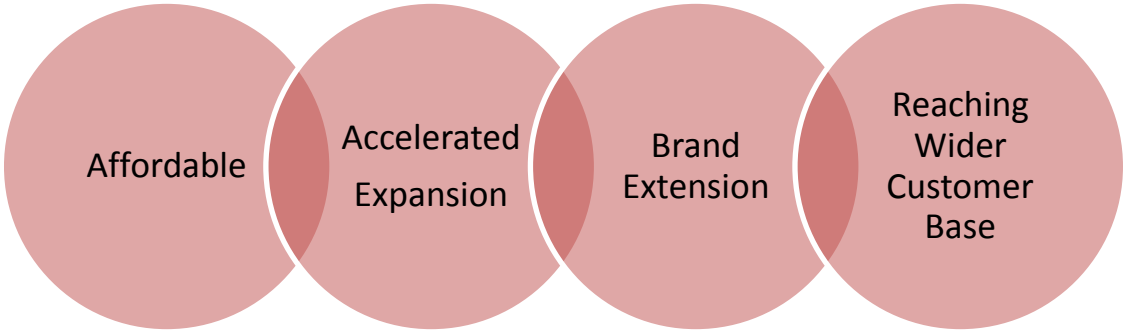
LOWER CAPEX, HIGHER RETURNS

- Low Capex due to 51% holdings in subsidiary gyms
- Talwalkars receives a Royalty of 6% of Revenues for 1st 3 yrs which is 8% thereafter
- Faster BEP, Higher ROIC

BUYBACK OPTION

- Option to buyback subsidiary Gyms at any point of time @ 3.5x EV/EBITDA multiple

BUSINESS STRATEGY – Hi-Fi model



CAPEX FOR TALWALKAR	NIL
ROYALTY TO TBVF ON REVENUE	
Royalty for 1st 3 years (% of Revenue)	6%
ROYALTY THEREAFTER	8%
One time Income to TBVF	
One Time Upfront Royalty (Rs mn)	1
One Time Equipment Supply Charges (Rs mn)	1

LOWER CAPEX, AFFORDABLE

- A HI FI gym would typically be a no frills format gym of ~2500-2800sqft, smaller than the ~5000sqft full service Talwalkars gym and low on cap-ex.
- It is an affordable format rolled out on a Franchise or JV model in the Tier II & III cities.

TARGET TIER II-III CITIES

- There are several Tier II/III cities and select suburbs in large cities where a full service Talwalkars gym would not be commercially viable.
- To tap this huge opportunity, the HIFI brand is being launched in cities like Porbander, Faridabad, Solapur etc.

FASTER ROLL OUT ATTRACTIVE PRICING

- With a small sized format, HI FI gyms can be rolled out in 8-10 weeks against 14- 16 weeks for a typical Talwalkars health club and it would be priced at 60% of its price points.

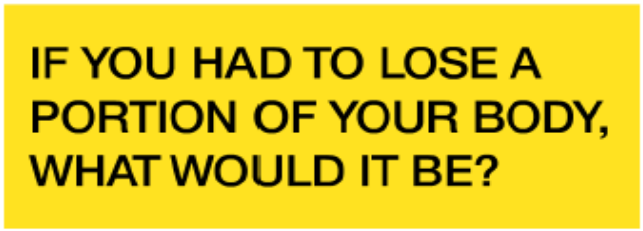
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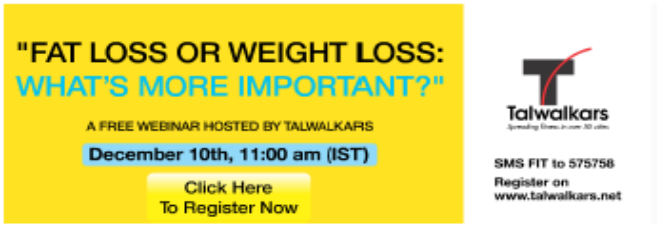
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MARKETING – new year initiative



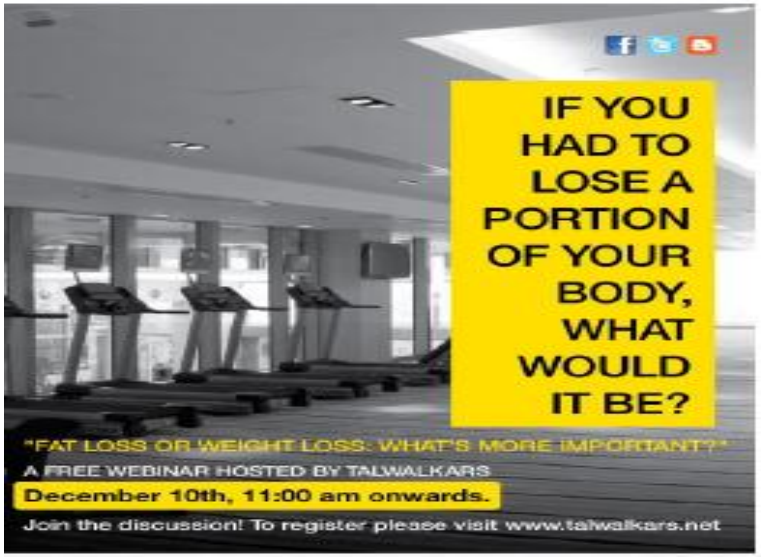
MARKETING – digital marketing (webinar)







- A Webinar is an on-line seminar more of having a live seminar experience
- The webinar is an initiative of the Marketing team. The speaker - Nutritional Consultant, Neesha Bukht spoke about the topic 'Fat loss or Weight loss'
- The webinar acts as a new lead generation tool for various health clubs. Also, the webinar can act as a catalyst for up-selling to the existing members the various services offered within the gym



MARKETING – national marketing initiative

World Diabetes Week – an initiative by Talwalkars Care



Indore Branch,
Madhya Pradesh





Indore Branch,
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UNDERSTANDING FINANCIAL - seasonality

GIVEN THE NATURE OF OUR BUSINESS, THERE EXISTS A STRONG SEASONANILTY AND HENCE OUR NUMBERS SHOULD BE COMPARED ON A YoY BASIS, AND NOT SEQUENTIALLY TO DERIVE THE TRUE PICTURE.

		REVENUE %	CHARACTERISTICS	
Q1	Apl - Jun	16%	SCHOOL VACATION, MONSOONS	
Q2	Jul - Sep	32%	TALWALKAR ANNUAL DISCOUNT SCHEME, A BIG DRAW	
Q3	Oct - Dec	17%	FESTIVALS: DIWALI, GANESH CHATURTI, PONGAL, NAVRATRI, DUSSERA, CH RISTMAS	
Q4	Jan - Mar	35%	NEW YEAR, NEW RESOULTION SEES UPTAKE IN MEMBERSHIP	

2010-11

STANDALONE RESULTS – profit & loss

Particulars (Rs mn)	Sep-Dec2011	Sep-Dec2010	YoY%
Income from Operations	201.04	132.21	52.1%
Other Income	2.15	4.94	
Total	**203.19**	**137.15**	**48.2%**
Expenditure			
Personnel Cost	42.85	30.67	39.7%
Admin & Other Exp	69.67	43.17	61.4%
Selling & Marketing Cost	0.64	1.51	-57.6%
Service Tax Collected & Paid	17.88	11.68	53.1%
Total	**131.04**	**87.03**	**50.6%**
EBITDA	**72.15**	**50.12**	**44.0%**
Depreciation	28.29	21.04	34.5%
EBIT	**43.86**	**29.08**	**50.8%**
Interest	14.59	13.93	4.7%
PBT	29.27	15.15	93.2%
Tax	7.90	4.68	68.8%
PAT & before extraordinary Items	21.37	10.47	104.1%
PAT	**21.30**	**10.47**	**103.4%**

CONSOLIDATED RESULTS – profit & loss

Particulars (Rs mn)	Sep-Dec2011	Sep-Dec2010	YoY%
Income from Operations	241.58	161.31	49.8%
Other Income	2.20	5.56	
Total	**243.78**	**166.87**	**46.1%**
Expenditure			
Personnel Cost	53.42	35.91	48.8%
Admin & Other Exp	80.89	48.2	67.8%
Selling & Marketing Cost	1.20	3.32	-63.9%
Service Tax Collected & Paid	21.68	14.22	52.5%
Total	**157.19**	**101.65**	**54.6%**
EBITDA	**86.59**	**65.22**	**32.8%**
Depreciation	30.35	24.24	25.2%
EBIT	**56.24**	**40.98**	**37.2%**
Interest	16.62	17.03	-2.4%
PBT	39.62	23.95	65.4%
Tax	16.17	6.62	144.3%
PAT & before extraordinary Items	23.45	17.33	35.3%
PAT	**23.38**	**17.33**	**34.9%**
Adjustment for Minority Interest	1.31	3.48	-62.4%
PAT after Minority Interest	**22.07**	**13.85**	**59.4%**

CONSOLIDATED RESULTS – profit & loss

Particulars (Rs mn)	Apr-Dec2011 (9m)	Apr-Dec2010 (9m)	YoY%
Income from Operations	893.63	679.28	31.6%
Other Income	10.40	15.08	
Total	**904.03**	**694.36**	**30.2%**
Expenditure			
Personnel Cost	192.54	149.62	28.7%
Admin & Other Exp	252.46	185.45	36.1%
Selling & Marketing Cost	32.88	25.12	30.9%
Service Tax Collected & Paid	81.23	61.96	31.1%
Total	**559.11**	**422.15**	**32.4%**
EBITDA	**344.92**	**272.21**	**26.7%**
Depreciation	89.22	68.84	29.6%
EBIT	**255.70**	**203.37**	**25.7%**
Interest	62.81	62.42	0.6%
PBT	**192.89**	**140.95**	**36.8%**
Tax	59.35	47.57	24.8%
PAT & before extraordinary Items	133.54	140.96	-5.3%
Extraordinary Items	-0.06	-0.02	
PAT	**133.48**	**93.36**	**43.0%**
Adjustment for Minority Interest	8.20	3.86	112.4%
PAT after Minority Interest	**125.28**	**89.50**	**40.0%**

CONSOLIDATED RESULTS – financial highlights

1. The consolidated revenue for Q3 has increased by 46% over Q3 - FY 2010-11.

2. Because of optimum utilization of human resources the Stand alone Personnel cost to sales has come down by 100 basis points i.e. from 22% in Q3 2010 to 21% in Q3 2011.

3. Administrative and other expenses to sales have gone up by 400 basis points on a consolidated y-o-y basis. The same was because of higher administrative cost of new branches of subsidiaries . The cost are expected to come down over the period of next two quarters i.e. JFM and AMJ of 2012.

4. Because of Diwali and christmas holidays during Q3 the company has spent conservatively on selling and marketing and was able to derive maximum benefit from the amount spent.

5. The consolidated EBDITA to sales for Q3 2011 is 36% as against 39% for Q3 2010, a reduction of 300 bps mainly on account of increased administrative costs of subsidiaries. The stand alone EBIDTA was slightly down by 100 basis points i.e. from 37% in Q3 2010 to 36% in Q3 2011.

6. Financial cost has been essentially controlled and has gone down by 4.77% on a standalone on account of proper utilization of Treasury and decrease in interest rate by our banker by 275 basis points .

7. The PAT has gone up by 59% during the Q3 2011 as compared to Q3 2010.

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- TBVF has expanded its footprint on an all India basis , with its 113 Health clubs in 61 cities.

- In the Health & Fitness Industry, TBVF continues to be the leader the Indian market.

- Over the next three months , Talwalkars will open 15-17 health clubs & gyms together under both formats i.e. Talwalkars & HIFI in line with its earlier projections in 11-12 towns all across India. These towns are similar to towns like Allahabad wherein the population ranges from 0.7 to 1.5mn.

- On Ground Performance - The Talwalkars Sholapur gym, opened recently in Nov 2011, is the classic example of the robustness of the Tier II cities by enrolling 687 members in just 2 months of its inauguration. Also, the recently opened Bhavnagar gym in Jan 2012 received great response as around 330 members enrolled in just 15 days of its opening.

- Expand offerings/ merchandising to reach a larger audience.

- The Company has shown a robust increase in Turnover and profitability on an annualized basis commensurate to its existing growth pattern. The Company expects to maintain the margins in the current year both at EBIDTA and PAT level.

THANK YOU!

FOR FURTHER INFORMATION, CONTACT

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