



Rating Rationale

Talwalkars Healthclubs Ltd
(Formerly Talwalkars Lifestyles Limited)

02 Aug 2019

Brickwork Ratings downgrades the ratings of Bank Loan Facilities of ₹. 260.00 Crores of Talwalkars Healthclubs Ltd (Formerly Talwalkars Lifestyles Limited) to D on account of default in payment of interest on bank loans of the company and downgrades the NCD rating amounting to ₹.138.34 to BWR C on account of default on Bank Loan.

BLR Particulars

Facility	Previous Amount(Rs.)	Current Amount(Rs.)	Tenure	Previous Rating	Review Rating*
Fund Based					
Term Loan	210.00	210.00	Long Term	BWR AA- (Stable) (Pronounced as BWR Double A Minus)	BWR D Downgraded
Term Loan (Proposed)	50.00	50.00	Long Term	BWR AA- (Stable) (Pronounced as BWR Double A Minus)	BWR D Downgraded
Total Limits	260.00	260.00	INR Two Hundred and Sixty Crores		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

NCD Particulars

Instrument	ISIN Particulars	Issue Date	Maturity Date	Coupon	Previous Amount (₹ Crores)	Present Amount (₹ Crores)	Previous Rating	Review Rating*
NCDs	INE502K07047	25/04/14	25/04/20	11.75%	8.34	8.34	BWR AA- (Stable) (Pronounced as BWR Double A Minus)	BWR C Downgraded
NCDs	INE502K07104	03/01/17	03/01/23	9.60%	25.00	25.00	BWR AA- (Stable) (Pronounced as BWR Double A Minus)	BWR C Downgraded
NCDs	INE502K07112	11/04/17	11/04/23	9.60%	30.00	30.00	BWR AA- (Stable) (Pronounced as BWR Double A Minus)	BWR C Downgraded
NCDs	INE627Z07024 [#]	20/07/18	17/07/25	9.50%	25.00	25.00	BWR AA- (Stable) (Pronounced as BWR Double A Minus)	BWR C Downgraded
NCDs	Proposed				50.00	50.00	BWR AA- (Stable) (Pronounced as BWR Double A Minus)	BWR C Downgraded
NCDs				Total	138.34	138.34	INR One Hundred and Thirty Eight Crores and Thirty Four Lakhs Only.	

The company has informed that the security creation formalities will be completed in the next six months and the company has sought approval for the same from the investor, which is expected by them as informed by them.

The revision in rating of NCD is owing to the company defaulting on the Bank Loan which are downgraded to BWR D and thereby increasing the possibility of default on NCDs.



Rating Downgrade

The revision in rating of Talwalkars Healthclubs Limited (THL) follows recent default by the company in servicing of its interest payment on bank term loans as on 31st July 2019 as notified by the company to the Bombay Stock Exchange on 01st August 2019. The rating also factors reduced financial flexibility on account of significant reduction in market capitalisation.

Description of Key Rating Drivers

Delay in Servicing of Debt Obligations by the company:

There is deterioration in the liquidity profile of the company as envisaged by the recent default on payment of its interest obligations on bank term loans on 31st July 2019 as notified by the company on the Bombay Stock Exchange on 01 August 2019.

Significant Reduction in Market Capitalization

The market capitalization of the company is reduced from approximately Rs319.66 crores in 24th June 2019 to Rs.98.13 crores on 01st August 2019 severely affecting the financial flexibility of the company resulting in potential impairment in the ability of promoters to infuse capital with majority of its promoter's shares pledged.

About the Company

TBVFL was co-promoted in 2003 by the Talwalkar family and the Gawande family. Talwalkar Better Value Fitness Limited (TBVFL) was running fitness centres under Talwalkar Brand. The history of the brand "Talwalkar" can be traced back to 1932 when the first gym was set up by late Mr. Vishnu Talwalkar in Mumbai.

A brief profile of both TBVFL and THL is given below:

Talwalkars Healthclubs Limited (Formerly Talwalkars Lifestyles Limited :)

The company (as of March 31, 2018) operated 251 fitness centres across India and Sri Lanka under its varied ownership formats, including owned, subsidiary, franchise as well as under associates focusing on Gym business. This company will be soon renamed to Talwalkars Gyms Limited to reflect the actual nature of the businesses.

THL-Key Financial Indicators

Key Parameters	Units	2019	2018

Result Type		Audited (Abridged) (THL)	Audited (THL)
Operating Revenue	₹ Cr	285.70	247.09
EBITDA	₹ Cr	146.60	139.34
PAT	₹ Cr	73.45	70.14
Tangible Net worth	₹ Cr	504.40	436.69
Total Debt/Tangible Net worth	Times	0.86	0.69
Current Ratio	Times	1.41	1.83

Performance of the Group Company (Talwalkars Better Value Fitness Ltd.-TBVFL)

Talwalkar Better Value Fitness Limited :

The company offers various lifestyle activities such as Nuform, aerobics, Zorba -the yoga, spa, massage, zumba programmes , Dr. Mickey Mehta programmes and diet and weight loss programmes like Reduce.

TBVFL-Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		Audited (Abridged) (TBVFL)	Audited (TBVFL)
Operating Revenue	₹ Cr	112.60	57.53
EBITDA	₹ Cr	52.00	38.56
PAT	₹ Cr	14.50	8.78
Tangible Net worth	₹ Cr	236.68	207.34
Total Debt/Tangible Net worth	Times	1.09	0.93
Current Ratio	Times	1.77	5.94

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (Aug 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Jul 2019 [^]	September 2018 ^{^^}	2017
	Term Loan	Long Term	260.00	BWR D Downgraded	BWR AA-(Stable) (Pronounced as BWR Double A Minus)	BWR AA (Stable) (Pronounced as BWR Double A)	NA
	NCD	Long Term	138.34	BWR C Downgraded	BWR AA-(Stable) (Pronounced as BWR Double A Minus)	BWR AA (Stable) (Pronounced as BWR Double A)	NA
	Total		398.34	₹ Three Hundred Ninety Eight Crores and Thirty Four Lakhs Only			

[^]Amount Rs.398.34 crs

^{^^}Amount Rs.504.65 crs

Annexure: List of Subsidiaries Consolidated with Talwalkars Healthclubs Limited

Sr.No.	Name	% Shareholding
1	Aspire Fitness Private Limited	50.00%
2	Talwalkars Better Value Fitness (Singapore) Pte. Ltd.	100.00%
3	Power World Gyms Limited	49.50%
4	PWG Fitness Private limited (Srilanka)	100.00%
5	Tall Wall Trading Private Limited	100.00%

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)



For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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