



Rating Rationale

Talwalkars Healthclubs Ltd (Formerly Talwalkars Lifestyles Limited)

9 Oct 2019

Brickwork Ratings downgrades the ratings for the NCD ratings amounting to ₹.138.34 Crores to BWR D on account of default in payment of interest on NCDs and reaffirms the rating of Bank Loan Facilities of ₹. 260.00 Crores at BWR D of Talwalkars Healthclubs Ltd.

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 C	BWR D Downgraded
NCDs	INE502K07104	03/01/17	03/01/23	9.60%	25.00	25.00	BWR C	BWR D Downgraded
NCDs	INE502K07112	11/04/17	11/04/23	9.60%	30.00	30.00	BWR C	BWR D Downgraded
NCDs	INE627Z07024	20/07/18	17/07/25	9.50%	25.00	25.00	BWR C	BWR D Downgraded
NCDs	Proposed				50.00	50.00	BWR C	BWR D Downgraded
NCDs				Total	138.34	138.34	INR One Hundred and Thirty Eight Crores and Thirty Four Lakhs Only.	



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 D	BWR D Reaffirmed
Term Loan (Proposed)	50.00	50.00	Long Term	BWR D	BWR D Reaffirmed
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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The revision in rating of Talwalkars Healthclubs Limited (THL) follows recent defaults by the company in servicing of its interest payment on NCDs and Bank Loans as notified by the company to the Bombay Stock Exchange on 04th October 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 NCDs and bank term loans as notified by the company on the Bombay Stock Exchange on 04 October 2019.

Significant Reduction in Market Capitalization

The market capitalization of the company has significantly reduced severely affecting the financial flexibility of the company. The market capitalization of the company reduced from approximately Rs.319.66 crores in 24th June 2019 to Rs.14.60 crores on 07th October 2019. This has resulted in potential impairment in the ability of promoters to infuse additional capital through share pledges due to significant reduction in the share price as already majority of its promoter's shares are 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 (Oct 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Aug 2019^	Jul 2019^^	September 2018^^^
1.	Term Loan	Long Term	260.00	BWR D Reaffirmed	BWR D	BWR AA-(Stable)	BWR AA (Stable)
2.	NCD-INE502K07047	Long Term	8.34	BWR D Downgraded	BWR C	BWR AA-(Stable)	BWR AA (Stable)
3.	NCD-INE502K07104	Long Term	25.00	BWR D Downgraded	BWR C	BWR AA-(Stable)	BWR AA (Stable)
4.	NCD-INE502K07112	Long Term	30.00	BWR D Downgraded	BWR C	BWR AA-(Stable)	BWR AA (Stable)
5.	NCD-INE627Z07024	Long Term	25.00	BWR D Downgraded	BWR C	BWR AA-(Stable)	BWR AA (Stable)
6.	NCD-Proposed	Long Term	50.00	BWR D Downgraded	BWR C	BWR AA-(Stable)	BWR AA (Stable)
	Total		398.34	₹ Three Hundred Ninety Eight Crores and Thirty Four Lakhs Only			

^Amount Rs.398.34 crs

^^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%

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf



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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