

# Talwalkars Better Value Fitness Ltd

Issue details	
Face value (Rs)	10
Price band (Rs)	123-128
Issue opens	April 21st
Issue closes	April 23rd
Issue size ('000 nos)	6,050
Issue type	100% Book building
Minimum bid	50
Industry	Health & Fitness

## Objects of Issue

Particulars	(Rs mn)
Setting up of additional 27 health clubs	502
Repayment of unsecured loans	206
Issue expenses	-

## Shareholding pattern

(%)	Pre	Post
Promoter and Promoter group	79.4	59.5
Non promoter investors	20.6	15.4
Others (inc. Public)	-	25.1

Issue portion	(%)
QIB	50
Non institutional	15
Retail	35

## Company management

Mr. Madhukar Talwalkar	Chairman
Mr. Prashant Talwalkar	MD & CEO
Mr. Anant Gawande	Director & CFO

Issue details	
Lead manager	IIFL
Registrar	Link Intime India
Listing	NSE, BSE
CARE rating	"3"

Talwalkars Better Value Fitness (TBVF) is amongst the largest fitness chains in the country operating 58 health clubs (including JVs and franchisees) in 28 cities, serving over 55,000 members. Incorporated in Apr' 03, the company offers diverse suite of services including gyms, spas, aerobics and health counseling under the 'Talwalkars' brand. TBVF operates in a fragmented and competitive market but 1) under penetrated gym membership rates 2) favourable structural factors and 3) pan-India presence imply it has ample room for growth. The company plans to add 27 health clubs, funded by the issue proceeds, in FY11. It reported standalone revenue and PAT CAGR of ~80% and ~138% respectively over the FY06-09 period.

## Fitness market: vast untapped potential on offer

The wellness industry covers a large number of services including personal health counseling, fitness, beauty services etc. Within this, fitness segment viz gyms market size is estimated at US\$113mn and is growing at a healthy pace. However, India's membership penetration rate of 0.4% has much scope to improve compared to Asia Pacific average of 3.7%.

## Favourable growth drivers in place

Fitness industry should benefit from several structural positives prevalent in the domestic market. Firstly, by 2016, about 40% of population would be in the 20-44 age group - a key target segment for gym membership. Secondly, increased prevalence of lifestyle diseases as also improved awareness about them can lead to heightened emphasis on exercises and diet. Lastly, rising disposable income provides an upscale market for fitness centres to offer not just the basic gym facility but also advanced value added activities.

## TBVF posted 80% CAGR in revenues over FY06-09

Over the 3-year period FY06-09, TBVF reported standalone revenue and PAT CAGR of ~80% and 138% respectively. It currently owns 44 health clubs while the balance 14 clubs are owned through JVs/Associates and franchisees. For 9M FY10, the company posted a profit of Rs43mn on sales of Rs485mn.

## Financial highlights

Y/e 31 Mar (Rs m)	FY07	FY08	FY09	9M FY10
Revenues	221	382	592	485
yoy growth (%)	117.9	72.5	54.9	-
Operating profit	61	135	171	175
OPM (%)	27.4	35.2	28.8	36.0
Pre-exceptional PAT	12	46	29	43
Reported PAT	11	45	57	43
yoy growth (%)	159.6	313.4	25.9	-
EPS (Rs)	0.7	2.9	3.6	2.4
RoE (%)	15.3	38.8	33.3	10.9
NAV (Rs/share)	3.7	7.4	10.9	21.7

Source: Red Herring Prospectus (RHP), India Infoline Research

Note: 9M FY10 EPS not annualized

For Risk Factors and other details please refer the Red Herring Prospectus available on the websites of the BRLM, SEBI, NSE and BSE

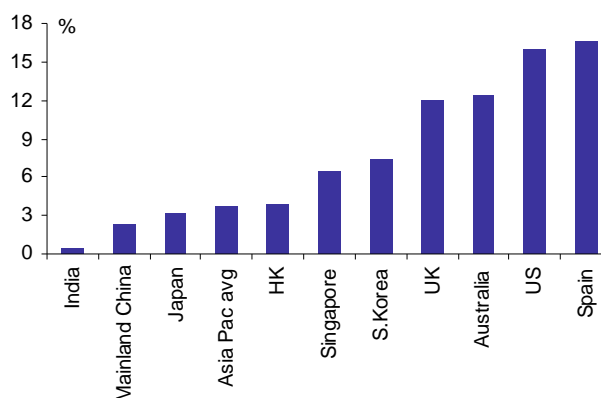
*Indian fitness market viz gyms is worth an estimated US\$113mn and has amongst the lowest membership penetration rates in the world*

### **Fitness market: A vast untapped potential**

The wellness industry encompasses a large number of services including beauty services (salon, treatment based beauty products), personal health counseling, rejuvenation (yogas, spas) and fitness. Within this, the fitness segment viz gym is an estimated US\$113mn market in India and enjoys healthy growth rate.

As of 2008, there are 765 fitness clubs in India with total membership of 0.23mn (taken for top 7 cities). The market is severely under penetrated even when compared to other Asian countries. For instance, India has a penetration rate of just 0.4% compared to the Asia Pacific average of 3.7%. This is despite the fact India has the highest incidence of diabetes (afflicting ~51mn) in the world. Poor health and fitness conditions of the general public combined with a heightened national emphasis on daily exercise for good fitness have been key contributors to the high health club penetration rates in several countries.

### **Membership penetration amongst the lowest globally**



Source: RHP, India Infoline Research

Note: Survey for top 7 cities only

### **Ample room for growth as top 5 share <15%**

The fitness industry is highly fragmented with majority of the market dominated by a large number of 'mom-and-pop' gyms. Every club offers similar basic gym facilities leading to a complete lack of product differentiation. A shortage of qualified personal trainers, nutrition consultants and professional managers also contributes to the lack of differentiation. Consequently, the current scenario involves a fragmented market with little pricing power resulting in low margins.

Yet, on the other hand, awareness about fitness and a healthy lifestyle is growing aided by higher disposable incomes and an increasingly young population. Despite a pent-up demand for quality health and fitness services at affordable price, market share of top 5 players by number of clubs is 14.4%. The corresponding figure for markets like Japan and Singapore is over 40% and about 20% for Mainland China, Australia and New Zealand. This provides enough headroom for growth for organized domestic players such as Talwalkars.

*Fitness industry is highly fragmented and lacks product differentiation or pricing power*

*Market share of top five players is less than 15% leaving ample headroom for growth and domination*

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### Structural factors ensure long term growth

Key growth drivers for the fitness industry include:

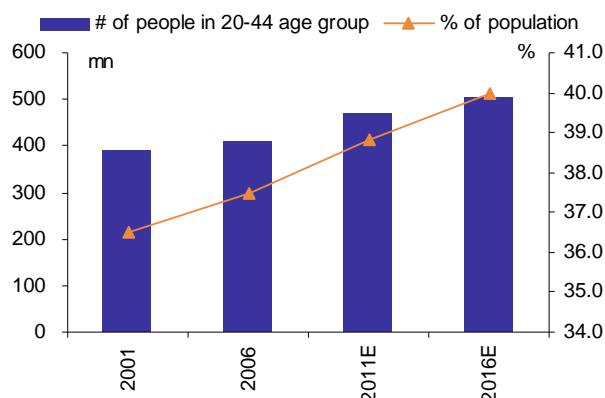
#### Favourable demographics

India has a population of around 1bn, growing at ~1.7% pa. According to a global industry report, in general, more people between the ages of 18-54 exercise. However, in India age group 20-44 can be mainly identified as prime market for fitness clubs. The proportion of people in the target age group of 20-44 is projected to go up from 37% in 2006 to 39% in 2011 and 40% in 2016. This is an addition of approximately another 46mn and 42mn in terms of population between 2006-11 and 2011-16 respectively.

*About 40% of the total population would be in the age group of 20-44 by 2016; even if a modest 1% of this group enrolls in fitness clubs, it could add ~0.42mn members to the existing membership of 0.23mn*

To put things in perspective, even if assume a modest 1% of this eligible population enrolls into fitness clubs, the potential addition to fitness market could be approximately 0.46mn and 0.42mn respectively. This represents a significant market opportunity compared to the total current membership of about 0.23mn.

#### 40% of population in 20-44 age group by 2016



Source: RHP, India Infoline Research

#### Increased prevalence of lifestyle diseases

Over the past few years a sedentary lifestyle and increased consumption of fast foods have emerged as the most common attributes of the working population in metros and elsewhere. This has led to a greater need for healthy lifestyles through sports, fitness centres and counseling on dietary habits. Lifestyle related diseases are restricted not just to the developed markets. Even developing nations face a mounting risk of large number of people suffering from diseases like diabetes.

*Increased prevalence of lifestyle diseases has led to greater need for healthy lifestyles through sports, fitness centres etc*

According to International Diabetic Federation's (IDF) latest report released in Oct' 09, India leads the world in the number of people suffering from diabetes (~51mn), followed by China at 43mn. By 2030, nearly 9% of the country's population is likely to be affected from the disease. Although diabetes per se is not the highest contributor to healthcare spends around the world, it is important, since it can lead secondarily to several of the other lifestyle diseases, including coronary artery disease.

As the realization mounts in India of the various healthcare related costs, more people are expected to enroll into a fitness club leading to improved penetration rates.

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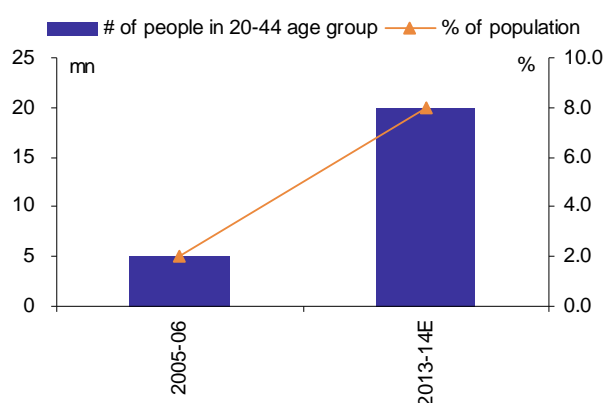
### Higher disposable income

Urbanization and economic liberalization have led to a rapid rise in the middle and upper class segment in Indian population. The per capita income at current prices during 2008-09 is estimated at Rs38,084 as compared to Rs33,283 during 2007-08, an increase of 14.4%.

Also, an estimated 5mn people had annual income more than Rs0.6mn in 2005-06. This is expected to go up to 20mn households by FY14E as per National Council of Applied Economic Research (NCAER). This segment provides an upscale market for fitness centres to offer not just the basic gym facility but also advanced value added activities like spas, steam/sauna bath, nutrition centres, aerobics, spinning studios and personal training program.

### Rising income to afford health club spending

An estimated 5mn people had annual income >Rs0.6mn in 2005-06 which is expected to go up to 20mn households by FY14E as per NCAER



Source: RHP, India Infoline Research

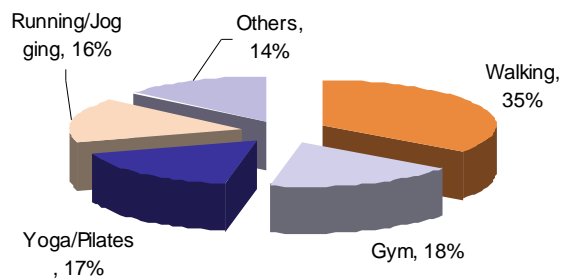
### Improved awareness of need for healthy lifestyles

About 54% of Indian respondents think they have issues with their weight in an AC Nielson's Global Online Consumer survey

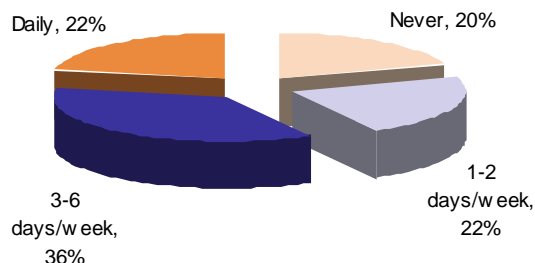
According to AC Nielsen's Global Online Consumer Survey findings released in Feb' 09, 54% of Indian respondents think they have issues with their weight. About 80% people said they exercise at least once a week. Going to a gym is second most preferred option for exercise after walking.

The findings of the survey are very encouraging vis a vis prospects for the fitness industry. Indians are adopting various actions to reduce their weight. 79% respondents plan to exercise more, the second highest percentage for a country globally after New Zealand (86%) that is planning to exercise more to lose weight.

## Forms of exercises preferred by Indians



## Frequency of exercise



Source: RHP, India Infoline Research

Global health club industry generated an estimated US\$68bn in revenues, up 10.9% yoy, serving 118mn members

## Global health club industry grew ~11% yoy in 2008

In 2008, the global health club industry generated an estimated US\$68bn in revenues up 10.9% yoy, serving nearly 118mn members. Global health club membership increased 10% yoy while the number of health club facilities worldwide reached 122,000, a 12.9% jump from last year. Across the developed world, a heightened national emphasis on daily exercises and healthy diet (to reduce healthcare spending) has led to high membership penetration rates.

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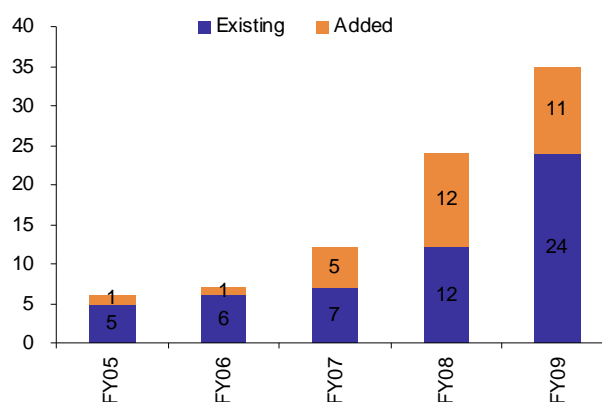
*TBVF plans to add 27 health clubs in FY11*

### TBVF plans to add 27 health clubs in FY11

Out of the total 58 health clubs, TBVF directly owns 44, operates 9 health clubs through JVs/Associates and the rest 5 are run through franchisees. The company added 15 health clubs in FY09. For the fiscal 2010, out of the planned 20 health clubs, 9 are already operational. For another 7 health clubs, premises have been taken on lease, gym equipments have been ordered and are expected to be rolled out shortly while for the balance 4 clubs, the company has completed the planning phase and will commence execution. TBVF also plans to add another 27 health clubs in FY11, funded by the issue proceeds.

Moreover, TBVF has signed a MoU for a JV with Life Fitness India to set up another 4 gyms. This gives the former a compulsory right to buy out these 4 gyms on March 31, 2013 and also an option to buy the existing 4 gyms currently operated by them.

### Trend in gym additions



Source: RHP, India Infoline Research

*TBVF's JV with Pantaloon Retail owns 6 gyms while another 5 are under franchisee model; this aids in faster gym ramp up across the country*

### JVs, franchisees help accelerate gym ramp up

TBVF has entered in to arrangements with established local fitness operators to accelerate gym ramp-up in specific locations.

For instance, it has formed JV with Pantaloon's Retail (India) to promote mall based gymnasiums in India. The strategy is to leverage the large number of daily footfalls in Pantaloon Malls as potential clientele. The health clubs under this format are bigger in size and have more number of equipment. Currently it owns 6 gyms named 'Fit & Active' through this JV viz, one each at Mumbai, NCR, Nagpur, Siliguri (WB) and two at Bangalore.

Moreover, the company through Denovo Enterprises owns health clubs at Indore and Jaipur while the latter also has entered in to an agreement with Equinox Wellness to own a health club at Alipore, Kolkata. TBVF has five clubs under franchisee model with two each in Delhi and Nagpur and one in Mumbai.

*Structural factors, TBVF's pan-India presence provide a platform for steady growth*

### Structural factors, pan-India presence key positives

A confluence of structural factors such as favourable demographics, higher disposable income, increasing awareness for a healthy lifestyle coupled with TBVF's pan-India presence (so as to tap the pent-up demand in the non-metro cities) provide a platform for steady growth.

*For Risk Factors and other details please refer the Red Herring Prospectus available on the websites of the BRLM, SEBI, NSE and BSE*

*Amongst the largest fitness chains in India; operates 58 health clubs in 28 cities serving over 55,000 members*

*TBVF has a wide footprint across the country as highlighted below:*

#### **Owned clubs**

Mumbai (9)  
Bangalore (5)  
Chennai (5)  
Hyderabad (4)  
Ahmedabad (3)  
Others (18)

#### **JVs/Associates**

Bangalore (2)  
Mumbai  
Kolkata  
NCR  
Nagpur  
Siliguri (West Bengal)  
Indore  
Jaipur

#### **Franchisees**

Nagpur (2)  
NCR (2)  
Mumbai

Cities/Towns	# of gyms
Metro/Tier I	21
Tier II/Tier III	37

*Source: Company, India Infoline Research*

*Apart from 58 health clubs, there are 11 clubs (operating prior to incorporation) that are run through group companies; of these, TBVF has option to buy 4 from Life Fitness India*

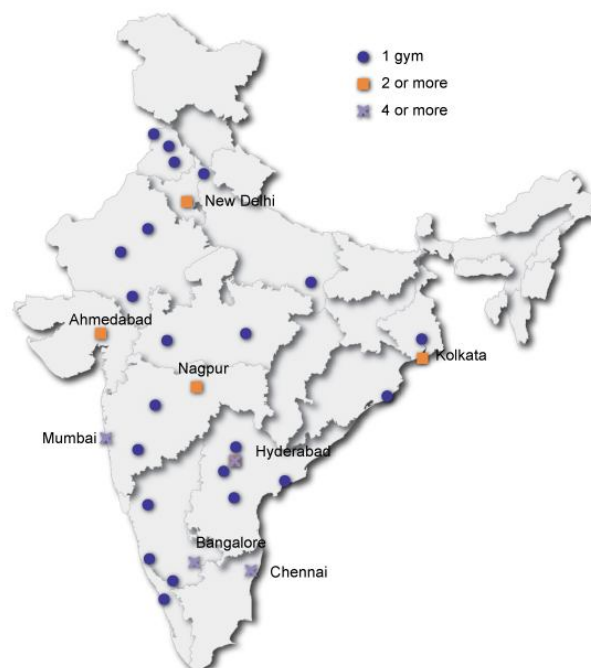
## **Company background**

TBVF is amongst the largest fitness chains in India (Source: IHRSA Asia Pacific Market Report, 2008) offering a diverse suite of services including gyms, spas, aerobics and health counseling under the brand 'Talwalkars'. Co-promoted in 2003 by the Talwalkar Group and the Gawande Group, the company has pioneered the concept of gyms in India and is a recognized name in the health and fitness industry. TBVF enjoys good brand recall which helps in breaking the competitive clutter within the industry.

The history of the brand 'Talwalkars' can be traced to the year 1932, when the late Mr. Vishnu Talwalkar set up the first gym in Mumbai. Mr. Madhukar Talwalkar, the eldest son of late Mr. Vishnu Talwalkar, carried on with the legacy and in 1962 started his first gym, 'Talwalkars Gymnasium', in Bandra, Mumbai. He has been instrumental in creating the brand 'Talwalkars' over the past several decades.

The company currently operates 58 health clubs in 28 cities serving over 55,000 members. A health club typically occupies an average area of over 5,000 sq ft. The footfall of members is significantly higher during 6-8am and 7-9pm which is usually the peak period for the club.

## **Pan-India presence with 58 health clubs**



*Source: RHP, India Infoline Research*

Apart from the 58 health clubs, there are 11 health clubs (those operating prior to incorporation) across Mumbai (5), Thane (2) and Pune (4), that are being operated through group companies. Of these 11, the company has an option to buy 4 health clubs through a MoU entered with Life Fitness India, which owns and operates them. The existing 58 health clubs include 3 such health clubs that were operating prior to incorporation and were similarly acquired from group companies.

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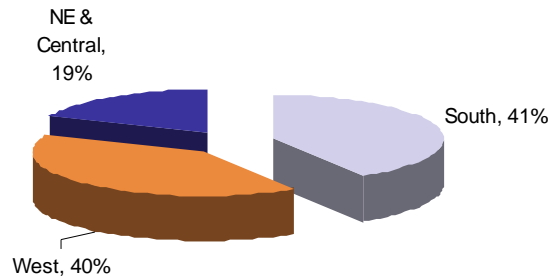


Brand equity and standardized offerings aid TBVF to penetrate further in to domestic market and implement 'Hub and Spoke' model to its advantage

### Tier II and III cities account for ~64% of health clubs

Apart from higher disposable income and a growing young population, the size of domestic market offers huge opportunity for the growth of health and fitness industry. This can be gauged from the fact India has over 65 towns having a population greater than 0.5mn as per 2001 census. Underpinned by the strength of its brand equity and standardized quality of services/facilities at optimal prices, TBVF can penetrate deeper in to Tier II and Tier III towns.

### Geographic spread of health clubs



Source: RHP, India Infoline Research

For Risk Factors and other details please refer the Red Herring Prospectus available on the websites of the BRLM, SEBI, NSE and BSE



## Product/Service offerings



Source: RHP, India Infoline Research

### Fitness Training

Over the past several years in the health and fitness industry, TBVF has consistently gone through a lot of research and improvisation to design health programs that target specific requirements of members. It offers specialized programs such as Personal Exercise Program, Body Sculpting and Body Shaping to achieve the desired results. A team of experts analyses and formulates the required program for the members accordingly following the health standards.

#### ⊕ Personal Exercise Program (PEP)

PEP is for those members who require individualized attention as well as workout on specialized equipment. A team of highly trained personal trainers caters to the personal training regime of different individuals. A personal trainer is assigned to members who opt for this program. The one-to-one attention creates a rapport between the member and the trainer, with the trainer being able to understand each member's limits and potential.

*Personal exercise program is for members who require personalized attention and work out on specialized equipment*

#### ⊕ Body Sculpting / Body Shaping

Body Sculpting is drawn from the strengths of body building and Body Shaping is drawn from the advantages of cardiovascular exercises. Both of these are body transformation packages used for toning up one's body muscles. Drawing heavily from techniques commonly used by body builders around the world, a carefully planned mix of resistance training and cardio exercise is what makes this program highly effective. A specific food supplement especially marketed for this program helps in boosting muscle power and improves the performance during weight training. TBVF also offers fitness programs for women, those with back problems as also for cardiovascular problems, diabetics etc based on individual requirements.

*Both body sculpting and body shaping are body transformation packages used for toning up ones' muscles*

### Nutrition Centre

Under Nutrition Centers, Talwalkars offers weight loss, weight maintenance and weight gain programs. It comprises 3-6 qualified dieticians working in shifts. Dieticians not only cater to overweight, obese, and underweight cases, but also prescribe diets to customers with various health conditions like diabetes, heart diseases, hypertension etc. Dieticians, by way of diet counseling, effective diet planning and weight monitoring, guide customers towards achieving their weight management goals.

*Nutrition centres offer weight loss/gain and weight maintenance program; comprises 3-6 qualified dieticians working in shifts*

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⊕ **Weight Loss / Maintenance Program**

Talwalkars Nutrition Centre provides a simple and scientific way to lose weight, which includes daily diet counseling, gym, steam/sauna, etc. It offers two different programs i.e. weight loss and weight maintenance. The former ranges from the 5kg - 1 month plan to the 30kg - 8 month plan. The programs offered are decided only after a careful study of the customer including height, weight and medical history.

⊕ **Weight Gain Program**

It helps to gain weight, a healthy body and also to develop a good figure or physique. The program offers diet counseling, natural high protein power packed food supplement, massage and steam/sauna. The Nutrition Centre not only brings the customer in shape but also reforms his eating patterns and attitude towards diet.

**Value Add-ons**

In addition to the above, TBVF offers other value added services as follows:

⊕ **Spa/Massage**

The company offers therapeutic facilities and beauty correctional treatments at its spas. Also on offer are a variety of passive fitness regimes through Ayurveda, body touch, face touch and hair touch. The fitness treatments are a suitable mix of gym, beauty and Ayurveda termed as 'The Ayurveda Gym fitness regime', one of its kind. Massage stimulates and peps up the entire nervous system, improves blood circulation and rejuvenates tired and aging skin. It also has an invigorating effect on the digestive system leading to better digestion and absorption.

*Company offers therapeutic facilities and beauty correctional treatments at its spas*

⊕ **Aerobics**

The dance exercise popularly called 'Aerobics' is just one of a number of moderate exercises, performed for extended periods of time, that increase one's heart and breathing rates. It confers many health benefits, apart from burning calories very effectively. The company has introduced low impact aerobics, bench workout, circuit training, interval training and cross training.

*Aerobics, performed for extended periods of time, increases heart and breathing rates apart from burning calories very effectively*

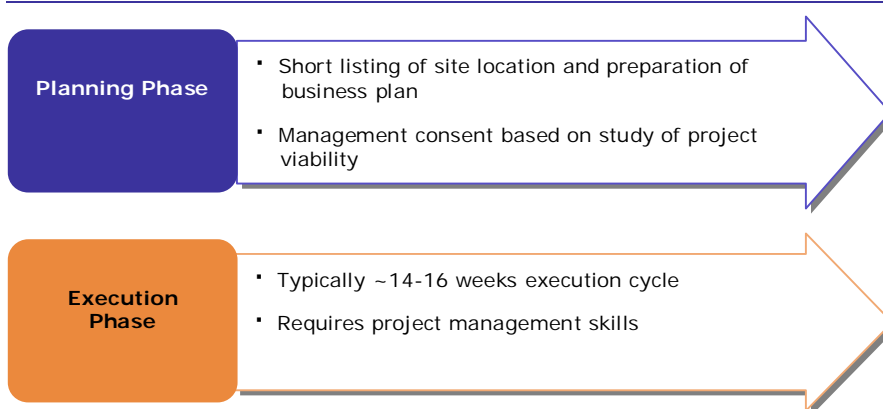
⊕ **Spinning**

Spinning classes are done in a fitness studio, with various light and music settings to create an energized atmosphere. Instructors guide participants through workout phases like warm-up, steady up-tempo cadences, sprints, climbs and cool-downs. Spinning is a relatively recent phenomenon, where participants take part in a group workout on exercise bikes that typically lasts anywhere from 30-75mins. The classes are led by instructors who normally guide participants through a series of phases, from warm-up to more challenging phases, to a period of peak effort followed by a cool down.

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### Complete health club set up in ~4 months

Setting up a health club is a two phase process. In the planning phase, site location is finalized after which it typically takes ~14-16 weeks for setting up the health club.



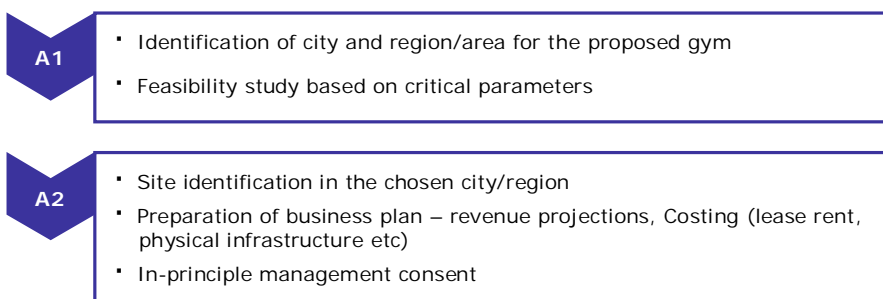
Source: RHP, India Infoline Research

### Planning

Planning phase involves identification of the city and short listing of a locality within the city for the proposed health club. A few critical parameters like income distribution, population density and demographic profile of the local area are studied. After a detailed feasibility study, the site in the chosen area is identified. Estimates of various revenue and cost items like lease rents for the premise, market demand etc are made. A business plan highlighting revenue, cost projections, breakeven time etc. is submitted to the management for discussion. If the project looks viable, management gives an in-principle approval and the execution phase begins.

*Planning phase involves identification of city and site along with preparation of a business plan comprising revenue, cost projections, breakeven time etc*

### Planning phase - schematic representation



Source: RHP, India Infoline Research

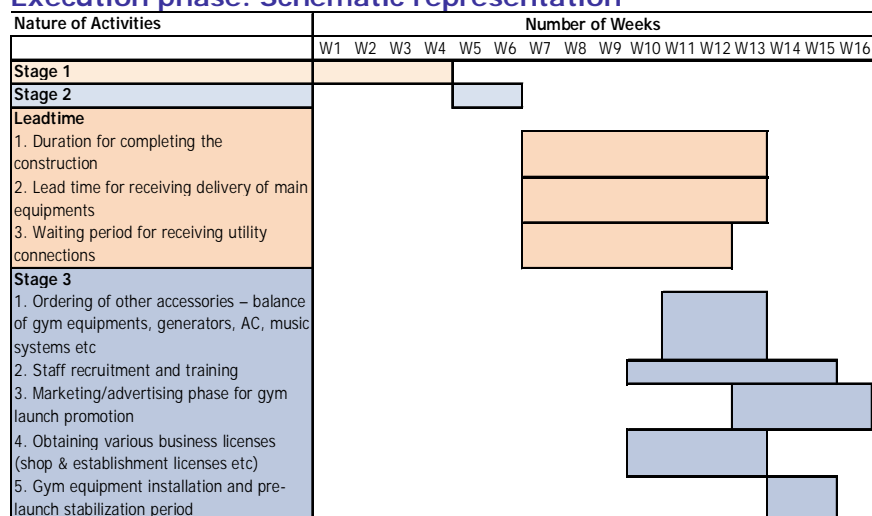
### Execution

From the point an in-principle approval for a site is received, it usually takes ~14-16 weeks to set up a health club as depicted below.

#### Stage 1

A detailed due diligence is done on the identified site. Clear title and permissions/conformance with various local laws for conducting business is verified. Terms and conditions of the lease agreement are negotiated. After the management gives a final consent, lease agreement is signed and deposit payment is made.

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**Execution phase: Schematic representation**

Source: RHP, India Infoline Research

**Stage 2**

Several processes are initiated simultaneously:

- ✦ An Architect is appointed who finalizes the designs for the club layout
- ✦ Contractors for job work are appointed after evaluating quotations from few vendors
- ✦ Orders are placed for gym equipment like cardio, strength and free weights from reputed international manufactures like Precor and Rebar ensuring quality of international standards
- ✦ Process of receiving utility connections is initiated

**Stage 3**

Typical expected time for shipping of equipment and completion of construction is ~7-8 weeks. Towards the end of this period, other accessories like balance of gym equipment, generators, air conditioners etc are also ordered.

- ✦ **Recruitment and Training**  
Recruitment and training for a new health club is a ~6 week process as new recruits undergo 6 week training at the company's residential academy in Thane, near Mumbai. In addition to general trainers, specialists (cardio trainer, personal trainer etc), the health club employs operational staff like branch manager and accountants. The total staff requirement for a health club varies from 35-40 people.
- ✦ **Promotional Activity**  
Launch related promotional activities begin in this period. Awareness about the health club launch in the neighbourhood is built through various media like newspaper inserts and poster/banners. Once the above activities are completed, it is ensured that all the relevant business licenses according to the local by-laws are in place. Gym equipment are installed and tested for smooth operating conditions before the health club is open to members.

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## Key competitive strengths

### ✦ Standardized offerings

*TBVF provides standardized offerings consistently across all the locations; residential academy imparts training so as to that trained staff is deputed to all the health clubs*

In an unorganized and fragmented service industry with a large untapped demand, TBVF provides quality service consistently across all the locations. It maintains high quality standards by procuring equipment from reputed international manufacturers like Precor, Rebar etc. Several key issues such as flooring, air conditioners, generator back up, wet area designs are benchmarked to a model health club. The company also owns a residential training academy at Thane where it offers a 4-6 week induction training period for trainers so as to offer the same kind of services across all locations.

### ✦ Pan India presence

*A pan India presence helps build and leverage brand in a fragmented and largely unorganized industry*

In a fragmented industry with largely unorganized supply (primarily from singly city operators), TBVF benefits from its pan India presence. The company operates 58 health clubs spread across 28 cities.

## Other initiatives

### Operates training academy

*TBVF imparts training to new recruits as well as existing staff so as to provide uniform services across locations*

In 2009, the company established a 7,500 sq ft training academy at Thane, near Mumbai, to impart training to fitness trainers both newly recruited as well as the existing staff. The course duration typically ranges from 30-45 days. A significant part of the training is focused on the nuances of fitness, incorporating both practical and theoretical aspects covering weight training, cardio vascular fitness, nutrition.

On the job training is provided to the recruits at various gyms after completion of the theory classes at academy. TBVF plans to transform the academy into a profit center by providing fitness certification courses to outside trainees for a fee.

### Focus on corporate segment

*TBVF has set up dedicated sales team to tap the vast revenue potential from corporate membership*

Recently, TBVF has started to focus on the corporate segment so as to tap the huge revenue potential therein. Corporates are increasingly focused on ensuring general wellness of their employees. Hence, the emergence of dedicated on-campus gym or indoor sports section. The company can benefit from subscription by smaller companies which do not have such facilities on campus.

TBVF has set up a dedicated corporate sales team that deals with such clients on a pan-India basis. It can leverage the country-wide network to cater to these clients who could be sitting out of multiple locations. Several corporates like Intel Technology India, Kotak Group, Standard Chartered Group etc have evinced interest in such an initiative.

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## Risks and challenges

*TBVF operates in a highly competitive and fragmented market; being service oriented, business has low capital intensity*

### Operates in a competitive and fragmented market

TBVF operates in a highly competitive market and faces stiff competition from other players operating both in the organized and unorganized sectors. Being part of the services industry, gyms are a low capital business. Also the company may have to resort to increased advertising and sales expenses just to fend off competition and protect its market share.

### Other group companies offer similar services

As agreed with TBVF, 80% of the franchise fee of Equinox Wellness (67% owned by Denovo Enterprises) is remitted by TBVF to Talwalkars Omnifitness, which is 100% owned by Mr. Madhukar Talwalkar, Executive Chairman and Mr. Girish Madhukar Talwalkar, a promoter director.

Moreover, TBVF remits 100% of the franchisee fee of the franchised health club operating in Vashi and 80% of the franchisee fee of two of the franchised health clubs operating in Nagpur to Talwalkars Omnifitness. Mr. Madhukar Talwalkar also holds ~17.5% stake in Pinnacle Fitness, a franchisee which operates two health clubs in NCR, through the shareholding of Life Fitness India. Besides, Mr. Madhukar Talwalkar is one of the directors in the Board of Pinnacle Fitness and Life Fitness India. Moreover, there are entities namely a proprietary concern, Talwalkars Nutrition Centre and a partnership firm Fitness India Investments, owned by the promoters, which may have business conflicting with that of the company. Further, Talwalkars Omnifitness and partnership concerns Club Business Systems and Talwalkars Health Commune which pursuant to acquisition of their business still exist with an object conflicting with that of TBVF.

### Brand name could create conflict

There exists a group, controlled by Mr. Rahul Talwalkar, Mr. Rohit Talwalkar and Mr. Amber Talwalkar all being nephews of Mr. Madhukar Talwalkar, which operates gymnasiums under the company 'Talwalkars Fitness Solutions Pvt Ltd' (TFSPL). They are operating their 13 gymnasiums at various locations namely Mumbai, Baroda, Ahmedabad, Raigad, Thane and Nasik. Since the operations of this group and the Talwalkar Group were/are independent to each other, there has not been any separation agreement/understanding between them. Though, since TBVF's incorporation till the year 2005 they had been using the same logo used by this group, their currently used trademark and trade name are registered with them. This group owns and operates gyms under the same or similar name and which can claim the history of the brand.

**Specific attention of the investors is invited to the chapter titled "Risk Factors" beginning on page xii of Red Herring Prospectus.**

**The above information has been obtained from the Red Herring Prospectus dated April 15, 2010. For all the Risk Factors and other details please refer this Red Herring Prospectus available on the websites of the BRLM, SEBI, NSE and BSE.**

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