

VALUE FROM FITNESS



TALWALKARS
BETTER VALUE FITNESS
LIMITED
ANNUAL REPORT,
2015-16



CORPORATE INFORMATION

BOARD OF DIRECTORS

Girish Talwalkar	- Executive Chairman
Madhukar Talwalkar	- Whole-time Director
Prashant Talwalkar	- Managing Director & CEO
Vinayak Gawande	- Whole-time Director
Harsha Bhatkal	- Whole-time Director
Anant Gawande	- Whole-time Director & CFO
Manohar Bhide	- Independent Director
Raman Maroo	- Independent Director
Mohan Jayakar	- Independent Director
Avinash Phadke	- Independent Director
Abhijeet Patil	- Independent Director
Dinesh Afzulpurkar	- Independent Director
Mrunalini Deshmukh	- Independent Director

COMPANY SECRETARY

Avanti Sankav

BANKERS

State Bank of India

STATUTORY AUDITORS

M.K. Dandekar & Co.
Chartered Accountants,
No.7/7A, 3rd Floor, Wellington Estate
No. 53, Ethiraj Salai, Egmore,
Chennai – 600 008

REGISTERED OFFICE

801 – 813, Mahalaxmi Chambers,
22, Bhulabhai Desai Road,
Mumbai – 400 026.

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (West), Mumbai - 400 078.

DEBENTURE TRUSTEES

Axis Trustee Services Limited

2nd Floor, Axis House, Bombay Dyeing Mills Compound, Pandurang Budhkar Marg,
Worli, Mumbai - 400 025

SBICAP Trustee Company Limited

Apeejay House, 6th Floor, 3, Dinshaw Wachha Road, Churchgate, Mumbai – 400 020

13TH ANNUAL GENERAL MEETING

Thursday, 8th September, 2016 at 11.30 a.m.

Venue: M.C. Ghia Hall of Indian Textile Accessories & Machinery Manufacturer's
Association, Bhogilal Hargovindas Building, 4th Floor, Kala Ghoda, 18/20, K. Dubash
Marg, Mumbai – 400 001.

Contents

About us 06 | Financial Highlights 10 | MD & CEO's review 12 | Business model 16
Business review 21 | Management Discussion and Analysis 24 | Directors' Report 28
Report on Corporate Governance 49 | Standalone Accounts 62 | Consolidated Accounts 88

OPPOR



IT IS AN INTERESTINGLY IRONIC
WORLD THAT WE LIVE IN.

WE POSSESS THE RESOURCES
TO BUY VIRTUALLY EVERYTHING
OFF THE SHELF; BUT NOT
WHEN IT COMES TO FITNESS.

WE HAVE ALL THE TIME IN THE
WORLD TO ANALYSE COMPLEX
TECHNOLOGIES; WE DO NOT
HAVE THE TIME TO DECODE
THE TECHNOLOGY BEHIND
OUR OWN BODY.

WE ARE MAKING PROBABLY
MORE IN A YEAR THAN OUR
PREVIOUS GENERATIONS DID
IN A LIFETIME; **IRONICALLY,**
MOST CAN'T DO SOMETHING
AS SIMPLE AS SQUAT FOR A
COUPLE OF MINUTES.

WE TRAVEL THE WORLD
OVER IN JETS; **WE DO NOT**
POSSESS THE STAMINA
TO WALK ROUND THE
NEIGHBOURHOOD.

WE AIM TO MOVE HIGH
IN LIFE; THE MOMENT **WE**
NEED TO CLIMB A FLIGHT OF
STAIRS, WE NEED SUPPORT.

TALWALKARS BETTER VALUE

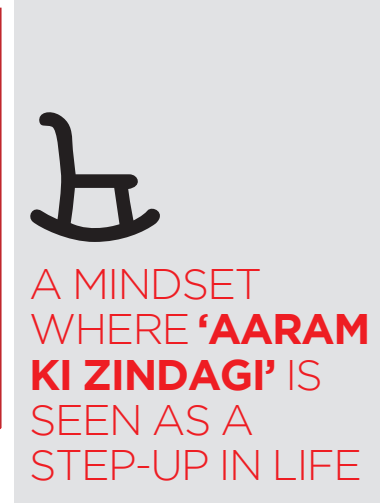
FITNESS WAS CREATED TO
REDRESS THIS INEQUITY. WE ARE
PLEASED TO STATE THAT WE ARE
ENRICHING OUR CUSTOMERS
AND IN DOING SO, ENHANCE
VALUE FOR OUR COMPANY.

THE EVIDENCE: WE REPORTED
PROFITABLE GROWTH IN 2015-
16: 13% INCREASE IN REVENUES
CORRESPONDED BY A 19%
GROWTH IN PROFIT AFTER TAX.

VALUE FOR THE CUSTOMER IS
VALUE FOR THE COMPANY.

TUNITY

INDIA. THE SECOND LARGEST POPULATION CLUSTER IN THE WORLD



A CULTURE THAT CONSPIRES TO ENHANCE SUGAR INTAKE EVERY HOUR



Longer urban commutes



A country where 'mehnat' means a

70

-hour week in one office chair

Just the kind of reality
that would make
everyone say, **‘Anyone
who gets into the
fitness business in
India will laugh all the
way to gym...’**

TALWALKARS
BETTER VALUE
FITNESS LIMITED
WENT INTO
BUSINESS WITH
A SINGULAR
OBJECTIVE.

PROVIDE WORLD-CLASS FITNESS FOR MILLIONS.

Fitness services had been packaged for decades in India as an unorganised offering; *Talwalkars ventured to organise it.*

Fitness services in India had been largely small and anonymous; *Talwalkars enhanced branded visibility.*

Fitness services in India had been localised and standalone in format; *Talwalkars created a pan-India chain of fitness centres.*

Fitness services in India were generally of one predictable standard – the mid-end variety; *Talwalkars created diverse options for different pockets.*

Fitness services in India were largely about building stronger abs and tougher muscles; *Talwalkars extended fitness to wellness.*

Fitness services in India were only about working out and sweating out; *Talwalkars combined gym with leisure options.*





SENTINEL

TALWALKARS IS **MORE THAN JUST ANOTHER ORGANISED FITNESS SECTOR PROXY.**

The company is one of the largest organised fitness companies in South Asia.

The company is the only listed proxy of India's fitness sector.

The company democratised the organised gym sector across 72 non-metro and non-Tier 1 cities.

THESE ARE THE RESULTS OF THE COMPANY'S FIRST-MOVER ADVANTAGE AND UNIQUE POSITIONING



13

Number of successive years the company reported profitable growth.



46

The minimum EBITDA margin in percentage that the company reported in the five years ending 2015-16.



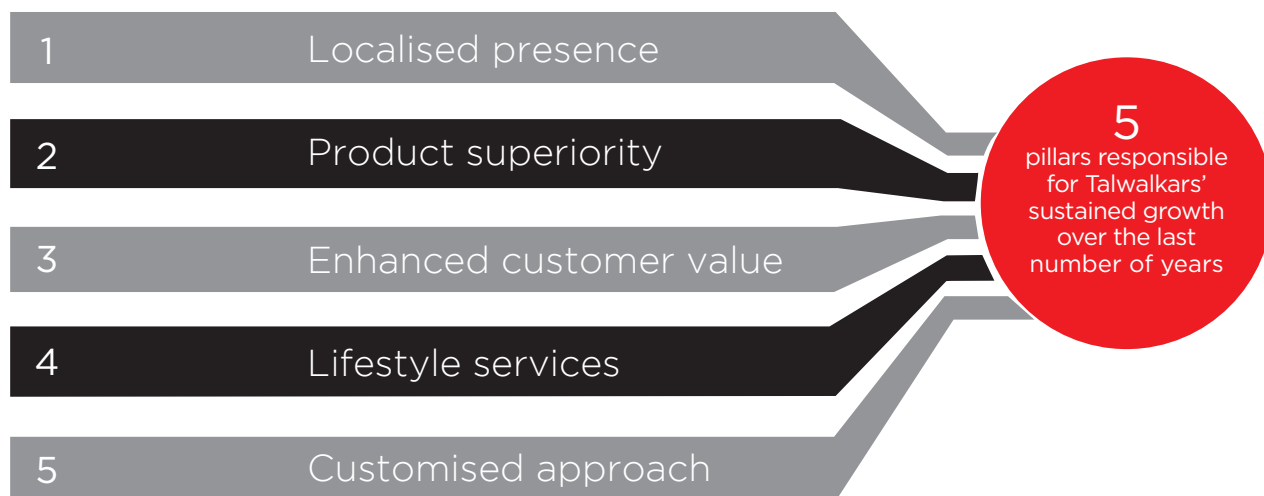
5632

The market capitalisation (₹ mn) that the company enjoyed as on 31 March 2016, making it India's most valuable fitness brand by far.



15

The ROCE in percentage terms that the company reported in 2015-16 even as consumer sentiment was sluggish.



Services

Talwalkars is a leader in the Indian fitness industry with centres across India offering gymming and fitness, Zumba ® programme, Zorba – the yoga, Nuform and Reduce, among others. The Company also has a presence in Sri Lanka. The company's fitness centres operate under four major formats – Talwalkars, PWG, HiFi (budget format located in non-metros) and Zorba – the yoga studios.



Asset base

Talwalkars fitness centres are available at 176 locations across India and Sri Lanka, as on the 31st March, 2016. The company operated 130 centres under the Talwalkars brand,

23 under HiFi, 20 under PWG and 3 under Zorba – the yoga studios. Nearly 28% of the centres were in metro locations, 12% in Tier 1 locations and the rest across pan-India.



Promoters

The promoters of the Company possess an experience of over five decades in the Indian fitness industry. The promoters' shareholding as on 31st March 2016 was 38%.



Talwalkars. One-stop fitness and wellness

Talwalkars Gym

- Basic membership
- Personal training
- Steam and massage
- Value added services

Premium format gyms

- Large format gyms
- Highly personalised value added service
- Nuform] Transform
- Reduce]
- Zumba® programme
- Zorba – the yoga
- Aerobics, spa and massage

HiFi

- Functional format gyms
- No frills gym

PWG Gyms

- Fitness centres in Sri Lanka
- Low capex
- Strategic Locations
- This model is ideal for significant expansion in India



Various offerings

- Nuform
- Electrical Muscle

Stimulation (EMS) based workout

- Once a week for 20 minutes
- Offered within fitness centres
- Convenience of doorstep services

Reduce

- Diet-based weight reduction programme
- Offered within fitness centres
- Provision of ready-to-eat-and-cook food products

- Convenience of doorstep services and online access option

- Tied up with online portals Nykaa and Snap Deal

Transform

- Combination of Reduce and Nuform programme.
- Offered within fitness centres

- Convenience of doorstep services

Zorba - the yoga

- Provides exclusive and holistic approach towards better living
- Customised courses and therapies
- Offered within fitness centres and studios
- Recommended for one hour, thrice-a-week

Zumba® programme

- Offered within the fitness centres premises and studios
- Dance-based fitness programme
- Recommended for one hour, thrice-a-week

Sports club

- Integrated fitness, sports and recreation clubs
- Consultancy services for setting up clubs in townships and gated communities



International alliances

- Alliance with Zumba Fitness, LLC to run the Zumba® dance-inspired fitness plan in India. Zumba fuses varied rhythms and dance moves resulting in a complete body workout in a single session. Zumba has gained acceptance worldwide with close to 14 mn people taking weekly Zumba classes in over 140,000 locations across 185 countries.
- A 50:50 joint venture with David Lloyd Leisure Limited (DLL), Europe's leading premium sports, health and leisure group. DLL enjoys

extensive experience in setting up premium sports, health and leisure clubs across Europe. The joint venture is in the process of setting up a club in Pune and developing around 10 clubs across cities over the next few years.

- Acquired Power World Gyms (PWG) which marked the company's growth as an international player.



Listing

- The Company's equity shares are listed on the Bombay and National Stock Exchanges.

- The Company enjoyed a market capitalisation of ₹5632 mn as on 31st March, 2016.



Performance highlights, 2015-16

- Revenues grew 13% from ₹2526 mn in 2014-15 to ₹2862 mn in 2015-16
- EBITDA rose by 20% to ₹1503 mn in 2015-16 from ₹1254 mn in the previous year
- Net profit rose by 19% from ₹461 mn in 2014-15 to ₹550 mn in 2015-16
- EPS (basic) rose by 8% from ₹17.6 in 2014-15 to ₹19.03 in 2015-16.
- Declared a dividend of 15% in 2015-16 resulting in a payout of ₹44.56 mn
- Added 26 fitness centres in

