

# Talwalkars Better Value Fitness Ltd.

## *(Lifestyle company)*

### Q2FY19

*Strong performance continues...*

---

### ***Result Highlight***

In Q2FY19, TBVFL reported a 10% YoY increase in net sales to Rs. 18.2 crore from Rs.16.5 crore in Q2FY18. The EBITDA grew by 7% YoY to Rs. 11.7 crore in Q2FY19 from Rs. 10.8 crore in Q2FY18 and the margins fell by 185 bps YoY to 64.1% in Q2FY19 from 65.9% in Q2FY18. The consolidated PAT increased by 97% YoY to Rs. 5.4 crore from Rs. 2.7 crore in Q2FY18. PAT margin improved by 1320 bps to 29.7% in Q2FY19.

### ***Key highlights***

- ❖ Zorba introduced 25 forms of yoga along with contemporary props to the traditional practice, each prop and form judiciously designed to engage the mind, body and soul.
- ❖ 4 new standalone studios were launched in Bangalore and 1 studio was taken over in Chennai.  
1 Zorba low cost model was launched in TC Palya, Bengaluru.
- ❖ Dr. Mickey Mehta has interwoven the philosophies of Zen, Tao, Tantra, Vedas and more to develop holistic health systems that form a base for his signature wellness workouts. .

## ***Strong performance continues...***

- ❖ Reduce was introduced in 11 new centers in this quarter during the August Scheme.
- ❖ Weight Loss : The Company is actively looking at the possibility of foraying into online weight loss and nutrition to aid the existing infrastructure. This will be done in conjunction with a player who has knowledge and experience in the online space.
- ❖ Dr. Mickey Mehta 360 degree Wellness Temple: Expansion of existing centers. Focus on functional training , Learn Swimming in 24 hours , Grow Tall program and weight management program.

### ***Valuation***

At CMP Rs. 48.8 currently the stock is trading at 62.9x in FY18. We recommend at HOLD on the stock.

# **Talwalkars Lifestyles Ltd.**

## ***(Gym company)***

### **Q2FY19**

***Strong performance continues...***

---

### ***Result Highlight***

In Q2FY19, TLL reported a 13.3% YoY increase in net sales to Rs. 91.3 crore from Rs. 80.6 crore in Q2FY18. The EBITDA grew by 20.4% YoY to Rs. 58.5 crore in Q2FY19 from Rs. 48.6 crore in Q2FY18. EBITDA margin improved by 400 bps YoY to 64% in Q2FY19 as against 60% in Q2FY18. The consolidated PAT increased by 11% YoY to Rs. 36.4 crore as against 32.8 crore in Q2FY18.

### ***Key highlights***

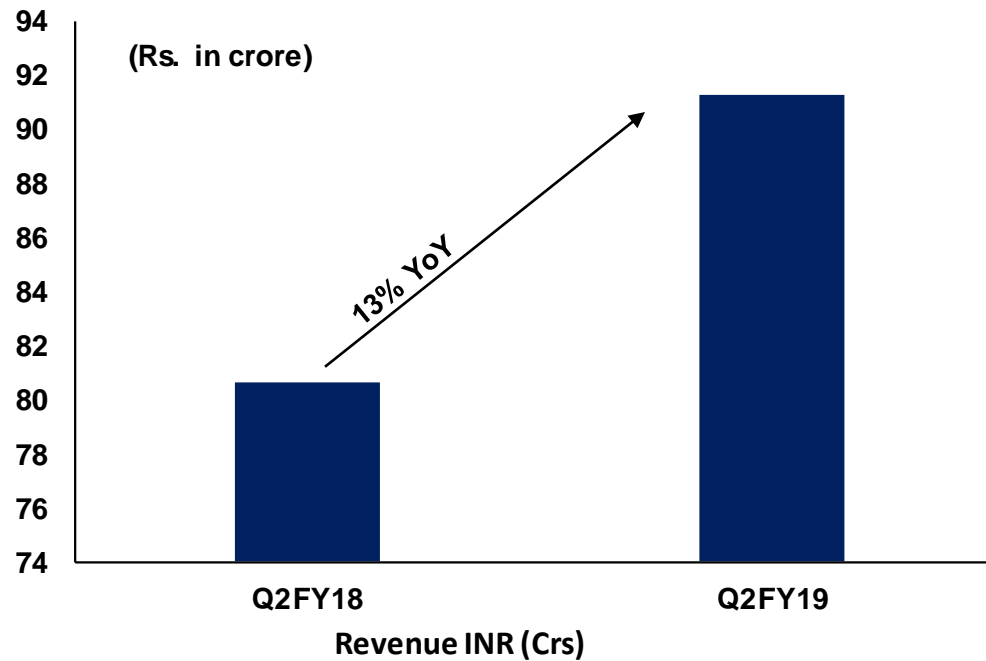
- ❖ TLL had 252 gyms with a plan to add 30-35 gyms every year.
- ❖ The company plans to have a presence in 100 towns and increase its market share.
- ❖ Discounts on the annual membership- Annual August Scheme was well received . Significant momentum seen during the quarter leading to better renewal rates and employee engagement.

- ❖ Fully equipped with imported equipment and modern techniques. It introduced circuit training programs which help in rapid weight loss in an economical and sustainable way.
- ❖ Gym Penetration is only 0.13% of the country's population. The company plans to utilise this opportunity rate to unleash its experience along with international brand recall of snap to enhance scalability across geographies.

### ***Valuation***

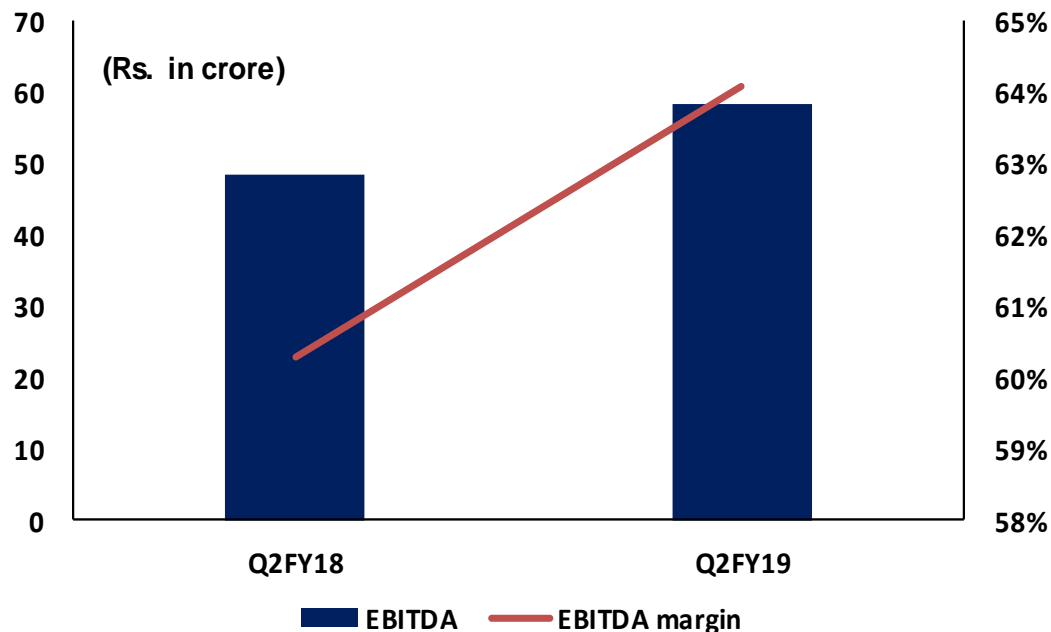
At the CMP of Rs. 114, the stock trades at a PE of x FY20E. We recommend a HOLD on the stock.

## Revenues grew 13.3% YoY



- ❖ Income from operation grew by 13.3% YoY. There was an increase in net sales to Rs. 91.3 crore from Rs. 80.6 crore in Q2FY18. The growth in the revenue was driven by the company's Annual August Scheme.

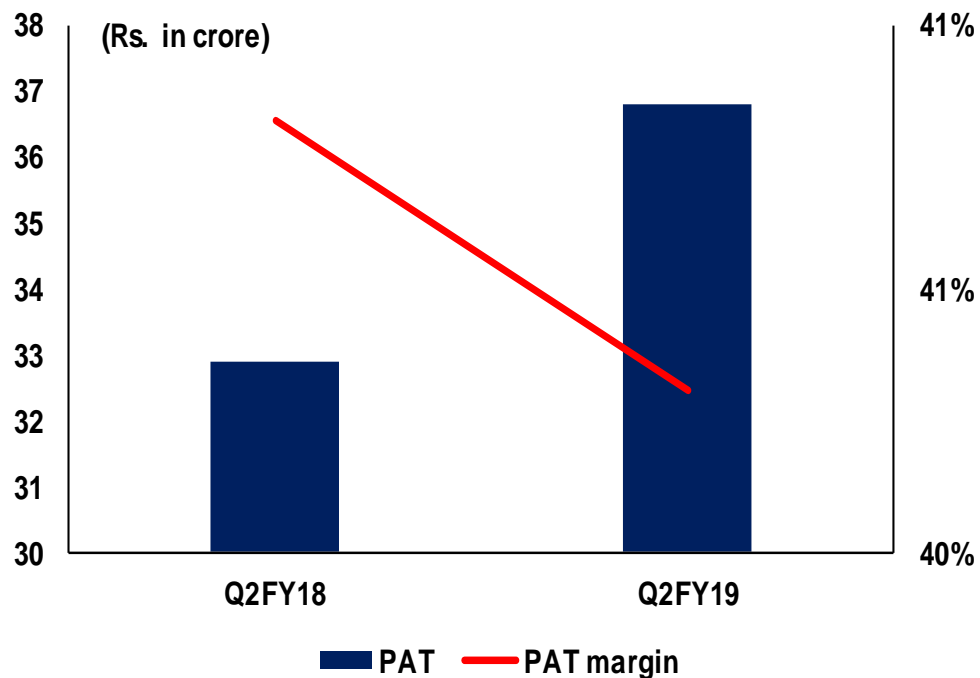
## EBITDA grew 20% YoY



- ❖ The EBITDA grew by 20.4% YoY to Rs. 58.5 crore in Q2FY19 from Rs. 48.6 crore in Q2FY18 mainly on account of improved operating performance. Further, EBITDA margin improved by 400 bps YoY to 64% in Q2FY19 as against 60% in Q2FY18.
- ❖ The EBITDA margin improved as the revenue share of Personal training increased significantly during the quarter.



## PAT grew by 11% YoY



- ❖ The consolidated PAT increased by 11% YoY to Rs. 36.4 crore from Rs. 32.8 crore in Q2FY18.
- ❖ PAT margin fell by 100 bps to 40% in Q2FY19 vs 41% in Q2FY18 mainly on account of increase in finance cost.

Particulars	Sep-18	Sep-17	Jun-18	Jun-17
<b>Income from Operations</b>	91.3	80.5	<b>53.9</b>	<b>48.0</b>
Other Income	0.7	6.0	0.4	0.5
Total Income	92.0	86.5	54.3	48.5
<b>Expenditure</b>				
Personal Cost	10.8	10.3	9.7	8.1
Other Expense	22.0	21.6	18.9	17.7
Total Expenditure	32.8	31.9	28.7	25.8
EBITDA	58.5	48.6	25.6	22.6
Depriciation	9.0	6.7	8.1	8.5
Interest	5.1	3.6	4.7	3.4
PBT	45.2	44.3	12.9	10.8
Tax	6.2	11.2	4.3	3.6
<b>PAT</b>	39.0	33.1	<b>8.6</b>	<b>7.2</b>
Share of Ass.	1.1	-0.8	0.5	0.3
MI	-3.7	0.6	-0.2	-0.6
<b>PAT (after MI)</b>	<b>36.4</b>	<b>32.9</b>	<b>8.9</b>	<b>7.0</b>



# Disclosures and Disclaimer

Ventura Securities Limited (VSL) is a SEBI registered intermediary offering broking, depository and portfolio management services to clients. VSL is member of BSE, NSE and MCX-SX. VSL is a depository participant of NSDL. VSL states that no disciplinary action whatsoever has been taken by SEBI against it in last five years except administrative warning issued in connection with technical and venial lapses observed while inspection of books of accounts and records. Ventura Commodities Limited, Ventura Guaranty Limited, Ventura Insurance Brokers Limited and Ventura Allied Services Private Limited are associates of VSL. Research Analyst (RA) involved in the preparation of this research report and VSL disclose that neither RA nor VSL nor its associates (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the time of publication of this research report (iv) have received any compensation from the subject company in the past twelve months (v) have managed or co-managed public offering of securities for the subject company in past twelve months (vi) have received any compensation for investment banking merchant banking or brokerage services from the subject company in the past twelve months (vii) have received any compensation for product or services from the subject company in the past twelve months (viii) have received any compensation or other benefits from the subject company or third party in connection with the research report. RA involved in the preparation of this research report discloses that he / she has not served as an officer, director or employee of the subject company. RA involved in the preparation of this research report and VSL discloses that they have not been engaged in the market making activity for the subject company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of VSL. This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of VSL. VSL will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by VSL, its associates, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved.

For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts. The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. VSL, the RA involved in the preparation of this research report and its associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report/document has been prepared by VSL, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. VSL has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change. This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of VSL. This report or any portion hereof may not be printed, sold or distributed without the written consent of VSL. This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of VSL and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection. This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read “Risk Disclosure Document for Capital Market and Derivatives Segments” as prescribed by Securities and Exchange Board of India before investing in Securities Market.

## **Ventura Securities Limited**

*Corporate Office: I Think Techno Campus, 8<sup>th</sup> Floor, B Wing, Pokharna Road No. 02, Off Eastern Express Highway, Thane, Maharashtra – 400067.*