



“Talwalkars Lifestyles Limited Q1 FY-19 Earnings
Conference Call”

August 13, 2018



**MANAGEMENT: MR. PRASHANT TALWALKAR – DIRECTOR,
TALWALKARS LIFESTYLES LIMITED
MR. ANANT GAWANDE – DIRECTOR, TALWALKARS
LIFESTYLES LIMITED
MR. GIRISH NAYAK
TALWALKARS LIFESTYLES LIMITED**

**MODERATOR: MR. VIKAS RAJPAL – CENTRUM BROKING PRIVATE
LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Talwalkars Lifestyles' Q1 FY19 earnings conference call hosted by Centrum Broking Limited. As a reminder, all participants' lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikas Rajpal from Centrum Broking. Thank you and over to you, sir.

Vikas Rajpal: Thank you. Good afternoon everyone. On behalf of Centrum Broking I welcome everyone to the Q1 FY19 Post-Results conference call of Talwalkars Lifestyles Limited. I also take this opportunity to welcome the management team of Talwalkars. We have with us today Mr. Prashant Talwalkar; Mr. Anant Gawande and Mr. Girish Nayak.

I would now invite the management for their opening comments followed by Q&A session. Over to you, sir.

Girish Nayak: Good afternoon everybody. This is Girish Nayak. We are pleased that Mr. Anant Gawande is also here; Prashant Talwalkar will be shortly joining. This quarter has been as usual in line with our expectation, a slow quarter for us we expect the Q1 is always a bit slow but in line with our expectations and I would like Mr. Anant Gawande to make the management remarks.

Anant Gawande: Good afternoon everybody. I would like to welcome all of you. And a very warm and wonderful August to all of you. I hope all of you would have subscribers today who are on the con call will also become member of our famous August monsoon scheme.

April, May, June was spent in consolidating the demerger and getting all the systems rightly in to place. A huge amount of effort was made by Prashant team to see that the remaining part of the revenues income output all the things were rightly placed. Actually, the base has been beautifully laid for the August scheme which was just opened, and about which Prashant will talk shortly.

Instead of spending too much time and to give some background on the quarter I would invite you to ask your questions so that we can answer them adequately. I just request Prashant to add couple of words before we start the questions.

Prashant Talwalkar Hello everyone. Nice to be here again and it is always good this quarter is something which we always talk about. And our discount scheme is within on and giving us a good response all over. Of course, they are usual every year we try to be innovative and keep doing something different and new. As you may be aware but just to repeat we are trying to bring in the long-



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term membership as our important part of the scheme this time. And of course, all other facilities will be as usual.

So, please go ahead and ask your questions and enquiries. I will be glad to answer them. Thank you very much everyone.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Ayush Bhutada from Equitas. Please go ahead.

Ayush Bhutada: Sir, first my question would be regarding, is there any rent payment included during the quarter, the rent payment to Talwalkars Better Value?

Girish Nayak: Yes, post the demerger we have started including that and that has been in operations now.

Ayush Bhutada: So, how much was the amount for the quarter?

Girish Nayak: Around Rs. 3 crores.

Ayush Bhutada: And that will be Rs. 12 crores for the whole year, right?

Girish Nayak: Yes, that inline what we have discussed in the past.

Ayush Bhutada: Right. The interest cost has increased almost 40% both Quarter-on-Quarter and Year-on-Year. Any reason for that?

Girish Nayak: We have opened new gyms so what the interest amount which was being capitalized now is being now expensed out in line with accounting norms.

Ayush Bhutada: So, our gross debt currently stands at?

Girish Nayak: Around Rs. 300 crores.

Ayush Bhutada: This is including short term debt, right?

Girish Nayak: Yes.

Ayush Bhutada: I wanted to know our total fixed assets are Rs. 414 crores, right?

Girish Nayak: Around Rs. 400 crores?

Ayush Bhutada: Can I get a breakup of that Rs. 400 crores?



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- Girish Nayak:** It will come in the annual report which will be published shortly.
- Ayush Bhutada:** So, what would be our guidance for the full year FY19?
- Girish Nayak:** Historically which we have given the guidance of adding about Rs. 65 crores to Rs. 70 crores in for the expansion we will be in line with that.
- Ayush Bhutada:** The Rs. 65 crores to Rs. 70 crores is the CAPEX amount?
- Girish Nayak:** Yes.
- Ayush Bhutada:** Our total GYM count is 251, correct? And which was the same previous quarter?
- Girish Nayak:** Yes, if you read the earlier presentation we had done the soft opening. Now all the gyms are getting opened gradually as the work is getting completed.
- Ayush Bhutada:** Because from the previous quarter there has been no addition, so is it usually this quarter there is no addition from the current quarter starts coming in?
- Girish Nayak:** What we do is we gear up for the August scheme although by setting up the new gyms. And concentrate getting that for the scheme and then again after the post monsoon scheme we start the second process again. So, that is always a cyclical process in this company throughout.
- Ayush Bhutada:** So, out of the 126 Talwalkar Gyms how many are the premium Talwalkar Gyms?
- Girish Nayak:** 8 gyms.
- Ayush Bhutada:** So, they have not increased I guess, it has been 8 only since about a year?
- Girish Nayak:** Yes, it is a new concept and we go very cautiously in this.
- Ayush Bhutada:** So, what would be for the full year our revenue and bottom line and topline guidance?
- Anant Gawande:** We generally do not give a guidance, just to add to what we have said our total CAPEX includes CAPEX for the setup of new gyms and CAPEX which we spend on any activity which is aligned to gyms, not value-added which is the other company as well as CAPEX for the maintenance of the 251 gyms. So, the overall CAPEX may be little different. We do not give guidance, we always said that we have grown at a particular rate historically over the last 5 years. We are confident that we will be able to maintain that rate of return. What we do believe is that our ROCE this year should go up by at least about 100, 150 basis points.



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Moderator: Thank you. The next question is from the line of Varij Bangur from Pico Capital. Please go ahead.

Varij Bangur: My first question is about the Talwalkars HiFi Gym. In 2011, when we first opened the Talwalkars HiFi Gym in Pune, we were having a target of around 300 HiFi Gyms by 2014. But we just have 25 gyms in 2018, what is the problem there? Are we not seeing any interest from people in general, the business is not attractive enough or is it the limitation from our end in giving franchise?

Anant Gawande: I want to answer it a little more elaborately than normal because HiFi is one of those areas in our company where we go on doing lot of brainstorming. So, I will start the very beginning, Varij. The HiFi is a fabulous concept. Have you been able to see any HiFi ever?

Varij Bangur: No sir, I am very new to this facility.

Anant Gawande: So, I will explain to you. The concept of HiFi is a gym significantly smaller in size. I just take 2, 3 minutes to explain the background to you. And probably even the technicalities can be explained to you by Prashant. Essentially HiFi was a gym idea incubated by the company, for small towns.

So, if you look at a town in which we opened HiFi, in Jorhat, we are in Ajmer, we are in Khammam, I am giving name of town which even we would have found difficult to open a normal gym in, Varij. Now what happened is when we have started this process three years back we thought that it should be a gym very similar to Talwalkars smaller little lower in CAPEX but in the same flavor as Talwalkars.

Today we find that the smaller town means, and requirements and aspirations are almost similar to a big town and if we do not put the right equipment and right the décor, so the HiFi Gym for example initially did not have the adequate amount of equipment which we should have. So, we signed up almost 8 to 10 gyms in the first 6 months of the life of HiFi, we completed them successfully and for the purpose of all the listeners those HiFis are doing exceedingly well. Somewhere around the line we felt that a city like Ajmer also needed a bigger gym, a bigger reach out so we modified the model and we started even innovating on the equipment.

About a year and half back the team was segregated from the Talwalkar team and today the HiFi team is a separate team which is independent to the Talwalkar team. They also handle by the way now the franchising of the Talwalkars. Since then our run rate as you call it nowadays in what you are speaking has been to start one or two gyms a month. We right now have about 11 gyms which are in the pipeline over the next 90 to 120 days. And we believe that we are just about to sign about 6 more, so 17 hopefully over the next 3 quarters which will be the



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count which we have about 24 or 25 should be close to 40 or 45 in the next 3 quarters I would say.

That should give us the critical mass to move to the level which we were at. Our confidence just stems from the fact that HiFi is needed in those small towns with population between 2 lakhs and 8 lakhs in India. We cannot reach out to those towns with the Talwalkars Gym because Talwalkars is much bigger in CAPEX, OPEX and other things. Over and above is for the top 15 towns of India, so HiFi is perfectly poised for those towns. I think you will see a lot of momentum in these HiFi gyms over the next 2 to 3 quarters. Prashant, would you like to add something?

Prashant Talwalkar

Yes. If we have slowed down, there are couple of other reasons. And that is also mainly to look at the background checks of all the people who seizes to opt for the franchise. Otherwise we keep getting plenty of enquiries but executing those enquiries or rather making it happen, there is lot of work goes behind this. Specially in the smaller town we really need to see who we are getting into, guarding the brand at the same time. So, if you have seen the slower movement there are various reasons for that.

Varij Bangur:

Sir, my second question is that every year you open around 10% to 20% more gyms than we have in the previous year. Typically, the run rate is that and the revenue growth is typically the same. I would just like to know the growth on the same gym same level for the previous 2 or 3 years if you have the data of the previous year?

Anant Gawande:

In several con calls Girish and me and even Prashant have shared this data. I believe over the last 2 or 3 years except one year, we have typically grown at 6% to 7%, sometimes it is value, sometimes it is volume. Actually, there was an interview which was also taken of mine about 2 or 3 days back and on that day, they asked us whether we have taken a price hike, and I said 60% of our gym for the August scheme have taken a price hike of about 6% to 8%.

So, we do put these figures out periodically. Gym is a typical business where you cannot take a 10% or 15% or 20% hike. That can only be achieved by pushing in more personal training and I think a value-added services. I think Prashant, we have taken a hike this year of small hikes in some of the gyms?

Prashant Talwalkar

And, we not only hiked only the gym facility but there are other facilities which is personal training and we have tried to combine the packages. So, overall, we are trying to see that per capita is what we say as per member income is increased from previous year.

Varij Bangur:

In our monsoon schemes let us say we give the whole package to the customer including the reduce or the whole gym membership is given including the value-added services. So, how we do the accounting like let us say a membership is given for Rs. 20,000 and it includes Reduce



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and many value-added services also. So, what will be the partition between this company and Talwalkars Better Value Fitness?

Girish Nayak:

They both are independent companies working at arm's length. Of course, the businesses are working in the same premises like the shop 'n' shop. So, the billing is also separate adequately and if there is any sharing of the facilities both the companies get compensated neatly according to the usage of the facilities.

Varij Bangur:

Sir, my last question is about the macro level that what is the technical growth of gym memberships in India? What is the volume growth every year? If you have the data, then it will be very helpful?

Anant Gawande:

On gyms across India?

Varij Bangur:

Yes, like Gym membership across India, are we growing at a 20% or 25% rate or is it just 5% to 10%?

Anant Gawande:

Let me put it this way. Gym is a neighborhood friendly phenomenon. So, if you do not have a good gym next to you or near your office or house you tend to not join a gym even if it is of the best brand if it is far away from you. Unlike for a restaurant where you will go, sometimes a little bit away to eat for a good food, for Gymming you want something near you either to your office or to your residence. So, what we have typically seen is, the volume value paradigm of membership in Gymming will go up at about 6%, 8% to 10%.

So, we have had years where we had grown at 10%, we have had years where we had grown at 5% but the mean has been between these two ranges. I do think we remember being at 15% I do not remember being at 2%. Typically, what happens is you have to be the best gym of that neighborhood. You also have to be price sensitive. In India, if you try to price yourself up, so none of our gyms will charge Rs. 35,000, Rs. 40000 per annum, it does not make sense because at that level you are telling a person to be very selective in terms of what he should do on the Gymming space.

Also, they like freebies to be thrown in as Prashant was explaining to you just now, value-added freebies, maybe a personal trainer who gives something free for some time, or massage is thrown in, these are the freebies which help a person to try and retain membership with us. We also employ a very good software I think, which has been put by Prashant team into place and that software helps us to elaborately monitor people who come or do not come.

So, there is a concept of free membership or acquisition cost and post membership retaining cost, and our company over the last couple of years has been giving a lot of importance to these things also.



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Varij Bangur: In the coming years, do you see a tailwind in the Gymming industry in India, because our demographics are favorable and there is a lot of fad among the youth to go to gym nowadays opinion about that?

Anant Gawande: I think Prashant will answer that question.

Prashant Talwalkar Today, Health and Fitness as an industry is definitely has an upward direction is what I say in India. So, anybody who is going to be consistent and with the innovative thinking will survive and will have a better scope and better expansion better growth. So, what we continue doing is if you continue doing what we are doing and add on to the innovations I think we will have good years to come.

Varij Bangur: Would you like to give a guidance about how many gyms we plan to have in India over the 5 years?

Anant Gawande: I will try and answer this question little bit differently. We have been consistently doing this since we announced the demerger and I think as management want to stick to that point because we believe in it. We want our ROC to enhance to 20% by 2020. It is a stated internal objective of the management, it is the goal of the management and we want to achieve it without fail.

If you take that parameter into account then whatever number of gyms we can open maybe there are 30, maybe there are 32, maybe there are 34 a significant amount of these gyms we will continue opening at lower and lower CAPEX. OPEX you can already see through our financials have been kept at the lowest possible levels, we will try and reduce them further. So, our aim more clearly is to achieve a higher level of ROC because this is a CAPEX heavy business, Varij and we would much rather focus on that than what will be the natural expansion of Gymming which I am sure will happen over the next 3, 4 years.

Moderator: Thank you. The next question is from the line of Raju Basani from Angel Broking. Please go ahead.

Raju Basani: We recently got this thing of Better Value Fitness as well as the GYM business; may I know the kind of debt levels which are lying both with the gym business as well as the fitness business?

Girish Nayak: In the lifestyle business it is around Rs. 170 crores and in the gym, it is around Rs. 300 crores.

Raju Basani: And any plans of going in the reduction of debt levels in the next 1 or 2 years?



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Anant Gawande: Let me answer it differently, Raju. We think that the cash flow which we have and if you study our balance sheet for last 3 years, increasing amount of cash flow in the gym business in particular is being left back, for us to payback part of the debt. I also want you and all the listeners to know that we are rated as AA by CARE and AA minus by ICRA and we are extremely proud of the fact that we are rated so.

And in the whole process we had tried to keep a moderate to reasonable debt equity ratio. Nowhere has the debt equity ratio has gone beyond levels which are necessary, the company would like to maintain its good rating, good rate of interest. So, we will find out more ways in which as our ROC enhances we will get more cash flow to payback our debt.

Raju Basani: I could see the promoter pledging to some extent it is like whether it is in Gym business it is showing some 13% whereas in Better Value Fitness it is showing some 40% of the pledging. So, going forward all these pledging will be released in the next 1 or 2 years?

Anant Gawande: I do not want to answer a question of the promoters right now. But what I would like to say is that last year we did a preferential allotment if you remember at that time we had pledged some shares. We have no pledge of shares which is not been done for the preferential, it is only and only for the purpose of the preferential allotment and nothing besides that. So, obviously we wish and we hope that we will continue to do well as a company and as we do well as a company I am sure the pledge of shares which we have will gradually go on reducing.

Raju Basani: Sir, one more question. Recently one international expansion of Sri Lanka gym expansion that you announced, it is going to be fully equity based or it is like franchise model or you are looking at because gym business itself is a capital intensive business, is it good to go with the full equity basis or is it like going with a Joint Venture or franchise model basis you feel what is the good way you want to go, going in future?

Girish Nayak: If you see the thing is the expansion of Talwalkars and Power World, these are the own models. The thing is that even the Power World model is what we have very well setup. We have currently put up our own gyms, in future as we go into the other countries and everything the thing is that we will have the right mix of equity and franchise.

Moderator: Thank you. The next question is from the line of Sailesh Kumar from Sunidhi Securities. Please go ahead.

Sailesh Kumar: I wanted to know the interdependence of the Lifestyle business on the Gym business which was previously there, will it continue to be there? I mean what I mean to say is that our Gym business is expanding in Sri Lanka, have plans to go to Bangladesh, Vietnam and other countries, so the other business will keep on riding on the expansion of the gym business and will it have to pay something to the gym business for that?



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Anant Gawande:

Let me answer it differently, Sailesh. One is my sincere apologies because we were supposed to meet but the silent period prohibited us from doing it and we will surely like to catch up with you and your team. But coming to the critical point you must have also have seen the announcements of some of the other companies, I do not want to make this a forum to discuss the other company. But Zorba for example has been independently expanding now on its own, David Lloyd which is the other piece is also expanding without utilization of the Gymming piece, Snap Fitness is also expanding on its own out of India.

PWG as you know is in Sri Lanka and in India, Mickey Mehta which is our free floor exercise piece and Zumba are within and outside gyms. Let me answer it differently. For us whether it is Talwalkars or whether it is Power World or whether it is HiFi is a super market for health and fitness. So, you come to a super market called Talwalkars which is a health and fitness super market and there you are allowed to buy or make or do activities which allows you to enhance your experience. Correct, Sailesh? Also get nutrition supplements which we may not produce at all.

You will get T-shirts which may be done by some international brand whatever it is, Nike, whatever, I am just giving a name. It could be Zumba which we do not own at all it is an international chain, correct? We have treated whether the brands are internal to us or external, the idea is to give an enhanced kind of experience. If that experience helps the customer retention and increasing the value of the money which the customers give us, that is exactly what we want.

Sailesh Kumar:

I got your point. Basically, what I wanted to know that though other company is doing independent expansion will it also try to ride on the gym company?

Anant Gawande:

May not fully do it, Sailesh. What will happen is because each company now which is within the purview of both the growths or both the companies are also expanding on their own. So, they have their own business plans. They are trying to figure out their own expansion. But if there is a necessity to utilize any of the gyms or super structures I am sure we will use them visibly and we will create a healthy distance for them to share the revenue profit or any other such business transaction which is necessary.

Moderator:

Thank you. The next question is from the line of Manish Kanakia, an Individual Investor. Please go ahead.

Manish Kanakia:

I would like to know what is the progress of our club in Pune? I heard that membership was started some soft launch few days back?



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Anant Gawande: Manish, I am going to let Prashant answer this question, at the risk of you knowing that the company which deals with that is the other company but because we are just recently demerged we will answer this question.

Prashant Talwalkar The progress with the club is in at full swing. We have almost covered 4 floors out of 6. So, it is almost on time because weather was not expected to be as rough as usually in Pune, but I guess we are 3 weeks behind the schedule of completion time. Otherwise we are quite on mark and we have 2 weeks ago inviting the people we are in touch with what we also call it as a few VIP list of people. And they have received this invitation asking them to come to the office which is also our temporary office which we have established very close to the club site.

So, what you heard is correct that we have invited through a proper invitation done by our staff going house to house and inviting them to come and look at the club progress as well as the enrollment.

Manish Kanakia: So, have we started getting the amount of some pre-booking or something?

Prashant Talwalkar Yes, this is the pre-booking, but we are expecting this to have little later not immediately. People have started receiving the invitations now and they are now fixing the appointments to come and look at and meet the people at the sales office.

Manish Kanakia: So, we approximately expect the club to be open by December end this year?

Prashant Talwalkar Yes, and hopefully if all things are on the right path, including the weather I think we should be able to have good news little later down the time. I do not want to give you the exact date just now but we are on track. We are in fact trying to cover up the loss time also.

Manish Kanakia: And proper membership will start post that or by when do you see the revenues coming, I mean membership fees coming in before December or like?

Anant Gawande: Manish, I would request you because it is inappropriate that we discuss the other company at such great length, you had a question, we tried to answer it. So, first you can talk to us or meet us we will be more than happy to discussing, it but in all sense you will agree with me, right? So, whenever you wish, you can call any of my team members or me or Prashant and you are more than welcome to go to the club and see it also.

Manish Kanakia: Alright, thank you so much.

Moderator: Thank you. The next question is from the line of Subrata Sarkar from Dalmia Securities. Please go ahead.



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Subrata Sarkar:

As you have stated earlier also like your objective is now to increase the Return on Equity and Return on Capital, so could you just elaborate your thought process on that how you are thinking to improve that?

Anant Gawande:

Essentially our present ROC is about 17.6%. We are targeting ROC of 20% in 2020. So, it is Mission 20 by 2020. And if you see our corporate presentation, have you been able to go through our corporate presentation which was downloaded about a few weeks back. So, we have given you the breakup of each and every gym category. How is the Talwalkar done, how is the Talwalkar Premium done, how is the Power World done, correct? So, when you look at each category of these gyms, you will understand that a significant amount of effort has been made by Prashant's team to reduce not just the CAPEX but the OPEX. Now when you do that the trickling effect of that cannot be felt in one day, one month or 3 months.

It is felt over a Quarter-on-Quarter basis. So, if I take you back 2 years my ROC was about 15.5%, now it is 17.6%. We have also given in the corporate presentation some sites at which we have reduced rent by 20% to 40% and we had done that at almost 43 such sites. Actually I want to request Prashant to also give you elaborate idea of how they are doing revenue enhancement within the Gym and reduction of cost within the Gym. I will finish and then let him talk over.

So, whether it is Talwalkar Gym or Power World or even the opportunity of doing more HiFi franchise, so when we do more HiFi franchise I think the upfront commission and the continuing brokerage rather the fee which we get enhances the profitability without the pertinent CAPEX.

Essentially you are attacking all the three. And hence we believe that the intensity of CAPEX will not be as much as it was in the past and there is a focus on how we will try to get the CAPEX to lower and OPEX, which is why we are confident that we will be able to achieve this objective over the next 2 years, whatever that time is. I am going to request Prashant to talk about the CAPEX and OPEX bit now, Prashant?

Prashant Talwalkar

So, as Anant said just now about how we are trying to bring the CAPEX down, one of the ways we are trying to bring in is through mass bulk buying. Now the presently the suppliers and the vendors are also giving us the good option of buying the same goods, at a little lesser price. So, what we call is not just the discount but we are trying continuous process that the work goes behind bringing the costing down in the CAPEX.

In the operational front when we try to bring in more same shop sales increase by variety of facilities coming or rather new innovative thinking, at the same time we are also trying to cut into many aspects including just an example which is right now in progress for last 2 months is



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saving on the electricity. So, there is a continuous efforts going into CAPEX and OPEX both reduced and I am sure by 2020, this rise in 2%, 2.5% in ROC will happen.

Subrata Sarkar: Just a follow up question. Just to understand like now since we have demerged the company, and certain value-added services or value-added offering is with the other company so will it act as a deterrent for us to expand increased revenue from the same customer?

Anant Gawande: Subrata, actually I think it is the reverse thing. What happens is whenever we do a new value-added activity that activity for initial period of time consumes a fair amount of CAPEX, management time and OPEX. Which means when we introduce a new activity that activity for the initial part of its period will probably have the artificial impact of not enhancing ROC or keeping it where it was. I think now the focus being only on doing gym, gym and more gyms, only of three kinds, correct?

It could be a snap out of India, it could be HiFi, it could be Power World, it could be Talwalkar correct? But they are all gyms. So, these are different kinds of burgers if I may put it in a different language, correct? So, what really happens is there is no defocus and for me or my team or our team, Prashant and my team, it is very easy to understand that this is what we have to do to achieve our objective and there is no interference in terms of any other value-added activity coming in that and creating a disruption in the process.

Moderator: Thank you. The next question is from the line of Tinkesh Jain from Way2Wealth. Please go ahead.

Tinkesh Jain: I just have couple of questions. So, we have initially said that we have paid these Rs. 3 crores rentals to the Lifestyle company however if I look at your other expenses so do you mean to say that x of rentals there is a 10% decline in the other expenses?

Anant Gawande: I think we have given you all the other expenses. I am just trying to take hold of that. The other expenses are approximately the same levels as last year. And the personal cost has actually gone up by 20%. There is a reason for it, Tinkesh. Power World Gyms which is what we have opened the soft opening was of the 36 Power World. Last year you must have read the presentation. Power World Gyms the operating cost has significantly lower than Talwalkars. So, just for your information so that it is on record and Girish, can you tell me what is the rent of all the 60 Power Worlds in India?

Girish Nayak: It is in the range of about Rs. 90,000 to Rs. 1.2 lakhs in India.

Anant Gawande: And how many square feet is it?

Girish Nayak: About 5,000 square feet to 6,000 square foot.



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- Anant Gawande:** So, how much is per square feet?
- Girish Nayak:** About Rs. 18 to Rs. 20.
- Anant Gawande:** So, it is Rs. 18 on carpet?
- Girish Nayak:** On carpet.
- Anant Gawande:** Rs. 18 to Rs. 20 on carpet, Tinkesh. Are you getting the point? The same happens on salary because Power World does not operate on a system of giving personal trainers on the floor which is free of cost. So, there are several changes actually in the model and hence the operating cost and other cost levels. So, salary cost is different. It will not increase at the same pace. Are you getting the point?
- Tinkesh Jain:** Yes.
- Anant Gawande:** And the other cost is an element of everything together; power cost, other expenses, tea, coffee, to whatever all of that. The breakup is always understood by you on a six-monthly basis in the annual report or the presentations made by us.
- Tinkesh Jain:** So, that is what I mean to say that x of rentals we have seen some 10% odd decline in the other expenses because of the Power World Gym?
- Anant Gawande:** Yes, but we need to see the 12 months also. I do not think that is a fair comment on a 12-monthly basis.
- Tinkesh Jain:** So, my second question is that so in the last quarter we have given a detailed breakup of the interest cost in terms of how much the interest income has been netted off and how much has been capitalized. Can I get the same figure for this quarter?
- Girish Nayak:** All the specs are there for the half year or full year whenever the balance sheet are prepared things are adequate things are given at appropriate time.
- Anant Gawande:** What is obvious, Tinkesh is that lot of the gyms which opened they have been put in to revenue which means the interest cost has been debited. We will always give this detailed information on an ongoing basis. As you can see they are on proactively given it for the end of the year surely, we will get it on a regular basis at the end of six months or whatever it is.
- Tinkesh Jain:** So, against this Rs. 300 crores of gross debt how much is the cash?
- Girish Nayak:** About Rs. 48 crores to Rs. 50 crores is the cash.



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Tinkesh Jain: And my last question is that just like the rentals that we have paid to the lifestyle company at the time of considering this demerger idea we have said that there will be some revenue sharing agreement also with the company. So, may I know like how much revenue has been booked from the lifestyle company?

Anant Gawande: Actually, it is a different agreement. What happens is the gym company so except entire infrastructure including the creation of the underlying superstructure for somebody to come in. So, that we will explain to you in a different way. If it is a mall, Tinkesh, what we will do when somebody starts the Arrow within the mall or if it starts Arrow or start Zodiac within the mall or if it starts the shop 'n' shop within the mall the flooring, the toilets, the partitions and all these small things are given. The same thing will be done by the gym company.

So, the gym company will not just get the rent but they will get a small percentage of the revenue for giving the basic cost and infrastructure to the value-added products. So, there will be two kinds of thing. One is they will bear the rent of the space they are utilizing. They will also bear a part of the cost through a revenue structure on the value-added services which are done by them. These are two different kinds of agreements which deal one with the fixed amount of expenditure being borne and one with the variable amount of expenditure being borne by them which is depended on their revenue, Tinkesh.

Tinkesh Jain: But ultimately it will until us getting some revenues from the lifestyle company?

Anant Gawande: That is right, it will. But we will also be paying the rent to them on the property.

Tinkesh Jain: Yes, so that we have paid Rs. 3 crores so may I just know how much revenue we got from the lifestyle company?

Anant Gawande: Actually, what has happened is we are just as you know the demerger happened on 20 June, but 20 March was the date so we have worked out the whole figure in and we will give you some flavor of it and some idea of it as we go ahead in terms of the next quarter.

Moderator: Thank you. The next question is from the line of Raturaj Kulkarni, an individual investor. Please go ahead.

Raturaj Kulkarni: My question is regarding the online segment. So, how has been the progress there we also have a mobile app now, so we also own some percentage in online portal so how is the response from the customer at that particular channel?

Anant Gawande: It is better than what we are expecting at this point of time. And of course, there will be few progressive things required from both sides, both ends to be because we are constantly trying to minimize the cash component coming to the gym. So, in that factor in fact just two days ago



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I have a discussion to delete this cash component totally. So, I hope that once we have our app and online thing on track we will grow from pillar to pillar.

What I mean is that there will be various things which can come in and the basic thing for app to come in was also for the member's utilization of just not the club facility but even the results to reports to everything. So, we are on the job of bringing most of the things. Now I want everything to be on online actually. The response is good.

Ruturaj Kulkarni:

And my next question is on the development of new gyms under Snap Fitness. So, we are doing the due diligence for working that out in another country. So, do we have any plan by when we are planning to set up actually the gyms and make them functional?

Prashant Talwalkar:

Before end of this year I wish to establish a pretty good number across the places which we are but I am right now full heartedly concentrating on Singapore as of now. And so as may be in Sri Lanka and then I will follow it up with Vietnam. So, these are the three places which are right now in a very strong line up. I wish to give you good news before end of this year. I hope everything clicks as we have decided.

Moderator:

Thank you. As there are no further questions, I now hand the conference over to the management for closing comments. Over to you.

Prashant Talwalkar:

Thank you very much everyone. This is Prashant Talwalkar. It was nice and glad to talk to all of you and I think we could answer as much as we could and I hope it was satisfactory. I wish to again meet you in the next quarter and I am it will be a better news than this. And thank you very much for all those who participated. Thank you.

Anant Gawande:

It was a great pleasure to be on the conference. This is Anant Gawande. Hope to meet you talk to you be in touch with you. Thank you so much.

Girish Nayak:

Thank you. This is Girish Nayak. Thank you for participating.

Moderator:

Thank you very much, sir. Ladies and gentlemen, on behalf of Centrum Broking, that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.