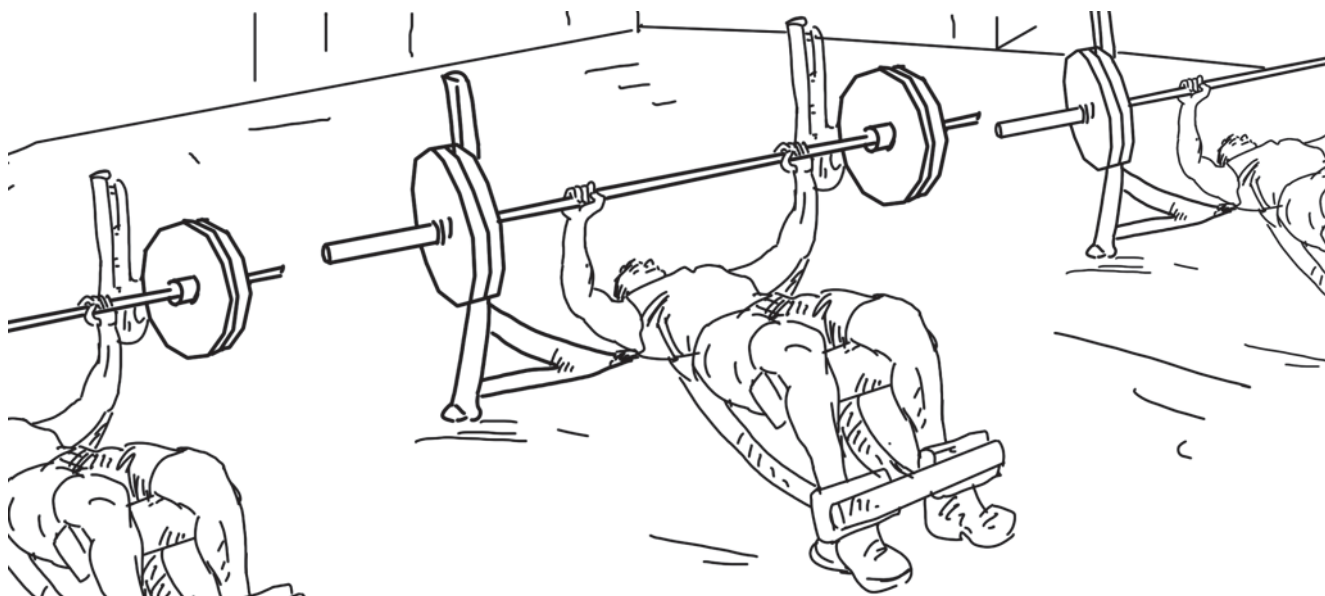


HEALTH CLUB/FITNESS CENTRE



1.0 INTRODUCTION

In recent years, the fitness industry in India is witnessing a paradigm shift with the change in middle- and upper-class lifestyles in small but significant ways; for instance, earlier, one used to walk to the local marketplace, now one drives to the malls. So people are now feeling the need to set aside a time for dedicated exercising. Individual attention and personalized treatment according to the needs by professionally trained instructors add glitter to this service industry. Customers are not only told and shown the right way to use machines and exercise, they are also prescribed the right kind and amount of exercises depending upon individual needs and capacity.

This project profile is for setting up of a Health Club/Fitness Centre with capacity of serving 100 nos. of customers monthly. The unit will operate based on 300 working days per annum and 8 working hours per day.

2.0 MARKET POTENTIAL

Fitness centres/Health clubs once considered as a privilege and luxury of certain elite have now become the

day to day necessity of common people. With the increase in the income of the people the expenditures on fitness centres/health clubs are increasing. Now, people are aspiring for complete wellness rather than just staying fit. With surging work pressure and stress related ailments rampant amongst the corporate crowd, there is a need to increase the value and necessity of being fit and healthy in life. Also, due to diseases, increasing pollution in metro and others, today wellness is becoming the must factor for everyone. The average urban Indian professional is increasingly becoming health conscious and feeling the need to get into a fitness mode. Therefore, there is good market potential for such service and one can establish a health club/fitness centre for men or women depending upon the local demand.

3.0 PROPOSED FACILITIES:

The services to be provided in such fitness centres are gymnasium, snooker, squash, hot baths, etc. Though there is no specifications of adequacy provided for a fitness centres, all basic minimum facilities have to be provided at the centre.

4.0. COST OF THE PROJECT

The estimated project cost is given below:

| | | (Rs. in lacs) |
|--------------------------------------|-------------|---------------|
| Particulars | Amount (Rs) | |
| Land & Site Development | Rented | |
| Building & Civil works | 1.65 | |
| Plant & Machinery | 6.60 | |
| Misc. Fixed assets | 0.61 | |
| Preliminary & pre-operative expenses | 0.68 | |
| Contingencies & escalation @ 3% | 0.27 | |
| Working capital | 0.17 | |
| TOTAL | 9.98 | |

4.1 Land & Site Development: Nil. Covered Area: 1,00 Sq. Ft.

4.2 Building & Civil Works: Details of building & civil works are given below.

| Particulars | Area (Sq ft.) | Rate (Rs) | Amount (Rs) |
|----------------------------|---------------|-----------|---------------|
| Interior Decoration | 1000 | 150 | 150000 |
| Sub total | | | 150000 |
| Add: Lighting Expense@ 10% | | | 15000 |
| TOTAL | | | 165000 |
| Say (Rs. in lacs) | | | 1.65 |

4.3 Equipment & Machinery: Details of plant & machinery are given below.

| Particulars | Qty | Amount (Rs) |
|--|----------------|---------------|
| Equipment for Gents Gym | 1 Complete Set | 550000 |
| Equipment for Ladies Fitness Centre | 1 Complete Set | |
| Aqua guard Water Filter | 1 | |
| Refrigerator | 1 | |
| LCD Colour TV | 1 | |
| Music System | 1 | |
| Air Conditioners | 3 | |
| Inverter | 1 | |
| Vacuum Cleaner | 1 | |
| Misc. Equipment | LS | 50000 |
| Sub total | | 600000 |
| Add: Installation, transportation, etc @ 10% | | 60000 |
| TOTAL | | 660000 |
| Say (Rs. in lacs) | | 6.60 |

4.4 Misc. Fixed assets: Details of miscellaneous fixed assets are given below.

| Particulars | Qty | Rate (Rs) | Amount (Rs) |
|--|-----|-----------|--------------|
| Furniture's and Fixtures | LS | -- | 35000 |
| Miscellaneous items | LS | -- | 20000 |
| Sub total | | | 55000 |
| Add: Installation, transportation, etc @ 10% | | | 5500 |
| TOTAL | | | 60500 |
| Say (Rs. in lacs) | | | 0.61 |

4.5 Contingencies & escalation: Contingencies & escalation has been assumed at 3% of the cost of land & site development, building & civil works, plant & machinery and miscellaneous fixed assets.

4.6 Preliminary & pre-operative expenses: Details of preliminary & pre-operative expenses are given below.

| | | (Rs. In lacs) |
|--------------------------------|-------------|---------------|
| Particulars | Amount (Rs) | |
| Travelling expenses | 10000 | |
| Professional & other fees | 17000 | |
| Interest during implementation | 21010 | |
| Miscellaneous expenses | 20000 | |
| TOTAL | 68010 | |
| Say (Rs. in lacs) | 0.68 | |

4.7 Working capital: Details of working capital are given below.

| | | (Rs. in lacs) | | |
|---|---------------|----------------------|-------------|-------------|
| | Period (Days) | Total Current Assets | | |
| | | Year 1 | Year 2 | Year 3 |
| Raw materials | 7 | 0.01 | 0.01 | 0.01 |
| Power & Utility | 30 | 0.02 | 0.02 | 0.03 |
| Salary | 30 | 0.27 | 0.27 | 0.27 |
| Finished Goods | 0 | 0.00 | 0.00 | 0.00 |
| Receivables | 7 | 0.14 | 0.16 | 0.18 |
| Total | | 0.44 | 0.47 | 0.49 |
| Working capital margin in Year 1 (40%) | 0.17 | | | |

5.0 MEANS OF FINANCE

The means of finance for the project is estimated as below.

| | | (Rs. in lacs) | |
|---|-------------|---------------|--|
| Particulars | Percent | Amount | |
| EQUITY | | | |
| A. Equity from Promoters | 40% | 3.99 | |
| B. Subsidy from Central/State Govt. | - | | |
| DEBT | | | |
| Term Loan from Banks/Financial Institutions | 60% | 5.99 | |
| TOTAL | 100% | 9.98 | |

6.0 PROFITABILITY STATEMENT

(Rs. in lacs)

| Particulars | Yr 1 | Yr 2 | Yr 3 | Yr 4 | Yr 5 | Yr 6 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| A. INCOME | | | | | | |
| Capacity utilisation | 60% | 70% | 80% | 80% | 80% | 80% |
| Total income/annum | 7.20 | 8.40 | 9.60 | 9.60 | 9.60 | 9.60 |
| B. OPERATING EXPENSES | | | | | | |
| Raw Materials | 0.43 | 0.50 | 0.58 | 0.58 | 0.58 | 0.58 |
| Power & Utility | 0.24 | 0.27 | 0.31 | 0.31 | 0.31 | 0.31 |
| Salary | 3.30 | 3.32 | 3.33 | 3.35 | 3.37 | 3.38 |
| Repair & Maintenance | 0.16 | 0.16 | 0.16 | 0.17 | 0.17 | 0.17 |
| Other Expenses | 0.36 | 0.42 | 0.48 | 0.48 | 0.48 | 0.48 |
| Total Operating Expenses | 4.48 | 4.68 | 4.87 | 4.89 | 4.91 | 4.93 |

| | | | | | | |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Operating profit | 2.72 | 3.72 | 4.73 | 4.71 | 4.69 | 4.67 |
| | | | | | | |
| C. FINANCIAL EXPENSES | | | | | | |
| Depreciation | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 |
| Interest on Term Loan | 0.47 | 0.38 | 0.27 | 0.16 | 0.06 | 0.00 |
| Interest on Working Capital Loan | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| Net Profit | 1.78 | 2.88 | 4.00 | 4.08 | 4.17 | 4.21 |
| Net cash accruals | 2.23 | 3.33 | 4.44 | 4.53 | 4.61 | 4.65 |
| Principal Repayment | 0.67 | 1.33 | 1.33 | 1.33 | 1.33 | 0.00 |

6.1 Production capacity and Sales Realisation: Annual Health Club/Fitness Service at 100% capacity utilization is estimated as below.

| | |
|---|------------------|
| Customers | 1200 Nos. |
| Annual Subscription at 100% Capacity Utilisation | 1200 Nos. |

| Products | Nos. | Average Subscription Charge Per Month (Rs.) | Annual Amount (Rs) |
|--|------|---|--------------------|
| Customers | 1200 | 1000 | 1200000 |
| Total Annual Sales per annum at 100% capacity | | | 1200000 |

6.2 Raw materials: Total expenses on raw materials at 100% capacity utilization are estimated as below.

| Products | Qty | Average Rate Per Unit (Rs.) | Amount (Rs) |
|---|-----|-----------------------------|--------------|
| Consumables like Paper Napkin, Powder, Oil, Cleaning materials etc. | LS | 6000 Per Month | 72000 |
| Total Raw Material Expense per annum at 100% capacity | | | 72000 |

6.3 Power & Utility: Total expenses on power & utility at 100% capacity utilization is estimated as below.

| Particulars | Quantity | Power (Kw) | Total (Kw) |
|--|--------------|------------|------------|
| Plant & Machinery (Total HP of 3) | -- | 2.24 | 2.24 |
| General Lighting | 10 | 0.10 | 1.00 |
| Total power requirement/ day (Kw) | | | 3.24 |
| | | | |
| No. of hrs/day | 8 | | |
| No. of days/annum | 300 | | |
| Annual power requirement (kwh) | 7771 | | |
| Rate per unit (Rs) | 3.50 | | |
| Expenses on power (Rs) | 27199 | | |
| Expenses on Water (Rs) | 12000 | | |
| Expenses on power & utility at 100% capacity (Rs) | 39199 | | |

6.4 Salary: Total expenses on salary in the 1st year are estimated as given below. It is assumed that salary expenses will increase @ 0.5% every subsequent year.

| Particulars of Employees | Numbers | Salary/ Month (Rs) | Cost/ annum (Rs) |
|--|---------|--------------------|------------------|
| Trainer | 1 | 20000 | 240000 |
| Receptionist | 1 | 5000 | 60000 |
| Unskilled workers | 1 | 2500 | 30000 |
| Expenses on salary in the 1st year (Rs) | | | 330000 |

6.5 Repair & Maintenance: Total expenses on repair & maintenance in the 1st year is estimated as given below. It is assumed that expenses on repair & maintenance will increase @ 2% every subsequent year.

| (Rs. in lacs) | | | |
|---|-----------|-------|-------------|
| Particulars | Cost (Rs) | Rate | Amount (Rs) |
| Building & Civil works | 1.65 | 1.00% | 0.02 |
| Plant & Machinery | 6.6 | 2.00% | 0.13 |
| Misc. Fixed assets | 0.61 | 1.50% | 0.01 |
| Expenses on repair & maintenance in year 1 | | | 0.16 |

6.6 Other Expenses: Other expenses have been assumed at 5% of sales realisation.

6.7 Depreciation: Depreciation has been calculated by straight line method. The details of calculation are given below.

| (Rs in lacs) | | | |
|------------------------|-----------|-------|--------------------|
| Description | Cost (Rs) | Rate | Amount/ annum (Rs) |
| Building & Civil works | 1.65 | 3.34% | 0.06 |
| Plant & Machinery | 6.60 | 5.28% | 0.35 |
| Misc. Fixed assets | 0.61 | 6.33% | 0.04 |
| TOTAL | | | 0.44 |

6.8 Interest on term loan & principal repayment: Interest rate has been assumed at 8%. Duration of Loan repayment has been considered for a period of 5 years including moratorium period of 6 Months with equal monthly instalments. The details of calculation are given below.

(Rs in lacs)

| Month | Year | 1 | 2 | 3 | 4 | 5 |
|---------|------------------------|-------------|-------------|-------------|-------------|-------------|
| Month 1 | Opening balance | 5.99 | 5.32 | 3.99 | 2.66 | 1.33 |
| | Repayment | 0.00 | 0.11 | 0.11 | 0.11 | 0.11 |
| | Interest (8%) | 0.04 | 0.04 | 0.03 | 0.02 | 0.01 |
| | Closing balance | 5.99 | 5.21 | 3.88 | 2.55 | 1.22 |
| Month 2 | Opening balance | 5.99 | 5.21 | 3.88 | 2.55 | 1.22 |
| | Repayment | 0.00 | 0.11 | 0.11 | 0.11 | 0.11 |
| | Interest | 0.04 | 0.03 | 0.03 | 0.02 | 0.01 |
| | Closing balance | 5.99 | 5.10 | 3.77 | 2.44 | 1.11 |
| Month 3 | Opening balance | 5.99 | 5.10 | 3.77 | 2.44 | 1.11 |
| | Repayment | 0.00 | 0.11 | 0.11 | 0.11 | 0.11 |
| | Interest | 0.04 | 0.03 | 0.03 | 0.02 | 0.01 |
| | Closing balance | 5.99 | 4.99 | 3.66 | 2.33 | 1.00 |
| Month 4 | Opening balance | 5.99 | 4.99 | 3.66 | 2.33 | 1.00 |
| | Repayment | 0.00 | 0.11 | 0.11 | 0.11 | 0.11 |

| | | | | | | |
|----------------------------|------------------------|-------------|-------------|-------------|-------------|-------------|
| | Interest | 0.04 | 0.03 | 0.02 | 0.02 | 0.01 |
| | Closing balance | 5.99 | 4.88 | 3.55 | 2.22 | 0.89 |
| Month 5 | Opening balance | 5.99 | 4.88 | 3.55 | 2.22 | 0.89 |
| | Repayment | 0.00 | 0.11 | 0.11 | 0.11 | 0.11 |
| | Interest | 0.04 | 0.03 | 0.02 | 0.01 | 0.01 |
| | Closing balance | 5.99 | 4.77 | 3.44 | 2.11 | 0.78 |
| Month 6 | Opening balance | 5.99 | 4.77 | 3.44 | 2.11 | 0.78 |
| | Repayment | 0.00 | 0.11 | 0.11 | 0.11 | 0.11 |
| | Interest | 0.04 | 0.03 | 0.02 | 0.01 | 0.01 |
| | Closing balance | 5.99 | 4.66 | 3.33 | 2.00 | 0.67 |
| Month 7 | Opening balance | 5.99 | 4.66 | 3.33 | 2.00 | 0.67 |
| | Repayment | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |
| | Interest | 0.04 | 0.03 | 0.02 | 0.01 | 0.00 |
| | Closing balance | 5.87 | 4.54 | 3.21 | 1.88 | 0.55 |
| Month 8 | Opening balance | 5.87 | 4.54 | 3.21 | 1.88 | 0.55 |
| | Repayment | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |
| | Interest | 0.04 | 0.03 | 0.02 | 0.01 | 0.00 |
| | Closing balance | 5.76 | 4.43 | 3.10 | 1.77 | 0.44 |
| Month 9 | Opening balance | 5.76 | 4.43 | 3.10 | 1.77 | 0.44 |
| | Repayment | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |
| | Interest | 0.04 | 0.03 | 0.02 | 0.01 | 0.00 |
| | Closing balance | 5.65 | 4.32 | 2.99 | 1.66 | 0.33 |
| Month 10 | Opening balance | 5.65 | 4.32 | 2.99 | 1.66 | 0.33 |
| | Repayment | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |
| | Interest | 0.04 | 0.03 | 0.02 | 0.01 | 0.00 |
| | Closing balance | 5.54 | 4.21 | 2.88 | 1.55 | 0.22 |
| Month 11 | Opening balance | 5.54 | 4.21 | 2.88 | 1.55 | 0.22 |
| | Repayment | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |
| | Interest | 0.04 | 0.03 | 0.02 | 0.01 | 0.00 |
| | Closing balance | 5.43 | 4.10 | 2.77 | 1.44 | 0.11 |
| Month 12 | Opening balance | 5.43 | 4.10 | 2.77 | 1.44 | 0.11 |
| | Repayment | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |
| | Interest | 0.04 | 0.03 | 0.02 | 0.01 | 0.00 |
| | Closing balance | 5.32 | 3.99 | 2.66 | 1.33 | 0.00 |
| | | | | | | |
| Principal Repayment | | 0.67 | 1.33 | 1.33 | 1.33 | 1.33 |
| Interest | | 0.47 | 0.38 | 0.27 | 0.16 | 0.06 |

7.0 DEBT SERVICE COVERAGE RATIO (DSCR)

(Rs. in lacs)

| Year | 1 | 2 | 3 | 4 | 5 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| Profit After Tax (Net Profit) | 1.78 | 2.88 | 4.00 | 4.08 | 4.17 |
| Depreciation | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 |
| Interest | 0.47 | 0.38 | 0.27 | 0.16 | 0.06 |
| Total | 2.69 | 3.70 | 4.71 | 4.69 | 4.67 |
| Interest | 0.47 | 0.38 | 0.27 | 0.16 | 0.06 |
| Loan repayment | 0.67 | 1.33 | 1.33 | 1.33 | 1.33 |
| Total | 1.13 | 1.71 | 1.60 | 1.49 | 1.39 |
| DSCR | 2.38 | 2.17 | 2.94 | 3.14 | 3.36 |

Average DSCR = 2.80

8.0 BREAK EVEN POINT (BEP)**(Rs. in lacs)**

| Year | 1 | 2 | 3 |
|--|---------------|---------------|---------------|
| A. Net sales | 7.20 | 8.40 | 9.60 |
| B. Variable cost | | | |
| Raw Materials | 0.43 | 0.50 | 0.58 |
| Power & Utility | 0.24 | 0.27 | 0.31 |
| Other expenses | 0.36 | 0.42 | 0.48 |
| Interest on Working Capital Loan | 0.02 | 0.02 | 0.02 |
| Total variable cost | 1.05 | 1.22 | 1.39 |
| C. Contribution (A-B) | 6.15 | 7.18 | 8.21 |
| D. Fixed & Semi-fixed Costs | | | |
| Salary | 3.30 | 3.32 | 3.33 |
| Repair & maintenance | 0.16 | 0.16 | 0.16 |
| Interest on Term Loan | 0.47 | 0.38 | 0.27 |
| Depreciation | 0.44 | 0.44 | 0.44 |
| Total fixed cost | 4.37 | 4.30 | 4.21 |
| E. BREAK EVEN POINT | 70.99% | 59.84% | 51.29% |
| F. BEP at operating capacity | 42.59% | 41.89% | 41.03% |
| G. Cash BEP | 38.28% | 37.58% | 36.73% |

9.0 INTERNAL RATE OF RETURN (IRR)**(Rs. in lacs)**

| Year | 0 | 1 | 2 | 3 | 4 | 5 |
|-----------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| CASH OUTFLOW | | | | | | |
| Capital Expenditure | 9.12 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Working Capital | 0.00 | 0.44 | 0.03 | 0.03 | 0.00 | 0.00 |
| Total (A) | 9.12 | 0.44 | 0.03 | 0.03 | 0.00 | 0.00 |
| CASH INFLOW | | | | | | |
| Profit After Tax | | 1.78 | 2.88 | 4.00 | 4.08 | 4.17 |
| Add: Depreciation | | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 |
| Add: Interest | | 0.47 | 0.38 | 0.27 | 0.16 | 0.06 |
| Add: Salvage Value | | | | | | |
| Total (B) | 0.00 | 2.69 | 3.70 | 4.71 | 4.69 | 4.67 |
| NET FLOW (B-A) | -9.12 | 2.26 | 3.67 | 4.68 | 4.69 | 4.67 |

IRR = 40%

| Sl. No. | Name of the Equipment Suppliers | Communication Address |
|---------|---------------------------------|---|
| 1. | M/s Advanced Technocracy Inc | Atico House, No. 5309, Grain Market, Near B. D. Senior Secondary School, Ambala, Pin- 133 001 |
| 2. | M/s Excel International | No. 25, Devaloga Street, Military Line, Palayamkottai, Tirunelveli - 627 002. |
| 3. | M/s India Medico Instruments | S - 46, Badli Industrial Estate, Phase - 1, New Delhi - 110042. |