

resultant growth opportunities are attracting players in the equity funding space. It's a win-win situation for equity investors, salons and consumers in urban and semi urban locations. "The Indian PE/VC market today has over 400 funds. Most of these funds are raised for investing in companies that capitalise on the domestic consumption story. The funds want to bet on sectors that have growth drivers linked to the growing Indian middle class with their increasing aspirations. It also looks at the unorganised markets getting organised," said Shilpa Bhattar, Director, Reevolv Advisory Services Pvt Ltd, a Mumbai-based consulting firm practicing in areas of business strategy, operations, investment banking and research.

The spa or salon market fits the bill. Hence, most of the high stakes players are keen to invest in this space and salons that first opted for this relatively unfamiliar business model have reaped profits. A case in point is VLCC Healthcare Ltd, a wellness brand known for its scientific weight-loss solutions and therapeutic approach to beauty treatments, which raised funds in 2004. "With an established sustainable and scalable business model in the still nascent wellness domain in India, our strategic intent was to bring in a partner not just for growth capital but to gain lessons from global best practices that a PE could help us access," said Sandeep Ahuja, MD, VLCC Healthcare Ltd.

VLCC, which raised funds twice through CLSA Private Equity Fund and Everstone, utilised the resources to expand its slimming, beauty and fitness services centres in India and in overseas markets, and grow its personal care products business. Today, the chain has direct company-managed operations in 10 countries across nearly 300 locations and 121 cities in Asia. In 2012, VLCC acquired a stake in Wyann International, a Malaysia-based slimming and beauty chain.

Why Equity Matters

Equity support gives salons better visibility, brand enhancement and financial stability. The wellness industry is

INVESTMENTS IN THE SPA INDUSTRY			
Salon	Year	Investor	Amount (in ₹)
YLG Salons	May 2012	Everstone Capital Partners	520 million
YLG Salons	2008–2012	Helion Venture Partners	330 million in tranches since April 2008
VLCC	Jan 2007	Everstone (Indivision India Partner)	500 million
VLCC	July 2004 to July 2005 in three tranches	CLSA Private Equity Fund (Shine Limited)	354.1 million of preference share plus warrants for an amount equivalent to US\$ 3 million
Enrich Salons	Sept 2010 and June 2011	JM Financial Trustee Company Private Limited	200 million primary plus secondary

SOURCE: REEVOLV ADVISORY SERVICES PVT LTD

undergoing a makeover and this backing allows salons to expand, invest in skill training and backend systems and create in-house academies to scale up their capabilities. They can also bring in international technology innovations to Indian customers and provide standardisation of service levels. Salons that earlier operated like mom-and-pop stores use the opportunity to align with the organised format. They also invest in newer interactive marketing tools that engage consumers. "Players like Enrich Salons have grown at a rapid pace in the last three years and this means that investors should

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make attractive returns," revealed Bhattar and added that equity player JM Financial India pumped in ₹20 crore (US\$ 3.7 million) into the salon after which it increased its presence and strengthened the employee count. Enrich is a Mumbai-based unisex salon with branches in Pune, Bengaluru and Ahmedabad. As of March 2013, it has 50 salons, with a recent presence in Ahmedabad; it is preparing to unfold another offering in Mumbai.

Equity players select salons which have a robust business model, strong internal processes and management bandwidth. The mood is upbeat as risk capital investors are piggybacking on the wellness sector because of higher operational margins. They generally prefer company-owned outlets to franchise models. Though franchise models are quick scalable options, investors consider company-owned outlets to be reliable. "We invested ₹20 crore (US\$ 3.7 million) in R&R Salons in 2009 due to the potentially large and growing market, lack of many players of significant scale and the presence of a seasoned team in the salon. It gave us the confidence that it is possible to build a large company in this space," reasoned Rahul Chowdhri, Director, Helion Advisors, and added, "We believe that such