

Delta Corp Ltd

₹ 72

Will You Bet?**Buy**

Sep 28, 2012

Company Background

Delta Corp Limited (Delta Corp) is a fast growing Indian company operating primarily in three business segments – Entertainment & Gaming, Hospitality and Real Estate. Delta Corp is the largest Gaming company in the country and the only listed company in this space. Delta has entered the Hospitality segment with the view to provide an international casino experience in India. The Company is also an emerging player in the Real Estate segment in East Africa where it is operating through a 40:60 JV. Delta Corp is the largest gaming company in India (offering 800 gaming positions) and the only listed company in this space. The Company is an early entrant in this space and has attained a leadership position in a short span of time.

Key Highlights

- ➔ Delta Corp, through its wholly owned subsidiary, Delta Hotels Lanka Pvt. Ltd., has initiated the first steps towards development of a 4/5 star fully integrated entertainment hotel/resort Co lex in Sri Lanka. Towards this end, Delta Corp has acquired an 11 acre land parcel near Bandaranaike International Airport, located in Katunayake, Colombo, Sri Lanka where it intends to develop the hotel/resort.
- ➔ Delta Corp currently operates two offshore live casinos in Goa, namely, "Casino Royale" and "Casino Prime" aboard two separate vessels, namely M. V. Casino Royale and M. V. Caravela. The company is in the process of setting up its 3rd and largest offshore casino in India, namely, "Kings Casino" aboard vessel, namely M. V. Horseshoe Casino. In addition, Delta Corp's Daman operations are slated to commence soon.
- ➔ Delta Corp through its joint venture Company - Delta Corp East Africa Ltd. ("DCEAL"), has now entered into binding sale agreement with International Bank for Reconstruction and Development (the "World Bank") for the sale of its development in Kenya, the Delta Centre. The development is to be sold for an amount of approximately USD 22.8 Mn on terms and conditions mutually agreed between the parties. The said property is in the final stage of development and will be handed over to the World Bank upon completion.

Key Financials

Year Ended 31 st	Mar 09	Mar 10	Mar 11
Tot. Income (₹ mn)	516.3	596.6	2,748.60
Rev. growth (%)	(25.83)	15.55	360.71
EBITDA (₹ mn)	453.9	506.9	1,773.30
Net profit (₹ mn)	83.1	135.7	1,286.30
Shares outstanding (mn)	1,35.5	1,67.2	2,01.8
EPS (INR)	0.6	0.8	6.4
EPS growth (%)	(46.66)	32.40	685.15
Networth	1,613.80	2,558.70	5,821.70
RONW (%)	5.45	7.01	30.65
ROCE (%)	2.37	3.66	23.28

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Info Codes

Reuters	: DELT.BO
Bloomberg	: DELTA@IN
NSE	: DELTACORP
BSE	: 532848

Market Data

52 Wk Range (₹)	: 106 / 52
Shares in Issue (mn)	: 201.8
Mkt. Cap (₹ bn)	: 15.83
BSE 2 Wk Avg Vol	: 1271000

Share Holding Pattern (%)

Promoters	: 42.26
DIs	: 00.01
FIs	: 06.82
Others	: 50.91

Investment Theme

India represents one of highest potential growth gaming markets in the world. Delta Corp is the largest operator in the market, and the only operator that is a listed with capital market access. It has secured the most attractive locations in India - Goa and Daman. Delta is exploring emerging Srilanka gaming market which is poised for rapid growth. It has a high quality management team & operating expertise. It sees a huge synergy between its gaming & hospitality business. Delta has entered the hospitality segment with the view to provide an international casino experience in India. Delta Corp has proved to be a significant player within the Indian Gaming & Entertainment Industry. Going forward, the company intends on consolidating its respective position by adding casinos to its existing portfolio in Goa, as well as expand its presence in other destinations.

Cause The World is Game !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Sales	175.5	240.1	36.81	2500	941.23
Other Income	340.8	356.5	4.61	248.6	(30.27)
Total Income	516.3	596.6	15.55	2748.6	360.71
Change in Stock	0	0	-	0	-
Operating Expenses	56.2	78.8	40.21	973.3	1135.15
Interest	345.5	308.6	(10.68)	447.6	45.04
Provisions	0	0	-	0.8	-
Depreciation	7	4.2	(40.00)	3.9	(7.14)
Other Write Offs	0.2	1.8	800.00	0	(100.00)
Extra Ord Expenses	6.2	10.9	75.81	2	(81.65)
Tax Provision	18.1	56.6	212.71	34.7	(38.69)
Profit After Tax	83.1	135.7	63.30	1286.3	847.90

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 08	Mar 09	Mar 10	Mar 11
SOURCES OF FUNDS	3,923.2	3,568.7	4,430.5	6,601.0
Equity Share capital	135.5	135.5	167.2	201.8
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	122.4	122.4	122.4	122.4
Reserves & Surplus	1,506.0	1,479.7	2,391.5	5,619.9
Secured Loans	1,217.8	1,101.0	1,749.4	656.9
Unsecured Loans	941.5	730.1	0.0	0.0
USES OF FUNDS	3,923.2	3,568.7	4,430.5	6,601.0
Gross Block	382.2	39.5	38.4	36.7
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	137.4	19.8	19.5	22.1
Net Block	244.8	19.7	18.9	14.6
Capital Work in Progress	37.9	119.0	119.0	206.1
Investments	2,756.1	2,577.9	2,447.6	1,443.0
Current Assets	1,623.1	1,158.4	2,323.2	5,483.7
Less : Current Liabilities	740.3	307.7	478.2	546.4
Total Net Current Assets	882.8	850.7	1,845.0	4,937.3
Misc. Expenses not written	1.6	1.4	0.0	0.0
NOTE				
Bk Val Unquoted Investments	1,521.2	2,540.3	1,560.3	1,442.6
Mkt Val. Quoted Investments	585.7	49.8	650.6	3.1
Contingent Liabilities	506.6	558.6	114.6	212.9
Dividend (%)	40	20	25	30

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 11	Dec 11	Mar 12	Jun 12
Net Sales	3	3	2.7	3.5
Other Income	37.5	40	31.4	108.7
Extra- Ord Inc	0	0	0	0
Total Income	40.5	43	34.1	112.2
Change in Stock	0	0	0	0
Operating Expenses	27.8	24.1	26.1	20.7
Extra-Ord Expenses	0	2.4	0	0
PBDIT	12.7	16.5	8	91.5
Financial Expenses	17.3	15	3.4	0.1
Depreciation	0.7	0.8	0.8	0.6
Other Provisions	0	0	0	0
PBT	-5.3	0.7	3.8	90.8
Tax Provision	2.1	-1.1	-1.8	15.9
Net Profit	-7.4	1.8	5.6	74.9

52 Week Index Relative Percentage Appreciation



Points to Ponder

Among the 6 offshore live casino gaming licenses issued by the Government of Goa, Delta Corp owns and operates 3 licenses, i.e Casino Royale, Caravela and Horseshoe (coming soon). These casinos offer a variety of international games like Baccarat, Poker, Roulette, Black Jack, etc. Casino Royale is India's largest live offshore gaming casino with 480 gaming positions (47 live gaming tables and 30 slot machines). Furnished with 4 decks and an amphitheatre with live music on the sun deck, the casino has separate VIP and VVIP gaming areas for high rollers. Serviced by a helipad, high speed feeder boats and three jetties, the casino offerings also include a crèche, an Aquabar, 3 suites which are usually occupied by high rollers and their families as well as a 6,000 sq. ft. live kitchen that is managed by China Garden.

Risks Associated

The company have recently diversified into new lines of business activities, namely entertainment and gaming, and chartered aviation services where they have no prior experience. Any inability to successfully manage these new lines of business could adversely affect their operations and profitability. The company needs to maintain various registrations, approvals, permits, consents and/or licences from various statutory and/or regulatory authorities, to continue to operate their Offshore Casinos, namely 'Casino Royale' and 'Kings Casino' in Goa. Company's inability to renew and/or maintain such consents, approvals or licences in a timely manner or at all, and/or any failure to observe the conditions imposed by the Competent Authorities could adversely affect their operations and profitability.

In a Nutshell

Delta Corp is the largest gaming company in India and the only listed company in this space. It is an early entrant in this space and has attained a leadership position in a short span of time. Delta Corp has acquired 51% stake in an existing Casino in Daman which will offer 1,000 gaming positions (100 table games and 300 slot machines). It also owns an in principle license to set up an additional Casino in Daman. Over the past 2 years, Delta has proved to be a significant player within the Indian Gaming and Entertainment Industry. Going forward, the company intends on consolidating its respective position by adding casinos to its existing portfolio in Goa, as well as expand its Gaming and Entertainment presence in other destinations as and when they open up in the near future. Delta Corp has recently acquired 51% stake in Daman Hospitality Pvt. Ltd. "DHPL", which owns the largest contiguous integrated casino-resort convention complex in Daman. It has also acquired 74% stake in Marvel Resorts Pvt. Ltd., which has a parcel of Land in Goa with all necessary approval to build a 5 Star Hotel. The project will have 250 to 300 hotel keys with approximately 20,000 sq. ft land based casino and the Hotel project is expected to be completed by early 2014. Further, Delta Corp holds an investment of approximately 34.9% of the equity share capital of Advani Hotels & Resorts (India) Ltd. Advani Hotels owns & operates Ramada Caravela Beach Resort and a land based Casino called "Goa nugget".

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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