

Delta Corp Ltd.

₹ 93

You Bet!**Accumulate**

May 02, 2014

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

- ➔ After the launch of the offshore gaming vessel Deltin Royale which is India's largest offshore gaming vessel in Goa till date Delta Corp recently launched The Deltin a 176 room property which makes the whole project the largest gaming allied hospitality project in India till date.
- ➔ Delta also proposes to operate an in-house casino spread over 60,000 sq ft which will make The Deltin India's largest contiguous integrated casino resort. It is currently in the process of getting a 5-star certification for the hotel and will subsequently commence casino operations.
- ➔ The Board has approved the amalgamation of Victor Hotels & Motels Ltd., Delta Hospitality & Entertainment Pvt. Ltd., Delta Hospitality & Leisure Pvt. Ltd., Delta Adventure & Entertainment Pvt. Ltd., Aman Infrastructure Pvt. Ltd., Shree Mangesh Pvt. Ltd., Argyll Hotel Pvt. Ltd., Samarpan Township Pvt. Ltd., Samarpan Properties & Construction Pvt. Ltd. and AAA Township Pvt. Ltd., a wholly owned subsidiary of the Company with the Company, this effort will bring more synergy in its operations.
- ➔ Victor Hotels & Motels Limited, a wholly owned fellow subsidiary of Delta Corp Limited, has obtained the necessary approvals for commencing its offshore gaming operations on board its vessel, M.V. Horseshoe Casino and accordingly, was supposed to commence operations in 2013.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	2,748.6	695.7	705.5
Rev. growth (%)	360.71	(74.69)	1.41
EBITDA (INR mn)	1,773.3	245.2	273.8
Net profit (INR mn)	1,286.3	124.7	216.2
Shares outstanding (mn)	201.8	225.6	226.9
EPS (INR)	6.4	0.6	1.0
EPS growth (%)	685.15	(91.33)	72.41
P/E (x)	11.8	124.7	42.9
RONW (%)	30.7	2.1	2.3
ROCE (%)	23.3	1.9	2.3

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Info Codes

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

Market Data

52 Wk Range (₹)	: 44 / 128
Shares in Issue (mn)	: 226.9
Mkt. Cap (₹ bn)	: 21.03
BSE 2 Wk Avg Vol	: 680000

Share Holding Pattern (%)

Promoters	: 41.58
FII's	: 12.68
DII's	: 0.12
Others	: 45.62

Investment Theme

India represents one of the highest potential growth gaming markets in the world. Delta Corp is the largest operator in the market, & the only operator that has capital market access. It has secured the most attractive Indian locations Goa & Daman. Delta is exploring emerging Sri Lanka 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 to consolidate its respective position by adding casinos to its existing portfolio in Goa, as well as expand its presence in other destinations.

Lets Play!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	2500.0	539.0	(78.44)	375.4	(30.35)
Other Income	246.6	151.4	(38.61)	329.7	117.77
Change in Stocks	0.0	(340.1)	-	(348.5)	2.47
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	41.4	67.7	63.53	45.9	(32.20)
Indirect Taxes	0.4	1.1	175.00	0.2	(81.82)
Other Exp.	931.5	36.3	(96.10)	36.7	1.10
Operating Exp.	973.3	445.2	(54.26)	431.3	(3.12)
Operating Profit	1526.7	93.8	(93.86)	(55.9)	(159.59)
Total Interest	447.6	56.1	(87.47)	3.3	(94.12)
Gross Profit	1325.7	189.1	(85.74)	270.5	43.05
Net Dep.	4.7	5.6	19.15	3.6	(35.71)
Total Taxation	34.7	58.8	69.45	50.7	(13.78)
Net Profit/Loss	1286.3	124.7	(90.31)	216.2	73.38

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	4,430.5	6,601.1	7,006.0	7,015.4
Equity Share capital	167.2	201.8	225.6	226.9
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	122.4	122.4	122.4	0.0
Reserves & Surplus	2,391.5	5,620.0	6,610.8	6,780.9
Long Term Loans	1,749.1	656.9	47.2	7.6
Short Term Loans	0.3	0.0	0.0	0.0
USES OF FUNDS	4,430.5	6,601.1	7,006.0	7,015.4
Gross Block	38.4	36.7	41.0	42.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	19.5	22.1	26.3	29.0
Net Block	18.9	14.6	14.7	13.2
Capital Work in Progress	119.0	203.3	242.7	0.0
Investments	2,447.6	1,443.2	984.4	1,842.3
Current Assets	2,323.2	5,472.3	6,421.8	5,713.9
Less : Current Liabilities	478.2	542.9	657.6	554.0
Total Net Current Assets	1,845.0	4,929.4	5,764.2	5,159.9
Misc. Expenses not written	0.0	10.6	0.0	0.0
NOTE				
Bk Val Unquoted Investments	1,560.3	772.9	809.1	1,842.0
Mkt Val. Quoted Investments	650.6	673.1	176.9	2.1
Contingent Liabilities	114.6	212.9	1,412.9	2,297.1
Dividend (%)	25	30	35	25

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 13	Jun 13	Sep 13	Dec 13
Net Sales	155.20	3.70	23.80	3.80
Cost Of Sales	132.00	21.30	31.90	29.80
Operating Profit	23.20	(17.60)	(8.10)	(26.00)
Recurring Income	13.60	19.50	225.80	5.60
Adjusted PBDIT	36.80	1.90	217.70	(20.40)
Financial Expenses	0.50	0.10	2.60	2.40
Depreciation	1.00	0.70	0.70	0.70
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	35.30	1.10	214.40	(23.50)
Tax Charges	11.90	2.70	42.50	21.30
Adjusted PAT	23.40	(1.60)	171.90	(44.80)
Non Recurring Items	51.20	0.00	(5.30)	134.20
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	74.60	(1.60)	166.60	89.40

52 Week Index Relative Percentage Appreciation



Delta vs SENSEX

Points to Ponder

Among the 6 offshore live casino gaming licenses issued by the Government of Goa, Delta Corp owns and operates 3 licenses. 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. 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 & 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 thier 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". The recent launch of The Deltin and the Offshore gaming vessel will give a boost to the companies operations. The much awaited Horseshoe gaming zone has also started functioning in the end of 2013. The company has also started consolidation by amalgamating its wholly owned subsidiaries.

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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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