



# Delta Corp

BSE SENSEX	S&P CNX
38,701	11,605
Bloomberg	DELTA IN
Equity Shares (m)	268
M.Cap.(INRb)/(USD\$b)	71.4 / 1
52-Week Range (INR)	301 / 198
1, 6, 12 Rel. Per (%)	-2/14/-20
12M Avg Val (INR M)	530
Free float (%)	67.2

**CMP: INR264**

**TP: INR329 (+25%)**

**Buy**

## Top-line traction led by Gaming; profitability exceeds expectations

**Revenue up 19% YoY, margin expands 370bp YoY:** Revenue increased 19% YoY (our estimate: +14% YoY) to INR2,043m in 4QFY19, led by growth in gaming revenue. EBITDA stood at INR879m versus our estimate of INR784m, with the margin expanding 370bp YoY to 43% (our estimate: 40%), primarily led by a recovery in the online gaming margin (EBIT margin at 24% v/s 14% in 4QFY18). There was an exceptional item related to the gain on the sale of its Fantasy League business to Halaplay Technologies Private Limited. Adj. PAT grew 19% YoY to INR544m (our estimate: INR495m). For FY19, sales/EBITDA/PAT grew 31%/29%/29%.

**Sustained growth in Casino; Online biz margin jumps 1,000bp YoY:** Casino gaming revenue grew 21% YoY to INR1,981m, with the segmental EBIT margin expanding 40bp YoY to 36.8%. Visitations increased 40% YoY to 120K. Online gaming revenue grew 11% YoY, with the segmental EBIT margin up 1,000bp YoY (+500bp QoQ) to 24% (expected to remain at 18-20%, going forward). Hospitality revenue grew 8% YoY to INR236m, with an EBIT loss of INR29.5m.

**Key takeaways:** (a) Investment in Jalesh Cruises is ideal, as DELTA has the right to operate casinos in all its cruises. Expect revenue of INR20-25m/month. Jalesh plans to add 3-4 new cruises over the next 18-24 months. (b) On Halaplay investment, the platform has already grown 3x, given the ongoing T20 cricket series. Multiple upcoming sporting events such as the IPL, the Cricket World Cup and thereafter the T20 Cricket World Cup should lead to revenue of INR1,000m in FY20.

**Valuation view:** DELTA's investments in both acquisitions – Halaplay and Jalesh Cruises – are strategic and likely to accrue benefits over the long term. We expect sales/PAT CAGR of 18%/26% over FY19-21. We continue valuing the stock at 30x P/E to arrive at a target price of INR329/share. Maintain **Buy**.

### Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
Net Sales	8.0	9.5	11.2
EBITDA	3.2	3.9	4.7
NP	1.9	2.5	3.0
EPS (INR)	7.0	9.2	11.0
EPS Gr. (%)	21.8	30.0	19.6
BV/Sh. (INR)	71.7	80.3	90.7
RoE (%)	10.5	12.1	12.8
RoCE (%)	10.8	18.3	19.4
Payout (%)	6.6	5.9	4.9
Div. Yield(%)	0.2	0.2	0.2

Estimate change



TP change



Rating change



### Consolidated - Quarterly Earning Model

Y/E March	FY18				FY19				FY18	FY19	4QE	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	1,286	1,453	1,622	1,716	1,873	2,014	2,052	2,043	6,077	7,978	1,960	4
YoY Change (%)	18.4	8.2	56.6	58.7	46%	39%	26%	19%	33.7	31.3	14%	
Total Expenditure	833	798	935	1,041	1,219	1,251	1,196	1,164	3,606	4,791	1,176	
EBITDA	453	655	687	675	654	762	855	879	2,470	3,187	784	12
Margins (%)	35.2	45.1	42.4	39.3	34.9	37.9	41.7	43.0	40.7	39.9	40.0	
Depreciation	89	94	94	94	94	94	95	95	371	377	98	
Interest	70	22	3	8	2	7	6	3	104	18	8	
Other Income	37	86	79	84	83	83	55	92	286	313	50	
PBT before EO expense	332	624	669	656	641	744	810	875	2,281	3,105	728	
Extra-Ord expense	-18	0	0	8	0	0	11	-37	-10	-43	0	
PBT	350	624	669	648	641	744	799	911	2,292	3,148	728	
Tax	127	194	225	191	225	267	296	344	737	1,141	237	
Rate (%)	36.1	31.1	33.6	29.5	35.0	35.8	37.0	37.8	32.2	36.3	32.5	
MI & P/L of Asso. Cos.	1	-2	-3	-4	-3	4	2	0	-1	39	4	
Reported PAT	223	433	447	453	414	481	505	567	1,555	1,968	495	
Adj PAT	211	433	447	458	414	481	512	544	1,548	1,940	495	10
YoY Change (%)	24.4	33.8	327.8	302.3	96%	11%	14%	19%	118.9	25.3	8%	
Margins (%)	16.4	29.8	27.6	26.7	22.1	23.9	25.0	26.6	25.5	24.3	25.3	

E: MOFSL Estimates

Chintan Modi – Research analyst (Chintan.Modi@motilaloswal.com); +91 22 6129 1554

Lopa Thakkar – Research analyst (Lopa.Thakkar@motilaloswal.com); +91 22 6129 1548

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Strategic investment of USD10m in Jalesh Cruises**

Delta's subsidiary, Gaussain Software, has acquired a 25% stake in Jalesh Cruises. The investment is capped at USD10m. The company will make payments in three tranches to Jalesh Cruises – it has already paid USD8m (USD5m in 4QFY19; USD3m in the first week of April 2019), and the remaining USD2m is to be paid by Jun'19. The cruise will have 25-30 tables for casino operations, for which DELTA will pay a fixed fee of USD5 per person to Jalesh Cruises. The cruise will operate for eight months in India and four months in the UAE.

**Halaplay to achieve revenue of INR1,000m in FY20**

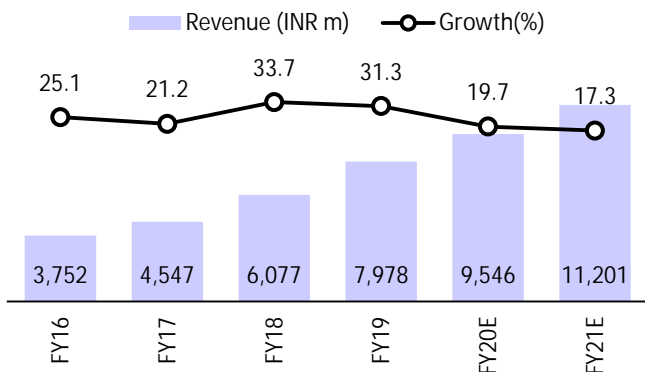
Halaplay has already grown 3x given the ongoing T20 cricket series. This segment is poised for significant growth, given the strong line-up of sporting events for the rest of the year, such as the IPL, the Cricket World Cup and the Cricket T20 World Cup. The platform is expected to achieve INR1,000m in revenue by FY20. Out of the total investment commitment of INR155m, DELTA has already paid INR77.5m with the balance to be paid in FY20.

**Others takeaways:**

- n Nepal Casino at Fairfield by Marriott, Kathmandu, is likely to commence operations in the next two months and is likely to contribute to FY20 revenues. Delay in hotel operator license has deferred the commencement of casino operations.
- n Casino visitations increased 36% from 3,17,000 in FY18 to 4,31,000 in FY19.
- n Deltin JAQK to go for dry docking for 15-20 days between April and May 2019.
- n Mr. Pramod Sawant has been appointed as the new Chief Minister of Goa on March 17, 2019. However, due to the upcoming elections, we expect Goa land policy announcement to happen only post May 2019.

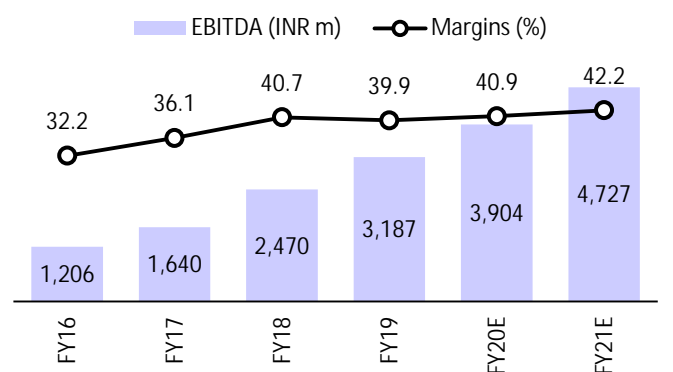
## Story in charts

**Exhibit 1: Expect revenue CAGR of 18% over FY19-21**



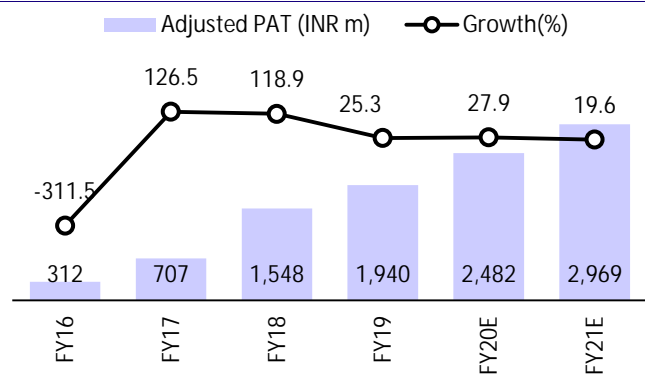
Source: Company, MOFSL

**Exhibit 2: Consistent expansion in EBITDA margins**



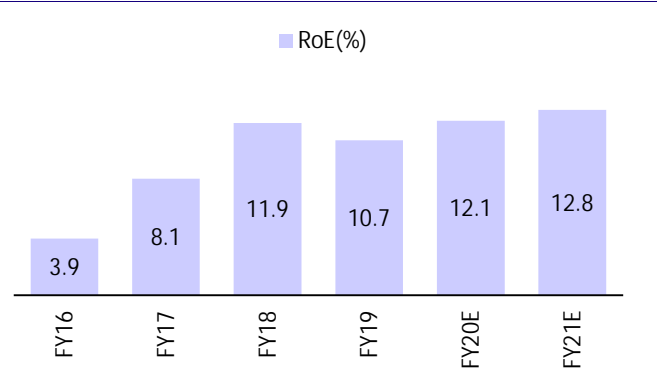
Source: Company, MOFSL

**Exhibit 3: Expect PAT CAGR of 24% over FY19-21**



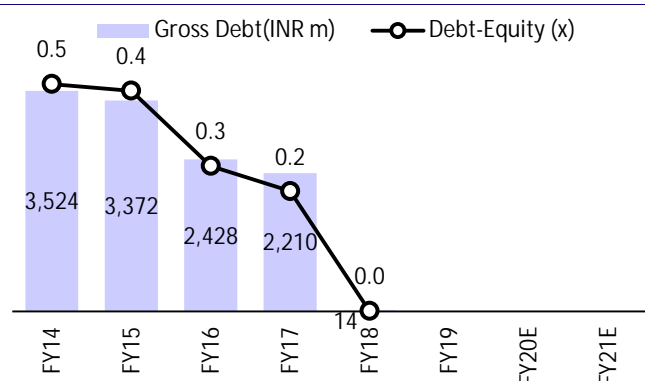
Source: Company, MOFSL

**Exhibit 4: ROE to expand with multiple triggers in place**



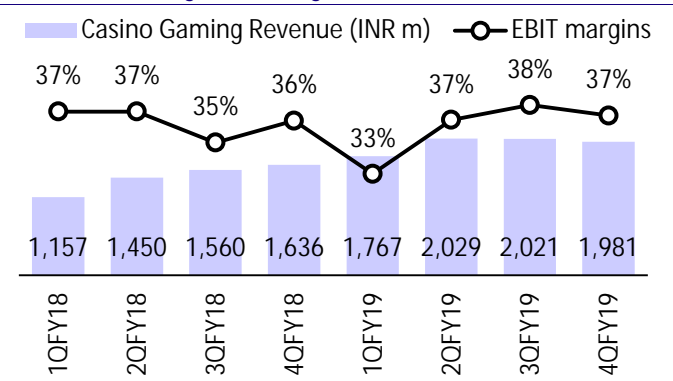
Source: Company, MOFSL

**Exhibit 5: To remain debt free in FY20**



Source: Company, MOFSL

**Exhibit 6: Gaming revenues grew 21% in 4QFY19**



Source: Company, MOFSL

## Financials and Valuations

### Consolidated - Income Statement

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
<b>Total Income from Operations</b>	<b>5,586</b>	<b>3,000</b>	<b>3,752</b>	<b>4,547</b>	<b>6,077</b>	<b>7,978</b>	<b>9,546</b>	<b>11,201</b>
Change (%)	31.3	-46.3	25.1	21.2	33.7	31.3	19.7	17.3
Cost of Materials Consumed	2,206	205	294	315	351	387	449	526
% of Sales	39.5	6.8	7.8	6.9	5.8	4.8	4.7	4.7
Personnel Expenses	484	526	591	641	946	1,100	1,298	1,467
% of Sales	8.7	17.5	15.7	14.1	15.6	13.8	13.6	13.1
Other Expenses	1,395	1,603	1,661	1,952	2,309	3,304	3,895	4,480
% of Sales	25.0	53.4	44.3	42.9	38.0	41.4	40.8	40.0
<b>Total Expenditure</b>	<b>4,085</b>	<b>2,334</b>	<b>2,545</b>	<b>2,907</b>	<b>3,606</b>	<b>4,791</b>	<b>5,642</b>	<b>6,474</b>
% of Sales	73.1	77.8	67.8	63.9	59.3	60.1	59.1	57.8
<b>EBITDA</b>	<b>1,501</b>	<b>665</b>	<b>1,206</b>	<b>1,640</b>	<b>2,470</b>	<b>3,187</b>	<b>3,904</b>	<b>4,727</b>
Margin (%)	26.9	22.2	32.2	36.1	40.7	39.9	40.9	42.2
Depreciation	166	347	359	361	371	377	379	453
<b>EBIT</b>	<b>1,335</b>	<b>318</b>	<b>847</b>	<b>1,278</b>	<b>2,099</b>	<b>2,810</b>	<b>3,525</b>	<b>4,274</b>
Int. and Finance Charges	334	513	413	350	104	18	20	20
Other Income	312	74	70	49	286	313	240	230
<b>PBT bef. EO Exp.</b>	<b>1,313</b>	<b>-120</b>	<b>503</b>	<b>978</b>	<b>2,281</b>	<b>3,105</b>	<b>3,745</b>	<b>4,484</b>
EO Items	-143	-49	105	-42	-10	-43	0	0
<b>PBT after EO Exp.</b>	<b>1,170</b>	<b>-169</b>	<b>608</b>	<b>1,020</b>	<b>2,292</b>	<b>3,148</b>	<b>3,745</b>	<b>4,484</b>
Current Tax	478	155	202	280	737	1,141	1,273	1,525
Deferred Tax	42	-47	0	0	0	0	0	0
Tax Rate (%)	44.4	-64.1	33.2	27.4	32.2	36.3	34.0	34.0
Less: Minority Interest	297	-50	24	2	-1	39	-10	-10
<b>Reported PAT</b>	<b>353</b>	<b>-228</b>	<b>382</b>	<b>738</b>	<b>1,555</b>	<b>1,968</b>	<b>2,482</b>	<b>2,969</b>
<b>Adjusted PAT</b>	<b>432</b>	<b>-148</b>	<b>312</b>	<b>707</b>	<b>1,548</b>	<b>1,940</b>	<b>2,482</b>	<b>2,969</b>
Change (%)	64.7	-134.2	-311.5	126.5	118.9	25.3	27.9	19.6
Margin (%)	7.7	-4.9	8.3	15.6	25.5	24.3	26.0	26.5

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity Share Capital	228	231	231	232	268	271	271	271
Preference Capital	0	0	0	0	0	0	0	0
Total Reserves	7,529	7,420	8,123	8,970	16,560	19,152	21,487	24,310
<b>Net Worth</b>	<b>7,757</b>	<b>7,651</b>	<b>8,354</b>	<b>9,202</b>	<b>16,827</b>	<b>19,423</b>	<b>21,758</b>	<b>24,580</b>
Minority Interest	525	244	270	160	141	80	80	80
Deferred Liabilities	57	160	0	0	0	243	243	243
Total Loans	3,524	3,372	2,428	2,210	14	2	2	2
<b>Capital Employed</b>	<b>11,863</b>	<b>11,426</b>	<b>11,051</b>	<b>11,572</b>	<b>16,983</b>	<b>19,748</b>	<b>22,083</b>	<b>24,905</b>
Gross Block	7,611	8,739	8,508	8,715	10,183	10,595	13,095	15,195
Less: Accum. Deprn.	488	800	1,160	1,521	1,892	2,269	2,648	3,101
<b>Net Fixed Assets</b>	<b>7,123</b>	<b>7,938</b>	<b>7,348</b>	<b>7,194</b>	<b>8,290</b>	<b>8,326</b>	<b>10,447</b>	<b>12,094</b>
Goodwill on Consolidation	477	604	1,258	1,327	3,946	3,969	3,969	3,969
Capital WIP	992	38	27	5	41	129	129	129
<b>Total Investments</b>	<b>1,048</b>	<b>1,077</b>	<b>826</b>	<b>981</b>	<b>4,220</b>	<b>4,455</b>	<b>4,955</b>	<b>6,455</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>3,291</b>	<b>2,459</b>	<b>2,100</b>	<b>2,715</b>	<b>3,183</b>	<b>3,832</b>	<b>3,767</b>	<b>3,841</b>
Inventory	717	695	708	695	705	958	1,072	1,258
Account Receivables	674	228	142	43	83	70	131	153
Cash and Bank Balance	551	210	228	314	1,235	738	394	152
Loans and Advances	1,350	1,326	1,023	1,663	1,160	2,066	2,170	2,278
<b>Curr. Liability &amp; Prov.</b>	<b>1,142</b>	<b>911</b>	<b>899</b>	<b>1,000</b>	<b>2,854</b>	<b>1,202</b>	<b>1,422</b>	<b>1,822</b>
Account Payables	730	735	806	906	2,760	1,106	1,308	1,688
Provisions	413	176	93	95	94	96	115	135
<b>Net Current Assets</b>	<b>2,149</b>	<b>1,548</b>	<b>1,201</b>	<b>1,715</b>	<b>330</b>	<b>2,630</b>	<b>2,344</b>	<b>2,019</b>
Deferred Tax assets	72	221	391	351	156	240	240	240
Misc Expenditure	0	0	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>11,863</b>	<b>11,426</b>	<b>11,051</b>	<b>11,572</b>	<b>16,983</b>	<b>19,748</b>	<b>22,083</b>	<b>24,905</b>

E: MOFSL Estimates

## Financials and Valuations

### Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
<b>Basic (INR)</b>								
EPS	1.9	-0.6	1.4	3.1	5.8	7.2	9.2	11.0
Cash EPS	2.6	0.9	2.9	4.6	7.2	8.6	10.6	12.6
BV/Share	34.1	33.2	36.2	39.7	62.9	71.7	80.3	90.7
DPS	0.2	0.1	0.2	0.4	0.0	0.4	0.5	0.5
Payout (%)	18.8	-12.5	14.5	13.2	0.0	6.6	5.9	4.9
<b>Valuation (x)</b>								
P/E	139.0	-412.3	195.0	86.4	45.6	36.9	28.8	24.1
Cash P/E	100.5	305.8	90.6	57.2	36.8	30.9	25.0	20.9
P/BV	7.7	8.0	7.3	6.6	4.2	3.7	3.3	2.9
EV/Sales	11.6	21.6	17.0	14.0	9.9	7.6	6.4	5.5
EV/EBITDA	43.0	97.3	52.8	38.7	22.9	17.9	14.7	12.2
Dividend Yield (%)	0.1	0.0	0.1	0.1	0.0	0.2	0.2	0.2
FCF per share	6.8	3.2	4.6	4.0	3.1	-1.8	0.3	4.4
<b>Return Ratios (%)</b>								
RoE	5.6	-1.9	3.9	8.1	11.9	10.7	12.1	12.8
RoCE	7.7	5.8	5.6	8.7	11.5	11.0	18.3	19.4
RoIC	8.9	5.4	5.6	9.2	13.1	13.8	15.0	16.2
<b>Working Capital Ratios</b>								
Asset Turnover (x)	0.5	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Inventory (Days)	47	85	69	56	42	44	41	41
Debtor (Days)	44	28	14	3	5	3	5	5
Creditor (Days)	48	89	78	73	166	51	50	55
Working Cap. Turnover (Days)	43	23	4	-13	-118	-4	-4	-9
<b>Leverage Ratio (x)</b>								
Debt/Equity	0.5	0.4	0.3	0.2	0.0	0.0	0.0	0.0

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
OP/(Loss) before Tax	1,175	-166	596	978	2,281	3,105	3,745	4,484
Depreciation	166	347	382	361	371	377	379	453
Interest & Finance Charges	199	495	397	300	-182	-295	-220	-210
Direct Taxes Paid	-332	-354	-156	-280	-737	-1,141	-1,273	-1,525
(Inc)/Dec in WC	1,119	539	94	-427	3,083	-1,586	41	187
<b>CF from Operations</b>	<b>2,327</b>	<b>862</b>	<b>1,313</b>	<b>932</b>	<b>4,816</b>	<b>460</b>	<b>2,672</b>	<b>3,389</b>
Others	-49	-23	-156	180	125	-433	-99	-105
<b>CF from Operating incl EO</b>	<b>2,278</b>	<b>838</b>	<b>1,157</b>	<b>1,112</b>	<b>4,941</b>	<b>26</b>	<b>2,573</b>	<b>3,284</b>
(inc)/dec in FA	-740	-107	-89	-185	-4,122	-500	-2,500	-2,100
<b>Free Cash Flow</b>	<b>1,538</b>	<b>731</b>	<b>1,068</b>	<b>927</b>	<b>819</b>	<b>-474</b>	<b>73</b>	<b>1,184</b>
(Pur)/Sale of Investments	132	3	32	-155	-3,240	-234	-500	-1,500
Others	1,257	-145	-63	49	-36	313	240	230
<b>CF from Investments</b>	<b>650</b>	<b>-250</b>	<b>-120</b>	<b>-290</b>	<b>-7,397</b>	<b>-422</b>	<b>-2,760</b>	<b>-3,370</b>
Issue of Shares	22	145	0	1	5,500	0	0	0
(Inc)/Dec in Debt	-1,158	-152	-524	-218	-2,196	-13	0	0
Interest Paid	-310	-551	-427	-350	-104	-18	-20	-20
Dividend Paid	-57	-62	-28	-98	0	-130	-147	-147
Others	-1,340	-309	-40	-72	176	59	10	10
<b>CF from Fin. Activity</b>	<b>-2,843</b>	<b>-929</b>	<b>-1,018</b>	<b>-736</b>	<b>3,377</b>	<b>-102</b>	<b>-157</b>	<b>-157</b>
<b>Inc/Dec of Cash</b>	<b>84</b>	<b>-341</b>	<b>18</b>	<b>86</b>	<b>921</b>	<b>-497</b>	<b>-344</b>	<b>-242</b>
Opening Balance	466	551	210	228	314	1,235	738	394
<b>Closing Balance</b>	<b>551</b>	<b>210</b>	<b>228</b>	<b>314</b>	<b>1,235</b>	<b>738</b>	<b>394</b>	<b>152</b>

# NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

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