

Delta Corp Limited

	Amount	Rating Action
	In Rs. Crore	
Long-term loans	58.88 (revised from Rs 109.0 crore)	[ICRA]BBB (Stable); reaffirmed
Long-term, fund-based bank facilities	10.50 (revised from Rs 6.50 crore)	[ICRA]BBB (Stable); reaffirmed
Short-term, fund-based bank facilities	22.50 (revised from Rs 6.50 crore)	[ICRA]A3+; reaffirmed
Long-term/ short-term, unallocated facilities	30.12	[ICRA]BBB (Stable)/ [ICRA]A3+; assigned

ICRA has reaffirmed the long-term rating of [ICRA]BBB (pronounced ICRA triple B) assigned to the Rs. 58.88 crore¹ (revised from Rs. 109.0 crore) term loans and the Rs 10.50 crore (revised from Rs 6.50 crore), long-term, fund-based bank facilities of Delta Corp. Limited (DCL)². The outlook on the long-term rating is 'Stable'. ICRA has also reaffirmed the short-term rating of [ICRA]A3+ (pronounced ICRA A three plus) assigned to the Rs. 22.50 crore (revised from Rs 6.50 crore), short-term, fund-based bank facilities of DCL. ICRA has also assigned [ICRA]BBB (stable)/ [ICRA]A3+ ratings to the Rs 30.12 crore, long-term/ short-term, unallocated bank facilities of DCL.

The ratings reaffirmation factors in the improvement in the cash flows of DCL in FY2016 on the back of increased visitations and improved realisation/ visitation, which in turn facilitated moderation in the company's consolidated debt levels (from Rs 360.16 crore as on March 31, 2015 to Rs 236.88 crore as on September 30, 2016). The ratings continue to factor in the extensive experience of the promoters and DCL's leadership position in the casino gaming business in India by virtue of owning three of the five live gaming licenses issued in Goa, one on-shore gaming license in Goa and both in-principle electronic gaming licenses granted in Daman. The company, in July 2016, also received a provisional license from the Government of Sikkim, to operate a live-onshore casino. DCL is an integrated Gaming and Hospitality player with off-shore (live gaming) casinos, on-shore (electronic gaming) casino, on-board restaurants and bars, feeder boats, jetties, aircraft as well as boutique hotel properties and a five-star resort to primarily cater to the VVIP gaming clientele.

ICRA takes note of DCL's board approval for acquisition of Gauss Networks Private Limited (which operates online poker site-www.adda52.com through its subsidiary) during August 2016. The acquisition is aimed at facilitating DCL's entry into online poker space, increasing its overall footprint and thus strengthening its overall leadership position in the gaming industry. The acquisition is proposed to be funded through a mix of cash (Rs 47.30 crore) and redeemable preference shares (RPS worth Rs. 81.80 crore) as well as optionally convertible preference shares (OCPS worth Rs. 97.80 crore). While cash payout is expected to happen in Q1' FY2018, both RPS and OCPS (in case not converted into equity) shall be due for redemption after 12 months from their issue. The transaction is estimated to be closed by June 30, 2017 and is subject to regulatory and statutory approvals. ICRA notes that DCL will be exposed to high funding requirements over the next 1-1.5 years with respect to this proposed acquisition, especially if the OCPS are not converted to equity. However, ICRA takes comfort from the expected improvement in the cash flows from the existing businesses and accruals from the acquired business, which should help maintain the comfortable debt coverage indicators of DCL. This is a key rating sensitivity.

The ratings also factor in the vulnerability of revenues and profitability margins of DCL's key revenue generating gaming business to the competitive pressures and overall consumer sentiments which impact the number of visitations as well as average spends at the casinos. In this backdrop and given the high operating leverage of the gaming business, the impact of the recent demonetisation by the Government of India on the profitability metrics and hence cash flows of DCL, shall be a key rating monitorable. This apart, consolidated liquidity profile of DCL remains driven by the monetisation of its real estate assets in Sri Lanka and India, liquidation of stake in Advani Hotels, and commencement of operations for *The Deltin – Casino*, all of which

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



have continued to witness delays and remain key rating sensitivities. ICRA will continue to monitor the timely commencement and monetisation of the aforementioned properties.

The gaming industry continues to remain characterised by high taxation (license fees, entry fees and entertainment taxes) and regulatory uncertainties (new license allotments/ renewal of licenses) – as witnessed in the revision in regulations for casinos in Goa, as part of Goa Budgets for FY2016 and FY2017.

ICRA has also taken note of the winding up petitions filed by certain holders of compulsorily convertible debentures (CCDs) against Daman Hospitality Private Limited- a 85.22% subsidiary of DCL which operates 'The Deltin' Hotel in Daman. While the CCDs were converted to equity in FY2016, the interest accrued on the same (~Rs 15 crore as on March 31, 2016) is yet to be paid. The matter is currently sub-judice. ICRA will continue to monitor the developments in this regard.

Company Profile

Incorporated in 1983, Delta Corp Limited (DCL, formerly known as Arrow Webtex), is the largest gaming company in India, with significant interests in Hospitality business in Goa and Daman.

Currently, the company operates three off-shore live gaming casinos in Goa – *Deltin Royale* (950 gaming positions), *Deltin JAQK* (500 gaming positions) and *Deltin Caravela* (130 gaming positions) – which commenced operations in June 2016. These casinos offer a range of international games like Roulette, Black Jack, Baccarat and Poker, besides providing entertainment and variety of food and beverages to its guests. DCL also operates three hotels in Goa – a 106-room hotel named *Deltin Suites* at Nerul in North Goa, a 27-room boutique hotel named *Deltin Palms* near Panaji in Goa, and a riverside luxury country house- *Villa Marina* for small gatherings. The company also has one onshore casino (74 gaming positions) located at The Deltin Suites. The casino commenced operations in FY2016. DCL owns 85.22% stake in Daman Hospitality Private Limited, which commenced operations of a 176-room deluxe property named *The Deltin*, in Daman, in March 2014. *The Deltin – Daman* will also house Daman's first on-shore gaming casino *The Deltin – Casino*, approval for which is yet to be received.

The company exited the real estate business in Kenya (being undertaken through a 40-60 JV with a wholly-owned subsidiary of Reliance Industries Limited) in FY2014. DCL, at present, holds ~35.6% stake in Advani Hotels and Resorts (India) Limited, which owns *The Ramada Caravela Beach Resort* located at Varca Beach, Goa, and in-house Casino called the *Goa Nugget*. Besides, DCL through its wholly-owned subsidiary, Marvel Resorts Private Limited (stake increased from 50% in H1 FY2017), also owns around two acres of land parcel in the capital city of Panaji. DCL also owns a land parcel in Srilanka. DCL plans to exit these investments in the near term.

Recent Results

On a consolidated basis, DCL reported a net profit (after minority interest) of Rs. 52.32 crore on an operating income of Rs. 242.95 crore during the half year ended September 30, 2016 as against a net profit (after minority interest) of Rs. 3.14 crore on an operating income of Rs. 174.11 crore during the half year ended September 30, 2015.

For the twelve months ended March 31, 2016, DCL (consolidated) reported a net profit (after minority interest) of Rs 42.58 crore on operating income of Rs 377.86 crore as against a net loss of Rs 22.77 crore on an operating income of Rs 299.97 crore during the twelve months ended March 31, 2015.

December 2016



For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Ms. Kinjal Shah (Tel. No. +91 22 6114 3442)
kinjal.shah@icraindia.com

Ms. Sakshi Suneja (Tel. No. +91 22 6114 3422)
sakshi.suneja@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500