

Delta Corp Limited

Instrument	Amount	Rating Action
Long-term loans	Rs. 109.0 crore	[ICRA]BBB (Stable) reaffirmed
Long-term, fund-based facilities	Rs. 6.5 crore	[ICRA]BBB (Stable) reaffirmed
Short-term, fund-based facilities	Rs. 6.5 crore	[ICRA]A3+ reaffirmed

Source: ICRA

ICRA has reaffirmed the [ICRA]BBB (pronounced ICRA triple B) rating assigned to the Rs. 109.0 crore¹, long-term loans and the Rs. 6.5 crore, long-term, fund-based facilities of Delta Corp Limited ('DCL' or 'the company')²². ICRA has also reaffirmed the [ICRA]A3+ (pronounced ICRA A three plus) rating assigned to the Rs. 6.5 crore, short-term, fund-based facilities of DCL. The outlook on the long-term rating is 'stable'.

The ratings reaffirmation takes into account the moderation in the debt levels of the company (to Rs. 272.0 crore as of December 2015) on account of improved cash flows from the existing gaming and hospitality businesses and conversion of Fully Convertible Debentures (FCDs) of Daman Hospitality Private Limited (87.16% subsidiary of DCL) to equity in Q3 FY2016, despite continuing delays in commencement of casinos *Deltin Caravela* and *The Deltin - Casino (Daman)*, and delays in monetisation of real estate holdings in India and Sri Lanka. 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. DCL is an integrated Gaming and Hospitality player with off-shore (live gaming) casinos, on-shore (electronic gaming) casinos, 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 also notes that the profitability margins in the gaming business remain vulnerable to competitive pressures and overall consumer sentiments which impact the number of visitations as well as average spends at the casinos. The gaming industry continues to remain characterized 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 FY 2015 and FY 2016.

While the company undertook aggressive expansion in the casinos and hotels businesses till FY 2013, the capex has moderated FY 2014 onwards. However, till the time these properties stabilize, the profitability indicators are expected to remain constrained. The consolidated liquidity profile of the company is critically depended on monetization of its real estate assets in Sri Lanka and India, liquidation of stake in Advani Hotels, and the commencement of operations for *Deltin Caravela* and *The Deltin – Casino*, all of which have continued to witness delays and remain key rating sensitivities. ICRA will continue to monitor the timely commencement and monetisation of the aforementioned properties.

Company Profile

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

Currently, the company operates two off-shore live gaming casinos in Goa – *Deltin Royale* (850 gaming positions) and *Deltin JAQK* (500 gaming positions). The company also operated a third live off-shore casino – *Casino Caravela* – which has been decommissioned in May 2013. The same was expected to restart operations by July 2015 as a casino-cum-floating hotel *Deltin Caravela*, with about 200 gaming positions and 16 rooms. However, the operations have not commenced yet. 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.

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

DCL owns 87.16% stake in Daman Hospitality Private Limited, which commenced operations of a 190-room deluxe property named *The Deltin – Daman* in March 2014. *The Deltin – Daman* is yet to start operations of the first on-shore gaming casino in Daman (*The Deltin – Casino*; with 1,000 electronic-gaming positions spread over 60,000 square feet) as against the earlier expectations of starting operations in current fiscal.

DCL also operates two hotels in Goa – a 106-room hotel named *Deltin Suites* at Nerul in North Goa, and a 27-room boutique hotel named *Deltin Palms* near Panaji in Goa. In December 2015, the company commenced operations of an onshore casino at the *Deltin Suites*. Besides, DCL also holds ~35.6% stake in Advani Hotels and Resorts (India) Limited which owns *The Ramada Caravela Beach Resort* located at Varca Beach, Goa, and an in-house Casino called *The Goa Nugget*.

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 FY 2014. It also plans to exit its other real estate investments - in India and Sri Lanka; however, the time frame for the exit remains uncertain considering the nature of the business.

Recent Results

For the nine-months ended December 31, 2015, DCL (consolidated) reported a profit after tax (PAT) of Rs. 11.0 crore on an operating income (OI) of Rs. 275.2 crore on a provisional basis. For the twelve months ended March 31, 2015, DCL (consolidated) reported a net loss of Rs. 27.4 crore on an OI of Rs. 300.0 crore against a PAT of Rs. 65.4 crore on an OI of Rs. 558.6 crore for the twelve months ended March 31, 2014.

March 2016

For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@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: **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: **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: **9845022459**

Email: jayantac@icraindia.com

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

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: **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: **989986490**

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: **989986490**

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: **9845022459**

Email: jayantac@icraindia.com

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