



Delta Corp. Limited

Q4 FY16 Quarterly Update

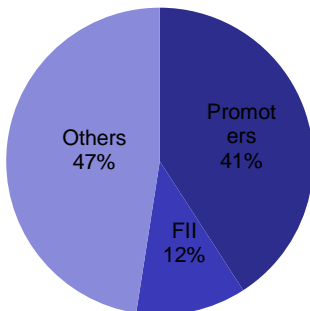
MARKET DATA

NSE TICKER	DELTACORP
Networth (₹Cr)	803
P/BV Ratio (FY17E) (x)	2.3
EPS (FY17E) (₹)	2.4
Market Price (₹)	85
P/E Ratio (FY17E) (x)	35
52 Week High	94
52 Week Low	49
Market Capitalization (₹Cr)	~2000

AVERAGE MONTHLY VOLUME ('000)

BSE	470
NSE	1861

SHARE HOLDING PATTERN



Return	3M	6M	12M
Delta	23	-5	-0.1
Sensex	6	-5	-7

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Quarterly Performance:

Particulars Rs. Crs	Q4 FY16	Q4 FY15	YoY%	Q3 FY16	QoQ%	FY16	FY15	YoY%
Net Sales	103	87	18%	100	3%	378	300	26%
EBITDA	35	24	48%	33	8%	123	66	86%
EBITDA%	35%	27%	NM	33%	NM	33%	22%	NM
Interest	8	12	-31%	10	-15%	41	51	-20%
PBT	36	5	629%	9	305%	59	-17	NM
Reported PAT	28	0.8	3533%	8	268%	43	-23	NM
Recurring EPS	1.2	0.0	NM	0.3	NM	1.9	-1	NM

Topline & Operating Income in line; PAT higher due to foreign subsidiary sale

Delta Corp (DCL) Q4FY16 quarterly earnings were in line with our estimates. Net Sales stood at ₹103crs, an increase of ~18% y-o-y (₹87crs.) and increased ~3% q-o-q (₹100crs.). EBITDA margin has expanded by 172bps q-o-q and 700 bps y-o-y to 34% in Q4FY16. PAT (Adj.) stood at ~₹16crs in Q4FY16, excluding gain from asset sale of ~Rs.12crore (adj.), compared to ₹0.8cr in Q4FY15 & ₹7.7cr in Q3FY16. EBITDA Margin in Q4FY16 stood at 34.5% compared to 27.5% in Q4FY15 & 32.8% in Q3FY16. There is other income of ₹3.73crs in Q4FY16 higher by 35% compared to Q4FY15.

Casino Business continues to grow on higher footfalls

Revenue contribution from casino business stood around to ₹87crs from ₹74.5crs in Q4FY15. The growth was by 17% y-o-y & 5% q-o-q. Out of the growth of 17%, footfalls increased by ~11% over the year & the balance aided by the ~6% growth in the Gross Gaming Revenues (GGR).

Their third offshore casino (Deltin Caravela) has started its operation in April, a quarter ahead than expected, & is expected to add ₹18-20crs annually to the topline. The Daman casino business approval is still pending with the Daman Ministry & the management is confident of an approval soon. In the recent Goa Government budget, the increase in the duties & taxes will swell cost by ~₹10crs.

Hospitality business picking pace

Hospitality business grew by 66% y-o-y from ~₹11crs in Q4FY15 to ~₹18crs. in Q4FY16. This growth was aided by the higher revenues from the Daman property. Over the past year, The Deltin (Daman) has seen an increase in the no. of visitors as it serves as a good weekend gateway for the residents of Mumbai, Surat & Baroda. Average room rates are in the range of ₹5200-₹5300 which was largely stable over the year.

Although growing, the hospitality business is still a loss making unit for Delta Corp. It recorded an EBIT loss of ₹5.2crs in Q4FY16 compared to ~₹6crs loss in Q4FY15. The opening of the Daman Casino is important for the hotel to reduce their losses.

Key Risks

Any regulation changes by the Goa state government can prove to be an additional hurdle in the growth of gaming business. Delta's ability in monetizing its non-core assets in a time bound manner will also be watched closely. Further delay in the approval of the Daman casino will be negative for Delta's hospitality business.

Financial outlook & Valuation

We continue to expect Delta Corp. topline to grow at a CAGR of 16% primarily on account of higher visitations & growth in gaming revenues. PAT is expected to be at Rs.83crs by FY18 which will translate into EPS of Rs.4 per share.

The upside risks to our target price are the monetization of the land parcels in Goa & Sri Lanka & the approval of the Daman Casino & thus we maintain our target price at Rs.87 per share and cut our rating to Hold after sharp run-up in the stock.



QUARTERLY PERFORMANCE:

Particulars (Rs. Crs.)	Q4 FY16	Q4 FY15	YoY%	Q3 FY16	QoQ%	FY16	FY15	YoY%
Sales	102.7	87.4	18%	100.1	3%	377.9	300	126%
Other Operating Income	0	0.0		0		0.0	0	
Net Sales	102.7	87.4	18%	100.1	3%	377.9	300.0	126%
Expenditure								
Raw Material	7.6	7.4	3%	7.5	1%	29.4	24.6	120%
Licensing Registration Fees	3.3	5.1	-35%	4.5	-27%	17.7	21.0	84%
Employee Cost	15.3	13.7	12%	15.1	1%	57.9	52.7	110%
Gaming & Entertainment Tax	10.5	9.3	13%	10.5	1%	39.8	33.5	119%
Other Expenses	30.5	27.9	9%	29.7	3%	110.3	102.0	108%
Total Expenditure	67.2	63.4	6%	67.3	0%	255.0	233.8	109%
EBITDA	35.5	24.0	48%	32.9	8%	122.9	66.2	186%
Depreciation	10.1	9.3	8%	9.4	7%	38.2	34.7	110%
Other Income	3.7	2.8	35%	0.4	767%	5.8	7.4	78%
EBIT	29	17.5	67%	23.9	22%	90.5	39.0	232%
Interest Cost	8.3	12.1	-31%	9.8	-15%	41.4	51.3	81%
Exceptional Items	15.7	-0.4	-4465%	-5.0	-413%	10.5	-4.5	-232%
PBT	36.5	5.0	628%	9.0	304%	59.5	-16.9	-353%
Tax	8.0	6.3	27%	2.1	283%	20.0	10.8	185%
Minority Investment	0.1	-2.0	-107%	-0.8	-118%	-3.1	-5.0	63%
PAT	28	0.7	3784%	7.7	267%	42.6	-22.7	-187%
Networth	803	789.4		795.1		803	789.4	
FV	1	1.0		1		1	1	
EPS	1.2	0.0		0.33		1.85	-1	

P&L on 100

Particulars	Q4 FY16	Q3 FY16	Q4 FY15	FY16	FY15
Sales	100	100	100	100	100
Other Operating Income	0	0	0	0	0
Net Sales	100	100	100	100	100
Expenditure					
Raw Material Cost	7.0	8.2	8.0	8.3	8.2
Stock Adjustment	0.4	-0.7	0.4	-0.5	0.1
License Fees & Registration Charges	3.2	4.5	5.8	4.7	7.0
Employee Expenses	14.9	15.1	15.6	15.3	17.6
Gaming & Entertainment Tax	10.2	10.4	10.6	10.5	11.2
Selling & Distribution Expenses	0.0	0.0	0.0	0.0	0.0
Operating & Manufacturing Expenses	29.7	29.6	32.0	29.2	33.8
Total Expenditure	65.5	67.2	72.5	67.5	77.8
EBITDA	34.5	32.8	27.5	32.5	22.2
Depreciation	9.8	9.4	10.5	10.1	11.6
Other Income	3.6	0.4	3.2	1.5	2.5
EBIT	28.4	23.8	20.2	23.9	13.1
Interest Cost	8.1	9.8	13.9	11	17.1
Exceptional Items	15.2	-5	-0.4	2.8	-1.5
PBT	35.5	9.0	5.9	15.7	-5.5
Tax	7.8	2.1	7.2	5.3	3.7
PAT(excl. MI)	27.7	6.9	-1.3	10.4	-9.2

**OUTLOOK & VALUATION: -**

We continue to expect Delta Corp. topline to grow at a CAGR of 16% primarily on account of higher visitations & growth in gaming revenues. The recurring PAT is expected to be at Rs.83crs by FY18 which will translate into EPS of Rs.4 per share.

The upside risks to our target price are the monetization of the land parcels in Goa & Sri Lanka & the approval of the Daman Casino & thus we maintain our target price at Rs.87 per share and cut our rating to Hold after sharp run-up in the stock.

Change in Estimates

We increase our topline growth on higher visitation and GGR in the quarter. However, the cost would increase due to higher taxes. Overall, we largely maintain our earnings estimates.

Particulars (Rs. Crs.)	FY17			FY18		
	Revised	Old	%Change	Revised	Old	%Change
Sales	437	422	4%	489	472	4%
EBITDA	152	152	0%	187	187	0%
PAT	58	55	5%	85	83	2.4%

Segmental Performance

Gaming Business grew by 18% over the year on account of higher visitations & opening of the new onshore casino. Majority of the growth was contributed by the footfalls (~11%) & the balance by the growth in Gross gaming revenues (6%). Hospitality sector grew at a robust rate as Delta's Daman property attracted higher occupancy rate during the past year.

Segment	Revenue (Fig. in Crs.)			EBIT (Fig. in Crs.)		
	Q4FY16	Q4FY15	Y-o-Y Growth	Q4FY16	Q4FY15	Y-o-Y Growth
Gaming Business	87	74	18%	32	24	33%
Hospitality	18	11	63%	-5.2	-6	13%
Others	2.7	2.8	-3.5%	-1	-0.8	-25%



Profit & Loss

(Rs Crs.)	FY14	FY15	FY16	FY17E	FY18E
Net sales	559	300	378	437	489
YoY (%)		-46.3%	26.0%	15.8%	11.8%
Total expenses					
Raw Material Cost	221	25	29	32	35
Employee costs	48	53	58	64	68
Other Manufacturing Cost	140	156	168	180	189
EBITDA	150	67	123	152	187
YoY (%)		-55.7%	84.7%	23.6%	23.1%
EBIDTA (%)	26.9%	22.2%	32.5%	34.7%	38.2%
Depreciation	17	35	38	39	40
EBIT	134	32	85	113	147
Interest	33	51	41	33	23
Other income	31	7	6	7	6
PBT	131	-12	49.02	87	130
Less: Taxation	52	11	16	31	46
Effective tax rate (%)	39.6%	-90.0%	32.8%	36.2%	35.8%
Recurring PAT	79	-23	33	55	83
YoY (%)		128.8%	244.0%	68.3%	50.2%
PAT (%)	14.2%	-7.6%	8.7%	12.7%	17.0%
Exceptional items (net of tax)	(14)	(5)	6	0	0
Consol. NP	36	-22	42	58	85

Key Ratios

	FY14	FY15	FY16	FY17E	FY18E
Recurring EPS (Rs)	3.5	(1.0)	1.4	2.4	3.61
Reported EPS (Rs)	2.9	(1.2)	1.7	2.4	3.6
Book value (Rs)	33.9	33.2	34.8	37.2	40.7
Dividend per share (Rs)	0.3	0.1	0.2	0.1	0.1
Debt Equity Ratio	0.3	0.3	0.3	0.2	0.1
Payable Days	12	21	21	15	15
Debtor Days	44	28	14	16	18
Inventory Days	47	85	68	75	75
ROCE (%)	13.8%	3.5%	8.3%	11.1%	14.3%
Recurring ROE (%)	10.2%	-3.0%	4.2%	6.7%	9.3%
ROA (%)	5.3%	-1.7%	2.7%	4.5%	6.6%
Div. Yield (%)	6.7%	2.8%	5.4%	3.3%	2.9%
Valuation Ratios					
PE (x)	54.8	N.M	59.6	35.4	23.6
Cash P/E (x)	29.6	(71.6)	50.4	35.4	23.6
Price/book value (x)	2.5	2.6	2.4	2.3	2.1
Market cap/sales (x)	3.5	6.5	5.2	4.5	4.0
EV/sales (x)	4.1	7.7	5.9	5.0	4.3
EV/EBITDA (x)	15.2	34.5	18.1	14.3	11.1
Earnings growth					
EBITDA (%)	77%	-56%	85%	24%	23%
EPS (%)	22%	-164%	-244%	68%	50%
PAT (%)	73%	-129%	-244%	68%	50%

Balance Sheet

(Rs Crs.)	FY14	FY15	FY16	FY17E	FY18E
Equity capital	23	23	23	23	23
Reserves	753	742	780	835	917
Net worth	776	765	803	858	940
Total borrowings	352	337	268	216	120
Minority Interest	52	24	24	24	24
Non-Current Liabilities	36	37	5	45	54
Current Liabilities	147	92	75	123	133
Total liabilities	1,363	1,256	1,174	1,265	1,270
Net block	760	854	823	793	761
Investments	12	13	11	11	11
Others	198	94	52	121	127
Current assets					
Inventories	72	70	71	90	100
Debtors	67	23	15	19	24
Cash	55	21	23	34	43
Other Current assets	199	182	180	197	202
Total assets	1,363	1,256	1,174	1,265	1,269

Cash Flow

(Rs Crs.)	FY14	FY15	FY16	FY17E	FY18E
Net profit	79	(23)	33	55	83
Depn and w/o	17	35	38	39	40
Others	29	60	51	3	24
Change in working cap	69	10	12	(14)	(11)
Op. Cash flow	195	82	135	84	137
Capex (Net)	(6)	(33)	(6)	(9)	(8)
Investments	101	(0)	1	0	0
Inv. Cash flow	95	(34)	(5)	-9	-8
Dividend	(7)	(3)	(5)	(3)	(3)
Fresh Equity	3	(4)	0	0	0
Minority interest	0	0	0	0	0
Debt	(133)	(15)	(69)	(53)	(96)
Others	(33)	(51)	(41)	(33)	(23)
Fin. Cash flow	(170)	(73)	(115)	-89	-122
Net change in cash	120.2	(24.7)	14.1	(14)	7
Opening cash	46.6	55.1	21.0	23	34
Closing cash	55.1	21.0	22.8	33.5	42.7



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