

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
36,107	10,822
<b>Bloomberg</b>	<b>DELTA IN</b>
Equity Shares (m)	268
M.Cap.(INRb)/(USD\$b)	69.9 / 1
52-Week Range (INR)	401 / 198
1, 6, 12 Rel. Per (%)	9/17/-19
12M Avg Val (INR M)	811
Free float (%)	67.2

**CMP: INR 258 TP: INR 320 (+24%)**

**Buy**

## Growth dice rolling well in Casino

### Revenue/PAT in-line

#### Impressive EBITDA growth attributed to sharp recovery in online gaming margin

Revenue increased 27% YoY (our estimate: 28%) to INR2,058m in 3QFY19, primarily driven by the gaming business. EBITDA margin contracted 150bp YoY, but expanded 290bp QoQ to 40.8% (our estimate: 37.2%), driven primarily by a recovery in the online gaming EBIT margin (19% in 3QFY19 v/s 2% in the last quarter). EBITDA of INR840m, too, was higher than our estimate of INR769m. However, higher-than-expected tax restricted PAT growth to 13% YoY (INR505m v/s our estimate of INR497m).

#### Sustained growth in casino biz; cost rationalization supporting online gaming

Casino gaming revenue grew 30% YoY (flat QoQ) to INR2,021m in the quarter, supported by increasing visitations (+18% QoQ to 118K). Casino EBIT margin expanded 300bp YoY to 38%. Online gaming revenue grew 33% YoY (+8% QoQ); EBIT margin contracted 2,100bp YoY, but expanded 1,700bp QoQ to 19% (expected to sustain at 15-20% levels) on account of cost and promotional spend rationalization – DELTA aims to cautiously invest in the right channels to sustainably grow a loyal user base. The company recorded 100k poker user registrations in 3QFY19, taking the total user base to 1.5m (100k active users). Hospitality revenue declined 17% YoY to INR193.8m; the company recorded segmental EBIT loss of INR59.3m.

#### Valuation and view

DELTA is expected to deliver sales/PAT CAGR of 25% over FY18-21. We roll forward our target price to Dec'20E EPS of INR11/share. We continue valuing the stock at 30x P/E to arrive at a target price of INR320/share. Maintain **Buy**.

#### Financials & Valuations (INR b)

Y/E March	2018E	2019E	2020E	2021E
Net Sales	6.1	8.0	9.8	11.7
EBITDA	2.5	3.1	3.9	4.8
NP	1.5	1.9	2.5	3.0
EPS (INR)	5.8	7.1	9.3	11.2
EPS Gr. (%)	89.4	22.9	30.4	20.8
BV/Sh. (INR)	62.9	65.7	74.5	85.1
RoE (%)	11.9	11.1	13.2	14.0
RoCE (%)	11.5	11.2	19.7	21.0
Payout (%)	0.0	6.8	5.8	4.8
Div. Yield(%)	0.0	0.2	0.2	0.2

Estimate change



TP change



Rating change



#### Consolidated - Quarterly Earning Model

Y/E March	FY18				FY19E				FY18	FY19E	3QE	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Net Sales</b>	<b>1,286</b>	<b>1,453</b>	<b>1,622</b>	<b>1,716</b>	<b>1,873</b>	<b>2,014</b>	<b>2,058</b>	<b>2,101</b>	<b>6,077</b>	<b>8,011</b>	<b>2,069</b>	<b>-1</b>
YoY Change (%)	18.4	8.2	56.6	58.7	46%	39%	27%	22%	33.7	31.8	28%	
Total Expenditure	833	798	935	1,041	1,219	1,251	1,218	1,260	3,606	4,927	1,299	
<b>EBITDA</b>	<b>453</b>	<b>655</b>	<b>687</b>	<b>675</b>	<b>654</b>	<b>762</b>	<b>840</b>	<b>840</b>	<b>2,470</b>	<b>3,084</b>	<b>769</b>	<b>9</b>
Margins (%)	35.2	45.1	42.4	39.3	34.9	37.9	40.8	40.0	40.7	38.5	37.2	
Depreciation	89	94	94	94	94	94	95	98	371	381	97	-2
Interest	70	22	3	8	2	7	6	8	104	25	8	-26
Other Income	37	86	79	84	83	83	55	50	286	270	60	-8
<b>PBT before EO expense</b>	<b>332</b>	<b>624</b>	<b>669</b>	<b>656</b>	<b>641</b>	<b>744</b>	<b>795</b>	<b>784</b>	<b>2,281</b>	<b>2,948</b>	<b>724</b>	<b>10</b>
Extra-Ord expense	-18	0	0	8	0	0	0	0	-10	0	0	
<b>PBT</b>	<b>350</b>	<b>624</b>	<b>669</b>	<b>648</b>	<b>641</b>	<b>744</b>	<b>795</b>	<b>784</b>	<b>2,292</b>	<b>2,948</b>	<b>724</b>	<b>10</b>
Tax	127	194	225	191	225	267	291	255	737	1,030	232	26
Rate (%)	36.1	31.1	33.6	29.5	35.0	35.8	36.6	32.5	32.2	35.0	32.0	15
MI & P/L of Asso. Cos.	1	-2	-3	-4	-3	4	2	4	-1	-8	4	
<b>Reported PAT</b>	<b>223</b>	<b>433</b>	<b>447</b>	<b>453</b>	<b>414</b>	<b>481</b>	<b>505</b>	<b>533</b>	<b>1,555</b>	<b>1,926</b>	<b>497</b>	<b>2</b>
<b>Adj PAT</b>	<b>211</b>	<b>433</b>	<b>447</b>	<b>458</b>	<b>414</b>	<b>481</b>	<b>505</b>	<b>533</b>	<b>1,548</b>	<b>1,926</b>	<b>497</b>	<b>2</b>
YoY Change (%)	24.4	33.8	327.8	302.3	96%	11%	13%	16%	118.9	24.4	11%	
Margins (%)	16.4	29.8	27.6	26.7	22.1	23.9	24.6	25.4	25.5	24.0	24.0	

E: MOSL Estimates

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

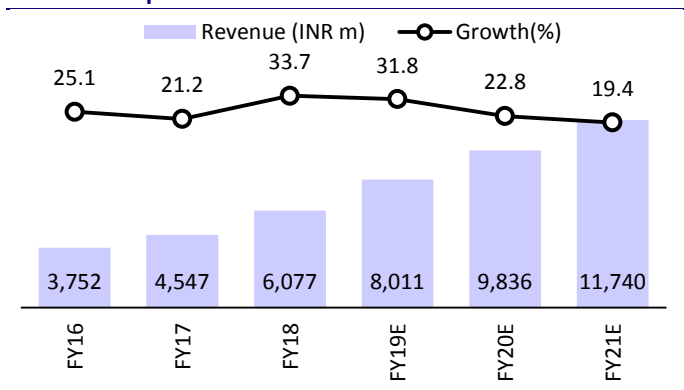
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Others takeaways:**

- Nepal Casino at Fairfield by Marriott, Kathmandu, is likely to commence operations by February this year and contribute to FY20 revenue. Operations were previously scheduled to commence from Dec'18, but were delayed due to license approval. The company has already signed a lease agreement with Marriott-Kathmandu.
- The company holds INR4.6b cash on balance sheet as on date.
- There was some delay in commencing the Rummy portal, but it is expected to be ready and operational by end-Feb'19. Fantasy Sports is performing in line with expectations; the company is cautiously investing in scaling these up.
- Goa and Daman hotels are breaking even; Goa hotel is profitable at this point.

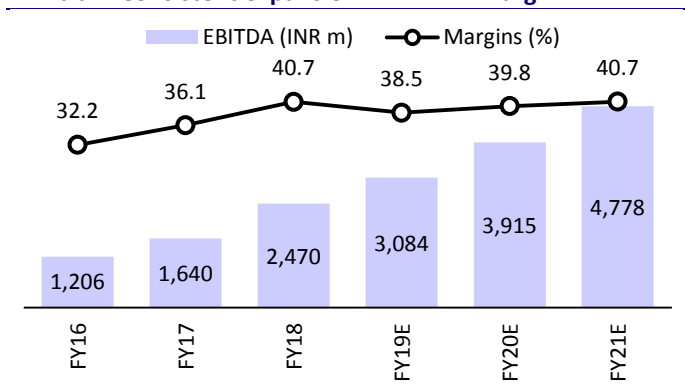
## Story in charts

**Exhibit 1: Expect revenue CAGR of 25% over FY18-21**



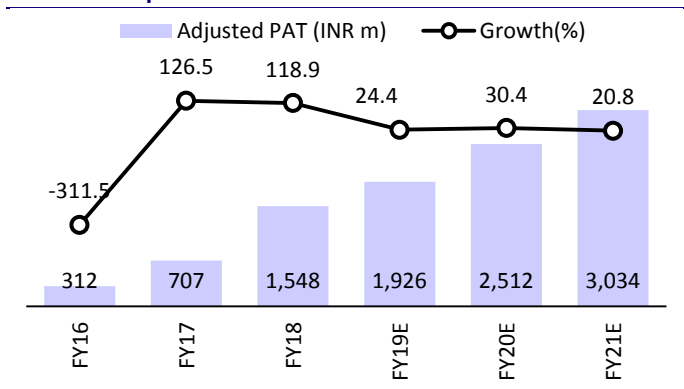
Source:

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



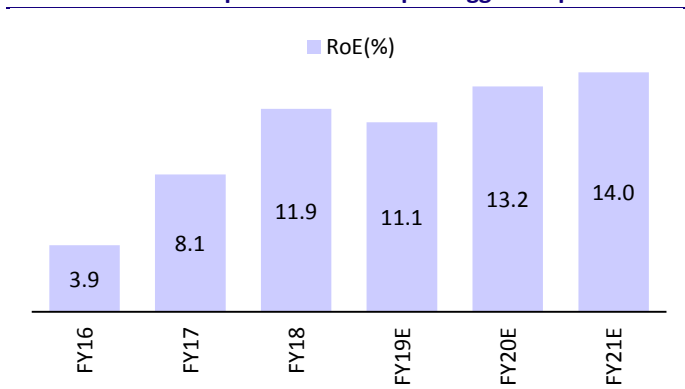
Source:

**Exhibit 3: Expect PAT CAGR of 25% over FY18-21**



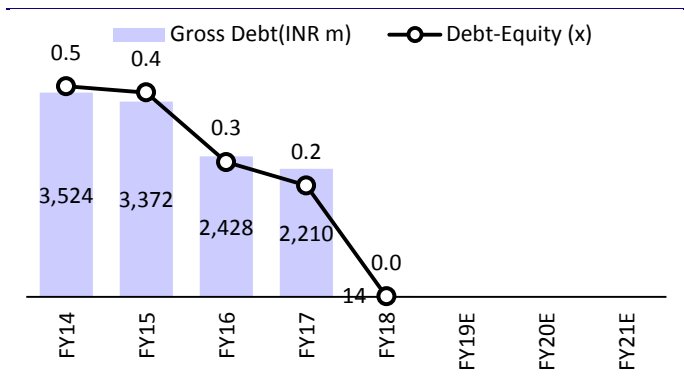
Source:

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



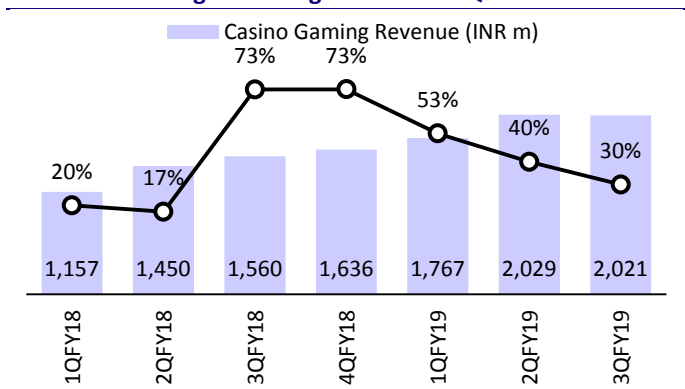
Source:

**Exhibit 5: To remain debt free in FY18**



Source:

**Exhibit 6: Gaming revenue grew 30% in 3QFY19**



## Financials and Valuations

### Consolidated - Income Statement

(INR m)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
<b>Total Income from Operations</b>	<b>4,254</b>	<b>5,586</b>	<b>3,000</b>	<b>3,752</b>	<b>4,547</b>	<b>6,077</b>	<b>8,011</b>	<b>9,836</b>	<b>11,740</b>
Change (%)	16.6	31.3	-46.3	25.1	21.2	33.7	31.8	22.8	19.4
<b>Total Expenditure</b>	<b>3,406</b>	<b>4,085</b>	<b>2,334</b>	<b>2,545</b>	<b>2,907</b>	<b>3,606</b>	<b>4,927</b>	<b>5,921</b>	<b>6,962</b>
% of Sales	80.1	73.1	77.8	67.8	63.9	59.3	61.5	60.2	59.3
<b>EBITDA</b>	<b>848</b>	<b>1,501</b>	<b>665</b>	<b>1,206</b>	<b>1,640</b>	<b>2,470</b>	<b>3,084</b>	<b>3,915</b>	<b>4,778</b>
Margin (%)	19.9	26.9	22.2	32.2	36.1	40.7	38.5	39.8	40.7
Depreciation	81	166	347	359	361	371	381	401	475
<b>EBIT</b>	<b>767</b>	<b>1,335</b>	<b>318</b>	<b>847</b>	<b>1,278</b>	<b>2,099</b>	<b>2,703</b>	<b>3,514</b>	<b>4,303</b>
Int. and Finance Charges	155	334	513	413	350	104	25	20	20
Other Income	185	312	74	70	49	286	270	240	230
<b>PBT bef. EO Exp.</b>	<b>797</b>	<b>1,313</b>	<b>-120</b>	<b>503</b>	<b>978</b>	<b>2,281</b>	<b>2,948</b>	<b>3,734</b>	<b>4,513</b>
EO Items	52	-143	-49	105	-42	-10	0	0	0
<b>PBT after EO Exp.</b>	<b>849</b>	<b>1,170</b>	<b>-169</b>	<b>608</b>	<b>1,020</b>	<b>2,292</b>	<b>2,948</b>	<b>3,734</b>	<b>4,513</b>
Current Tax	325	478	155	202	280	737	1,030	1,232	1,489
Deferred Tax	15	42	-47	0	0	0	0	0	0
Tax Rate (%)	40.0	44.4	-64.1	33.2	27.4	32.2	35.0	33.0	33.0
Less: Mionrity Interest	216	297	-50	24	2	-1	-8	-10	-10
<b>Reported PAT</b>	<b>293</b>	<b>353</b>	<b>-228</b>	<b>382</b>	<b>738</b>	<b>1,555</b>	<b>1,926</b>	<b>2,512</b>	<b>3,034</b>
<b>Adjusted PAT</b>	<b>262</b>	<b>432</b>	<b>-148</b>	<b>312</b>	<b>707</b>	<b>1,548</b>	<b>1,926</b>	<b>2,512</b>	<b>3,034</b>
Change (%)	-47.6	64.7	-134.2	-311.5	126.5	118.9	24.4	30.4	20.8
Margin (%)	6.2	7.7	-4.9	8.3	15.6	25.5	24.0	25.5	25.8

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity Share Capital	227	228	231	231	232	268	271	271	271
Preference Capital	0	0	0	0	0	0	0	0	0
Total Reserves	7,505	7,529	7,420	8,123	8,970	16,560	17,540	19,905	22,792
<b>Net Worth</b>	<b>7,732</b>	<b>7,757</b>	<b>7,651</b>	<b>8,354</b>	<b>9,202</b>	<b>16,827</b>	<b>17,811</b>	<b>20,176</b>	<b>23,063</b>
Minority Interest	1,616	525	244	270	160	141	141	141	141
Deferred Liabilities	4	57	160	0	0	0	0	0	0
Total Loans	4,850	3,524	3,372	2,428	2,210	14	0	0	0
<b>Capital Employed</b>	<b>14,202</b>	<b>11,863</b>	<b>11,426</b>	<b>11,051</b>	<b>11,572</b>	<b>16,983</b>	<b>17,966</b>	<b>20,331</b>	<b>23,218</b>
Gross Block	2,950	7,611	8,739	8,508	8,715	10,183	11,283	13,783	15,883
Less: Accum. Deprn.	332	488	800	1,160	1,521	1,892	2,273	2,674	3,149
<b>Net Fixed Assets</b>	<b>2,619</b>	<b>7,123</b>	<b>7,938</b>	<b>7,348</b>	<b>7,194</b>	<b>8,290</b>	<b>9,009</b>	<b>11,108</b>	<b>12,734</b>
Goodwill on Consolidation	868	477	604	1,258	1,327	3,946	3,946	3,946	3,946
Capital WIP	5,217	992	38	27	5	41	41	41	41
<b>Total Investments</b>	<b>1,141</b>	<b>1,048</b>	<b>1,077</b>	<b>826</b>	<b>981</b>	<b>4,220</b>	<b>4,220</b>	<b>4,220</b>	<b>5,720</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>5,495</b>	<b>3,291</b>	<b>2,459</b>	<b>2,100</b>	<b>2,715</b>	<b>3,183</b>	<b>1,816</b>	<b>2,360</b>	<b>2,413</b>
Inventory	2,366	717	695	708	695	705	944	1,159	1,383
Account Receivables	145	674	228	142	43	83	154	189	225
Cash and Bank Balance	466	551	210	228	314	1,235	316	590	360
Loans and Advances	2,517	1,350	1,326	1,023	1,663	1,160	403	423	444
<b>Curr. Liability &amp; Prov.</b>	<b>1,138</b>	<b>1,142</b>	<b>911</b>	<b>899</b>	<b>1,000</b>	<b>2,854</b>	<b>1,222</b>	<b>1,500</b>	<b>1,791</b>
Account Payables	774	730	735	806	906	2,760	1,097	1,347	1,608
Provisions	364	413	176	93	95	94	125	153	182
<b>Net Current Assets</b>	<b>4,358</b>	<b>2,149</b>	<b>1,548</b>	<b>1,201</b>	<b>1,715</b>	<b>330</b>	<b>594</b>	<b>860</b>	<b>622</b>
Deferred Tax assets	0	72	221	391	351	156	156	156	156
Misc Expenditure	0	0	0	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>14,202</b>	<b>11,863</b>	<b>11,426</b>	<b>11,051</b>	<b>11,572</b>	<b>16,983</b>	<b>17,966</b>	<b>20,331</b>	<b>23,218</b>

E: MOSL Estimates

## Financials and Valuations

### Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>1.2</b>	<b>1.9</b>	<b>-0.6</b>	<b>1.4</b>	<b>3.1</b>	<b>5.8</b>	<b>7.1</b>	<b>9.3</b>	<b>11.2</b>
Cash EPS	1.5	2.6	0.9	2.9	4.6	7.2	8.5	10.8	13.0
BV/Share	34.1	34.1	33.2	36.2	39.7	62.9	65.7	74.5	85.1
DPS	0.2	0.2	0.1	0.2	0.4	0.0	0.4	0.5	0.5
Payout (%)	22.8	18.8	-12.5	14.5	13.2	0.0	6.8	5.8	4.8
<b>Valuation (x)</b>									
P/E		135.8	-403.0	190.5	84.5	44.6	36.3	27.8	23.0
Cash P/E		98.2	298.8	88.6	55.9	36.0	30.3	24.0	19.9
P/BV		7.6	7.8	7.1	6.5	4.1	3.9	3.5	3.0
EV/Sales		11.6	21.6	17.0	14.0	9.9	7.6	6.2	5.2
EV/EBITDA		43.0	97.3	52.8	38.7	22.9	18.6	14.6	12.0
Dividend Yield (%)	0.1	0.1	0.0	0.1	0.1	0.0	0.2	0.2	0.2
FCF per share	-3.7	6.8	3.2	4.6	4.0	3.1	-3.7	0.7	4.4
<b>Return Ratios (%)</b>									
RoE	3.4	5.6	-1.9	3.9	8.1	11.9	11.1	13.2	14.0
RoCE	4.6	7.7	5.8	5.6	8.7	11.5	11.2	19.7	21.0
RoIC	6.7	8.9	5.4	5.6	9.2	13.1	14.1	16.3	17.7
<b>Working Capital Ratios</b>									
Asset Turnover (x)	0.3	0.5	0.3	0.3	0.4	0.4	0.4	0.5	0.5
Inventory (Days)	203	47	85	69	56	42	43	43	43
Debtor (Days)	12	44	28	14	3	5	7	7	7
Creditor (Days)	142	48	89	78	73	166	50	50	50
Working Cap. Turnover (Days)	334	43	23	4	-13	-118	0	0	0
<b>Leverage Ratio (x)</b>									
Debt/Equity	0.6	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	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
OP/(Loss) before Tax	849	1,175	-166	596	978	2,281	2,948	3,734	4,513
Depreciation	81	166	347	382	361	371	381	401	475
Interest & Finance Charges	10	199	495	397	300	-182	-245	-220	-210
Direct Taxes Paid	-365	-332	-354	-156	-280	-737	-1,030	-1,232	-1,489
(Inc)/Dec in WC	2,235	1,119	539	94	-427	3,083	-1,961	8	8
<b>CF from Operations</b>	<b>2,810</b>	<b>2,327</b>	<b>862</b>	<b>1,313</b>	<b>932</b>	<b>4,816</b>	<b>93</b>	<b>2,691</b>	<b>3,297</b>
Others	37	-49	-23	-156	180	125	0	0	0
<b>CF from Operating incl EO</b>	<b>2,847</b>	<b>2,278</b>	<b>838</b>	<b>1,157</b>	<b>1,112</b>	<b>4,941</b>	<b>93</b>	<b>2,691</b>	<b>3,297</b>
(inc)/dec in FA	-3,692	-740	-107	-89	-185	-4,122	-1,100	-2,500	-2,100
<b>Free Cash Flow</b>	<b>-845</b>	<b>1,538</b>	<b>731</b>	<b>1,068</b>	<b>927</b>	<b>819</b>	<b>-1,007</b>	<b>191</b>	<b>1,197</b>
(Pur)/Sale of Investments	205	132	3	32	-155	-3,240	0	0	-1,500
Others	-643	1,257	-145	-63	49	-36	1,048	240	230
<b>CF from Investments</b>	<b>-4,129</b>	<b>650</b>	<b>-250</b>	<b>-120</b>	<b>-290</b>	<b>-7,397</b>	<b>-52</b>	<b>-2,260</b>	<b>-3,370</b>
Issue of Shares	49	22	145	0	1	5,500	-813	0	0
(Inc)/Dec in Debt	301	-1,158	-152	-524	-218	-2,196	0	0	0
Interest Paid	-155	-310	-551	-427	-350	-104	-25	-20	-20
Dividend Paid	-109	-57	-62	-28	-98	0	-130	-147	-147
Others	338	-1,340	-309	-40	-72	176	8	10	10
<b>CF from Fin. Activity</b>	<b>425</b>	<b>-2,843</b>	<b>-929</b>	<b>-1,018</b>	<b>-736</b>	<b>3,377</b>	<b>-960</b>	<b>-157</b>	<b>-157</b>
<b>Inc/Dec of Cash</b>	<b>-857</b>	<b>84</b>	<b>-341</b>	<b>18</b>	<b>86</b>	<b>921</b>	<b>-919</b>	<b>274</b>	<b>-230</b>
Opening Balance	1,323	466	551	210	228	314	1,235	316	590
<b>Closing Balance</b>	<b>466</b>	<b>551</b>	<b>210</b>	<b>228</b>	<b>314</b>	<b>1,235</b>	<b>316</b>	<b>590</b>	<b>360</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 becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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