

BSE SENSEX
S&P CNX

38,731

11,556

CMP: INR 166 TP: INR 304 (+83%)
Buy

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Bloomberg	DELTA IN
Equity Shares (m)	268
M.Cap.(INRb)/(USD\$b)	45 / 0.7
52-Week Range (INR)	282 / 156
1, 6, 12 Rel. Per (%)	-12/-43/-39
12M Avg Val (INR M)	434
Free float (%)	67.2

Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
Net Sales	8.0	9.0	10.4
EBITDA	3.2	3.7	4.4
NP	1.9	2.4	2.7
EPS (INR)	7.2	8.7	10.1
EPS Gr. (%)	23.8	21.4	16.6
BV/Sh. (INR)	71.7	79.9	89.4
RoE (%)	10.7	11.5	12.0
RoCE (%)	11.0	17.4	18.2
Payout (%)	6.6	6.2	5.3
Div. Yield (%)	0.2	0.3	0.3

Estimate change

TP change

Rating change


The ship's steady

Casino biz growth restricted by maintenance work

- Delivers flat revenue and PAT:** DELTA's revenue came in flat YoY at INR1,865m (our estimate: INR1,925m) in 1QFY20. Casino revenue increased 3% YoY – we note that growth would have been higher if not for the maintenance work at its vessel Deltin JAQK in dry dock for 19 days, due to which the segment incurred a revenue loss of ~INR190m. Online revenue declined by 9% to INR356m. EBITDA margin expanded 70bp YoY to 36.3% YoY (our estimate: 34.9%). PAT came in flat YoY at INR425m (in-line).
- Casino on strong footing, Online yet to gain ground:** As mentioned earlier, Casino biz incurred a loss due to maintenance work, and thus, the muted growth therein is not very concerning. Moreover, we do not see much threat from the entry of a new competitor given DELTA's strong leadership position in the space. Consequently, revenue growth is likely to bounce back from 2QFY20, and we estimate 18% growth in the Casino biz in 9MFY20. On the other hand, competition in Online biz from a top player is likely to remain intense, and thus, developments on this front will be closely watched. Also, margins in online gaming are likely to remain under pressure as the company invests aggressively in advertisement and marketing to remain competitive.
- Key takeaways:** (a) DELTA will evaluate monetization of its online gaming businesses at the right time. (b) In 1QFY20, the company's visitation grew by 15% YoY to 105K.
- Valuation and view:** The stock price has corrected sharply following media reports of (a) DELTA being issued huge GST demand notice and (b) closure of Goa-based casinos. However, management clarified that it has not received any GST notice, while comments on closure of casinos have been countered and invalidated by authorities via media. Thus, we maintain our estimates of sales/PAT CAGR of 14%/19% over FY19-21. We continue valuing the stock at 30x P/E to arrive at a target price of INR304/share. Maintain **Buy**.

Quarterly Performance

(INR Million)

Y/E March	FY19				FY20E				FY19	FY20E	1QE	Var %
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	1,873	2,014	2,052	2,043	1,865	2,384	2,392	2,386	7,978	9,042	1,925	-3
YoY Change (%)	46%	39%	27%	19%	0%	18%	17%	17%	31.3	13.3	3%	
Total Expenditure	1,206	1,251	1,197	1,164	1,188	1,372	1,377	1,385	4,791	5,359	1,253	
EBITDA	667	762	855	879	677	1,012	1,015	1,000	3,187	3,683	672	1
Margins (%)	35.6	37.9	41.7	43.0	36.3	42.5	42.4	41.9	39.9	40.7	34.9	
Depreciation	94	94	95	95	110	96	95	97	377	379	96	
Interest	2	7	6	3	10	6	8	3	18	20	3	
Other Income	83	83	55	92	82	65	62	62	313	270	70	
PBT before EO expense	654	744	810	875	640	975	974	962	3,105	3,554	643	
Extra-Ord expense	0	0	11	-37	0	0	0	0	-43	0	0	
PBT	654	744	799	911	640	975	974	962	3,148	3,554	643	
Tax	228	267	296	344	217	332	331	327	1,141	1,208	219	
Rate (%)	34.9	35.8	37.0	37.8	33.9	34.0	34.0	34.0	36.3	34.0	34.0	
MI & P/L of Asso. Cos.	-3	4	2	0	2	4	4	2	39	-10	0	
Reported PAT	423	481	505	567	425	648	647	637	1,968	2,356	425	
Adj PAT	423	481	512	544	425	648	647	637	1,940	2,356	425	0
YoY Change (%)	100%	11%	14%	19%	0%	35%	26%	17%	25.3	21.4	3%	
Margins (%)	22.6	23.9	24.9	26.6	22.8	27.2	27.0	26.7	24.3	26.1	22.1	

E: MOFSL Estimates

Chintan Modi- Research analyst (Chintan.Modi@MotilalOswal.com); +91 22 6129 1554

Lopa Thakkar- Research analyst (Lopa.Thakkar@motilalosal.com); +91 22 6129 1548

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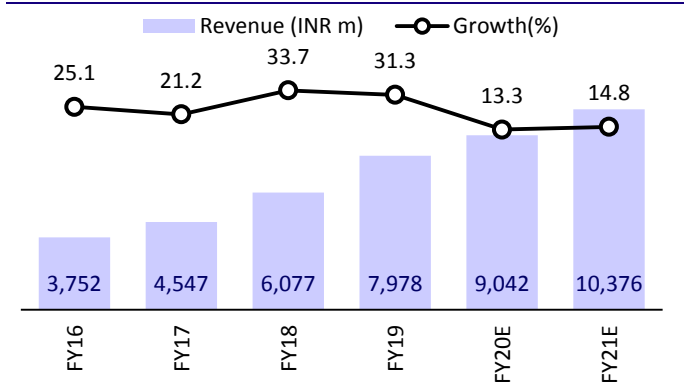
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Others takeaways

- Nepal Casino at Fairfield by Marriott, Kathmandu, likely to commence operations in 2QFY20.
- DELTA is looking to relaunch its rummy platform in 2QFY20.

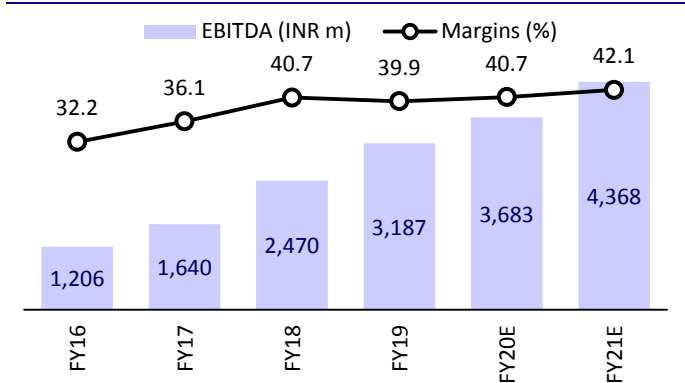
Story in charts

Exhibit 1: Expect revenue CAGR of 14% over FY19-21



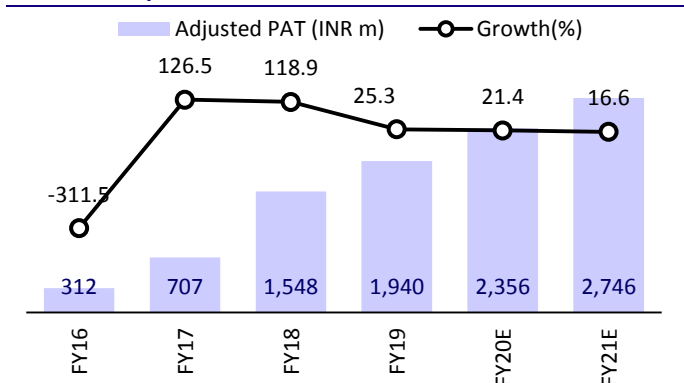
Source: Company MOFSL

Exhibit 2: Consistent expansion in EBITDA margin



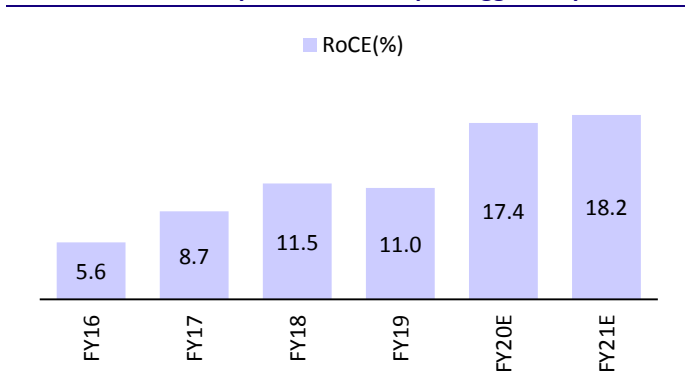
Source: Company MOFSL

Exhibit 3: Expect PAT CAGR of 19% over FY19-21



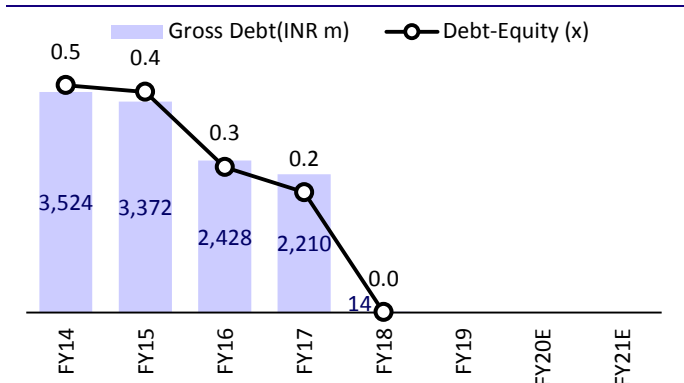
Source: Company MOFSL

Exhibit 4: RoCE to expand with multiple triggers in place



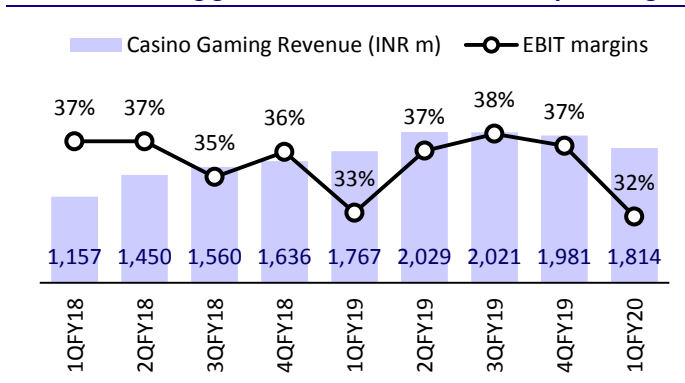
Source: Company MOFSL

Exhibit 5: To remain debt free in FY20



Source: Company MOFSL

Exhibit 6: Gaming grew 3% in 1QFY20 on JAQK dry docking



Source: Company MOFSL

Financials and Valuations

Consolidated - Income Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Total Income from Operations	4,254	5,586	3,000	3,752	4,547	6,077	7,978	9,042	10,376
Change (%)	16.6	31.3	-46.3	25.1	21.2	33.7	31.3	13.3	14.8
Cost of Materials Consumed	1,983	2,206	205	294	315	351	387	413	467
% of Sales	46.6	39.5	6.8	7.8	6.9	5.8	4.8	4.6	4.5
Personnel Expenses	354	484	526	591	641	946	1,100	1,257	1,370
% of Sales	8.3	8.7	17.5	15.7	14.1	15.6	13.8	13.9	13.2
Other Expenses	1,069	1,395	1,603	1,661	1,952	2,309	3,304	3,689	4,171
% of Sales	25.1	25.0	53.4	44.3	42.9	38.0	41.4	40.8	40.2
Total Expenditure	3,406	4,085	2,334	2,545	2,907	3,606	4,791	5,359	6,008
% of Sales	80.1	73.1	77.8	67.8	63.9	59.3	60.1	59.3	57.9
EBITDA	848	1,501	665	1,206	1,640	2,470	3,187	3,683	4,368
Margin (%)	19.9	26.9	22.2	32.2	36.1	40.7	39.9	40.7	42.1
Depreciation	81	166	347	359	361	371	377	379	453
EBIT	767	1,335	318	847	1,278	2,099	2,810	3,304	3,916
Int. and Finance Charges	155	334	513	413	350	104	18	20	20
Other Income	185	312	74	70	49	286	313	270	250
PBT bef. EO Exp.	797	1,313	-120	503	978	2,281	3,105	3,554	4,146
EO Items	52	-143	-49	105	-42	-10	-43	0	0
PBT after EO Exp.	849	1,170	-169	608	1,020	2,292	3,148	3,554	4,146
Current Tax	325	478	155	202	280	737	1,141	1,208	1,410
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	36.3	34.0	34.0
Less: Mionrity Interest	216	297	-50	24	2	-1	39	-10	-10
Reported PAT	293	353	-228	382	738	1,555	1,968	2,356	2,746
Adjusted PAT	262	432	-148	312	707	1,548	1,940	2,356	2,746
Change (%)	-47.6	64.7	-134.2	-311.5	126.5	118.9	25.3	21.4	16.6
Margin (%)	6.2	7.7	-4.9	8.3	15.6	25.5	24.3	26.1	26.5

Consolidated - Balance Sheet

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	227	228	231	231	232	268	271	271	271
Total Reserves	7,505	7,529	7,420	8,123	8,970	16,560	19,152	21,361	23,960
Net Worth	7,732	7,757	7,651	8,354	9,202	16,827	19,423	21,631	24,231
Minority Interest	1,616	525	244	270	160	141	80	80	80
Deferred Liabilities	4	57	160	0	0	245	243	243	243
Total Loans	4,850	3,524	3,372	2,428	2,210	14	2	2	2
Capital Employed	14,202	11,863	11,426	11,051	11,572	17,228	19,748	21,956	24,556
Gross Block	2,950	7,611	8,739	8,508	8,715	10,183	10,595	13,095	15,195
Less: Accum. Deprn.	332	488	800	1,160	1,521	1,892	2,269	2,648	3,101
Net Fixed Assets	2,619	7,123	7,938	7,348	7,194	8,290	8,326	10,447	12,094
Goodwill on Consolidation	868	477	604	1,258	1,327	3,946	3,969	3,969	3,969
Capital WIP	5,217	992	38	27	5	41	129	129	129
Total Investments	1,141	1,048	1,077	826	981	4,220	4,455	4,955	6,455
Curr. Assets, Loans&Adv.	5,495	3,291	2,459	2,100	2,715	3,183	3,832	3,813	3,528
Inventory	2,366	717	695	708	695	705	958	941	1,052
Account Receivables	145	674	228	142	43	83	70	124	142
Cash and Bank Balance	466	551	210	228	314	1,235	738	578	56
Loans and Advances	2,517	1,350	1,326	1,023	1,663	1,161	2,066	2,170	2,278
Curr. Liability & Prov.	1,138	1,142	911	899	1,000	2,854	1,202	1,595	1,859
Account Payables	774	730	735	806	906	2,760	1,106	1,486	1,734
Provisions	364	413	176	93	95	94	96	109	125
Net Current Assets	4,358	2,149	1,548	1,201	1,715	330	2,630	2,218	1,669
Deferred Tax assets	0	72	221	391	351	402	240	240	240
Misc Expenditure	0	0	0	0	0	0	0	0	0
Appl. of Funds	14,202	11,863	11,426	11,051	11,572	17,228	19,748	21,956	24,556

E: MOFSL Estimates

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Basic (INR)									
EPS	1.2	1.9	-0.6	1.4	3.1	5.8	7.2	8.7	10.1
Cash EPS	1.5	2.6	0.9	2.9	4.6	7.2	8.6	10.1	11.8
BV/Share	34.1	34.1	33.2	36.2	39.7	62.9	71.7	79.9	89.4
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	6.6	6.2	5.3
Valuation (x)									
P/E		92.1	-273.3	129.2	57.3	30.2	24.4	20.1	17.3
Cash P/E		66.6	202.7	60.1	37.9	24.4	20.5	17.3	14.8
P/BV		5.1	5.3	4.8	4.4	2.8	2.4	2.2	2.0
EV/Sales		11.6	21.6	17.0	14.0	9.9	7.6	6.7	5.9
EV/EBITDA		43.0	97.3	52.8	38.7	22.9	17.9	15.5	13.2
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.2	0.0	0.2	0.3	0.3
FCF per share	-3.7	6.8	3.2	4.6	4.0	3.1	-1.7	0.8	3.3
Return Ratios (%)									
RoE	3.4	5.6	-1.9	3.9	8.1	11.9	10.7	11.5	12.0
RoCE	4.6	7.7	5.8	5.6	8.7	11.5	11.0	17.4	18.2
RoIC	6.7	8.9	5.4	5.6	9.2	12.9	13.7	14.2	15.1
Working Capital Ratios									
Asset Turnover (x)	0.3	0.5	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Inventory (Days)	203	47	85	69	56	42	44	38	37
Debtor (Days)	12	44	28	14	3	5	3	5	5
Creditor (Days)	142	48	89	78	73	166	51	60	61
Working Cap. Turnover (Days)	334	43	23	4	-13	-118	-4	-17	-19
Leverage Ratio (x)									
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 Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
OP/(Loss) before Tax	849	1,175	-166	596	978	2,281	3,105	3,554	4,146
Depreciation	81	166	347	382	361	371	377	379	453
Interest & Finance Charges	10	199	495	397	300	-182	-295	-250	-230
Direct Taxes Paid	-365	-332	-354	-156	-280	-737	-1,141	-1,208	-1,410
(Inc)/Dec in WC	2,235	1,119	539	94	-427	3,081	-1,585	351	131
CF from Operations	2,810	2,327	862	1,313	932	4,815	461	2,826	3,090
Others	37	-49	-23	-156	180	125	-433	-99	-105
CF from Operating incl EO	2,847	2,278	838	1,157	1,112	4,940	28	2,727	2,985
(inc)/dec in FA	-3,692	-740	-107	-89	-185	-4,122	-500	-2,500	-2,100
Free Cash Flow	-845	1,538	731	1,068	927	818	-473	227	885
(Pur)/Sale of Investments	205	132	3	32	-155	-3,240	-234	-500	-1,500
Others	-643	1,257	-145	-63	49	-36	313	270	250
CF from Investments	-4,129	650	-250	-120	-290	-7,397	-422	-2,730	-3,350
Issue of Shares	49	22	145	0	1	5,500	0	0	0
(Inc)/Dec in Debt	301	-1,158	-152	-524	-218	-2,196	-13	0	0
Interest Paid	-155	-310	-551	-427	-350	-104	-18	-20	-20
Dividend Paid	-109	-57	-62	-28	-98	0	-130	-147	-147
Others	338	-1,340	-309	-40	-72	176	59	10	10
CF from Fin. Activity	425	-2,843	-929	-1,018	-736	3,377	-101	-157	-157
Inc/Dec of Cash	-857	84	-341	18	86	920	-496	-160	-522
Opening Balance	1,323	466	551	210	228	314	1,233	738	578
Closing Balance	466	551	210	228	314	1,233	738	578	56

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

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