Delta Corp Limited

ISIN :INE124G01033 | NSE :DELTACORP

Price: 86.5
Recommendation: Buy
Industry: Amusement Parks/ Other
Sector: Consumer Discretionary
Report Date: 18-Mar-2025

Delta Corp is strategically navigating the new GST regime by adjusting its payment methodology, now paying 28% on chip sales. To offset increased costs, it offers promotional chips, maintaining customer satisfaction. The company is expanding with a new ship, doubling capacity, and venturing into real estate and hospitality. Despite short-term challenges, Delta Corp is optimistic about growth, aiming to restore and exceed previous revenue levels through diversification and capacity expansion.

Sales		Profit & Loss		Profitability Matrix	
Current Year	580 Cr	Operating Profit(Year)	208 Cr	Operating Profit Margin	35.8 %
Previous Year	594 Cr	Operating Profit(Quarter)	54.7 Cr	EBITDA Margin	55.17 %
Current Quarter	150 Cr	PAT (Year)	209 Cr	Net Profit Margin	32.8 %
Previous Quarter	146 Cr	PAT (Quarter)	41.6 Cr	EPS	7.94
Revenue (QYoY)	147 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	14.0	Sales Growth	-5.31 %	Sales Growth	2.74 %
PEG Ratio	3.49	PAT Growth	-5.0 %	Sales Growth QYoY	2.04 %
EV/EBITDA	9.00	EPS Growth	-16.07 %	PAT Growth	-5.24 %
P/B	0.92	Dividend Yield	1.42	PAT Growth QYoY	1.22 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	8.99 %	Promoter	33.3 %	Debt/Equity	0.01
RoA	8.35 %	FII	1.02 %	Debt	28.7 Cr
RoCE	12.1 %	DII	8.36 %	Market Cap	2316 Cr
RoIC	27.2 %	Public	57.4 %	Enterprise value	2294 Cr
		No of Shares	26.8 Cr	Cash Equivalents	50.6 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Delta Corp's recent concall highlighted several strategic initiatives and business strategies aimed at navigating the challenges posed by the new GST regime. The company has adjusted its GST payment methodology, now paying 28% on the sale of chips rather than on gross gaming revenue, which has increased costs by approximately 6% on GGR. To mitigate this, Delta Corp is offering promotional chips to offset GST costs, ensuring players receive full value but must use these chips on the table. This strategic adjustment aims to maintain customer satisfaction while managing increased operational costs. The company is also focusing on enhancing its offerings with the introduction of a new ship, which will double its current capacity and include additional retail and entertainment spaces, positioning it as a comprehensive entertainment destination.

In terms of diversification, Delta Corp is venturing into real estate through a joint venture with Peninsula Land, targeting quick redevelopment projects in Mumbai and Goa. This move is seen as a strategic diversification to leverage synergies between the two companies, with Delta Corp bringing in reserve funds for quick projects that promise significant returns. The company is also investing in a hospitality project, converting a previously planned residential complex into a five-star deluxe hotel, with an expected investment of Rs. 450+ crores. This diversification into real estate and hospitality is intended to complement its core casino business, providing additional revenue streams and mitigating risks associated with regulatory changes in the gaming sector.

Looking ahead, Delta Corp is optimistic about its growth prospects, particularly with the new ship expected to come online in the third quarter, which will significantly increase capacity and revenue potential. The company anticipates a return to pre-GST revenue levels by mid-year, driven by increased footfall and strategic marketing efforts. The expansion in hospitality capacity is also expected to support the increased demand from the casino business, ensuring that the company can accommodate more guests and enhance their overall experience. The management is confident that these initiatives will not only restore but potentially exceed previous revenue levels, positioning Delta Corp for sustained growth.

While the company is taking proactive steps to address the challenges posed by the GST changes, there are areas for improvement. The delay in the ship's completion and the increased costs associated with the new GST regime have impacted short-term financial performance. However, the company's strategic focus on diversification and capacity expansion is expected to yield positive results in the long term. The management's transparency and proactive approach in communicating these changes and their impact on the business are commendable, providing stakeholders with a clear understanding of the company's direction and growth potential.

Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Delta Corp	2316.24	13.96	8.99%	3.01%	2.02%	-5.15%	1.17%

Aspect	Commentary
Revenue	The company's revenue shows a slight decline from the previous year, indicating potential challenges in maintaining sales momentum. However, the quarter-over-quarter growth suggests a positive trend, possibly due to strategic initiatives or seasonal factors. Monitoring future quarters will be crucial to assess sustained growth.
Profit & Loss	Operating profit remains strong, reflecting efficient cost management despite revenue challenges. The year-over-year decline in PAT suggests external pressures or increased costs. Quarterly PAT stability indicates resilience, but strategic adjustments may be needed to enhance profitability.
Profitability Matrix	The company maintains robust profitability with high operating and EBITDA margins, indicating effective cost control and operational efficiency. The net profit margin is healthy, supporting overall financial stability. EPS reflects solid earnings, though growth may be needed to attract investors.
Valuation Matrix	The valuation metrics suggest the company is reasonably priced with a moderate P/E ratio. The PEG ratio indicates potential growth challenges. EV/EBITDA and P/B ratios reflect market confidence, but strategic growth initiatives may be necessary to enhance valuation.
Growth (YoY)	Year-over-year growth metrics highlight challenges, with declines in sales, PAT, and EPS. This suggests external pressures or market dynamics affecting performance. The dividend yield remains attractive, providing some investor reassurance despite growth concerns.
Growth (QoQ)	Quarter-over-quarter growth shows positive sales momentum, indicating effective short-term strategies. However, PAT decline suggests cost pressures or operational challenges. The slight improvement in QYoY metrics offers a positive outlook, but sustained efforts are needed for consistent growth.
Capital Allocation	The company demonstrates strong capital allocation with high returns on equity, assets, and capital employed. This indicates efficient use of resources and strategic investments. The impressive return on invested capital suggests potential for future growth and value creation.
Holdings	The ownership structure shows a balanced mix of promoters, institutional, and public holdings, indicating diverse investor confidence. The significant public holding suggests broad market interest, while promoter and institutional stakes provide stability and strategic direction.
Leverage	The company maintains a low debt-to-equity ratio, reflecting prudent financial management and minimal leverage risk. The strong market capitalization and enterprise value indicate market confidence. Cash reserves provide liquidity, supporting operational flexibility and strategic initiatives.

Analyst viewpoint: Delta Corp provides an enticing opportunity for short to mid-term growth, bolstered by strategic initiatives that promise to enhance shareholder value. The company has demonstrated a commendable QoQ sales growth of 2.74%, signaling effective operational strategies amidst the new GST regime's challenges. With a low debt-to-equity ratio of 0.01, Delta Corp showcases strong financial management, allowing for aggressive yet sustainable capital allocation towards expansion projects such as the new ship and hospitality ventures. Currently trading at a trailing P/E of 14.0, the company's future potential is underscored by significant investments in real estate and hospitality, expected to yield higher returns. This strategic diversification not only secures additional revenue streams but also mitigates regulatory risks inherent in the gaming sector.

The competitive landscape is favorable, given Delta Corp's strategic moves to leverage synergies with Peninsula Land and enhance customer experience through increased capacity and offerings. The management's confidence in returning to pre-GST revenue levels by mid-year, driven by a higher capacity and targeted marketing strategies, positions Delta Corp as a compelling buy. However, potential investors should note the mild impact of increased GST costs and project delays on short-term financial performance. Nonetheless, these are being actively managed and are unlikely to hinder the company's long-term growth trajectory, providing reassurance of sustained operational efficiency and market confidence.

Please read detailed disclosure on next page.

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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

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