



Delta Corp Limited

Instrument	Amount	Rating Action
Long-term loans	Rs. 109.0 crore	Revised to [ICRA]BBB (Stable) from [ICRA]BBB+ (Stable)
Long-term, fund-based facilities	Rs. 6.5 crore	Revised to [ICRA]BBB (Stable) from [ICRA]BBB+ (Stable)
Short-term, fund-based facilities	Rs. 6.5 crore	Revised to [ICRA]A3+ from [ICRA]A2

Source: ICRA

ICRA has revised the long-term rating assigned to the Rs. 109.0 crore^{*}, long-term loans and the Rs. 6.5 crore, long-term, fund-based facilities of Delta Corp Limited ('DCL' or 'the company')[†] to [ICRA]BBB (pronounced ICRA triple B) from [ICRA]BBB+ (pronounced ICRA triple B plus). The outlook on the long-term rating is 'stable'. ICRA has also revised the short-term rating assigned to the Rs. 6.5 crore, short-term, fund-based facilities of DCL to [ICRA]A3+ (pronounced ICRA A three plus) from [ICRA]A2 (pronounced ICRA A two).

The revision in the ratings reflects the deterioration in the debt servicing indicators of the company in FY 2015 on the back of subdued performance of the gaming segment on account of lower visitations at the existing operating casinos and delays in commencement of the other two casinos - *Deltin Caravela* and *The Deltin - Casino (Daman)*. Further, weak occupancies at *The Deltin - Daman* hotel (partly due to non-commencement of the casino) resulted in negative operating leverage and thus losses for the hospitality segment during FY 2015. While the company monetized its Kenya investments during FY 2014, it continues to have real estate holdings in India and Sri Lanka which have also witnessed delays in monetisation. However, the cash flows from these business monetisation should facilitate an improvement in the liquidity for the company.

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 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, onboard 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 & 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 2014-15 and 2015-16.

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. Nonetheless, the consolidated liquidity profile of the company is expected to improve over the next two-three years, as the company monetizes its real estate assets in Sri Lanka and India, liquidates stake in Advani Hotels, and commences operations for *Deltin Caravela* and *The Deltin - Casino*. These remain key rating sensitivities.

^{*} 100 Lakh = 1 Crore = 10 Million

[†] For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA Rating Publications



Company Profile

Incorporated in 1983, Delta Corp Limited (DCL, formerly known as Arrow Webtex), is the largest gaming company in India with significant interests in 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.

DCL owns 87.16% stake in Daman Hospitality Private Limited, which commenced operations of a 190-room deluxe property named *The Deltin*, in Daman, in March 2014. *The Deltin – Daman* is also expected 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 in the 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. The company expects to set up ~90 gaming positions in *Deltin Suites* casino at the *Deltin Suites*, expected to commence operations in current fiscal. 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 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 exit remains uncertain considering the nature of the business.

Recent Results

For the quarter-ended June 30, 2015, DCL (consolidated) reported a net loss of Rs. 0.9 crore on an operating income (OI) of Rs. 81.5 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 as against a profit after tax (PAT) of Rs. 65.4 crore on an OI of Rs. 558.6 crore for the twelve months ended March 31, 2014.

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