



INVESTOR'S DELIGHT

27TH JANUARY, 2011

COMPANY	DELTA CORP LTD.
NSE Code	DELTACORP
BSE Code	532848
Promoter's holding	48.4%
FV	Re. 1
Equity Capital (Rs in mn)	167.16
Market Capitalization (Rs in mn)	14,376
CMP	Rs. 86
Target Price	Rs. 108
Upside	26%

ABOUT THE COMPANY

Delta Corp Ltd. has evolved from textile player to a diversified company engaged in gaming and entertainment, real estate (India and East Africa), hospitality. It was promoted by Mr. Jaydev Mody, former managing director of Peninsula Land.

INVESTMENT RATIONALE

Leadership position in casino gaming business: It is the largest gaming company in India (offering over one thousand gaming positions) and the only listed company in this space on the Indian bourses since 1992, formerly known as Arrow Webtex Ltd. In this space, it has an early mover advantage and has attained leadership position. The company owns and operates three offshore live gaming casinos in Goa on River Mandovi – Casino Royale, Caravela and King's Casino. The company owns three out of the six offshore live gaming casino licenses issued by the Government of Goa. It also plans to enter in territories like Sikkim and Daman, where casino gaming has recently received permission. The company is also setting up one onshore casino at Daman in 25:75 JV.

Early mover advantage in African Real Estate market: The company has formed a 40:60 JV with Reliance Industries Ltd., namely, Delta Corp East Africa Ltd at Nairobi, Kenya through its wholly owned subsidiary Delta Pan Africa Ltd. DCEAL has invested Rs.2 bn. to acquire nine plots measuring ~ 8 lakh sq. ft of land with a development potential of closed to 2mn sq-ft. It has planned a combination of commercial office space development, retail and hotel projects. Three projects are under development and out of which one project is leased out to Ministry of Justice and Constitutional Affairs, Kenya.

Hospitality industry – a key driver for growth in the long run: Considering good long term prospects in the hospitality industry, the company has formed a JV with Peninsula Land Ltd to cater the hospitality sector. Going ahead, the JV company, PLL Delta Hotel Ltd. plans to develop three/four star 100 bed hotels in various urban locations in India primarily in southern and western India. It has



also made strategic investments in Advani Hotels and Resorts and holds 51% stake in it. Delta Corp. through its subsidiary is also expected to commence operations of its first floated hotel "Royale Flotel" in Goa.

OUTLOOK AND VALUATION

At CMP, the stock trades at a P/E of 6x on H1FY11 annualized EPS. With due consideration to factors like a) early entrant and leadership position in casino gaming business, b) foray in hospitality business, c) value unlocking expected in East Africa real estate market from FY12 onwards, d) available at cheap valuations as compared to peers in international markets especially in Hong Kong, we recommend a **'BUY'** with a target price of Rs.108 (7x at annualized H1FY11 EPS) for investors with a six months horizon.



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