



## Delta Corp – Q4FY11 update

CMP: 90

FV: Re.1

Promoter's holding: 44.18%

Market Capitalization: Rs.18.2 bn

*Operating performance not upto mark...*

Q4FY11 Financial summary (Rs. in mn)

Particulars	Q4FY11	Q4FY10	% yoy change	Q3FY11	% qoq change
Net Sales	401	371	8	282	42
Operating profit	9	98	(91)	37	(75)
EBITDA Margin (%)	2	26	(2,414)bps	13	(1080)bps
Other income	30	1	2,788	29	3.5
Interest expenses	6	65	982	23	(48)
PBT	10	19	(45)	29	(64)
Reported PAT	246	18	1,268	52	373
EPS (Rs.)	1.22	0.11	1,009	0.31	293.5
Equity shares (mn)	202	167	20.9	167	20.9

The company witnessed yoy growth of 8% to touch Rs. 401 mn in Q4FY11. This was mainly contributed by 57% yoy growth of gaming and hospitality revenues. However, on qoq basis, revenues from gaming and hospitality segment were flat as Q4 is seasonally a weak quarter.

Revenues of Rs. 128.5 mn from real estate segment accounted for 47.1% of total revenues. Revenues from real estate segment were higher due to sale of Delta Hotel in Kenya.

EBITDA margin declined by 2,414 bps to touch 2.3% in Q4FY11 due to higher employee expenses in real estate business and higher gaming operating expenses.

Q4FY11 gaming EBIT margins stood at 10.3% due to higher expenses at the Caravela casino. Management has indicated that its Horeshoe casino operations remain on track for Q4FY11. The company believes that gaming revenues in April would remain strong.

However, the company benefited in the bottom line. The company enjoyed a tax benefit of Rs. 228 mn (including MAT credit of Rs. 213 mn). On yoy basis, PAT witnessed yoy growth of 1,268% to touch Rs. 246 mn.

### **Key developments and Management guidance**

The company believes that there would be exponential growth in gaming revenues in the next few years. Going ahead, the company expects that the third license would be operational and is confident of improving its margins. However, it did comment on specific growth number.

The company has received SEBI's approval in February, 2011 for the sale of its 35% stake in Advani Hotels to its 100% owned subsidiary, Delta Hotels.

In Q4FY11, the company through its subsidiary M/S. Delta Hospitality and Leisure Pvt. Ltd. acquired a majority stake in M/s. Marvel Resorts Private Ltd.

In the real estate space, its three projects in Kenya are ~90 complete. As compared to India, where the tradition is of pre sales, Kenyan market is different. In Kenya, there is no trend of pre sales. However, the company presently, is at a stage where it has received good interest for the projects. Management hopes, that all the three projects will be able to consummate the sale during this year and it also intends to commence couple of projects. It is confident of one of the largest sales in Q1FY12, as the company is in talks with couple of buyers. In the real estate segment the company, expects to do anywhere between Rs. 1.5 -2bn worth of throughput on a continuous basis.

The board of directors has recommended, subject to the approval of the shareholders at the ensuing Annual General Meeting, a dividend of 30%. i.e. Rs.0.30 per equity share.

### **Company's shareholding post warrant conversion**

Promoter's holding would be ~42.5% and preferential allotment would be 11%. Key investors like Mr. Rakesh Jhunjhunwala and Radhakrishnan Damani would continue to hold~10-11% of the company.

### **Outlook and recommendation**

*We believe, company's operating performance were not in inline with company's guidance. Considering risks like casino gaming a political sensitive issue in Goa, changing gaming regulations like gaming tax rates, licence fees, entry taxes and, we recommend that no fresh positions should be added at CMP.*

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