



“Delta Corporation Limited Q2 FY-20 Earnings  
Conference Call”

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**SERVICES**

**Moderator:** Ladies and gentlemen, good day and welcome to Delta Corporation Q2 FY20 earnings conference call hosted by Motilal Oswal Financial Services Limited. As a reminder, all the participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '\*' then '0' on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chintan Modi from Motilal Oswal Financial Services. Thank you and over to you sir.

**Chintan Modi:** Hello everyone and welcome on the call. From the management side, we have Mr. Hardik Dhebar – CFO and Mr. Pragnesh Shah – VP (Finance). Mr. Dhebar will take us through his opening remarks followed by Q&A. Over to you sir.

**Hardik Dhebar:** Good afternoon everyone and thanks Chintan for hosting this call. First of all, just to give you a perspective that we had a good 2nd quarter. As you would have seen, we are back to our 200-crore numbers. Like we had said in the 1st quarter, this is purely gaming per se. Like in the 1st quarter, we had said that had there not been the dry-docking and the interruptions due to elections and stuff like that, we would have been able to maintain the run rate in the 1st quarter also and we had assumed and hoped that the moment things get normalized, whether it is the operations of our 3rd vessel or the elections and everything being over, we should be able to back on the trajectory of the 200-crore number and which is what has happened.

Very significant to note here is that Goa per se has had a difficult 1st half if I may say so. To begin with, we had the longest period of the code of conduct and because of which the non-serving of alcohol and restrictions on serving of alcohol which extended for almost 2 months plus that coupled with the fact for Delta specifically because we had the dry dock also that happened at the same time. To add to that, we had an extended monsoon so to say in Goa and for a certain portion of the 2nd quarter, we had torrential and unprecedented rains in Goa which resulted in flash floods and disruption in the normal life which obviously reduced the movement of traffic both in the river and in the state of Goa per se. So, people avoided coming to Goa during that period of maybe a week or 2 weeks that we had the rain-hit period in Goa.

In addition to that, there was another major disruption which was very-very Goa specific was the taxi strike because of the local issues and the local demands of the local taxi union there, and people who have frequented and visited Goa will appreciate that Goa is one of the few states in the country where the mobile application based taxi services do not prevail. The government has tried starting its own mobile based taxi service but that is just about now. But because of which 4 weeks of non-taxi service, people plying from one place to another was becoming very difficult. So, somebody who is staying in a hotel far away would find it extremely difficult unless and until the hotel had transport provision of its own or they drew in their own cars. So, that obviously also had an effect on the overall visitations and the traffic. And that taxi strike lasted for almost 4 weeks.

To add to that, obviously, it is a known fact that the sentiment overall, whether it is the stock market or the general economic sentiment, was always subdued. I would not say recessive but obviously subdued. Given all the situations and obviously the competition which we have all spoken about that found its way through during the time when we were dry-docking and has obviously made its presence felt.

Despite of all these adversities, to be able to come back to a 200-crore number, we genuinely believe that this only goes to establish the fact that the market per se has expanded and grown, and there is no doubt in our minds that we will continue to be the market leaders and if the market per se has grown in the long run like we have seen in the past couple of years ago when the licensing fees were increased and we did see that the revenues bounced back and we actually grew from where we were. Given these adversities and given these adverse conditions, we only would like to reiterate the fact that in this situation having been able to meet the 200-crore revenue mark is only going to re-establish us going further and we do not see a situation where we should be overly concerned. Yes, people and most investors have always believed that we should continue to grow and that is what we also want but growth getting month-on-month or quarter-on-quarter sometimes becomes challenging for your own self because you have set the bar so high.

If you look at September 2018, we did a 202-crore revenue and the 1st quarter, we had done a 172-crore revenue. So, the jump from 170 to 200 crores itself was a very-very steep jump and it obviously will require a few quarters there for us to settle down at that level and make it as a new base as we say that it is the new low in terms of Sensex. This becomes our new base and the growth will now start from hereon.

So, if one was to look at a 5-year period or a 3-year period going forward or in the historical past, you would see that our growth rates will be in the region of that 15% to 20% which will become annualized growth rates again but every quarter, one may not see a visible growth of 20% or 30% or what one would expect. While we would like it to happen, but the reality is it doesn't happen.

More importantly, last quarter we had said that we are now regrouping ourselves and refocusing on our online strategy, especially poker with the Fantasy League going out of our gambit and we exiting that business in a way and staying invested through Halaplay which we are aware of. Poker became our mainstay which was the area of focus and we said we would start focusing and wanting to grow that business.

We had incurred an additional spend of about 4.5 to 5 crores in the 1st quarter which was additional over and above our normal marketing spends and we had hoped that this additional spend would give the necessary thrust to the revenues on the online and we would be able to witness and experience growth because of the activity. Thankfully, we have seen that happen. So, on the monthly basis, our run rate was about 11 to 11.5 crores and is now about 14.5 crores

which translates into the kind of revenue that we are seeing and therefore if you look at the revenue number for the online gaming per se, we have quarter-on-quarter grown about 5 odd crores on the online gaming space which entirely has translated into the profitability.

Last quarter, we had about 2-crore profit which stands at about 12 crores and last year same quarter, we had about a 3-crore profit which stands at about 12 crores at the EBIT level. The broad reconciliation of that would be we had one-time spend of about 4.5 to 5 crores on the advertisement and marketing spend in the 1st quarter which is non-recurring and there is a 5- to 6-crore increase in the revenue per se with all other costs remaining more or less steady and not witnessing any increase. If you add the two – expense reduction of 4.5 to 5 crores and increase in revenue by about 5 to 6 crores – that is what is translated into the EBIT level.

We also believe that the current EBITDA margins for the half year stands at about 23% to 24%. Having said that, we believe that in the long run, we will still be able to maintain that 20% kind of a range of EBITDA margins given the fact that there would be 1 quarter or 2 quarters in a year going forward that we would have a spend in marketing and sales promotion which would be higher than the usual one, but we can safely make a statement here saying that the 20s is where the margins would be stabilizing and we have not only been able to kind of take the benefit from the increased marketing spend in terms of revenue but we have also been able to curtail the expenses and spends over the last quarter which has resulted into this margin expansion and the profitability becoming more stronger.

Hospitality, obviously, given the fact like I told you the general economic scene has been pretty subdued and one sector which obviously has got the biggest brunt of it is the tourism and hospitality per se, and more than us, there are other hospitality companies which have shown flattish to a degrowing scenario and there is nothing different as far as we are concerned when it comes to the hospitality sector which has obviously shown a much weaker quarter as compared to previous quarter and previous year both, but we again believe that with the right kind of measures that the government has been taking and trying to push up the demand and try to increase liquidity and push the economy back onto track, a lot of the discretionary spend and leisure spend would start coming back, and we believe that going into this particular quarter, the 3rd quarter and the 4th quarter is the festive quarter and the season so to say for the hospitality industry. So, we hope that for the year as a whole, we may be able to recover a lot of ground that we have lost in the 1st and the 2nd quarter, and we believe that at the EBITDA level and at the profitability level, we will not get majorly impacted when we look at it as a year as a whole.

Finally, what I would like to bring to notice of all the investors and everyone on the call is that this is for the first time that the company has been required to give a half yearly cash flow and it is very-very reassuring that if you look at the cash flow from operations which stands at about 149-150 crores which is equivalent to the EBITDA for the period which itself means that we have a very-very strong cash-generating business, and we believe that this is one of the few

industries and the few businesses which are able to generate this kind of cash flows where your EBITDA equals to your cash generation for the period.

Other than that, I think, yes, we have had, like I said, because of the various adversities and the negative conditions that Goa has been through in the first 6 months and the general economic scenario, we have not witnessed a great visitation increase; however, we have been able to maintain our GGR. Thereby, we have been able to come back to the numbers that we were doing prior to the dry-docking 1st quarter and the subdued 1st quarter.

So, broadly, we are in sync with what we believe is nothing but a reaffirmation and reassurance to our belief that there is potential to grow from here and we will continue the trajectory of growth and over a span of 3-year or 5-year window one when analyzes, we would be able to continue to demonstrate the compounded annual growth rate that we have demonstrated in the last 8-10 years.

I have broadly covered all the industries and all the segments that we operate in. I would now request people who have any questions or clarifications to put it forth to me and I will try to answer them to the best of my ability.

**Moderator:** We will now begin the question & answer session. The first question is from the line of Ritesh Shah from Lucky Investment Managers. Please go ahead.

**Ritesh Shah:** I have a couple of questions. One on the market side in H1; was there a growth in the market if you have some anecdotal data points there and what would have been the visitations growth for us in quarter 2 and H1 of the year?

**Hardik Dhebar:** Like I said, we have had 2 new vessels effectively coming into the river. One was in the month of May where a new boat called Big Daddy was launched and there was another competitor of ours, namely Pride, who changed its small vessel to a bigger vessel; thereby adding a decent amount of capacity in the market. So, with that, I could definitely say that if those 2 guys have also sustained and done well for themselves which I can see from whatever is available in terms of visibility and the fact that I have gone back to 200 crores and not shown a dip in the overall revenues goes to show that the market has expanded and market has grown. Unfortunately, other than us, the industry is not as organized as we would like it to be and therefore there is no authenticity of any data that can come out of it.

As regards our visitations, we have been almost flat in terms of visitations is what I just mentioned a couple of minutes ago. On a half-year basis as well as on a quarter basis, we haven't actually added substantially or rather significantly to our visitations. However, we have been able to maintain and slightly improve our GGR, thereby being able to push back our revenues to the original levels.

- Ritesh Shah:** Just a clarification; Pride was a new vessel, right?
- Hardik Dhebar:** Pride was a change of vessel from a smaller vessel to a bigger vessel.
- Ritesh Shah:** And Big Daddy was also additional capacity?
- Hardik Dhebar:** Was an additional capacity, yes.
- Ritesh Shah:** These two combined put together, what kind of additional capacity would have come? 10% to 15%?
- Hardik Dhebar:** At least 15% to 20%.
- Ritesh Shah:** Just one more clarification question on your utilization of funds side. We see a 76-crore CAPEX being done and 26-crore investments. If you could tell these two areas where it is being spent and surprising that there was 36 crores of financial liabilities. We didn't understand because there was a cash in the balance sheet. So, what is this financial liability?
- Hardik Dhebar:** In terms of CAPEX, we have added a little more land to our 100 acres of land. We have obviously invested into our Nepal casino in terms of gaming equipments and the interiors of the casino. A little bit of CAPEX addition has happened or your depreciation going up on account of whatever you may say is on account of the accounting standard adjustment that is about 9 crores.
- You said 76 crores of CAPEX.
- Ritesh Shah:** What I did was I just did the difference between the net block number which you have reported between March and September and added back the depreciation.
- Hardik Dhebar:** I am not very sure whether 76 was the number. Pragnesh, have we spent 76 crores in half year?
- Pragnesh Shah:** No, it is around 29 crores.
- Hardik Dhebar:** Exactly.
- Ritesh Shah:** Can you just give the breakup of where the addition is please?
- Pragnesh Shah:** There is around land parcels as you rightly said there are some plant and machinery what was added and few small assets and vehicles bought for all our units put together.
- Hardik Dhebar:** And then, there is some software updation in addition that has happened on the online business. All put together is about 28 crores is what I can see. So, I don't know where you are getting that 76 crores number from.

**Ritesh Shah:** 868 crores is your property plant and equipment for 30th September 2019 and 19 crores is your CWIP and then you have given a corresponding March figure at 825 and 9.7. If you do the difference of these two and just add depreciation to it, then the number is 76. That is how I calculated the 76.

**Pragnesh Shah:** What you added is ROU that is under IndAS 116. Now, companies are required to account their leased properties which are more than 12 months as “Right of Use.” That sum is around 45 crores. Correspondingly, there is a liability of around 40 crores we added to the liability side.

**Ritesh Shah:** This also explains my second question that has 40 crores “Others.” It was my mistake.

**Hardik Dhebar:** That financial liability is also on account of ROU only.

**Ritesh Shah:** What is that 26 crores of investments incremental that we have done?

**Hardik Dhebar:** That would be in Halaplay and Jalesh that would have gone during the year.

**Moderator:** Next question is from the line of Neeraj from Goldman Sachs. Please go ahead.

**Neeraj:** Hardik, when we did a call in the last quarter, you had indicated that you are heading for a 20% to 25% growth rate in your business, but we are still flat. In fact, we are (-1%) and even if you talk about 15% addition in your competition, assuming they might have also some teething issues and not everything would be growing on that capacity, the growth in the industry is still not enough, not the way that you might have envisaged. Any comments on that?

**Hardik Dhebar:** Like I said, Neeraj, that we have seen unprecedented growth rates in certain quarters and we have had years where we have had a couple of quarters where we have flattened and then all of a sudden, the spike has come because the industry expansion happens, the absorption of capacity happens, and then all of a sudden you witness a growth. From our side, whatever efforts are required to ensure that we target the right kind of customers and we target more customers, we have been doing so.

Just to give you a flavor, in terms of our promotions or our strategy, we have looked at tying up with airlines such as Air Asia who have flights coming in and Skyscanner where we try and give them promotional coupons and one-time playing shifts, etc., where we believe that we could reach up to 2-3 lakh users who are existing users of this. We also did a similar tie-up with HDFC Bank where we could get data access to their uses. From our perspective, we are making all the efforts to ensure that despite the increase in competition and despite the so-called subdued atmosphere, we try and push ourselves to make sure that the required visitation and flows happen.

Other than that, like I said, the 1st quarter had its own share of problems in terms of elections and the dry dock and everything and I explained to you that during the 2nd quarter, you had a 4-week taxi strike which basically paralyzed the movement in Goa. So, people getting down at the airport would only be able to reach their hotel barely, and then for them to again travel to another location and most of the hotels in South of Goa or North of Goa, the prominent ones are half an hour to 40 minutes. It is not the walkable distance. So, the taxi strike of 4 weeks also cripples a lot of moment.

You had about a week and a half or almost 2 weeks of torrential rains in the state of Goa causing floods and limiting my movement in the river because the waters were very rough, it was becoming dangerous. If I was plying 10 ferries a minute, I had to ply 2 or 3 ferries a minute. That also restricts the movement and because it is raining so heavily, people don't tend to move out.

All these adversities were there and to top it up, the general sentiment having been that the overall visits and tourist visitations into Goa also had suffered.

If all these things were to get normalized, we don't see a reason why the growth trajectory or at least the momentum can be restored.

**Neeraj:** Just an estimate I want to understand that if you remove those factors, post monsoon....

**Hardik Dhebar:** Neeraj, very difficult to put a number. I would assume that we should be growing at 15% to 20% annually but that's an assumption that I can make and I can tell you, but if you ask me that please remove the factor and see how it would work, I don't know. Very difficult for me to answer that. And please understand that given the overall sentiment of the market being one of recession or subduedness, in the food chain, casino spending would be the most discretionary spend, right? If I am able to maintain a 200-crore run rate being last in the food chain, then I think it only shows the robustness of the business and the market is all that I can say.

**Neeraj:** What is the status on the Mopa? Any thoughts on the offshoring of casino?

**Hardik Dhebar:** Like we had said earlier that we have been given to understand that come the winter session, we should see some sort of movement and development in the casino policy announcement and fortunately in the last couple of weeks, there has been enough news flow reiterating that fact where a lot of people, ministers, etc., have gone on record to say that yes, they are moving to land and Mopa is also being given as a location. So, we believe that it is bound to happen sooner rather than later now. We have already waited enough.

**Neeraj:** Where do you book your revenues for the Jalesh Cruise now? In which segment would you book?



**Hardik Dhebar:** In gaming.

**Neeraj:** What were the revenues for the quarter for the Jalesh Cruise?

**Hardik Dhebar:** For the quarter, there were hardly any revenues because the cruise vessel came in only on the 20th of September and had been only operational for 10 days of which I think we did 2 cruises at best. So, hardly any revenue in this quarter. For the 6 months, I think we have done a revenue of about 80-90 lakhs and we have had a cost of about 2.5 crores.

**Neeraj:** That also might have impacted your....

**Hardik Dhebar:** Yeah, when you look at the margins or profitability, there is a new cost item of 2.5 to 3 crores which has come in on the cost side being the cost on account of operations of Jalesh whereas there is no commensurate revenue coming because of the number of days of operations have been very limited. Again, I am not taking that as a major factor, but we believe that that obviously plays a role.

**Neeraj:** What would be right now your estimate of Jalesh Cruises revenues and EBITDA?

**Hardik Dhebar:** I think the full 12 months of operation, we should be able to do about 25 crores of revenues what we believe.

**Moderator:** The next question is from the line of Anuj Momaya from Valuequest Investment Advisors. Please go ahead.

**Anuj Momaya:** What has led to this margin decline in the casino business? Any particular reason?

**Hardik Dhebar:** One of the reasons is, just now we discussed, that there is an additional cost of Jalesh 2.5 crores which has come in but there is no revenue that has come in. In addition to that, given the increase in competition that we have been seeing, we have also upped our offerings as I say, not marketing spend per se but offerings. For example, when you came to the casino earlier, and I used to give you say Antiquity for Teachers as a pouring brand or a house brand in terms of liquor, I have upped from that to a VAT 69 or something which is increased cost in terms of my liquor and food & beverages which is about 2.5 crores. So, that makes it 5 crores. To support this, again, your hotel and travelling stay has also gone up because if I was offering free air ticket or a free package or something to a guest who is committing to spend say Rs. 1 lakh, today I may be doing it at Rs. 50,000 trying to get more and more people in. To that extent, that is about a crore and a half that has gone up. These are some of the costs plus Nepal. While the operations have not yet begun but the salary cost and everything has started to kick in from now.

Nepal OPEX currently is purely the salary cost and nothing else which is about 65 to 70 lakhs that have come but once it starts, we will have the salary cost plus the lease rent that we will pay to the hotel also.

**Anuj Momaya:** The EBIT of 65 crores that you have done in the quarters, if you do 200 crores of top line for the casinos, this is what the EBIT we should be looking for?

**Hardik Dhebar:** There are one-off costs like Jalesh is today only on the cost side, not on the revenue side. It will also come on the revenue side going forward.

**Anuj Momaya:** But what I am saying is if we maintain this 200....,

**Hardik Dhebar:** But 200 is almost zero Jalesh. It cannot be 200 with Jalesh coming in also. It cannot be a situation where I keep on spending on one side and get no revenue on the other side.

**Anuj Momaya:** Have you received any communication from the GST Department on the news articles which were there? What is the stance on that? Is it settled? What can you clarify on that?

**Hardik Dhebar:** First of all, there is nothing from our side to say, talk, or clarify on that because everything that is being talked about is by one news channel and a story that was published by a news channel. Neither then nor today have we received any communication, any notice, anything from any department. So, there is nothing for me to say or clarify or take a stand on.

**Anuj Momaya:** What is the status of the Daman?

**Hardik Dhebar:** July 10th was the last hearing when unfortunately, the entire board of the Bombay High Court was discharged and the new date given is of the 14th of November.

**Anuj Momaya:** On the 14th of November is the next hearing?

**Hardik Dhebar:** Yeah.

**Anuj Momaya:** Sir, we were supposed to launch rummy as well. What is the status? Only poker remains the focus in online?

**Anuj Momaya:** Poker remains the predominant focus. Rummy, yes, is there but like I had said in the last call that rummy is already being operational but it is on a very small basis and we do not want to start burning money at any juncture and we will spend money only that much where we see that we are getting traction and we will not go all out and do it. But the day we believe that we are completely in sync and can start generating decent revenues is when we will push the pedal but till then, yes, we are continuing to offer rummy in a small way and we keep doing that on a monthly basis, a 30-40 lakh kind of revenue is what we do in rummy.

- Moderator:** Next question is from the line of Shaleen Kumar from UBS. Please go ahead.
- Shaleen Kumar:** Hardik sir, when did this Pride new vessel came in?
- Hardik Dhebar:** Both happened in May, Shaleen. The changing of vessel of Pride from a smaller boat to a larger boat and Big Daddy both happened more or less simultaneously in May-June.
- Shaleen Kumar:** Big Daddy, I assume, is a pretty large ship. How big is the Pride?
- Hardik Dhebar:** Similar sized.
- Shaleen Kumar:** So, almost 800-900 gaming positions?
- Hardik Dhebar:** Gaming positions, yeah, could be that much. May be slightly smaller than Big Daddy but decently.... I think, if I am not mistaken, Pride boat is as big as our Deltin Jaqk boat and Big Daddy is slightly bigger than that.
- Shaleen Kumar:** That means 20% to 25% capacity increase at least?
- Hardik Dhebar:** Which is what I said, about 20% increase in capacity one could assume.
- Shaleen Kumar:** The good thing is your online gaming growth has picked up and while you guided that margin will come down, but what about the growth guidance over here on the online bit?
- Hardik Dhebar:** Our target if you recollect, in the year end call when we said that what would we be looking at for the online space, we had said that we want to try and acquire at least 40,000 to 60,000 new customers which should translate into additional revenue over and above the regular growth. At the current run rate, we should be able to clock at about 150-160 crores of revenue and if we are able to achieve the goal which we believe we could based on the current traction and run rate, I think we should be growing at least 20% to 25% over the last year. That's the target. Just to give you a flavor, like I said during my opening remarks, I used to do on the online gaming side about 11 to 11.5 crores a month which is now currently steady at about 14.5 odd crores. That itself if you see is a little over 20% monthly growth that we have seen and we have been sustaining at that 14.5 to 15 crore number for the whole of last quarter which goes to show that if we are able to do that, then for 9 months, we would have.... and we grow from there because 3rd quarter, the festive quarter, is obviously supposed to be better for the online play because more people are home, more people have more time, there is the holiday season, etc., that should also help.
- Shaleen Kumar:** Sir, you used to talk about addition of numbers but how many do you track in terms of the number of active users on online gaming? Any sense just to give a more color to this?

**Hardik Dhebar:** I would normally have that data available. Unfortunately, currently I am not having the data ready since it was just yesterday but offline, I can definitely share that data with you.

**Shaleen Kumar:** Sir, since the capacity has come in in this financial year only, it will hit us for the second half as the growth is likely to come once it settles at the base. If I am not wrong in assuming that we will have a bit of a tough second half as well because simply the capacity is huge now, it will absorb additional incremental growth.

**Hardik Dhebar:** I don't think one should be looking at it that way and one should be worried. The fact that I have been able to achieve 200 crores, if you look at I had gone down in absolute number because I had one lesser boat. Now, just because my boat came in, it should not have. If the capacity in the competition was so stiff, I should not have gone back to 200 in the normal sense of the terms. The fact that I have been able to go back to 200 is only reiterating the fact that the market itself has expanded and if the market has expanded, there will be larger number of players to be accommodated and therefore the increased capacity will only act as a boon rather than a bane.

Just to tell you on your active users front for the quarter, we have had about 70,000 active users against the previous quarter of 58,000 active users.

**Shaleen Kumar:** These active users, any basis like they are transacting....

**Hardik Dhebar:** Yeah, who are pretty regular in their transactions. It is not that you play once a month is an active user.

**Moderator:** The next question is from the line of Deepan Mehta from Elixir Equities Private Limited. Please go ahead.

**Deepan Mehta:** Sir, I just want to know when is the starting date for the Kathmandu Casino?

**Hardik Dhebar:** I think we are at least 3 to 4 weeks away from commencing operations. The reason for the deferral and the delay is because when we were ready and we were awaiting the final license from the government in Nepal, they came up with the requirement of having to restructure the holding company there as per their required norms which were not communicated obviously and hence we had to do a little bit of a restructuring there which has taken a little bit of time which will also entail us making fresh application to the government but all that has been taken care of. Another 3 to 4 weeks is where we believe that we should be able to operate.

**Deepan Mehta:** All the best at that. Another question, sir, is that obviously it is a bit of a new industry. What are the levers you have in terms of attracting customers or what is the USP of Delta vis-a-vis competition or some overview on how you have an edge over the next guy?

**Hardik Dhebar:** For the benefit of the larger crowd, I think we can do a one-on-one call on this and I can give you a perspective of how we look at our business and how we position our business vis-a-vis others if that is acceptable.

**Deepan Mehta:** No problem. Last question is that all the time this news keeps on coming that offshore casinos being banned on and off case there is a ticker somewhere or the other. What exactly is the legal position?

**Hardik Dhebar:** I was just talking to somebody yesterday and I said that people only remember the news when it says that the casinos are going to be shut, or casinos are going to be shifted out. I just mentioned as an answer to someone's question that in the last 3 weeks, there have been enough news flow which have said that the casinos are going to be moved to land and they are going to be moved near Mopa and that the industry is very integral to the tourism sector and the economy of Goa. That news nobody remembers. That's an unfortunate part.

Just to answer your question, while the industry may be otherwise new, it has been in operations in Goa from 1995. Between 2008 and 2019 as we see today, the industry has grown significantly and intertwined itself into the economic fabric of Goa in a way that the dependency of the state has been increasing by every passing day. We have been a substantial contributor to the exchequer of Goa, whether it is through GST or through the license fees or through other taxes that we do.

As an industry, we employ about 15,000 people which is 60,000 people who are dependent on the industry directly. For a state which has a population of 1.2 million, 60,000 direct dependency on one industry is a huge number. We are not even considering the fact that for every 1 person who is directly employed, there would be at least 5 to 7 people who are indirectly employed. Be it the taxi drivers, be it the bar owners, the restaurant owners, the number of hotel rooms that have got added between 2008 and 2019, the number of flights that have increased from 2008 to 2019, the number of restaurants, bars, shacks that have increased, the number of taxis that have increased in Goa.

If you look at the entire picture, there is so much of dependency and economic inflow to the state exchequer that talking anything adversely about the industry is not going to help anybody and that is why if you see whether it is the party in power or the party in opposition, nobody has ever said that they are going to shut the business. When they were asked pointedly, they have said, we don't say that we can shut the business because we are now dependent on this as an industry. So, I don't think there is a political situation or a political risk of a closure happening. That is completely out of the way and out of the question. For some political benefit and some political gimmickry, some may want to make a statement here and there; that is fine, but ultimately what has to prevail is somebody who is in power and who has the right to make a decision has to make a statement of that kind. And if you see, not in the immediate last 3 weeks but if you look at the last 3, 4, 5 months, only news flow that has come out is all

positive about how much the industry is benefiting the state, how much of employment is being generated, how much of investment has come in, how it is supporting the tourism, and how it is being generating revenue for the exchequer. So, I am pretty clear about it.

**Deepan Mehta:** That's a convincing argument. As I have one more question that when you do move onshore, I assume the capacity will be the same, but what will be the CAPEX on account of shifting to onshore?

**Hardik Dhebar:** Again, the capacity is not going to be the same. We are going to be developing close to about 2.5 to 3 lakh square feet of gaming space and currently my capacity is going to be increasing about 6-7 fold and for that CAPEX, I think I have already answered in the past and again just to tell you that the total project cost would be in the region of 2000-2200 crores of which Delta looks to invest close to about 1000-1200 crores which is including the land plus the infrastructure on the land. We look at 200-300 room hotel and about 400,000 square feet of gaming space and the ancillary services to gaming which is employee quarters and surveillance and backoff house and everything put together. That would be about 1000-1200 crores is what Delta looks at. The 1000-1200 crores also, how we are going to service it has been answered in the past. For your benefit, let me repeat. On the 14th of October, we are sitting on 415 crores of cash. We are generating about 300 crores of EBITDA give and take on a yearly basis. Like I just said, EBITDA is equal to cash flow in most of the times as far as we are concerned. So, for the next 4 years if I generate 300 crores, this 1200 crores plus the 400 crores that I have on books is 1600 crores. My total expected investment is 1000 to 1200 crores and total investment is 2000 crores plus I have monetizable assets. All put together, even if I have to go out and do the entire investment on my own, we will still be able to do it out of our internal accruals and generation without having to borrow a single rupee.

**Moderator:** Next question is from the line of Anupam Agarwal from Lucky Investment Managers. Please go ahead.

**Anupam Agarwal:** My question again pertains to the news articles that have come out in the last 1-2 months. Like you said that news article also talks about the banning of casinos and the shifting of casinos to onshore, it also talks about not renewing licenses after FY2020. If you can just throw some light there of what this not renewing the license means?

**Hardik Dhebar:** I don't know where you are getting the banning of casinos from and I haven't come across anything which says they are going to ban the casinos. I have enough interviews of the CM and the ministers who are relevant and the people who are relevant to be able to issue the licenses and the permits to have gone on record to say that we are an integral part and there is no question of shutting down the business for whatsoever reasons like I just explained because of the dependency and the amount of revenue that the industry gives to the state. So, I don't know where this banning is coming from.

Relocation, yes, has been a point which is being discussed. Even in 2008, 2009, 2010 early days, they were talking of relocation. They have spent over 3-4 years trying to find an alternate location for the boats to be parked in but have failed and that is how the movement onto land as an option has come out. Again, as I said, people can make statements.

Renewal of license, again, you were referring to a City Council of Panjim. The City Council of Panjim actually is no body which is involved in the issuance of license or renewal of license. What they can at best do is permit or not permit me to do trade on the jetty which is on the Panjim side of the things. The license is issued by Ministry of Home Affairs, State of Goa. City council has no role to play there. If they stop and they say that you can't trade on Panjim jetty, we won't trade. We will trade on the boat which doesn't come under the purview of the City Council of Panjim. They can make any noise and make any stupid comment to give media its required adrenaline boost, but I don't think it has any very meaning.

**Moderator:** The next question is from the line of Gautam Trivedi from Nepean Capital. Please go ahead.

**Gautam Trivedi:** Hardik, good set of numbers frankly even in this tough environment. I had a couple of questions. First was with respect to the fact that on your investment side of the balance sheet, I just wanted to understand how do you reconcile this? You have 970 crores as of 30th of September standalone; however, on a consolidated basis, it is 73.76. Just explain to us how that works?

**Pragnesh Shah:** Basically, standalone basis, it is the investment made by the holding company across all the companies.

**Hardik Dhebar:** Basically, all my 100% subsidiaries, Gautam.

**Pragnesh Shah:** And consol which number you are looking is primarily it is on account of Jalesh and Halaplay.

**Hardik Dhebar:** Everything that is my subsidiary which gets consolidated will get knocked off and it is only the outside investment that will get reflected. So, Jalesh and Halaplay are predominantly the outside investments as far as Delta is concerned and that is what gets reflected. Everything else gets knocked off.

**Gautam Trivedi:** We had questions with respect to the GST case. Is there any progress you can share with us or it is in the status quo?

**Hardik Dhebar:** Like I said, Gautam, there has been no official communication right from the time the news broke out in May till today on the 15th of October as we speak. One, actually there is no case as far as we are concerned because there has been no communication, no notice, no show cause, whatever you may want to term it as. That is one part. Having said that, like we had said, we have already made a representation to have a clarification made on the so-called

ambiguous circular that is being referred to and I can only say that in the last GST Council, they have taken up the matter and they are putting it to rest by addressing it through either a group of ministers solution or the GST Council itself is going to take a solution. We believe that earliest by the next GST Council or latest by the next GST Council, we should have a full and final closure on this matter.

**Gautam Trivedi:** One last question from my side. With respect to the October it has only been about 14 days or 2 weeks into the month, are you seeing any green shoots at all with respect to your business, i.e., arrivals into Goa or is it still pretty grim?

**Hardik Dhebar:** On your last question, the GST Council minutes of the meetings are normally available in the public domain. If you pick up the minutes of the 35th GST Council meeting, you will see that the CM of Goa and the ministers there have made an extremely strong pitch in favor of the casinos and to ensure that the controversy or the ambiguity that has arisen is put to rest. That will give you enough comfort.

In terms of your question now, what I was only seeing is that the first 14 days are showing me the trend which is a normal trend but typically around the time of Diwali, historically we are expected to see a slight lull because the 7 days of Diwali predominantly people prefer staying home, prefer staying with the family and gambling amongst friends and family rather than going out and gambling. So, October or whichever month wherever there is Diwali is a subdued month compared to the normal business but otherwise come post Diwali and everything you go into November-December and it is going to pick up and currently we are not witnessing any degrowth at this point of time but I think come closer to the Diwali week, we will see a little bit of a lull.

**Moderator:** Ladies and gentlemen, due to time constraint, that was the last question. I will now hand the conference over to Mr. Hardik for closing comments.

**Hardik Dhebar:** I think I have tried and covered everything either through the opening remarks or through the Q&A and tried and conveyed the conviction, the belief, and the confidence that we have and we continue to have in the business. Whether it is the offline business which we believe is our lion's share and will continue to be a lion's share of business or our online business which is a growing business and which we are focusing and refocusing on as far as poker is concerned and we believe both the businesses are bound to grow given the nascency, infancy, and the newness of the business and the market per se.

**Moderator:** On behalf of Motilal Oswal Financial Services, that concludes this conference. Thank you for joining us. You may now disconnect your lines.