

15<sup>th</sup> January, 2024

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Dear Sir/Madam,

**Sub: Transcript of Conference Call**

**Ref:- Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Please find attached transcript of Delta Corp - Q3FY24 Post Results Conference Call held on Thursday, 11<sup>th</sup> January, 2024.

You are requested to take the same on record and oblige.

Thanking You.

Yours Sincerely,

**For Delta Corp Limited**

**Dilip Vaidya**  
**Company Secretary & Vice President- Secretarial**  
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**Encl- As above**

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# “Delta Corp Limited Q3 FY24 Earnings Conference Call”

**January 11, 2024**



**MANAGEMENT:** **MR. ANIL MALANI - CHIEF FINANCIAL OFFICER**  
**MR. MANOJ JAIN - CHIEF OPERATING OFFICER**  
**MR. PRAGNESH SHAH - VICE PRESIDENT (FINANCE)**

**MODERATOR:** **MR. KISHAN MUNDHRA – ANTIQUE STOCK BROKING LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY24 Conference Call of Delta Corp Limited hosted by Antique Stock Broking.

As a reminder, all 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 an operator by pressing "\*" and then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kishan Mundhra from Antique Stock Broking. Over to you, sir.

**Kishan Mundhra:** Good evening everyone. On behalf of Antique Stock Broking, I welcome you all to the post Q3 FY24 earnings conference call of Delta Corp.

Today, the company is represented by Mr. Anil Malani who is the CFO, Mr. Manoj Jain who is the COO, and Mr. Pragnesh Shah who is the VP Finance.

Today's session would first be a brief on the Results by the management and would be followed by a question & answer round.

With that, I would now like to hand the call over to the management.

**Anil Malani:** Good day everyone. Welcome to Delta Corp Limited 3<sup>rd</sup> Quarter Results Investor Call.

I would like to introduce you first to my team. I have Pragnesh Shah with me in Mumbai, Vice President Finance; Manoj Jain joining us from Goa – he is our Chief Operating Officer; and Anil Malani here.

This actually is the first full complete quarter post the introduction of the new GST tariff and methodology introduced by the government. So, I am sure you guys have got several questions which need to be answered. We will be happy to provide all the answers with full clarity and to the best of our ability.

The results have been declared and most of you would be familiar with that. So, without wasting any more time, we would like to take the questions from our investor fraternity.

**Moderator:** We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We will take the first question from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.

**Dixit Doshi:** As you mentioned that this is the first complete quarter after the new GST introduction, if you can broadly take one example of let's say Rs. 1,000 or Rs. 5,000 and help us understand how it

was charged earlier and how on the ground level now we are charging the GST and how much actually consumer gets to play. If you can take one example and help us understand?

**Manoj Jain:** Just to understand your question, you said that how the GST was charged earlier pre 1st October and how it is charged in the third quarter which is basically effective 1st October we changed our GST method because the government introduced a new GST law. Correct?

**Dixit Doshi:** Yes.

**Manoj Jain:** Let me explain to you and everyone on the call. Pre 1st October, the GST was obviously absorbed by us only and we used to pay 28% on our gross gaming revenue which was basically our table revenue, and we were paying 28% on an inclusive basis. It used to basically effectively cost us 21.875% of our gross gaming revenue. If we made hypothetically let's say Rs. 200 crores GGR which is the table revenue, we were paying 21% which is around Rs. 43 crores. Post 1st October, now we are supposed to pay 28% GST, not on the GGR which we are doing but on the sale of chips which we are selling. Just to take an example, if we are now selling, let's say Rs. 1 lakh chips, then we are now liable to pay 28% GST, again on an inclusive basis, on Rs. 1 lakh. That again works out to Rs. 21,000. What is happening is now our GST is payable on the sale of chips, not on the gross gaming revenue. Our gross gaming revenue to sale of chips is around 70%. Basically, our cost has gone up on that 30% additional which is basically the chips which were encashed by the players. On that 21% is our cost which has gone up. Effectively it works out to around 6% extra on our GGR, basically the GST cost.

**Dixit Doshi:** You said GGR is around 70% of the chips sold?

**Manoj Jain:** Yes, GGR is 70% of our chips sold right now.

**Dixit Doshi:** Basically what you are saying is that let's say if I come and play and if I pay Rs. 1,000, you will give me the chips of Rs. 1,000 and not net of GST.

**Manoj Jain:** No, what we are doing now is that we realize that the GST cost obviously the player is not going to take because we did a lot of experiments in the months of October and November and what we did is that now we are basically giving full value of chips in which there are some promotional chips and there are full cash chips as well. Those promotional chips are given in lieu of GST, and players who are basically coming into our casino are getting actually the full value, but they have to compulsorily lose those chips on the table. That's how we are kind of recovering our GST costs.

**Dixit Doshi:** Now this drop in the revenue on a year-on-year basis, is there an impact of GST or there was a license –

**Manoj Jain:** There were 2-3 things which actually one has to look at in Q3 compared to Q2 or maybe Q3 last year that this year there was an impact of GST in the months of October and November. What happened is, because of that, a lot of people were reluctant to come and we were initially deducting 20%. Actually 21% was not possible to deduct. So, we were deducting 20% and giving

only 80% of the chips. That was initially in the months of October and November we were doing. And then apart from that, there was the World Cup which was going on, which also basically has always had an impact on our visitations. And apart from that, there's Diwali which always has been a lull period of almost a week to 10 days. That's the reason why we had an impact on our revenues. That's why our revenues were lower. But the interesting part which I can sort of tell everyone on this call is that December had a very good run rate, and it had the same run rate what we used to do in the previous quarters. We were back to our normal operation in the month of December.

**Moderator:** We will take the next question from the line of Pritesh from Lucky Investments. Please go ahead.

**Pritesh:** Can you just share the visitation number and the net realization per visitation for this quarter and the same quarter last year so we will clearly understand the impact which has come through because of the newer regulatory norms?

**Manoj Jain:** For our gaming operations in India for the December quarter, we had 124,000 paid customers, which was actually 4% lower compared to the previous quarter which was September. In September, we had 129,000 visitations and interestingly it was 6% lower compared to the same quarter last year. Last year, we had 132,000 visitations compared to 124,000 this year. Like I said, there was an impact and also I wanted to mention that there were a lot of people this year chose different destinations over Goa. People have gone abroad and all of that. And we could see that in hotel occupancy here and the general arrivals at the airports. That's why the visitation numbers were lower compared to previous quarter and the same quarter last year. I think GGR per visitation would probably be more or less the same, but that number we will get back to you. Pragnesh would probably get your details and will send you those details.

**Pritesh:** You are saying as of now, the spends per head were similar.

**Manoj Jain:** It is more or less the same but our visitations were lower. It hardly maybe probably 3% 4% or 5% lower. And like I said, in the month of December, it has come back to the same sort of run rate.

**Pritesh:** Sir, we would like to understand only for the quarter. Spends is same at the net level after GST? Or after GST, it has to be 6% lower, right?

**Manoj Jain:** It has to be 6% lower because that is our cost which has gone up. So, what happens is usually the GGR is always calculated on the table which will be less by 6% because the value of the chips has gone down by 6% anyways.

**Pritesh:** At the gross level, is it down by any chance?

**Manoj Jain:** No. Gross level it will be down if the visitations are lower. On an average, the GGR would be more or less the same, but like I said, the visitations were lower. That's why we have an overall....

- Pritesh:** Spends per head at the gross level is the same, right?
- Manoj Jain:** Yes.
- Pritesh:** Whatever is the difference is because of the GST impact of about 6% to 7%?
- Manoj Jain:** Absolutely correct.
- Pritesh:** 6% lower visitations and about 6% lower net revenue, so about 12% lower?
- Manoj Jain:** Correct.
- Pritesh:**  $221 \times 0.88$ , you come to about Rs. 194 crores of revenue, but you still have Rs. 181 crores on a YOY basis. So, is there any other explanation for the lower number?
- Manoj Jain:** Let me check that how you are calculating. But like I said, we will give you the breakup if you want how it came down. There were a little bit of intra-group incomes also, which were slightly lower compared to this quarter and last quarter.
- Pritesh:** No, I just did the gaming numbers. I just did the casino numbers.
- Manoj Jain:** In casino also, there are some intra-group transactions which happen. That also was lower because there is some rev share we do for our offline business and online business.
- Pritesh:** That's just a Rs. 2-crore differential number which I can see from your P&L.
- Manoj Jain:** We will get back to you on that. Maybe I don't have those details here.
- Pritesh:** My other question is, when will the license fee renegotiation happen? And, is there a scope for any reductions in the fixed cost by any methods in the future?
- Manoj Jain:** Fixed cost obviously doesn't go down. That's the reason why it is the fixed cost. And as far as license fees is concerned, I am not aware if there is any conversation our head office is having with the government to reduce the license fees because the GST cost has gone up. That maybe I am not aware of it. Having said that, the variable cost has come down a little bit. If you look at it, the cost has not come down overall, but our variable costs came down because of the lower visitations. But that was kind of offset against our legal costs which went up in this quarter because of all the GST-related cases which are going on because of that.
- Anil Malani:** I would just like to add here, Pritesh, that we are having conversation – multiple actually – on the license fees. But as you know, the government has suggested that they will review the whole thing after a period of 6 months. So, that's the time we are going to be taking up all the several other parameters that we need to relook into.
- Moderator:** We will take the next question from the line of Anushree from Alpha Invesco. Please go ahead.

**Anushree:** I have a few questions around our CapEx plans. How much of the total CapEx of the new ship is pending?

**Anil Malani:** The total outlay is roughly between Rs. 280 crores to Rs. 290 crores. About Rs. 175 crores has already been invested and the balance remainder will be deployed over a few months of this year. The project is on schedule and it is being built and it is taking up a good shape.

**Anushree:** By when do you expect it to be done – the ship to come online?

**Anil Malani:** It should be in the third quarter of this year, and hopefully we should either manage to get some revenue from that ship in the third quarter or definitely in the 4th quarter.

**Anushree:** Another question being on the land that was purchased for the integrated resort project in which we have invested close to around Rs. 130 crores. What's the plan for that land now?

**Anil Malani:** You're right, about Rs. 125 crores to Rs. 130 crores has been invested for the land. Another Rs. 45 crores to Rs. 50 crores has been invested for various licensing and regulatory clearances that were required. For now, the project has been divided into 3 phases. The first phase probably would be the theme park which we are addressing. There is a proposal to look at that and whilst the overall project was slightly kept on hold to wait for the outcome of the GST which has now come, we are in the process of deciding to go ahead with phase I and subsequently phase II which would be a part hotel and retail, and the third phase would be all of the rest. That's the update on the integrated resort that we had planned.

**Anushree:** The land-based casino is still under consideration for the project or not?

**Anil Malani:** Not really. Now that the clarity has been received with respect to the methodology and how we are going to be charging GST, like my colleague Manoj had mentioned earlier, we have taken several steps and we have pivoted towards ensuring that we are able to retain our customers; they come back and they spend and we go back to our GGR pre the new tariff that was introduced. I think the current quarter and maybe one more quarter where we will probably go through these processes and we are pretty much confident that the quarter starting July, we should be back to our original revenues as was done previously. But the real growth would probably come in only after our new vessel comes into the river, because that's going to double our existing capacity.

**Anushree:** And lastly sir, on our CapEx plans for the hotel in Miramar that we have, how much have we invested yet in the property and how much is still pending?

**Anil Malani:** If you recollect that the project was actually meant to be a residential project. Subsequently, to complement our casino business, the company took a call to convert it into a hospitality project. Keeping the existing structure in mind, we have actually already spent about Rs. 190 crores on the project, which includes land cost. We are envisaging to spend another Rs. 175 crores to make about Rs. 450+ crores five-star deluxe hotel.

- Anushree:** The additional money that we are going to invest, is that to convert or modify it into a hotel or....?
- Anil Malani:** Not really modify, but yes, to convert to a hotel because the original plan, like I mentioned, and which we had also explained earlier, was for a residential complex. So, there is a little bit of internal modifications that we will need to do to bring it up to the scale that we are expecting it to be.
- Anushree:** What is the timeline for commercializing that property?
- Anil Malani:** All going well subject to various approvals, we are looking at a timeline of about 18 to 24 months.
- Moderator:** We will take the next question from the line of Puneet Shah from Shah Investments. Please go ahead.
- Puneet Shah:** I just had 2 questions. What was the GST amount that was paid for this quarter? I think you used to give that number last time. This quarter if you can give that number. And the second question is, after October once we have had this entire GST implementation, how have our packages changed in terms of the kind of freebies or free chips that we give, bonus coins, or whatever? If you can just explain about these 2 things.
- Manoj Jain:** How much the GST we paid for this quarter, that Pragnesh would be able to answer that because I don't know exactly all the numbers, but for offline business, we have paid additional around Rs. 7 crores to Rs. 8 crores extra GST we paid. But I think Puneet is looking for the total number. That we will give it to him. Now, Puneet, coming to the second part of the question, before October 1st, what we were doing is we used to have 3 F&B packages where we used to charge Rs. 3,000, Rs. 4,000, and Rs. 5000 and the difference between these 3 packages were purely liquor which we were offering on board Deltin Royale. And then, we used to have a weekend rate which was Rs. 500 more than the weekday rate. Also, apart from this, we used to have a gaming offer where the customer could pay Rs. 500 inside on board at the cage and get one-time promotional Rs. 1,500 chips. So, effectively, he is paying Rs. 3,000 to enter and experience our F&B facility, entry to casino was free, and he used to go pay Rs. 500 at the cage and get Rs. 1,500 chips because we wanted him to buy the chips. That was a one-time promotional offer which was offered till 30th September. Come 1st October what we did is, we basically kept our rate as Rs. 3,000, Rs. 4,000, and Rs. 5,000 only and what we did is we removed this gaming offer of Rs. 500 to Rs. 1,500 because there was a GST which was paid on the entire Rs. 1,500 worth of chips which we were giving and charging only Rs. 500. So, first what we did is we stopped that. And second, what we also did is, just to increase the visitation and having this.... We saw that there was an issue and people were not coming in the numbers. So, we were giving an offer of basically 10% discount on our website and call center for a committed booking. The rate remained the same – Rs. 3,000, Rs. 4,000, and Rs. 5,000, but you could basically get a 10% discount on the website and call center if you made a booking before coming to our jetty to enter.



This is as far as package change is concerned. As far as the total GST liability which is basically this quarter versus last quarter, Pragnesh, you have the numbers, right?

**Pragnesh Shah:** Yes, Manoj. It is Rs. 58 crores what we paid this quarter. And last quarter, we paid Rs. 50 crores. That is Rs. 8 crores extra we have paid.

**Manoj Jain:** This is only offline, right?

**Pragnesh Shah:** Yes.

**Manoj Jain:** I think Puneet is asking for the entire GST paid in this quarter versus last quarter maybe.

**Pragnesh Shah:** Online we paid Rs. 18 crores what we used to pay Rs. 6 crores last quarter. So, there is Rs. 12 crores extra, but we were on GST front.

**Puneet Shah:** Sir, one last question. If you can just give a broad understanding of how has the entire industry changed after this impact? How is the competition behaving? If you can just give a general landscape of how things have changed for the industry.

**Manoj Jain:** We were obviously focusing on ourselves for this particular quarter and we being a leader started charging GST from the customer and then subsequent to that, we decided that let's just give the full value because we realized that a lot of our customers were not only going to the competition, they were also choosing to go to other destinations, which is like let's say Nepal or Colombo. So, we went back to 100% value. Competition, which is kind of... There are small operators, not as organized as Deltin, there they were probably giving full value from day #1.

**Anil Malani:** On the online space, prior to the new tariff that got introduced, as you all know, we were planning to do an IPO. During that particular phase, there were several plans that we had chalked out to ramp up the business. But once this came in, besides the IPO plans, all our marketing initiatives also were put on hold and a conscious decision was taken to make sure that the online space is as profitable, we should not be burning any money. The focus went back to poker which has always been our mainstay. And all the other initiatives like multi-gaming platforms, rummy, and various other games were put on hold. We believe all the online companies now are actually following the same format which is in some form or fashion, they are compensating the players who are putting a deposit in their wallets in full. This, we believe, is not a sustainable model because the difference hits your bottom line straight away. We expect some shakeout and consolidation to take place. We are waiting for that to happen. Once we get a little bit more visibility on how the competition is going to play out, that's the time we will probably take our steps and decide what further needs to be done in the online space. The online space is a little tricky and sensitive, and most of the players we do believe would run out of cash as no new funding is happening.

**Moderator:** We will move on to the next question which is from the line of Bhavesh Patel from Patel Investments. Please go ahead.

**Bhavesh Patel:** Again, well done in the difficult situation. I have 2 questions and one is around the cases which are ongoing. On the GST demand for the prior years. And I am aware that maybe a Supreme Court hearing is upcoming and associated with Deltin is also there, Daman case which is almost there in terms of the decision but haven't heard anything recently. And the second is on the overall strategy of the organization and cash on hand because we have already signed up in terms of our real estate partnership and plan. If you can throw some light on this, it will be helpful.

**Anil Malani:** On the retrospective tax issue, as you would be aware, all our cases are in the High Court for which we have received a stay. It is being fought by our legal team who believes that the claims are arbitrary and not justified in law. Over there, we will have to wait. And as rightly mentioned by you, it should be coming up for a collective hearing sometime next month. We are hoping that both the verticals are fought on different grounds, the casino separately and the online separately because they are different games. On the prospective tax collection, I think that clarity has come in. We are abiding and following the guidelines laid down by the department. Our current projects, two of them which are on stream, the new boat and the new hotel, these have been taken care of and will continue to be taken care of with our current cash flows. We may have had a small blip in the quarter that went by, but otherwise, the company quarter on quarter is throwing out cash and it will continue and that would take care of our current 2 investments which are ongoing. We have close to, post our investment of Rs. 100 crores in Peninsula Land, about Rs. 500 crores still sitting on our balance sheet for which we have treasury income coming in. So, there is substantial comfort in the cash flows and our reserves.

**Bhavesh Patel:** Just a clarification on the Daman casino case.

**Anil Malani:** Yesterday or the day before yesterday, it was scheduled to come up. It was listed on the board. Unfortunately, it didn't come up. Now we are seeking for a date, and informally, we have been advised that some date next month we probably would be given.

**Moderator:** We will take the next question from the line of Agastya Shah from Shah Research Services. Please go ahead.

**Agastya Shah:** You gave the number for footfalls for the quarter. Can you also give it for the month of December and December of last year as well?

**Manoj Jain:** For December last year, we had 50,278 visitations versus this year we had 46,329 visitations which is almost around 8% lower compared to the December last year.

**Agastya Shah:** Can you also provide me the average gross gaming revenue of December? Both this month and the last year as well?

**Manoj Jain:** Agastya, that we will have to share with you because I don't have that number often right now – the gross gaming revenue. What happens is now we have changed our methodology and removed the GST from our GGR. So, that will have to work out. Pragnesh will send it to you.

**Agastya Shah:** Also, I believe we had some offers running in December, but still we see an 8% lower footfall in December. Over the whole quarter only, we are seeing this or October was good but then October-November-December, December is the lowest amount of footfall?

**Manoj Jain:** I will give you the numbers also. Like I said, we had an 8% lower visitation. That is mainly because last year December maybe because of the COVID and the revenge tourism, people were still traveling and coming to Goa, but this year, we have seen quite a bit of drop in people coming into Goa. The reflection is that for 26th, 27th, and 28th December, the flight from Bombay was as cheap as, Rs. 4,000 to Rs. 5,000 which usually go to basically Rs. 15,000 to Rs. 18,000. The visitation overall in Goa was lower compared to last year. In fact, if you could ask the taxi drivers, they were all saying the reason is that because of the GST implemented to the casinos, people are coming lesser in numbers in Goa. I don't know if that was one of the reasons or not, but yes, the overall visitation in Goa was lesser. But like I said, the interesting thing is that in the month of December, we went back to our original run rates. Maybe our visitations were lower, but our gross gaming revenues were more or less similar to what we otherwise do in a month.

**Anil Malani:** Manoj, is it possible for you to give us a trend over the last year's January?

**Manoj Jain:** January also, compared to last year, we are lower in terms of visitation for the first 7 days, Anil. I don't know the numbers, but they are definitely lower, more than 8% to 9%, but our run rates are good, touch wood.

**Moderator:** The next question is from the line of Rishikesh from RoboCapital. Please go ahead.

**Rishikesh Oza:** Sir, you said to a previous participant that from July, we will be back to our original revenues. Can you explain how exactly that would be achieved and what would be the sustainable EBITDA margins then?

**Anil Malani:** With respect to the numbers, like Manoj mentioned, on a GGR basis as far as the customers coming in, we are actually more or less in line with that and the contribution per customer is in line with what they were spending in the past. Now this tourism issue with respect to less footfall, whilst I believe that Goa will continue to occupy a preferred destination for all Indians, this drop in footfall we are addressing and hopefully over the next few months, it should be sorted out. Just to give you an idea, the number of flights coming in from different locations have now increased to 29. They are expected to go up to 36 by the end of this month and so on and so forth. I don't have February-March figures. The average arrivals which generally is in the vicinity of 15,000 to 16,000 a month dropped to about 14,000 for the last weeks of December. And everyone is doing whatever they need to do to contribute to ensure that the footfall goes up. Our thinking is stemming from the fact that once the footfall comes back to its original numbers which were there pre GST, then we have enough ammunition with us and the marketing team on ground along with the operations team has got plans to make sure that the revenues probably will go up to the levels that we were seeing before. There is a GST impact as well as the promotional chips impact. So, it's going to be our endeavor to ensure that the revenue increases. And whilst we are running nearly at full capacity, there is also a plan to slightly change the

demographics of the players that come in to ensure that their contribution towards GGR is maintained at a higher level.

**Rishikesh Oza:** Also, if you could comment on your EBITDA margin sustainability, what would be the sustainable EBITDA margin levels then?

**Manoj Jain:** I think we will be able to maintain 35% to 36% EBITDA margin. We were at 41% EBITDA margin. We see that additional 6% to 7% hit because of the GST and like we said that most of our costs are fixed costs, so at a steady level with the current capacity, I think we will be able to go back to the original EBITDA margins, less by around 5% to 6%. We will try to compensate by generating more revenues because if we get more revenues, we will be able to obviously add to straight away EBITDA because like I said, it's a fixed cost business. Having said that, I think like Anil mentioned, the next level of growth will come from the new ship which will come soon in the operations. The margins will have an impact of only GST – there is nothing else – because our costs are predominantly fixed.

**Rishikesh Oza:** Sir, one more question. With regard to the GST demand, can you comment on the possibility of the government ordering any freeze on accounts or any adverse actions that they can take?

**Anil Malani:** Really unable to comment on that, Rishikesh. The matter is sub judice. Whatever the outcome, we will have to wait and watch.

**Moderator:** The next question is from the line of Rehaan Phophalia from Sicomoro. Please go ahead.

**Rehaan Phophalia:** First of all, thank you for the transparency on the changes in the business and the numbers provided. That really helps in understanding the way forward. What I wanted to understand was the plan with Peninsula Land. What kind of geographies are you targeting and what projects would you be looking at? And if you could also provide some kind of timeline?

**Anil Malani:** The real estate sector currently seems to be in an upswing cycle. Peninsula have actually been the pioneers and among the first companies to introduce luxury living and commercial spaces. We do believe that they went through some issues, but have now managed to come out strong and have cleaned up and have a robust balance sheet. As Delta is concerned, we have been in the real estate play much earlier and we have executed projects and exited profitably. So, we felt that there are definitely synergies which lie between the two companies, one which has got execution skills. The other one being us, where we have got some reserve funds lying with us and we would like to deploy it into quick projects. When I say quick projects, probably it would be redevelopment projects and small projects which can add value, not long gestation projects. And this can be considered as a slight diversification program from our side. We are not completely sure how this is going to play out, but we are confident that we will be able to, and the whole objective is to build a strong real estate brand. As you are aware that our current promoters have real estate in their DNA, we have seen an opportunity and we are just going to go by that and hopefully turn it around. At this point in time, what revenue it is going to add to our top line, we really can't say, but we are hoping that it does become significant because after

our expansion plans in the casino and hospitality space, there isn't really any scope for further expansion because the casino business is primarily limited to the state of Goa and it has a small presence in the state of Sikkim. Beyond that, we don't see really any opportunity. The integrated resort, yes. Like I said, phase I which is a theme park which again also happens to be a real estate play. We are going to be executing that and then subsequently we will take it from there.

**Rehaan Phophalia:** Could you help me with what you mean by quick projects? If you can just give me an example of something that has been done in the past or by any other builder?

**Anil Malani:** We are looking at small redevelopment projects. There are a few offers and proposals which I can't disclose right now with Peninsula Land. We have been strategically evaluating them. We expect permissions to come in between 6 to 9 months and a quick construction and delivery by anywhere between 18 months to 2 years. Hopefully, the end-to-end exercise should be within a period of 3 years. We are looking at an IRR of anywhere between 25% to 30% since there will be no cost of land involved in this.

**Rehaan Phophalia:** And what kind of geographies are you looking at?

**Anil Malani:** Primarily it's going to be the island city of Bombay. I think we are looking at south and central Bombay. There are a few proposals in Goa also, where we have our strength. So, to start with, it will be between the 2 cities.

**Moderator:** The next question is from the line of Bhavesh Patel from Patel Investments. Please go ahead.

**Bhavesh Patel:** The next question is, have we seen any uptick in our Nepal casino considering that India GST has gone up? And any other plans now? If you are finding that challenging in India, then maybe even Sri Lanka we have put it on hold?

**Manoj Jain:** As far as Nepal casino is concerned, it's doing well. But we can't look at any other jurisdiction now because the FDI rules and ODI rules don't permit us to invest in any casino outside the country. Those opportunities are not there anymore for us.

**Bhavesh Patel:** But existing can continue is what I am hearing.

**Manoj Jain:** Yes.

**Bhavesh Patel:** And then there were some plans to monetize land. I don't remember correctly, but whether it's Sri Lanka or even South Africa, whether we have made any progress on that and our another Advani Hotel stake?

**Pragnesh Shah:** Bhavesh, as far as the Lanka land is concerned, we already sold that land. We already encashed that value.

- Anil Malani:** And as far as Advani Pleasure investment is concerned, there is no real requirement right now. It's there in our books. We can monetize it any time. I am sure when the right opportune time arises, we will take that call. That investment is to the tune of about Rs. 125 crores.
- Moderator:** We will take the next question from the line of Karan Mehta, an individual investor. Please go ahead.
- Karan Mehta:** I just have a few questions related to our real estate business. Firstly, why have we adopted the dual investment strategy in this business by investing in Peninsula Land Limited as well as investing in the JV?
- Anil Malani:** That's a very simple transaction actually. We have bought in a small stake in Peninsula Land Limited and subsequently we will form a JV for which we will have a majority stake. Peninsula will put in their contribution; we will put in our contribution. We felt that this structure works best for both companies. So, that's the decision and thinking behind this whole investment.
- Karan Mehta:** Is this the only vehicle through which we are entering this business or are we planning to collaborate with other experienced industry players as well?
- Anil Malani:** As far as our foray into real estate is concerned, this JV will be the vehicle. The other established and reputed brands are very large. They don't really need funds from us. They have got their own projects online. Peninsula has in the past executed projects and they have a small pipeline of projects which would be there. And we were thinking of capitalizing and monetizing together with them on that. That's the whole purpose, and we do definitely distinctly see value in this.
- Karan Mehta:** Sir, regarding our capital allocation strategy in this business, how will it be for the next 3 years? And what will be the peak investment in this business?
- Anil Malani:** The peak investment would depend upon the opportunity that arises. Right now, we don't really need any debt. We have got enough cash in our balance sheet. The current business is throwing up cash. It is taking care of all our investments. If there is a safe opportunity that does arise and the IRR is lucrative and mouth watering, we will definitely plunge into it.
- Karan Mehta:** Any rough guidance like how much can that amount be for the next 3 years?
- Anil Malani:** We are starting off with the investment of about Rs. 250 crores in the JV. Then we will see how it plays out. And if and when needed, we will take a call then. But for now, that's the amount that we have earmarked.
- Karan Mehta:** Lastly, on the Goa land project phase I, will the amusement park also have a casino?
- Anil Malani:** No, that's going to be a water theme park. That's not going to have a casino.
- Moderator:** The next question is from the line of Dhaval Dama, an individual investor. Please go ahead.

**Dhaval Dama:** My first question is regarding the ship. Sir, over the last 6 quarters, we have consistently seen both the timeline of the ship being stretched out more than what it was initially communicated to investors and even the absolute amount increasing significantly. If you were to look at just the con-call of our company 6 quarters back, the amount is more than Rs. 100 crores higher what you are saying today. Can you please clarify how has this amount increased by so much?

**Anil Malani:** The ship currently has got 5 floors and it has got 1 under-deck. When we embarked on this project, we had not envisaged for it to become so large. We were focusing on it to just replace our smallest vessel. Subsequently, when this clarity on GST came out and the proposal was to tax on sale of chips, we decided to slightly tweak the ship in terms of facilities available on it. We have added some more retail space; we have added some more space for retail players. We are going to have shops in that. We are going to have a salon in that. There is a food court which has been planned. A lot of features have been added to that. This resulted in a slight delay. And, as far as cost goes, I don't think it has gone up too much. I don't recollect on the last call what was the amount mentioned. But based on the new budget that has been prepared and accepted by the board, we seem to be on track for that. The ship will also have the largest space available for any outdoor event that can take place in Goa, which actually has been. I am not talking about events like sunburn, but if you are going to have an offsite party where you get about 800 or 1,000 people, this vessel will be able to take care of that. Besides being an entertainment destination, it will also be an F&B destination. It will have areas for children. There is going to be a games arcade, there is going to be retail shopping, and of course, enough area for gamers to come in. There are a lot of new introductions in terms of features which we have learnt over the last 15 years running our current 3 ships, which we have introduced in this ship. Keeping all that in mind, we have just run into a little bit of a delay and then the vessel being built in a remote location like Hangarakatte in Udupi also has added a bit to the execution process.

**Dhaval Dama:** Sir, secondly, I am not able to understand the strategic view of the company and I will put a question in a way that on one side, all you are saying is that the hit from new GST regime is only some 6% to 7% and obviously with the revenues going up, you will be able to make up a large portion of that margin hit with revenue increase. But on the other side, the company now is doing everything under the sun. We are building a hotel which we were not in earlier. We are not putting up a new casino; we are making it a water park. We are putting now a lot of these things in our ship, and we have also invested in a real estate company now. We seem to be looking at more opportunities outside thinking that this business might not do well. But in this business if the hit is only 6% to 7%, why is the view of the company like that?

**Anil Malani:** In case you have got the wrong inference, as far as our casino business goes, it's extremely robust and extremely resilient. We are actually going to decommission one of our smallest vessels and the new vessel that's going to come into the river is going to be equal to twice the current capacity that we have. So, we are doubling the capacity. That only goes to show the faith in the business. We can't do anything more to increase capacity because we have 3 vessels and there are 3 licenses which have been issued to us and no more licenses will be issued. So, in terms of increasing capacity with the existing vessels, I think we peaked out. The new ship that comes in and the capacity, that will hold us into good stead for the next 3 to 5 years in terms of churning

out revenue because what we are doing right now in the new ship is we are going to add double capacity. You can imagine what the revenues will grow up to. As far as the hospitality sector is concerned, the more capacity we create for our vessels, the more capacity we will need to have in the hospitality space. Currently, we have a 106-room hotel which over the weekend is completely sold out to all our players. Now, with the new ship coming and new capacity being doubled, we would at the bare minimum require about 200 to 250 rooms. Whilst we are happy to pay for the rooms outside, there are some weekends where in spite of what you want to pay, you won't even get rooms. If that happens, then we are unable to invite our guests, which means it has a direct impact on our revenue. So, all that we are doing is basically to grow our casino business. You are right on the fact that the impact is only a small percentage and that is here to stay, but with doubling the capacity, that would be completely overlooked. And I don't think we will have an issue with respect to increasing our margins the way Manoj explained.

**Dhaval Dama:**

Sir, the last question is, did I hear you right when you said that our GGR to gross buying of new chips is only as high as 70%? So, essentially people lose almost 70% of what they buy?

**Anil Malani:**

Before this tariff was announced, you would be free to come in, buy any amount from our cash cage, let's say about Rs. 10,000, and you could play in any zone on any level. And depending on the outcome, you could freely go and exchange those chips from the cash cage. To give you an example, if you bought Rs. 10,000 worth of chips and you came back with Rs. 5,000, you would get net Rs. 5,000 back in your hand. The system has now changed. If you buy Rs. 10,000 right now, we will deduct the TDS and give it to you. And if you come back with any chips, you are not going to get a refund. That's not something that I am dictating; that is something which is the law. So, what has happened where people would buy amounts and probably at the end of the day go back and change have decided now to control their purchases. So, they buy in a smaller lot and as and when they spend that and if they need to buy more, they buy more. Therefore, the \_\_\_\_\_ 53:47 \_\_\_\_\_ (whole percentage to a drop) has gone as high as 70%. And it's just simple, logical that you won't do that. And the same fundamental applies to our online business where people are now controlling the deposits that they make because you have to straight away pay 28% on the deposit. That's where the irony lies.

**Moderator:**

Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to the management for their closing comments. Over to you, sir.

**Anil Malani:**

To sum up and provide some more clarity on our businesses, as far as our casino business is concerned, I think we have demonstrated, we are demonstrating, and we are pretty much confident that after maybe next quarter or maybe 2 quarters, we would be back to where we were performing. The growth in the business will come in after the new ship comes in, and we are pretty confident that we will be able to excel and deliver revenues in expectation with what we have been doing in the past. The online business currently is a wait & watch. We are definitely expecting some shakeout to take place and we are hoping to reap some benefits out of that. The current ongoing projects are well taken care of and they are only going to add to our revenue. The new ship and the new hotel which is going to complement our gaming business, that's going to further have substantial cost savings and that is going to directly translate into profits into our



P&L account. The integrated resort project which was currently and temporarily put on hold, we are looking at breaking it up into phases, and we are looking at starting the water theme park which is a portion of our entire outlay. So, the total project that we had envisaged in terms of hotels, retail, convention center, multiplex, and the theme park remains intact. But we start with the theme park. And with respect to our overall financial health, I think we are in a comfortable position and we have healthy reserves in our balance sheet and we don't foresee any hurdles coming our way. The investment that we have made into real estate is a well-thought-of investment and we are pretty confident given the fact that we have had experience in this that we will be able to add great value to our investment in Peninsula Land.

With that, I would like to conclude the summary of our business and for the next couple of years the way we see it.

**Moderator:**

Ladies and gentlemen, on behalf of Antique Stock Broking, that concludes this conference. We thank you for joining us and you may now disconnect your lines.