



23<sup>rd</sup> January, 2023

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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 - Q3FY2022-23 Post Results Conference Call held on 18<sup>th</sup> January, 2023.

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**  
**FCS NO.7750**  
**Encl- As above**

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# “Delta Corp Limited Q3 FY23 Analyst Conference Call”

**January 18, 2023**



**MANAGEMENT:** **MR. HARDIK DHEBAR – CHIEF FINANCIAL OFFICER,  
DELTA CORP LIMITED**  
**MR. SHIVANANDAN PARE – DELTA CORP LIMITED**  
**MR. PRAGNESH SHAH – DELTA CORP LIMITED**

**MODERATOR:** **MR. ALPESH THACKER – ANTIQUE STOCK BROKING  
LIMITED**

**Moderator:** Ladies and gentlemen, Good day and welcome to the Delta Corp Third Quarter FY23 Analyst Conference Call hosted by Antique Stock Broking Limited.

As a reminder, all participant 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Alpesh Thacker from Antique Stock Broking Limited. Thank you and over to you, Sir.

**Alpesh Thacker:** Thank you. Hello everyone and welcome to Third Quarter FY23 Investor Conference Call of Delta Corp Limited. Today we have with us the management of Delta Corp represented by Mr. Hardik Dhebar – Chief Financial Officer of the Company. The format of the discussion would be brief opening remarks by the management followed by a Q&A session.

Without much ado, let me hand over the call to Mr. Dhebar. Over to you, Sir.

**Hardik Dhebar:** Hi, Good afternoon everyone and thank you Alpesh for hosting this call once again. So, not wasting too much time I am sure everyone of you has gone through the results while there have been certain conjunctures and certain confusions in the minds of people with regards to the business and the margins and stuff like that when compared year-on-year. I have during my interaction over the media as well I have tried clarified that December ‘21 was a base which is not comparable as regards to the current period.

The fact of the matter is that it was only for part of the year that we were operational in that financial year given the COVID second wave and in the quarter of December ‘21 not all the expenses were at their pre COVID level or the normal operating levels whether it is the salaries, whether it is the license fees or for that matter all other operational expenses as well which obviously in the current period are back to the pre-COVID levels in fact the regular increments which had not happened for a period of two-three years have also kicked in, the number of employees and the staff that had been reduced during the lockdown have also been brought up to speed rather we are more than the number of people we were there then because we had effectively two new operations that we have added.

So, all those things when you consider and when you factor in for those increases the margins are not at all compressed or subdued and in fact they are in fact better if because if I was to factor in the same kind of cost for the December ‘21 period the margins would have been much lower. So, the question of a compressed margin that is being spoken about and muted numbers that is being spoken about I would not like to hold it entirely through. Yes, with regards to the revenue sequentially, if you look at quarter-on-quarter one may not see a substantial growth or a growth at all because it is expected that when you have broken out at a certain level in the second quarter

continuously growing quarter-on-quarter may not be something that happens in any business for that matter and especially in our business we have seen that we have a step up growth kind of a format where we reach a certain number stay there for a couple of quarters and then grow in from there with certain events and disruptions happening.

Now one such disruption as far as the Delta is concerned is obviously in the form of the new vessel that we are expecting to launch replacing our King's Casino or Caravela, as it was known earlier. We hope that in the coming financial year towards the third quarter or so we should be able to bring in the new vessel which obviously as has been seen in the past whenever we have a new product a better product there is a disruption in the market which basically shakes up the whole space and we are able to penetrate better and deeper. One of the reasons obviously with the new vessel is going to be the enhanced capacity which will give us more space for accommodating larger number of guests who we have to from time-to-time turn down given that we run full to our capacities over long weekends and holiday seasons.

That said the gaming business per se otherwise has demonstrated robust character and we believe that given the new vessel and everything coming in the near future we should be on a very good growth trajectory given that we are maintaining a good sound run rate at this point of time. With regards to the online business again we all know that unlike the offshore casinos where during the month of December or sometimes during long weekends you see more traffic.

On the online gaming space, it is a little bit of different the holiday season typically festivals like Diwali, Dussehra, etc., tend to be more of family time and family gatherings and people do not log in to online gaming sites that much and same is true during even the last week of December where it is more of a holiday time with the families rather than logging on to the online gaming sites and therefore we see lesser traffic that gets generated.

However, to be able to maintain the run rates and to be able to retain and keep the traffic on we tend to spend a little more during these periods on the marketing and sales, promotion and related activity thereby we are able to continue and maintain the run rate and as can be seen as against about 49 odd crores that we had done in the previous quarter of September 22 we have ended up with a 51 crore so would not call it growth, but still a strong and resilient kind of a growth. The investment that has gone in form of sales promotion, marketing, advertising and all the other activities that has happened in this quarter and over the last few quarters that the online businesses embarked upon we are very confident as is clearly visible that in December '21 the online gaming business was at about 35 crore for the quarter which has gone up to 51 crores now and we believe that the current run rate is much better and we hope that we will be able to surpass even this 51 number going forward given the current run rate that coupled with the fact that we will continue to invest and focus on marketing sales promotion related activities we hope to see better numbers and better growth going forward.

With regards to hospitality, it has always been our say that it is a complimenting business to our gaming business and it is only a happy situation to be in where despite of not doing the core activity or the core business of the Company we have been contributing at operating levels and we have been doing reasonably well and growing steadily in that space of hospitality as well. So, by in large I believe that we are on the right path and the right trajectory as far as the performance and operations of the Company is concerned one has to look like I explained and I tried to annualize and decipher the numbers and the reasons for it. One has to look at it in a more pragmatic and practical way at the numbers rather than merely looking them at pure play set of numbers on a standalone basis.

With this, I would like to invite questions and I will try and answer them to the best of my ability. I have my colleagues, Shivanandan Pare and Pragnesh, who are also in this call if required we would be bringing them in to answer any specific or technical questions if there are any.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.

**Jiten Parmar:** We listen to what you said in the opening remarks, but...

**Hardik Dhebar:** Your voice is echoing can you pick up the phone please.

**Jiten Parmar:** One sec please.

**Moderator:** Mr. Parmar we request you to please use the handset when asking the question.

**Jiten Parmar:** So, regarding this in the previous year December '21 quarter there was COVID impact and all that...

**Moderator:** We have lost the line for Mr. Parmar. We will move on to the next question from Mr. Abhishek Singhal from Naredi Investment. Please go ahead.

**Abhishek Singhal:** Sir my first question what would be the effect on the Company from the rules that government is drafting on the online gaming and what is the update on the IPO debt subsidiary Company was bringing?

**Hardik Dhebar:** With regards to the rules that the government is framing we have gone through the rules and set of regulations that the government is planning to bring about as far as the online gaming is concerned and we are very happy to note that most of the requirements that the government wants these companies or wants companies like us to follow we are already in compliance with more than 90% of what is required. In fact, I would want to say 100%, but it is a question of we following it at a certain stage and the government wanting us to follow it at a certain stage like say for example they want some things to be done at the time of registration, they want something to be done at the time of deposit whereas we may be doing it at a certain time later in the cycle.

It is just those issues that are being ironed out between the industry and the government and we are very confident and hopeful that the final outcome of the discussion between the industry, the government and all the stakeholders and participants is going to be something which is going to be a win-win for everybody. More importantly, this is the step in the right direction as far as the industry is concerned given the fact that this is not only giving the industry an interface in form of a ministry which it will be able to talk to and will be represented by in addition to the self-regulatory body which will be like a watch dog who will keep a check and make a level playing field, but most important part in the whole thing is that this basically gives a recognition to the industry at a much larger level and that would obviously have a lot of other questions which were remaining unanswered at all points of time being put to rest in forms of what is online gaming, whether it is gambling, betting, scale, non-scale, etc., all those things will now be taken care of and will be put to rest which obviously will help the industry when it even comes to the GST standpoint and with regards to the IPO I already gone in record that the entire process and the steps that are required to be done to be ready and be prepared to launch the IPO we have done all those activities, we have completed all those formalities, we are very close to the budget which is not a very good time from a market perspective to launch an IPO or for that matter do any fund raising activity given that the budget is a big financial event. So, we are waiting for that event to be behind us and we are hoping that by the time the budget is all done and dusted with and has been presented, analyzed over issues which are the rules and regulations related issues or the GST related issues also will have gained a lot of clarity by then which will make our path and road clearer and smoother for the IPO to be launched immediately thereafter.

**Abhishek Singhal:** And sir what kind of margin are you expecting in Q4 and FY24 and what is CAPEX plan and how much CAPEX have you done in the current year?

**Hardik Dhebar:** So, margin for what business are we talking of?

**Abhishek Singhal:** Sir overall.

**Hardik Dhebar:** We are already at about 34%, 35% kind of EBITDA margins we will only better from here given the fact that there are operational leverages which will obviously kick in over a period of time. So, the margins are only going to improve from here. Also given the fact that on the online space once we start doing better both on the top line as well as on the contribution side the margins will only improve from here. So, I only would like to state that on the gaming side we are currently at 34%, 35% kind of run rate and we should only improve from here going towards the high 37, 38 because if you see the casino business or the gaming business per se the average margin is about 38%, 39% and the blended margin is where we are looking at about 34% which we believe can be much higher and much better. With regards to the CAPEX, we are in the process of building the new vessel which obviously will come into operation in the coming financial year by the third quarter or so. The total cost is going to be about 225 crores, 250 crores of which we have spent roughly about 120 crore, 150 crore kind of a thing another 100 crores odd to go which I do not think is a big number, but that should take care of the CAPEX. So, with

regards to the new project the Deltin Entertainment City or the Deltin Town whatever is the name that is being referred to that I think is not a large set of expense has happened as yet like I mentioned earlier we are in the final stages of getting the last bit of approvals. Once those approvals are in place we will be breaking ground and once we break ground over a next four years is when we are going to be spending a large amount of money, but again there we would be as you know we have generated our 300 plus crores of cash flow in the 9 months and we hope to generate close to 400 crores this year. So, I think we would be generating a similar amount year-on-year if not more which should take care of the capital expense required and as you know we are currently sitting on 650 crores of cash.

- Moderator:** Thank you. The next question is from the line of Pritesh from Lucky. Please go ahead.
- Pritesh:** Sir, could you give some idea on the supply addition in the water-based Casino in Goa in the last one year and in the next one year?
- Hardik Dhebar:** In the last one year there has been no addition. The last new vessel which came in which added capacity in terms of the industry as a whole was way back in May 19 when Bid Daddy brought in and replaced its vessels other than that the capacities have remained more or less identical they have not changed with regards to in the last next one year obviously our new vessel is going to be coming in and we have gone on record to say that our own capacity would go up about 2.5 to 3 times from our existing capacity so that is the kind of addition we are looking at.
- Pritesh:** Is there any loss of market share in the last 9 months in terms of the visitations by any chance for that?
- Hardik Dhebar:** No.
- Pritesh:** One clarification from the comment which you made which I see only happening this quarter is that you said that largely on the weekends and longer weekends is where the capacity is full and we have to deny guest?
- Hardik Dhebar:** This is not a new comment Pritesh this has been my statement for quite some time and that is where when we first spoke of capacity expansion and changing up the vessels that is where I had also said that this is going to take care of those days during the year when there are weekends, long weekends, holidays, etc., where we go beyond capacity and we have to deny entry to be.
- Pritesh:** Does it mean that the current vessels are basically running in optimum utilization and optimum visitations?
- Hardik Dhebar:** It is not like a cement or a steel plant where you have an installed capacity and you run at 100% or 110% capacity kind of a thing. The reason is very simple it is a 24-hour operation your peak time starts at around 8 o'clock, 9 o'clock in the night goes up to 3, 4 in the morning. There is capacity which is completely unutilized or partially utilized or underutilized during the balance

time of the day. Now, if you go to Macau and Singapore whether you are at 11 in the morning or 11 in the night there is hardly any difference in terms of the visitation and the crowd that is not a culture that has picked up as yet as far as India is concerned which obviously will only happen once the market keeps maturing and the visitations keep growing. Today, yes while I would like to say that we are operating at near optimum or near full capacity when it comes to the peak hours and in the weekends and now the weekends also have extended earlier it was Friday, Saturday, Sunday now the weekends starts on Thursday itself as far as our business is concerned. I think yes we are going towards the more matured market and a more developed market, but I think to be able to put a finger and say that Yes we are operating at full capacity or optimum capacity the difficult question to answer in a business like us.

- Pritesh:** Lastly what is the Quarter 3 visitation and spent number if you could share that?
- Hardik Dhebar:** Quarter 3 we have roughly about 150,000 guest who have come in and the visitations obviously once your number of guest go up we will obviously drop. So, we were at about 18,000 odd GGR per person that comes down to about 16,000 because my visitation has increased from 115,000 to 150,000.
- Moderator:** Thank you. The next question is from the line of Jiten Parmar of Aurum Capital. Please go ahead.
- Jiten Parmar:** My question is regarding you mentioned that in December '21 Quarter was affected by COVID and December 22 obviously is unaffected quarter, so what I want to understand how is that the hospitality business revenues are down that is my first question?
- Hardik Dhebar:** So, you are talking of gaming.
- Jiten Parmar:** Hospitality.
- Hardik Dhebar:** It is a very relative term when you say they are down it was 16 odd crores it is 14.5 crores you know 1 crore up and down can happen on multiple counts and one of the biggest reason as far as our hospitality business is concerned like I said since one it is not a core area for us so you the Goa hotel operations are more or less unaffected and the numbers are not very different. It is the Daman hotel operations where you would see this 50 lakh, 1 crore up and down happening because we look at a lot of corporate, MICE and weddings that happen at our hotel. Now in a particular quarter if there are no wedding dates then obviously you will not have weddings happening then, but you will have them happening in the current quarter because the dates are in January, February. So, it is a question of what shifts where. So, I would not look at it as a dip because it is a marginal shift or a marginal change from where we were last year similar period.
- Jiten Parmar:** Also, revenues probably have not grown to the context of basically the jump in other expenses?
- Hardik Dhebar:** Which revenue are you talking of?



- Jiten Parmar:** Overall revenues.
- Hardik Dhebar:** Why would you say that now if you are again if you want to compare it with December '21 9 months we have more or less grown by about 42%.
- Jiten Parmar:** I am talking about quarter-on-quarter?
- Hardik Dhebar:** That I think I have mentioned in my opening remarks that it is the second quarter which is always the path breaking quarter as far as gaming business is concerned and you know the third quarter obviously will be a mirror image or a reflection of how the second quarter has grown and where we are. So, from the first quarter to second quarter you see there is a growth and then it is not a business where I just have to press a button and things happen. It is a question of how the overall industry has moved, it is the factor of how visitations have grown, it is a factor of how tourism has grown, it is a factor of how a lot of things around us has planned out. So, given that I think given that we grew 270 crores from the earlier quarters to expect it to keep on growing quarter-on-quarter I do not think that is going to happen and historically also has not happened. So, it is a step-up growth pattern and format that Delta has always followed. So, you have a step up that has happened in the form of 270 crores. It takes a couple of quarters we stabilize here and then grow again.
- Moderator:** Thank you. The next question is from the line of Niteen S Dharmawat from Aurum Capital. Please go ahead.
- Niteen S Dharmawat:** Sorry I jointed little late so some of the questions can be repetitive also, so wanted to understand what is the fourth quarter guidelines that you have right now?
- Hardik Dhebar:** We normally do not give any guidance or guidelines for any forward-looking numbers Niteen.
- Niteen S Dharmawat:** So, instead of saying guidance or guidelines how do you see this quarter shaping up compared to the previous quarter that has gone by?
- Hardik Dhebar:** So, the second and the third quarters have always been the most robust and the most high-performance quarter as far as Delta is concerned and the momentum of the third quarter carries on into the fourth quarter at least for the first month or month and quarter or so. So, January, February currently the trend is quite strong and robust. However, this year in this particular quarter we will have a small I would not call it disruption or aberration of such because this was always planned in this financial year is a dry dock. So, one of our vessels is going to be out of operations for about two to three weeks in the month starting towards the end of February is what has been planned, it was initially planned for the month of October and if you go back to my transcript of the earlier calls you would see that we had spoken about this dry dock in the month of October, however because it is high seasons of sorts and we are in the peak of our momentum we tried discussing with the authorities and have pushed the dry dock back to the fourth quarter, but that dry dock is now eminent and it is going to happen so which obviously

will have some sort of an impact on the revenue, but otherwise from a trajectory on a trend perspective even given the fact that we are already into the first 15 days of January I do not think there is any change of momentum or change of trajectory.

**Niteen S Dharmawat:** Second question is about the IPO so are we planning anything during the next financial year or will it take more time, any strategy?

**Hardik Dhebar:** I already answered that question Niteen. Just for your benefit I will answer, we have completed everything that is required from our side, we are in complete readiness. We are only waiting for the events like the budget to happen and the clarity around the rules, regulations that the **(Inaudible)** 27:03 has come out with and a little bit on the GST otherwise we are in complete readiness and once we have enough clarity and the market visibility is clear we should be able to launch the IPO as soon.

**Moderator:** Thank you. We have the next question from Nikhil Agrawal from VT Capital. Please go ahead.

**Nikhil Agrawal:** So, I just had one question just wanted to know what are your licensing fees for the Nepal and Sikkim Casino?

**Hardik Dhebar:** If I have not mistaken Sikkim there has been Pragnesh you are there on the call if you can just tell me the exact numbers that we have I think it is a crore or something for Sikkim and Nepal I think is a fixed fee for a longer tenure that we have paved in advance if you can bring in Pragnesh you will have the numbers please.

**Pragnesh Shah:** Nepal it is around 1 Cr a year and Sikkim it is a 75 lakh a quarter.

**Nikhil Agrawal:** And there has been no revision in these licensing fees this year right it is a [Inaudible 28:27]?

**Pragnesh Shah:** Sikkim there is a revision from October onwards there is a revision they have increased to 2.5 Cr now.

**Hardik Dhebar:** But that is how Pragnesh you said 75 lakh a quarter.

**Pragnesh Shah:** Yes, correct.

**Hardik Dhebar:** On 75 lakh there has been no change 75 lakhs is the revised number.

**Moderator:** Thank you. The next question is from the line of Dhwanil Desai of Turtle Capital. Please go ahead.

**Dhwanil Desai:** Two questions the first one is so from a commentary that you have given essentially until the next shift comes we will be in a marginal growth phase and probably the ramp up will take

couple of quarters though we can expect growth kind of going to again 15%, 20% from FY25 is that a right way to look at it?

**Hardik Dhebar:** Well I would not want to put a number, but given the fact that we are going to be disrupting the market again with a new product, better product, larger capacity, etc., we could probably look at even a large growth number.

**Dhwanil Desai:** And since you are almost more than doubling your existing capacity in the same location and the visitation to Goa will grow at a certain rate, so does it mean that we will have more conversion from visitation and more visitors coming for Casino?

**Hardik Dhebar:** Just to give you a perspective there are about 1 crore people who visit Goa on an annual basis. The Casino industry currently given its current capacity does not attract more than 10 lakh, 12 lakh people a year. So, even from the current visitations that are already happening into Goa that is a huge untapped potential available and most of us are not able to adhere to or service to these kind of numbers because of the constraints in the capacities that we have by virtue of the size of the votes that we have. Having said that once we increase the capacity obviously we will be able to cater to larger number of visitors and we will be able to cater to large number of people and therefore we believe that we are not expecting the Goa tourism market to grow dramatically, but since we already have a large un serviced clientele available and with obviously the new airport coming in large number of flights coming into Goa and the road connectivity improving we are bound to get larger number of visitors and larger number of people visiting Goa that will obviously benefit us in the long run.

**Dhwanil Desai:** And the last question on the new project the resort project any revision in the project cost or we are still looking at 25,000 crores and even 30,000 crore kind of now?

**Hardik Dhebar:** So, you know it is a dynamic thing 2,500 crore was a number that we spoke about last time obviously that was a total project cost. Now whether we split it up into phases whether we go one full hog and how do we want to split it to ensure that we are never stretched or never leverages something that is a process that is a process which is a debate that we continuously have all the time. So, like I have said all along that we will ensure that we are not stretched and we do not have a leveraged kind of a situation at any point of time is what we will ensure to the best of our ability, but otherwise the overall project obviously spread across the 100 acres we will continue to remain at that number, but we are mindful of the fact and we will ensure that there is no stretch on the balance sheet and there is no stretch on the cash flows.

**Moderator:** Thank you. The next question is from the line of Yash Dantewadia of Dantewadia Equity Research. Please go ahead.

**Yash Dantewadia:** I just have a couple of doubts. I want to understand the economics of the online gaming business, could you throw some light on it just take two minutes?

- Hardik Dhebar:** So, what is your question?
- Yash Dantewadia:** I want to understand the economics of the business because it is still not EBITDA positive?
- Hardik Dhebar:** I do know how long have you been following Delta as a Company because online business till a couple of quarters back has always been positive. It was not only EBITDA positive, but also bottom line positive business. It is because we have chosen to grow and grow faster and grow bigger that we have started to spend our monies on to marketing, sales promotion, advertising and other related activities.
- Yash Dantewadia:** Exactly what I meant by I want to understand the economic how much are you spending on advertisements?
- Hardik Dhebar:** So, that is what and that is why you are seeing the growth the profitability getting under pressure. Now just to give you a perspective in the quarter ended September we had spent about 22 odd crores on marketing sales promotion activity. In the quarter ended December that number has gone up to 28 crores and given the fact that we are pursuing to grow and we are hoping to grow bigger, better faster this amount of spent is going to be there for the next few quarters till we reach an optimum size and the unit economics what is more important in a business like ours is to ensure that the unit economics is positive and by unit economic what we mean is that when I acquire a customer by spending money on customer acquisitions within a certain timeframe which is reasonable that customer should not only breakeven, but start contributing individually. So, far as every customer that I acquire is unit economics positive. I should not be worried about in the short term of the interim losses because eventually when you reach a certain size and stature and all the customers that you acquired are all unit economics positive eventually the business will start throwing large amount of cash.
- Yash Dantewadia:** The main reason I asked this question was because since you are planning to go for an IPO in the next one or two years I just wanted to understand how this is going to shape up in terms of profitability and what is the advertisement cost?
- Hardik Dhebar:** The IPO is not one or two years like I just now said in the question just before this question of yours we have completed all our legwork, formalities, all the procedure, processes that are required to be carried out from an IPO perspective we are waiting for the right time and the conducive market conditions to launch the IPO.
- Yash Dantewadia:** So, from here onwards are we going to be taking more aggressive approach as far as the online gaming business is concerned?
- Hardik Dhebar:** We are already aggressive than we were before and we will be as much aggressive as we aim to be to ensure that we do not bleed very heavily, but at the same time we do not compromise on growth as well.

- Yash Dantewadia:** Also is there any update on the Daman court case?
- Hardik Dhebar:** As you know the Daman hospitality Company, which was a subsidiary of Delta, had a merger which got affected in this quarter. So, we had certain legal formalities to complete whereby the REIT had to be transferred from Daman hospitality to Delta Corp and those formalities are over. We are now on the daily board unlike what we were on the weekly board earlier. So, we are hoping that from next week onwards we will start seeing some traction and movement on the case as well.
- Yash Dantewadia:** If there is a favorable outcome in the court case how is it going to affect your operations could you give me an idea?
- Hardik Dhebar:** It is all going to be very highly positive.
- Yash Dantewadia:** What kind of impact could you throw a number?
- Hardik Dhebar:** I would not want to double guess and try to deviate from our focus at this point of time. Let the court case and the outcome be announced and there are international examples that are available for destinations like Daman and they have been thriving and have been thumpingly successful so we will wait. We genuinely believe that Daman is a very big opportunity it can be as big or bigger than Goa. Why double guess and put a number at this point of time.
- Yash Dantewadia:** Sure. Hope you get a favorable outcome and the next con-call I will actually ask you for a number and you will give me a number. Thank you so much.
- Moderator:** Thank you. We have the next question from Sachin Kasera from Svan Investments. Please go ahead.
- Sachin Kasera:** I am saying regarding the new vessel that you mentioned that is going to increase the capacity by 2.5 times, so two parts to that. One is that how long do you think it will take before you can reach like sort of a good number there and secondly do we need to then significantly increase our market share that is sort of report that post the new airport get opened the all traffic in Goa is going to grow significantly and hence it is just that the increased traffic itself will take care of the incremental supply that you are bringing to the market.
- Hardik Dhebar:** Sachin as far as the traffic is concerned I just explained to this gentlemen before you that today it is 1 crore people coming into Goa. Today what we are servicing is hardly 10 lakh, 15 lakh, 12 lakhs of the 1 crore visitations that are happening into Goa. So, you already have a large amount of untapped potential market already visiting Goa.
- Sachin Kasera:** As you can see 10%, 15% looks reasonably, we cannot expect every visitor to go and visit a casino so if you could give a certain example globally how does it work because see Macau and Las Vegas all I will say that typically casino only destinations?

**Hardik Dhebar:** Today typically what has happened is that every person going to Goa and when I say every person I would say at least 90%, 95% of the people going to Goa. Casino visit has become a part of their itinerary. Now if that is the case and we are still not able to service the entire 1 crore people. Now ideally we would want to do that and reach there, but obviously it is not something that we can do given the constraint we are going to be on board, you know the vessels have a certain size restriction etc. So, over a period of time we will increase our capacity like we have been doing in past and now with this increase we are trying to reach as much as larger number as possible and yes obviously the new airport the increase number of flights, the better road connectivity, the Bombay-Goa expressway, etc., all is going to fuel to the inflow of people and tourism into Goa and that obviously going to be a positive thing for the business as such and I do not believe that we have been spending large amount in our marketing because in any case marketing is a limited space that one can do as far as casino's are concerned. So, it is restricted only to Goa I cannot do open and shut marketing it is whatever little surrogate and direct marketing I do so there is no large spent that we envisage or anticipate when it comes to marketing spent.

**Sachin Kasera:** So, what has been our sense is that we expect a very rapid and a steep improvement in terms of the overall traffic once this nuisance comes in?

**Hardik Dhebar:** So, it is very simple today I am the most expensive casino in Goa to visit. I start at Rs. 3,500 entry go up to 8,000, 10,000 depending upon which day of the week and what is the kind of visitation that I am experiencing. Tomorrow I decide I do not want to charge anything and I make everything free. I will go full every day I have the demand even today. So, it is a question of how you price yourself, how you position yourself and with the capacity increase obviously I will be able to attract much larger crowds. So, whether there will be a J-Curve, whether it will be a V-Curve, whether it will be a steep let us wait and see and then be happy for ourselves when it actually happens.

**Sachin Kasera:** Let me rephrase my question as and when you reach optimum utilization can we expect that seasonal capacity is 2.5x in the medium term your revenue from Goa should also go by 2x to 2.5x now the timeframe is something that is obviously open for discussion, but is that the right interference?

**Hardik Dhebar:** It could be much more because it ultimately depends on what kind of a mix of customer. If it is only the walk-ins that are going to come yes, maybe 2x the revenue, 2.5x the revenue, but I am going to get a more focus, more serious my Club Deltin members, etc., then the growth can be much more, but like I said let us wait and let the event happen and let all be happy together.

**Sachin Kasera:** Are we look in terms of sustaining the markets or is it because the CAPEX gone up 2x to 2.5x would be happy with much higher revenue, but then you mentioned that 37, 38 has been the historical broad range for your casino business?

- Hardik Dhebar:** Sorry I am not able to understand what you are saying?
- Sachin Kasera:** Hardik you mentioned that historical the range of margins for your casino business has been 37%, 38%?
- Hardik Dhebar:** It will only improve I also said Sachin that they will only improve from here once the operational leverages kick in because once you reach an optimum cost level every additional rupee about 55% to 60% of that gets added to the EBITDA. So, now obviously when I have a larger share by salary cost and everything will go up. So, initially you will see a margin crunch happening because my number of employee cost will go up, my operating cost will go up, but once I start filling to that to the capacity the revenue will be far higher than what my cost are. So, obviously the margins will only improve we have seen that happen in 2013-2014 when we launched Deltin Royale.
- Moderator:** Thank you. The next question is from the line of Chintan Mehta from Prudent Broking. Please go ahead.
- Chintan Mehta:** My majority of question is answered. I just have two questions what is the margin profile difference between land base casino and live casino?
- Hardik Dhebar:** Not too much of different in fact land base casino if it is of a similar size the cost the margins can be even better given the fact that a lot of marine related cost that we incur and lot of petrol and fuel related cost that we incur on a ship that will not exist, but you have to compare it on a like-to-like basis and effectively the margins can be better on a land casino.
- Chintan Mehta:** And sir if you can throw some light on land based casino competition?
- Hardik Dhebar:** Today there is no competition because land based casino's whatever they are existing including our are all 1,000, 2,000, 3,000 square foot. Small casinos catering to mostly the house guest of the hotels. The real test will be when we are looking at in our new project where we are looking at about 150,000 square foot of casino space that will be the real big casino that will come into operation and then we will see what happens, but today honestly speaking of the entire Goa gaming market 90% of the market would be the offshore casino 15% would be coming in from the land-based casino. So, there are no real competition as such.
- Chintan Mehta:** Sir last question from my side on Deltatech Gaming side if you can throw some light on income strategy growth for the next three, five year I mean what kind of new segment or new gaming we are trying to explore?
- Hardik Dhebar:** I have Shivanandan Pare who is the Managing Director and the CEO at Deltatech Gaming. Shiva would you want to throw some light on his question please?

- Shivanandan Pare:** Firstly in digital business if I were to paint the 5 year down the line picture is very difficult because we are living in a very dynamic environment. Having said that the idea is Poker we would like to continue to maintain and increase our leadership position in the online space. We believe Poker appeals to be younger audience in the country and India has the youngest population as far as the world is concerned and most of these 18+ kids are moving to Poker so that is just one space. The second space is the overall multi gaming platform where multiple games come in and we basically look at horizontal play there have one door, one entry point and offer multiple games. These two are going to be in future continue to be a strategy. As and when the opportunity throws as I told in the beginning that digital space is extremely dynamic and as a business, as a team we are changing the moving target. As and when new opportunities comes we would not shy away from investing that.
- Chintan Mehta:** So, sir currently we are not in multiple gaming correct?
- Hardik Dhebar:** We have launched our Adda games. In fact one of the reasons that if you see that for last couple of quarters our margins look to be little depressed is because we are investing in that platform, we are building team and we have already launched it, it is called [www.adda.games](http://www.adda.games) that is our multi-gaming platform. We already have 14 games there where we are seeing increasing signs from in terms of both acquisition cost, user traction both in terms of monthly active business and daily active business.
- Moderator:** Thank you. The next question is from the line of Ranodeep Sen from MAS Capital. Please go ahead.
- Ranodeep Sen:** My first question was in terms of can you share an update in terms of how many club Deltin members we have if I recall it was around 6,000 a year ago, any update on that?
- Hardik Dhebar:** It is a very dynamic number it changes from day-to-day, but I think we should be in the similar range at this point of time because when I say dynamic a lot of people drop out also. So, if you are a member today and you do not fulfill the criteria you will no longer be a member, but somebody else will come in so it is a dynamic number I do not have the exact number at this point of time, but I think we should be in the range of that 5,000, 6,000.
- Ranodeep Sen:** Another update I believe we are exploring a real estate project because your land parcel I think we were not able to sell that land and we are coming up with a real estate project, any update on that?
- Hardik Dhebar:** It was not a land parcel that we are not able to sell. We had bought that land with a view to building a hotel. Eventually we bought a readymade hotel and therefore that land become available of sorts and therefore the best way to monetize it was to try and do a development and get better valuation out of it that project is well under way and I think in the next 12 to 18 months



we should see the completion of that project and the cash flows starting in the next couple of quarters.

- Ranodeep Sen:** And like what kind of revenues are we expecting from that project overall?
- Hardik Dhebar:** The land cost in the books is about 100 crores and construction cost is about 120, 130 crores. So, that is about 250 crores give and take and plus whatever profits would come out of it. So, that is the kind of cash flow that we are looking at.
- Moderator:** Thank you. We have Anupam Agarwal from Lucky Investment Managers with the next question. Please go ahead.
- Anupam Agarwal:** My question is on the upcoming casino the bigger vessel, can you help us understand the incremental fixed cost that would come on our P&L given the fact that we have commissioned a vessel in Q4 this coming year?
- Hardik Dhebar:** For the new vessel you are talking of.
- Anupam Agarwal:** Yes the fixed cost in particular.
- Hardik Dhebar:** So, we have to look at the staffing in addition to so basically the biggest cost would be the employee cost. So, once we freeze on the exact number that we want to start recruiting from day one we will be in a position, but we are looking at 1,200, 1,400, 1,500 additional people. So, we will be able to give you a number closer to the operations date. It is a little early in the day to say what is the fixed cost because everything else is going to be variable.
- Anupam Agarwal:** And what about the license fees I remember the last time you mentioned was incremental 10 crores, 12 crores per quarter on the bigger vessel?
- Hardik Dhebar:** No as of now we have not put a number to it because currently the provisions says we are saying what we are with the 10% increase that has happened, but once we get our new vessel certified and approved and registered depending upon what capacity registration we get and what size we finally get the fees will be determined thereon. So, we will know closer to that date again.
- Anupam Agarwal:** Can you help us understand in this quarter gone by what was the contribution from Nepal and Sikkim?
- Hardik Dhebar:** Nepal for the 9 months Nepal has contributed close to about 35 crores which is roughly about 4 crores a month and Sikkim has contributed about 21 crores which is roughly about give and take 1 crore 75 lakhs to 2 crores a month.
- Anupam Agarwal:** Sir again coming back to the vessel once we commission the vessel do you see some sort of cannibalization from the existing vessel to the one?

**Hardik Dhebar:** You know this is a doubt and a fear every time a new vessel comes into the river. We faced this question like I was saying way back in 13-14 when we did Deltin Royale, but not only we have grown, but grown bigger and better than what we were then and like I said there is enough room for growth because there is enough untapped market existing forget the growth of the market itself happening, but there is enough untapped market available. So, I do not think in the initial one month, two month you may see some cannibalization here and there, but I think eventually the market has grown penetrated much bigger and better and we expect the same thing to follow once the new vessel comes in.

**Anupam Agarwal:** You have a sense as to what the capacity of Big Daddy and pride would be if you can throw out a number?

**Hardik Dhebar:** No I would not be able to give a comment on that please.

**Moderator:** Thank you. That was the last question for today. I would now like to hand the conference over to the management for the closing comments. Over to you, Sir.

**Hardik Dhebar:** No I think we had a discussion on almost all the topics that are material and sensitive as far as the business is concerned we have been able to cover all areas and I am hopeful and hoping that I have been able to answer most of it to the best of everyone satisfaction. I think like I said we are on the right path, right trajectory and it is only for the time to tell where we are going to be growing and like I said it is a step up growth that we have always seen and we believe and hope that will continue.

**Moderator:** Thank you. On behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines.