

"Delta Corp Limited Q2 FY2018 Earnings Conference Call"

October 17, 2017







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SERVICES LIMITED

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DELTA CORP



Moderator:

Ladies and gentlemen, good day and welcome to Delta Corp Q2 FY2018 Earnings Conference Call, hosted by Emkay Global Financial Services. We have with us today Mr. Hardik Dhebar, CFO. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions. Should you need assistance during the conference call please signal an operator by pressing "*" then '0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anubhav Gupta from Emkay Global. Thank you and over to you Mr. Gupta!

Anubhav Gupta:

Good evening everyone. I would like to welcome the management and thank them for giving us this opportunity. We have with us today, Mr. Hardik Dhebar, CFO, Delta Corp. Delta Corp is the only listed Company engaged in the casino and online gaming industry in India. The company reported strong second quarter FY2018 results with net profit rising 35% on YOY basis and 100% QOQ basis. In the coming quarters we expect even stronger earnings growth momentum given by rising footfalls in Goa and Sikkim Casinos and ramp up of online gaming business. We see Delta Corp as the multiyear growth story with multiple catalysts from further acquisitions in the online business, Daman Casino launch and new casino policy in Goa, which would permit offshore operators to shift to land. I would now hand over the call to Hardik for his opening remarks. Over to you Hardik!

Hardik Dhebar:

Good evening everybody. Thanks Anubhav for giving the quick snapshot of what the quarter has done for Delta. Broadly speaking, I would like to say that when you look at the numbers of the current quarter and the current half-year one would obviously in normal course attempt to compare it with what we have done in the previous year.

First of all I would like to remind everyone that we from September 2016 to September 2017 we have had two major events that occurred and the economy of the country, one obviously was the demonetisation which happened in the Q3 and secondly was the unveiling of the GST. Now with such kind of aberrations and disruptions that happened, a lot of businesses will take a lot of time to come back to the normalcy.

We have been fortunate enough that we have slowly but gradually not only inched back, but also I think we have been at par and in some places surpassed what we have been doing in the previous years and previous quarters. So given the headwinds of GST as someone put it this morning we still have been able to achieve the required trajectory what we were on the previous years.

Having said that the second thing, which was obviously the GST, on the whole GST we have been kind of agnostic or neutral to it, because our effective rate of tax in the previous years was we had two types of taxes as everybody knows. We had the gaming tax, which was a variable component and was linked to the revenue and there was the entry tax, which was like Rs.1000 per person entering the casino. So when one added both these numbers together, we were at about 26.5% in terms of the total tax outflow.



As regard that it is now 128%. So we effectively have 1.5% to 2% kind of impact of GST plus this quarter we have also seen some one time kind of expenses, a couple of them have been highlighted which were worth highlighting in the results itself. So like there is a demand of roughly about 2 Crores, which the Government of Goa for a prior period raised on some differential in the license fee, which we have already gone ahead and paid, but we had paid it under protest, and which we believe that was not chargeable; however, since it was concerning the license, we did not take any chance. We had paid it under protest and we are hopeful that we may just win the case and we may win our arguments and we may get that money back. In any case there is some expense, which will never going to occur in the future at all.

In addition to that, most of you would be aware that the Payment of Bonus Act and the Bonus Act has got revised. So from the basic salary, which was earlier, visible for Payment of Bonus Act was Rs.8500 which has now gone up to Rs.11500, so a lot many more people have got covered into the Bonus Act now and the provisions since became into being effective this quarter, we had to make the provisions for the existing plus the new guys all put together for a higher valuations. So these are kind of costs, which are one-time and have hit the P&L in this quarter, which did not exist last year.

Secondly, the other thing is the operations of two of my casinos, one in Sikkim as well as Delta Caravela were not operational in September 2016 that period, which obviously have been operational since then and the full call stops both these operations was getting factored into in this. So if one was to look at normalization of the expenses, I think, the EBITDA margins which otherwise currently look either flattish or slightly subdued would be much, much better given the fact that we are growing on if you look at a simple growth this year is about 12% year-on-year but we believe that given the GST impact, which will get evened out over the period of time and we believe that the growth trajectory is going to be much stronger given that second quarter is a good quarter, which carries on to the third quarter being the best quarter from Goa as a state perspective given the festive season and the holiday season.

We believe that we can maintain our growth trajectory and we can continue to grow on the EBITDA for the foreseeable future. As regards the profitability is concerned, we have done about 67 Crores on a consolidated basis at the PAT level, which is almost 98% to 99% of the profit that we achieved in the last full year. So the last full year number was at 73.75 Crores, which is roughly 74 Crores, so we are already at 67 Crores. Given the third quarter which is going to be equally strong as the second quarter has been, we believe that our estimates or our expectations on we not if not doubling, if not exceeding, doubling from here on the terms of profitability and on revenue we will at least be meeting expectations of most of the fleet estimates that we have been doing around in the recent past.

Having said that on the GST front I have already explained. What is more important is from the online space, the online space has done about 30 Crores of revenue in the current quarter. Of course, when I say 30 Crores, a lot of you may look at the numbers, but the reported number is 24 Crores, the reason being in this business something what is called as rake back or bonus as we



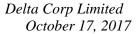
call it, which is basically given to the players when they deposit the money into their accounts and buy in the chits, they get a certain bonus which obviously unlocks over a period of time; however, the accounting standard says that if there is some promotional or bonus or fleet freebies that I am directly passing on to the business to the enduser then such expense has to be knocked off from the revenue itself and cannot be considered as part of the revenue. So if I look at my gross number, the gross number is at about 31 Crores; however, once I knock off the bonus, it comes to about 24 Crores, which is what we have reported under the accounting standard requirement.

Having said that the runrate per se is at about 10 to 11 Crores given the fact that we have done 30 Crores in this quarter as well and hence we believe that we are poised for a more than 100 Crores plus kind of a revenue for the year as a whole in the online business and as I have always said that if the offline gaming business or the gaming business is in its adolescence the online business is in the infancy and the potential to grow the online business is if not much more than the offline is as much as the offline space as well. And that has been demonstrated by the Poker portal for the last couple of years and there is no reason why it cannot continue for the near foreseeable future as well.

As regards the online space, the other two activities, which are permitted and are allowed in the country under the legitimate laws is Game of Rummy and the Game of Fantasy Sports. As regard the Rummy is concerned, we can now fairly say that we have a full-fledged team of professionals based out of Bengaluru dedicated and focused on the Rummy vertical, and we believe in the next six months there would be, I would not say substantial but a reasonable contribution coming in from the Rummy vertical as well.

As regards as the Fantasy Sports Business we have our platform and the software and everything ready. We are looking at January beginning or middle of January to start the Beta mode and the test mode on that platform such that we test everything out and we are ready by the time IPL starts; however, we will be very cautious as regards this model, because this is a cash burning model, which we do not want to go full hog and we will take our measured calls rather than going just blindly about burning cash on this business, but having said that we would be probably the only company in the country which will have all the three businesses being offered under the same platform. So you will Poker, Rummy and Fantasy. There is no other company or no other website which offers all the three games under the same platform. So that basically will have its own synergistic advantage and upside because my ability to retain a player even if he wants to play Rummy or over Poker or vice versa or to indulging to the fantasy sports side of the vertical would be higher given the fact that he does not have to leave my website, once he is on to my website.

As regards the brief on what Anubhav mentioned about the offshore casinos coming on to land, the Chief Minister of Goa, who also double headed as Finance Minister in the monsoon session had very categorically on the floor of the House mentioned about the policy change that they envisage and that they want to bring about and with that he had also mentioned categorically that





the policy and the framework and the rules, regulations and the fine print could be expected in the winter session, so we believe that the winter session which will be around the November and December of this next couple of months, we should have much more clarity including the final policy and the rules and regulations coming out and one of the things that was clearly spelt out is that from that day in about three years' time is when the expect the offshore casinos to move on land and give up their offshore licenses.

As regards preparedness on that is concerned, Delta has already been knowing that this was made public we have already identified land parcels since then and we are at a very advanced stages in at least a couple of parcels of the due diligence on the land title, which according to us takes the longest time so we believe that by the time the final policy and the framework will be out, we would have been able to complete or we would be nearing the completion of the acquisition of the land parcels. While in the past, we have made very clear that Delta will continue to focus on the asset light model and will not invest any capital into any ancillary businesses such as hotels or water parks or retail or theme parks or anything, but yes we will facilitate the development of an entire township entertainment zone, which basically will not only be the supporting infrastructure but also will complement the gaming and the casinos that we would be coming up within the entertainment zone.

Sikkim again we believe the airport should commence operations somewhere in November. The first half of this year has not been very, very good for Sikkim on the political, geopolitical and the overall front given the fact of the India-China Doklam issue and also the Gorkhaland trouble that was growing in the eastern, northeastern and the eastern belt. The footfalls have got hampered in the first half, but we believe with the Chinese issue getting resolved in more or less and it is behind us, and Gorkha issue will also be addressed sooner rather than later.

Normalcy has started coming back to the hill state and with the airport which we believe that by November should commence operations should start seeing the visitation flow back into the state much better than what it was given the connectivity improvement, which obviously will have its positive trickle down effect on the gaming business and in turn into the revenues and profitability of Delta at large.

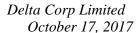
So this is broadly an overview of where Delta is and how the quarter has panned out and the key issues and the key areas that we are focusing on and where we believe the growths can happen on. I would now leave the line open to the participants whoever would wish to have any queries or questions, I am happy to answer them.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have the first question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda:

Sir, my question was basically you gave out some comments on the profitability not coming up to the mark





Hardik Dhebar:

No, I did not say that Pritesh, not coming up to the mark, I did not say that. I said in line what it was last year was slightly subdued and I listed out a couple of factors, which we believe have played a role in that, but yes go on.

Pritesh Chheda:

Sir coming from your previous call and what you have mentioned in the annual report about incremental revenue contribution will flow down close to about 60% to your EBITDA number, some of those reasons that you have highlighted if you could quantify how much of it would have impacted your EBITDA on the gaming business. That is one question and my second question this is first quarter of online getting booked in the revenue. If you could give the corresponding EBITDA and PAT numbers for the online business?

Hardik Dhebar:

The corresponding EBITDA number for online is about 10 Crores of EBITDA that we have done on the online space and on the PAT on 10 Crores there is no major depreciation it is about 50 lakhs of depreciation and everything else is profit. I think we have done about 6 Crores of profit from the online business. As regards the expenses that I told you that about 1.5% to 2% is the impact on account of GST that we have suffered on the margins and in addition to that about 4 Crores .5 Crores of expenses which are either one-time or nonrecurring in nature that have got booked. So if I add everything together it would definitely add to about another 8% to 10% in terms of margins.

Pritesh Chheda:

Basically 7 Crores number with an incremental revenue is about 20 Crores.

Hardik Dhebar:

My incremental revenue is if you look at net of GST would be about, what are you comparing with last year or last quarter?

Pritesh Chheda:

Whichever you want to YOY or QOQ that logic is not, I am searching for that logic?

Hardik Dhebar:

The logic is very simple as I said. If you look at purely from a GST perspective we have a 35 Crores GST that we have paid, 5 Crores is GST which we have paid on account of the online business, so effectively 29.5 Crores or 30 Crores is what we have paid for the online business. Against that I have a 4.5 Crores to 5 Crores credit or the input credit which I have received, so my effective outflow on account of GST is about 25 Crores, which was in previous year comparable numbers was 21 Crores. So you have a 4 Crores hit on account of GST and about 4 Crores to 5 Crores on acc of the expense, which are nonrecurring in one time in nature, so you add another 9 Crores to 10 Crores to your EBITDA.

Pritesh Chheda:

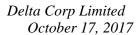
Thank you.

Moderator:

Thank you. The next question is from the line of Gurmin Kholi from Greshma Finvest. Please go ahead.

Gurmin Kholi:

Thank you for the opportunity. I had a couple of questions. The first one was do you have any plans to set up Poker rooms in Bengaluru? And secondly with regards to moving onshore, do you





plan to tie up with existing five-star hotels so that you can use your premises instead of setting up new casinos?

Hardik Dhebar: No, the policy is not going to permit anything in the existing five-star hotels. The policy is

clearly stating that one has to create a new entertainment zone and move the casinos to that particular entertainment zone, whichever is identified by us or by the government either of the case. So setting it up in existing five star hotels is not an option. As regards setting up physical poker rooms in Bengaluru I do not think we have any plans of doing anything offline at this point

of time other than within the confines of our casinos wherever they will be.

Gurmin Kholi: So do you plan on setting up any casinos within legal games in Bengaluru?

Hardik Dhebar: There is no casino that would be legal on land or otherwise in any of the jurisdiction other than

Goa, Sikkim and Daman.

Gurmin Kholi: That is it from my side. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Saurabh Jain from Astute Investment

Management. Please go ahead.

Saurabh Jain: Good evening Sir. Sir just some clarifications actually on the GST, we had a number of 35

Crores so how is this actually accounted for, is it gross, is it net?

Hardik Dhebar: I did not get that question. 35 Crores is the GST that the Delta has paid on a consolidated basis.

Saurabh Jain: Right but suppose say I go to a casino and buy chips worth Rs.5000 and you would be charging a

GST on that also?

Hardik Dhebar: So Rs.5000 includes GST. So it would always whether it was entertainment tax or service tax or

VAT or anything it was always inclusive, whether online as well as in our casinos. So there is no

change in that methodology.

Saurabh Jain: Got it. So this is the basic and net amount that is applicable on the 140?

Hardik Dhebar: There is nothing called net or gross. So when Rs.100 is bought effectively, I am saying that Rs.28

is GST that I have collected and you paid me Rs.72; however, I give you chips worth Rs.100 that

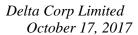
is as simple as that, so there is no question of net or gross.

Saurabh Jain: Just second and the last question is any use of the cash that we have on the books?

Hardik Dhebar: One of the things obviously is acquisition of this land and development of the offshore casinos

where we will require anywhere between 150 Crores and 250 Crores over the next three years.

We are obviously going to pump in some money into our Rummy vertical because we want to





grow that vertical and the single largest cost obviously is player acquisition as far as online businesses are concerned and the same is true for the Fantasy Sports model.

Saurabh Jain: Sir you are saying Rs.150 to Rs.250 Crores for the land part?

Hardik Dhebar: Land plus obviously building my casino and the employee quarters and the roads and stuff like

that as the basic infrastructure, so we believe that 125 Crores to 250 Crores would be towards land another Rs.125 Crores to Rs.250 Crores towards the other development of casinos and

infrastructure etc.

Saurabh Jain: Any development on Daman casino?

Hardik Dhebar: Well we are waiting.

Sanidhya Daga: Thank you so much.

Moderator: Thank you. We have the next question from the line of Chitrangda Kapur from Sameeksha

Capital. Please go ahead.

Chitrangda Kapur: My question basically pertains to the cash flow that you would be investing behind Fantasy

Sports you mentioned. So first question is the platform that you are developing is it developed?

Hardik Dhebar: Yes.

Chitrangda Kapur: How much are you planning to invest in this platform?

Hardik Dhebar: The development of the software and the platform is not very expensive. As I explained, the

single largest cost for any of the online vertical is the player acquisition and the marketing and the sales promotion activity. So while the platform would be a couple of Crores or a few Crores, but it is the money that I will require to spend to acquire the players in terms of giving out

promotional offers, schemes, bonuses, etc.

Chitrangda Kapur: How much do you envisage?

Hardik Dhebar: Roughly anywhere between 50 Crores and 75 Crores in a year is what we expect to spend on

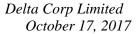
both Rummy and Fantasy equity.

Chitrangda Kapur: Sir, both Rummy and Fantasy equity both are all going to be cash burn or kind of...?

Hardik Dhebar: Rummy will start making money from day one, so there is no cash burn in that, initially

obviously there will be some cash burn before we reach a certain critical mass, but Rummy is already a profitable business or known thing, whereas Fantasy yes there would be a little bit of

cash burn and that is where in my commentary I did mention that we are not going to be going





full hog and all out burning cash. We are going to be more measured and more cautious in doing

Chitrangda Kapur: Sir, between the two Fantasy Sports and Rummy out of the 50 Crores spend a year, how will be

that slipped between the two?

Hardik Dhebar: I said 50 Crores on each individually.

Chitrangda Kapur: Individually. Okay. When will you expect the Fantasy Sports to actually start making money for

you in how many years?

Hardik Dhebar: I think it is difficult to predict immediately because it depends what sort of aggression we are

going ahead with and what is the burn rate that we want to do with, which I believe is not going to be very high, so we may breakeven much faster given that we do not want to burn too much of

cash. As regards Rummy is concerned, it should start making money from year one itself.

Chitrangda Kapur: So when you are saying burn rate it may not be too high. Are you comparing it to some other

benchmark?

Hardik Dhebar: There is only one other benchmark in India, which is Dream11, which is the only other company,

which offers Fantasy Sports. They have been losing out 50 Crores a year.

Chitrangda Kapur: Do you have the separate license to operate the Fantasy Sports?

Hardik Dhebar: It is not gambling. It is a game of skill. Anything, which is a game of skill, can be played for

stake money. It is like saying that do you need a license to do a Crossword competition or a Quiz

competition. All games of skills are allowed.

Chitrangda Kapur: All games of skills will also attract a GST of about 18%? Is that correct?

Hardik Dhebar: Yes.

Chitrangda Kapur: That is it from my end. Thank you.

Moderator: Thank you. The next question is from the line of Gaurav Pareek from Shavex. Please go ahead.

Gaurav Pareek: Congratulations on stellar number. My question is regarding Advani Resorts. That you had

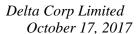
previously informed that YES Bank was mandated for the stake sale in Advani Resorts that is 35.6% that you hold in Advani. Is there any point in keeping it if you are expecting a live casino

license in Advani Resorts or are you still considering stake sale?

Hardik Dhebar: No, first of all there is no live casino in Advani Resort going to happen. As I had mentioned to

another question earlier it has to be a new development. Existing hotels are not going to get

permission to open live casinos. So there is no question of Advani Hotels getting any permission





to get a live casino within the premises. As far as we are concerned, we are sellers. We have mandated YES Bank in the past. Of course that mandate is now over, but we are sellers and at the right price we are definitely sellers and we are happy to trade on that stock.

Gaurav Pareek: May I also question you on the Sri Lankan land parcel that since you saw change in laws, again is

there any opportunity coming up your way from Sri Lanka?

Hardik Dhebar: There is again a talk of the law again changing. So we do not know. As far as the land is

concerned, we have made a clear decision to exit the land, but the market in Sri Lanka is a little difficult one, and it is not as easy to sell a land parcel as it would be given that the land would be the first thing for sure and if the regulation ever again changes we will find a suitable opportunity

and avenue to enter that market as well.

Gaurav Pareek: Brilliant. My last question for you is that any opportunities coming your way from Nepal as well

because that seems to be opening up faster than it was supposed to be?

Hardik Dhebar: We have already gone on record. At least I have at a couple of occasions in the media earlier that

we have tied up with the new Marriott Hotel that is coming up or we are at the final stages of tieing up with the New Marriott Hotel coming up in Kathmandu where we would be leasing out space and we will hopefully by this time next year have a casino operational in Kathmandu as

well.

Gaurav Pareek: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investment. Please

go ahead.

Tushar Sarda: Thank you. I want to know one thing if this onshore policy for Goa comes will your offshore

casinos continue or you will need to shut them down?

Hardik Dhebar: I have clearly said that it will be only once the onshore casinos become operational, we will have

to give up our licenses offshore. The onshore licenses are given in lieu of the offshore licenses.

Tushar Sarda: Thank you.

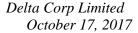
Moderator: Thank you. The next we have a followup question from the line of Chitrangda Kapur from

Sameeksha Capital. Please go ahead.

Chitrangda Kapur: Thank you. Sir out of curiosity, I just wanted to ask you a question not pertaining per se to this

quarter results, what stops the global online skill game players to actually enter India? Why

Adda52 is so successful?





Hardik Dhebar:

I think we have addressed this question, Chitrangda separately earlier, but since you raised it again, there is no foreigner who is allowed to participate on to online space. There is Poker Stars who have been trying to come into India for a very, very long time, but you know ultimately it is a question of FDI whether they would want to permit it, so now the question is FDI, yes otherwise on online is permitted, but having said that the liquidity of the market is not as wide as because they will never be the overseas players are not going to be able to offer this platform to their international players so they will be contended with the Indian site itself and Adda has an earlier mover advantage to begin with and Indians obviously cannot use their money, credit card, bank accounts to play on any or do any gambling outside of India because it is prima restricted.

Chitrangda Kapur: Thank you. I am done with my question. Thank you.

Moderator: Thank you. The next question is from the line of Anubhav Gupta from Emkay Global. Please go

ahead.

Anubhav Gupta: Hi Hardik I have few questions from the FII clients who joined the call, shall I go ahead?

Hardik Dhebar: Yes please.

Anubhav Gupta: So how do you see the organic growth ramping up in Goa casinos until the shifting takes place to

land, what are the capacity utilization levels, what growth can the three offshore casinos absorb

for next three, four years?

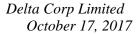
Hardik Dhebar: Anubhav, as you will appreciate the growth will come in multiple ways, one is obviously the

visitation growth, but the other is also per percent spend or per percent EGR that keeps on improving given that as I said we are in an adolescent stage if not nascent as far as the business is concerned and third we have also explained to you and a couple of you who may be on the call is adjusting our bed sizes and increasing our minimums and increasing our maximums, so it is a factor of all these three things that is going to help us improve our growth in the coming quarters in the coming years. Having said that in terms of capacity, we would be operating on our peak days, which are the weekends and the long weekends at about 75%, 80%, but otherwise we are at about 60% of our capacity on an average, so in terms of availability of space for going up to peak on a daily basis we still have some headroom to go. This is I am talking of 9 in the nights to 4 in the morning, if you look at the daytime gaming which is not at all picked up in India unlike in the Vegas or in Macau or in Singapore, if you look at the 24-hour capacity we are way under utilized and we have enough capacity overall to go, but having said that I think it will be just right in terms of timing that by the next three years we will start feeling the pinch on our capacity and we would be constraint for space and that is when we would be moving of onshore from offshore and that will probably address our capacity concerns and issues for the next 5, 10, 15 years.

Anubhav Gupta: Okay, so second question is on the game plan on the shifting of casinos, so obviously you are

awaiting the final policy from the government how about the land acquisition, what kind of capex

you see?





Hardik Dhebar:

I think off and on in between I did answer those questions that we are at an advanced stage of our due diligence of the land parcels, so by the time the final fine print and policy actually is rolled out, we should be able to be in a position where we can consummate the land transaction by then. As regards the capex also I did mention that it is anywhere between 150 and 250 Crores is what we would end up spending, 150 Crores towards land and the Rs.100 Crores towards development of the casino, the other related infrastructure like my staff quarters and my roads and the other things. What is also to be noted is that while we will invest this 250 Crores into these developments we will be having a surplus of at least 100 to 125 acres of land, which will be either sold, leased or partnered within various forms with the hotel developers, hotel owners, the water park owners, the theme park owners from which obviously will not only generate cash and get back little bit of our investment, but also will in areas of strategic interest like the hotels we may also own some equity indirectly by contributing our land such that we can control the rooms, so all in all we will definitely monetize our excess land and get some value back thereby restricting our capital outflow to the minimum.

Anubhav Gupta:

Sure do you hear from your competition what the other two guys are trying to do? Have they also started acquiring lands?

Hardik Dhebar:

Yes of course everyone is looking in the vicinity in and around, which is good in a way that it will become a cluster or a strip or a zone byte.

Anubhav Gupta:

Right, so this could open up to market to like some more than 10000 footfalls, which currently as low?

Hardik Dhebar:

Well I do not want to make a double guess on the number, it could be anything Anubhav.

Anubhav Gupta:

Lastly progress on the sale of non-core assets obviously you did talk about the Advani Hotels.

Hardik Dhebar:

I also mentioned about the Sri Lanka land, Anubhav.

Anubhav Gupta:

Okay, so in next few quarters we should definitely hear some?

Hardik Dhebar:

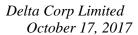
Well we have in the market, we have been sellers and we have not missed out words in saying that we are wanting to sell and we want to exit this, so from our side the effort is fully on. The day we get a deal we will sign it.

Anubhav Gupta:

Thanks.

Moderator:

Thank you. The next question is from the line of Amit Tawani from Zenith Capital. Please go ahead.





Amit Tawani: First thing I wanted to talk about the GST, you mentioned 38% GST which is Rs.35 Crores that

we have paid was about Rs5 Crores of input credit that would be about the affective rate of 22%

to 23%?

Hardik Dhebar: That is because it is inclusive calculation you have to do it reverse working right?

Amit Tawani: Correct, so that works out to about 22% to 23% correct?

Hardik Dhebar: Whatever I have not done the maths exactly, but may be you are right.

Amit Tawani: Can you tell me what it was before GST was in place?

Hardik Dhebar: The impact as I told you is a 1.5% to 2%, so we were at about, if you look at the absolute number

we were at about 26%, 26.5% against 28% now.

Amit Tawani: Okay, but with input credit that means you would be actually had a lesser rate than we were

earlier?

Hardik Dhebar: Yes and no. We may effectively be at par 1% to 1.5% negative that is all.

Amit Tawani: Coming to online gaming, is there any kind of advertising revenue also there in online gaming?

Hardik Dhebar: Nothing substantial, rather nothing much at all. The revenue that you see is purely the income

from the rake or the commission or whatever you may call it.

Amit Tawani: Can you tell us what kind of market share we have in terms of players in Poker?

Hardik Dhebar: So you know the total Indian Poker market based on the number of operators that are existing

today will be about 200 to 225 Crores of which Adda alone would be at about 125 to 130 Crores

this year, so that is the kind of market share Adda enjoys.

Amit Tawani: Coming to the land, I am sorry I joined the call couple of minutes late, have we already bought

land for the transfer of casinos to land.

Hardik Dhebar: I just answered Anubhav on that that we are in the advance stage of the due diligence because we

are examining the title because we are buying it from third parties, so we are in the advanced

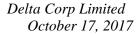
stage of doing the due diligence on those parcels.

Amit Tawani: Okay, considering that we have three offshore licenses does that put us at an advantage,

disadvantage how do you perceive that Sir?

Hardik Dhebar: I have three licenses offshore. I will get three license on shore, so I do not think there is any

advantage or disadvantage. In fact if it all there is anything it is an advantage because I will be





able to segment the market like I have tried segmenting the market offshore, I will be doing it in a much better and a much bigger and a much larger way onshore.

Amit Tawani: What kind of cost benefits can we expect from this transfer from offshore to onshore?

Hardik Dhebar: The entire power and fuel cost comes down dramatically because you do not burn petrol and

diesel to run your generators, your entire marine cost, which you are incurring today because your offshore goes away, so there will be significant cost benefit, if I was to replicate what I have

offshore, onshore the cost would come down by about 30%.

Amit Tawani: 30% okay and what is the run rate we are doing in Sikkim today?

Hardik Dhebar: Revenue as in revenue run rate?

Amit Tawani: Yes correct.

Hardik Dhebar: We are doing about a Crore, Crores and a half a month. We expect it to be higher, but given the

two issues that I mentioned the Doklam as well as the Gorkhaland, they are a little subdued, but I believe that with both these events behind us and the airport coming in we believe that we could

go beyond 2.5, 3 Crores going forward.

Amit Tawani: Thank you Sir. Thank you for your time.

Moderator: Thank you. We have the next question from the line of Hitesh Randhawa from Radhawa

Consulting. Please go ahead.

Hitesh Randhawa: I just had two simple questions in the past we have heard Mr. Modi having aspirations about

opening up casinos in Nepal, etc., so from that point we just wanted to understand if we have any such plans in the near future? And the second question being that apart from Dream11 we also do have 10, 10, etc., in Fantasy Sports, but did we consider or do we have any plans for

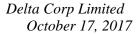
inorganic growth by acquiring any such companies?

Hardik Dhebar: As regards Nepal I already said that by this time next year we should have a casino in

Kathmandu, given that we are already in talks with the hotels coming up in Kathmandu the new Marriott, so yes we will look and we have always said that we will always be looking in the region wherever we think the opportunity is right, we will go out and expand, so Sri Lanka was first where we tried, but the laws did not support. Nepal is now opening up, so we would be present in Nepal very soon. As regard Fantasy is concerned, I do not think we are looking at anything inorganic at this point of time in the Fantasy space given the fact that other than Dream11 there is nobody else who is worth considering at all and Dream11 we are way too

bigger, so the inorganic route as far as Fantasy Sports is concerned is not something that we are

looking at, at this point.





Hitesh Randhawa: All the future expense has be it the landowner any of the overseas expansion plans, so all of them

are going to be funded through internal accruals itself right?

Hardik Dhebar: We are currently sitting on a 420 Crores cash as of today and are generating money everyday, if

we continue to do the run rate that we have been doing for the first six months we should by the end of this year assuming that we do not spend anything we should have 500 Crores plus cash, so

why would I need to raise any further money.

Hitesh Randhawa: Fine Sir. That is all from my side. Thank you very much.

Moderator: Thank you. We have the next question from the line of Tushar Sarda from Athena Investments.

Please go ahead.

Tushar Sarda: Thanks for the opportunity again. I wanted to know on this onshore, is there a specific area where

you have to develop or you can buy land anywhere, is there going to be entertainment zone or

something where multiple licenses will be given?

Hardik Dhebar: No, first of all the licenses are only going to be granted to the current existing offshore casinos

and there are no new licenses or any further license being granted. The government has said that the option is with the operator whether if they identify the land and come to the government to get it notified as an entertainment zone government would do that and if the operator is not able to find land the government also will be able to procure land for them and then give it to them. As far as any particular area is concerned I do not think they have put any restrictions on where

to buy that land.

Tushar Sarda: If you are a license holder and there is another license holder, so one can do a casino in north

Goa, another in south Goa is that possible?

Hardik Dhebar: We will have to wait for the fine print Tushar to be able to answer those questions because we

also do not know today whether we will be required to put all the three casinos in the same location or will we be allowed, so that is a little premature for me to answer and preempt what

the government is thinking on what the outline is going to be.

Tushar Sarda: I am asking for you are saying you have identified the land and you are doing the infrastructure?

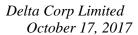
Hardik Dhebar: We are assuming, we are making an assumption and going and doing the identification of land,

but that is why we are not buying out and closing the land before the final fine print comes.

Tushar Sarda: Okay and in terms of cost you said that your costs will come down by 30% right?

Hardik Dhebar: On a like-to-like basis but you know the size and scale of the casinos onshore are going to be

multifold larger than what we have on the existing setup, so you know in absolute terms it may not come down, but in percentage terms obviously it will come down because I explained the





power and fuel cost will be much cheaper to do shore power than to burn the diesel generator on a 24-hour basis. The entire marine infrastructure that we currently are carrying because we are offshore will be done away with.

Tushar Sarda: In terms of size what is the approximate size that you will build?

Hardik Dhebar: Currently if you look at our total square footage under gaming is about 45000 that will be going

up to roughly about 3.5lakh square feet, in terms of number of tables we have currently about 180 to 200 tables across three casinos that would be at least going up four times to about 800

tables.

Tushar Sarda: Okay, so you are saying 350000 square feet will cost you around 100, 150 Crores to build?

Hardik Dhebar: Yes I am only building a casino. I am not building anything else. I do not need to build any fancy

structure or anything.

Tushar Sarda: Okay, so this is with the cost of furnishing and everything?

Hardik Dhebar: Absolutely.

Tushar Sarda: You do not require the hotel or restaurant around it?

Hardik Dhebar: No, so that is the land, which we will sell to participate as our equity into and get a hotel owner

or a hotel manager to come and develop the hotel, they will invest the capital and we will

participate in whatever way we think is right.

Tushar Sarda: In addition to your three licenses how many others have license?

Hardik Dhebar: There are three more.

Tushar Sarda: Okay. Thanks a lot, it gives me a lot of clarity. Thank you very much.

Moderator: Thank you. We have the next question from the line of Rajiv Bharati from India Nivesh

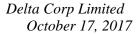
Securities. Please go ahead.

Rajiv Bharati: Good afternoon Sir. Thanks for the opportunity. Sir few questions typically you shared the GGR

and footfall number.

Hardik Dhebar: Typically we do not share Rajiv, but tell me.

Rajiv Bharati: Is it possible to share what has happened this quarter to get a feel of on the casino wise details?





Hardik Dhebar: Yes of course the footfalls have more or less been flat across the casinos, but it is the GGR that

has improved in our larger vessel, we were at about 14000, we have gone to about 17000 on the

GGR, so this quarter the growth is predominantly coming from larger spends.

Rajiv Bharati: Just to get a sense on the topline part, if I have to adjust the previous quarter, the September 2016

quarter numbers on the topline, so what I did is the consolidated and minus standalone I wanted

to understand what is happening on that front?

Hardik Dhebar: Rajiv I think if we are going to understand this on a conference call is not right, you can come

and see me Rajiv and we can understand the fine print and niceties thereon rather than taking

everybody's time on such a question please.

Rajiv Bharati: All right fine. Thank you.

Moderator: Thank you. We have the next question from the line of Archit Singhal from Safe Enterprises.

Please go ahead.

Archit Singhal: Thanks for the opportunity. Sir two questions from my end. Firstly on the casinos is there any

regulation on the size of expansion you can do like you were mentioning 4x the number of

tables?

Hardik Dhebar: Even on the existing license Archit there is no restriction and there would be no restriction

because existing also there is no restriction, the same conditions carry on, so there is no

restriction on the size of the casino.

Archit Singhal: Understood and Sir secondly I wanted a clarification on the online gaming, so you were

mentioning capex of about 50 Crores per business?

Hardik Dhebar: It is not a capex, it is an expense because this is going to be sales promotion, marketing, business

promotion, bonus being given out to the player, so these are not capital expenditure, but this is

revenue expenditure, but it will be capital burning or capital investment to that extent.

Archit Singhal: That was an annual number of Rs.100 Crores for the two businesses right?

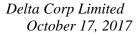
Hardik Dhebar: Yes.

Archit Singhal: Sir what is the annualized revenue potential of the two businesses Rummy as well as Fantasy?

Hardik Dhebar: So Rummy we believe in the first full year of operation, we should be able to about 40, 50 Crores

of topline to begin with and fantasy it all depends what model as I said fantasy we are still evaluating what is the exact model that we would be going ahead since we still have about two, three months to go before we actually go on to the beta mode so, probably get a better clarity in

the next quarter I suppose.





Archit Singhal: Okay, this is helpful Sir. Thank you.

Moderator: Thank you. We have the next question from the line of Naveen Jain from Florintree Advisors.

Naveen Jain: Good evening Sir. Sir my first question is on Adda52, so can you please share what was the

comparable revenue number in the Q1 of FY2018 this year?

Hardik Dhebar: They have done Rs.30 Crores. They have done Rs.30 Crores in the second quarter. The third

quarter typically is the uptick because of the holiday season as far as the Poker business is

concerned.

Naveen Jain: So QOQ flat was it like as per the plan has been satisfactory?

Hardik Dhebar: Yes of course it is as per plan because if you look at the run rate on an annualized basis we would

end up doing a growth of about 45% to 50% because they did about 70 Crores odd last year and we would be closing this current year at on a YOY annualized basis about 125, 130 Crores,

which is not something to complain about.

Naveen Jain: Secondly Sir, what is the investment that the Nepal casino will require?

Hardik Dhebar: So we are not building the hotel again there. It is going to be a lease agreement that we will be

entering into with the hotel, so our investment would be only in the gaming equipment, so like Sikkim I think it would be in the range of about anywhere between Rs.5 Crores to Rs.10 Crores.

Naveen Jain: Okay and how big will this casino?

Hardik Dhebar: We are looking at 15000 square feet to begin with.

Naveen Jain: Finally on the debt level, so last year including the current maturities of long-term debt we had?

Hardik Dhebar: We are a debt free company August 1, 2017 the last rupee of debt on the books of Delta was paid

off.

Naveen Jain: When I look at the balance sheet that we have reported for the first quarter.

Hardik Dhebar: Not for the first quarter.

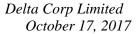
Naveen Jain: For September end the consolidated balance sheet have under the other financial liabilities head

about Rs.224 odd Crores?

Hardik Dhebar: That is nothing but the payment that I have to make to the shareholders of Adda52, which is

nothing but the redeemable preference shares and the optionally convertible preference shares, which are falling due in 12 months' time and because it is in 12 months' time it has shown as

financial liabilities and not shown as debt or equity.





Naveen Jain: Finally Sir, so given the investment plans that we have the onshore casino as well as this website

development and all that the new online gaming development and all that so we expect to remain

debt free at least let us say in the next two months?

Hardik Dhebar: I just told you we are sitting on Rs.420 Crores of cash and I believe nothing was to happen, we

would end up with Rs.500 plus Crores of cash, we will have more than enough cash on the books in the current year itself to take care of all the things that I just mentioned about from a capital

outlay perspective and we will still be left with surplus cash on the books.

Naveen Jain: Got it Sir perfect. Thanks a lot.

Moderator: Thank you. We have a followup question from the line of Tushar Sarda from Athena

Investments. Please go ahead.

Tushar Sarda: Thank you. One final question, what is the timeframe for shifting from offshore to onshore

approximately three years is what one should assume?

Hardik Dhebar: That is what the government has envisaged and that is what they have stated.

Tushar Sarda: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Aksh Vashist from Motilal Oswal Securities.

Please go ahead.

Niket: This is Niket here. Hardik congratulation on good set of numbers, just one question, will we also

continue to see significant growth in our existing vessel because of any changes that we are doing in the structure of the vessel, for example in Casino Royal our retail footfall obviously would

move up because there is one for now dedicated additionally to retail?

Hardik Dhebar: That has already happened Niket in the last quarter and we believe that obviously that is in

anticipation of the growing visitations, so from the third quarter obviously which is the busiest quarter from Goa perspective, we should definitely see visitation growth which obviously will

result into revenue growth and profitable growth.

Niket: My question was more from perspective of Delta JAQK whether we can do anything there or is

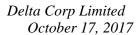
there a possibility that we increase our rake size going forward from a minimum of say Rs.100

which moved up to Rs.200?

Hardik Dhebar: I did mention a while back to Anubhav question Niket that the growth going forward is going to

come in three forms, one is obviously the visitation growth that will happen, two is the GGR is going up naturally and third obviously increasing the minimums and the maximums, so that is the three prong strategy that we believe we will have to work on to ensure the growth momentum

and the growth potential that we have to unlock it.





Niket: Final question any plans to increase our ticket pricing, the entry ticket price or you would keep

that constant?

Hardik Dhebar: We already have multiple packages starting from Rs.2000 going all the way up to Rs.10000, so I

do not think we are looking at anything drastic or dramatic to happen now.

Niket: Okay, perfect. Thank you.

Moderator: Thank you. That was the last question. As there are no further questions, I would like to hand the

conference back to the management for any closing comments.

Hardik Dhebar: Only one last thing which I would like to say that we believe that we are a business, which is

now more matured than what we are a couple of years ago and we believe that we are at a stage and at a platform from where we will take off or rather we are taking off and I would like to thank all the guys who have been supporting us in the recent past and in the past and thank you

very much for being on the call today.

Moderator: Thank you very much. On behalf of Emkay Global Financial Services that concludes this

conference. Thank you for joining us. You may now disconnect your lines.