

Indian Dreaming: Tiger Palace putting Nepal in the game

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By Ben Blaschke

The first integrated resort to be built in South Asia, Tiger Palace Resort in Nepal's lowland Terai plains sits just eight kilometers from the border with India's most populous state Uttar Pradesh, home to some 215 million people. At US\$52 million it also represents a fascinating step for Nepal's casino industry. Inside Asian Gaming decided to take a look for ourselves.

THE 20-minute drive from Nepal's Gautam Buddha Airport to Tiger Palace Resort is an edge-of-your-seat test of nerves along dusty roads in various states of repair. At its sternest, the gravel potholes and dust-filled air reduce progress to a slow and winding crawl. Where upgrades are complete, cars and bikes sneak past the dozens of brightly colored trucks heading to and from the nearby Indian border. The occasional herd of cows are seemingly unfazed as they casually stroll along the gutter.

Suddenly, turning left off the highway and rounding a bend, Tiger Palace appears like an oasis in a shimmering desert. Located, as it is, in the middle of nowhere, the sense of luxury on arrival is exaggerated by its dramatic contrast to the world outside.

At a cost of US\$52 million, Tiger Palace Resort is the first integrated resort to be built in South Asia – the region comprising Nepal, India, Pakistan, Sri Lanka, Bangladesh, Afghanistan, the Maldives and Bhutan. It is also a huge leap of faith for Australian-listed owner Silver Heritage Group, which is banking its future on the 215 million people living just across the border in Uttar Pradesh – India's most populous state. More specifically it is targeting the estimated 16 million middle and upper class Indians living within a six-hour drive.

"This is truly a one-of-a-kind property unlike anything in either Goa or Sikkim, the two states in India with licensed live table casino gaming," explains Silver Heritage Managing Director and CEO Mike Bolsover, nodding to the company's overriding strategy of giving northern Indian players something they can't find at home and without the need to travel far.

"There is nothing like this in the entire country," adds recently appointed General Manager – Hotel, Brett Model.

"The Indian customer is similar to the Chinese customer in Macau. They want the best, they want to be treated well and at Tiger Palace we're able to offer that in terms of top notch service and facilities."

Tiger Palace is located just eight kilometers from the Sunauli border crossing, the only India-Nepal crossing open to pedestrians 24 hours a day. When Inside Asian Gaming visited the border on a typical mid-week afternoon, we were greeted by an assault on the senses that put anything experienced at Macau's ferry terminals to shame. Much like the border crossing between Thailand and Cambodia in Poipet, it's dirty, it's dusty and it's relentlessly busy as people on foot and in rickshaws shuffle in and around the crawling lines of traffic. Trucks queue for over a kilometer on the Nepal side, presumably on the Indian side as well.

The road on approach is lined with men, young and old, selling snacks and tiny trinkets from tiny stalls or sometimes from the basket of a rusty bicycle. Two well-dressed women are cycled over the crossing by rickshaw. A teenage boy slowly drags a crate piled high with cardboard from one country to the other. It's a raw glimpse into the day-to-day life of the local people.

But Silver Heritage didn't choose Nepal's southern Terai plains – far removed from the Himalayan peaks the country is famous for – as Tiger Palace's home for no reason.

Despite India's 36 states and union territories housing a combined 1.3 billion people, only three – Goa, Sikkim and Daman and Diu – have the ability to issue casino licenses and only two of those actually have licensed gaming establishments in operation. Such limitations haven't diminished the nation's thirst for gambling however with a December 2015 study by Union Gaming Analytics titled "India Gaming Market Study" putting illegal betting spend at

up to US\$60 billion annually, 90% of which is bet on cricket. Nation-wide GGR derived from legal gaming activities – including casinos in Goa and Sikkim, horse racing and lotteries – was estimated at around US\$10 billion.

More importantly, the study noted some clear similarities between India's relationship with Nepal and China's with Macau.

"In many ways, we think the Nepal gaming story represents various successful components of the already-established Asian gaming playbook," it said. "Like Macau, Nepal is physically connected to a massive population base that has limited domestic gaming alternatives and is highlighted by a fast-growing economy. Like Macau, the immediate adjacent states of India allow for a real day-trip market with even easier access (no visa required) and unrestricted frequency of visitation to Nepal."

Also mirroring China's evolution is a 10% compound annual growth rate in outbound international tourism from India since 1998. "People have suddenly begun to love travel overseas – even if it's as close as Nepal or Sri Lanka," explains Ranjana Adjikari, co-head of the Media Entertainment and Gaming Practice Groups at Nishith Desai Associates.

"The fact that Nepal is so closely positioned, it's very cheap to travel to Nepal and in terms of currency it's a very good conversion rate for India."

Casino gaming isn't new to Nepal, having first emerged in Kathmandu in the 1960s in a bid to stimulate falling tourism numbers, but the industry has undergone a shake-up in recent times after the government introduced strict new gaming regulations in July 2013.

Under the Casino Rules 2070, Nepal's casinos cannot offer gaming to locals, cannot issue credit to players and must pay annual license fees of around US\$100,000 plus fixed "gaming royalties" of US\$300,000. In return, there is no tax on gross gaming revenue. Casinos can only be located inside a five-star rated hotel, of which there are less than 10 in the country. One of those, the Shangri-La in Kathmandu houses Silver Heritage Group's first Nepal casino, The Millionaire's Club, which operates 18 gaming tables and 34 EGMs.

There are currently eight operational casinos in Nepal of which seven are attached to five-star hotels in Kathmandu.

The other, Tiger Palace, promises to be a game-changer for the region.

"It is an attraction," says General Manager – Casino, Kevin Willcocks, pointing to the Indian city of Gorakhpur – less than two-and-a-half hours' drive from the border – as the number one source of guests. "The availability of five star facilities in Gorakhpur [is limited]. I don't even know if they have any there, so coming here to an all-in-one resort with a nice pool, quality restaurants and lovely food as well as the ability to play in a casino ... they would have to fly to Goa or another country to experience such a thing. They simply do not have it, except for us. We're right on their doorstep."

Willcocks says that numbers are gradually increasing after a slow start, with the 28 December 2017 launch of casino operations hampered by heavy fog that saw Guatam Buddha Airport shut down briefly in January.

Revenue for the first three months of operation – before the casino opened – totaled just US\$117,000 but since then Tiger Palace has seen weekend visitation edge towards 1,000. Last month's Grand Opening attracted around 1,250 resort guests including 982 casino patrons over two days. By comparison, Kathmandu's casinos are estimated to attract anywhere between 200 to 500 visitors per casino, per day.

Silver Heritage also reported new casino highs during Grand Opening celebrations, with record single day table drop of US\$160,000 and GGR of US\$54,000 on Saturday 17 March. For the first 18 days of the month, table drop totaled US\$1 million and GGR a healthy US\$270,000.

Bolsover says that the company is "very active on social media and the regular marketing channels. We have taken space at various international travel shows and the ramp-up is currently going to plan now that we are finally in full swing."

The casino at Tiger Palace is modest by Macau standards but grand by Nepal's and India's, with 44 gaming tables and 216 electronic gaming machines, including 61 electronic roulette terminals. Roulette is the number one table game in the Indian market and it is four shiny new roulette tables that take pride of place in the center of the Tiger Palace gaming floor.

Baccarat also performs reasonably well, while Grand Opening weekend saw three VIP tables operating in the elevated Premium Mass level.

Plans are underway to launch three private VIP rooms with nine new tables, two separate cages and a private dining experience by the end of 2018.

The company hopes these private rooms will allow Tiger Palace to diversify its customer base by attracting not only India's upper class but also premium players from China and Southeast Asia.

Crucially, Bolsover explains, the bumpy ride in from the airport will soon be a distant memory with a new six lane highway that will stretch for 24km alongside Tiger Palace due for completion. Roulette is the most popular table game among Indian guests this year. Gautam Buddha Airport – currently serviced by a tiny domestic terminal – is also undergoing a major facelift that will see it transformed into Nepal's second international airport (after Kathmandu) by mid-2019. The new facility will reportedly handle around 30% of the country's international air traffic with direct connections slated to China, Thailand, Malaysia, Vietnam and multiple Indian cities.

Likewise, Tiger Palace is already planning its own expansion onto the 22-acre site's remaining 10 acres of land with Phase 2 to include between 100 and 300 hotel rooms. Other facilities being considered are banquet and wedding centers, MICE space and an extended casino but a final decision on use has yet to be made.

Bolsover believes Tiger Palace can change the face of gaming in India, potentially leading the way for the modest nation of Nepal to progress from frontier gaming territory to global player.

"We have brought the concept of an integrated resort to the Southeast Asian marketplace and are proud to be the first to open in the region, choosing Nepal to do so," he says.

But getting to this point has also highlighted the many unique challenges that come with operating in such uncharted waters.

There were delays, of course, with the original 2017 opening date pushed back by 12 months due in part to the earthquake that struck Nepal in April 2015 and a four-month fuel blockade along the Indian border due to political tensions between the two countries surrounding the promulgation of the new constitution at the end of 2015.

Those setbacks saw the cost of completion soar from US\$40 million to US\$52 million, with Silver Heritage forced to find the extra funds through a mid-2017 entitlement offer to raise US\$14 million.

Logistics and procurement of materials for the build were also a problem.

“Nepal is a land-locked country and all the supplies, from the building materials to food and drinks, are basically sourced out of India,” explains Executive Assistant Manager – Hotel Operations, Rami Obeid. “It has to come through customs which is a very slow and complex process.

“There are a lot of supplies we simply can’t get so people like our executive chef are forced to work with what they have, within those limitations.”

Despite this, the final product is surprisingly impressive. Tiger Palace stands out for multiple reasons, among them its grand marble lobby and poolside Cabana Avenue bar and grill, but most notable is its attention to detail. The hotel rooms, for example, incorporate ceramic floorboards and high-end finishes that Bolsover says will last for “10 to 15 years,” before the maintenance capex cycle begins in earnest.

It’s also evident that Silver Heritage, which previously ran a “mini casino” near the Indian border for nine months in 2012/13, understands its target market. That means a stage behind the sunken casino bar featuring regular Bollywood performances from the resident dance troupe (we’re told such entertainment is “expected”) and a children’s arcade and playroom that Obeid says will expand soon.

“What Tiger Palace has done is really appeal to the taste buds of their target market, being India,” offers Adjikari.

“One thing that the [floating] casinos in Goa have demonstrated is that going there is a family affair – it’s not just the big-spending players going to a casino.

“I think when you have something to offer for everyone – and it does seem like Tiger Palace is going that way – there is a real attraction. Proximity, geography, the fact that there are not many casinos in India and that they aren’t going to increase any time soon, I think there is a lot to like about it.”