

## Lottotech Ltd

June 08, 2022

### CRAF reaffirm ratings of CARE MAU AA- Stable and CARE MAU A1+ rating to the proposed bank facilities of Lottotech Ltd.

#### Ratings

Facilities/Instruments	Amount (Mur Million)	Rating <sup>1</sup>	Rating Action
<b>Loan</b>	90	<b>CARE MAU AA-; Stable [Double A Minus; Outlook: Stable]</b>	<b>Reaffirmed</b>
<b>Overdraft Facility</b>	37	<b>CARE MAU A1+ [A One Plus]</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>127</b>		

#### Rating Rationale

The rating assigned to the bank facilities of Lottotech Ltd ("Lottotech") derives strength from established and strong market position of the company in National Lottery segment, track record of successful varied business operations of the Gamma group, experienced and resourceful promoters, professional and experienced management team at Lottotech, reasonably priced ticket and high participation rate of more than 65% of the adult population in Mauritius. The rating also draws comfort from the renewal of operating license by Govt of Mauritius for next 10 years which is covering the tenure of loan, and strong financial performance with comfortable debt coverage indicators. The rating is, however, constrained by mandatory contribution (47.16% of total income) to Consolidated fund, high dividend pay-out ratio, risk associated with execution of proposed capex and exposure to Regulatory risk.

#### Rating Sensitivities

***Positive factors that could, individually or collectively, lead to positive rating action/upgrade:***

- Ability to improve profitability and retain excess cash in the company
- New pipeline of games in development
- Successful execution of the project leading to improvement in turnover & margin

***Negative factors that could, individually or collectively, lead to negative rating action/downgrade:***

- Reduction in Participation rate
- High Contribution to the consolidated fund
- Government intervention to ban services

#### BACKGROUND

Lottotech Limited ("Lottotech") was incorporated in Mauritius on April 8, 2008, by Gamma-Civic Ltd (Gamma; rated CARE MAU AA-; Stable) for the purpose of operating lotteries and related activities within the gaming industry of Mauritius. In July 2008, the company was chosen as the preferred bidder by the State Investment Corporation Ltd (GOM's investment arm) to implement & operate the Mauritius National Lottery. The activity of the Mauritius National Lottery, also called La Loterie Nationale, is regulated by the Gambling Regulatory Authority ("GRA") ACT 2007.

Lottotech being the exclusive operator of The Mauritius National Lottery on behalf of the Government of Mauritius, was issued a license in April 2009 to operate the Mauritius National Lottery under the GRA ACT 2007. The Company operates in a highly regulated environment.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratingsafrica.com](http://www.careratingsafrica.com).

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)  
 Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius  
 Phone: +230 59553060/58626551 • [www.careratingsafrica.com](http://www.careratingsafrica.com)  
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Lottotech is a member of the World Lottery Association (“WLA”), the global authority on lottery business. The Company has received the WLA Responsible Gaming certification Level 4, which is the highest international standard Certification.

In October 2009, Lottotech successfully launched La Loterie Nationale in Mauritius and Rodrigues with the sale of lottery games through a network of retailers. Currently, Lottotech offers Loto game (two weekly drawings on Wednesday and Saturday) and Loterie Vert (weekly draw on Friday) through a network of 694 retailers, comprising mainly of small family-owned businesses.

The Loterie engine software, the main software application running the core business of the Loterie system, was upgraded to the latest engine (Aurora) released by International Game Technology (IGT) in FY21 at a total cost of MUR 88 million to improve the speed of the servers and increase the customers reach, through online platform & apps. This apart the company has plans for implementation of new games over next 5 years. Aggregate cost of the projects is MUR 192 million (MUR 90 million funded by the term loan) and balance from internal accruals.

Revenue and PAT increased by 10% and 22% respectively in FY21 resulting from higher sale of lottery tickets, innovative communications, technological development, and cost management. Interest coverage, Total debt/EBITDA and overall gearing was very comfortable.

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