Gamma Civic Ltd
13 May 2021

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Proposed Bond (long term)	1,000	CARE MAU AA-; Stable [Double A minus, Outlook: Stable]	Assigned
Total	**1,000**		

Rating Rationale

The rating assigned to the proposed long-term bond issue of MUR 1,000 million of Gamma Civic Ltd ("Gamma") derives strength from established track record of Gamma group, experienced and resourceful promoters, professional and qualified management team managing different entities of the group, investment across diverse business verticals, consistent flow of dividends from lottery, cement & materials verticals, stable performance along with comfortable cash surplus & low debt profile of dividend paying companies, sizeable holdings of land & property which can be monetized to reduce or repay debt at group level and comfortable financial position with low gearing & high liquidity position both at the standalone and group level. The rating also draws comfort from the management's articulation that MUR 350 million on average of liquidity will be maintained at the group level (in all companies) over the tenure of the Bond issue.

The rating is, however, tempered by Gamma being an investment company and its sources of revenue being dividend & management fees from group companies - contingent upon performance of various subsidiaries/associate companies amidst the pandemic, volatility in revenue of lottery business - exposed to political risk, skewedness of the group's cashflow towards construction sector, loss making construction & hotel verticals which may need support, the market risk associated with sale of land & properties and impact of the proposed application of the proceeds for strategic initiatives and investment.

Rating Sensitivities:

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

- Ability to improve profitability in all the dividend paying companies.
- Steady performance of the finance vertical and dividend payment by the same in future
- Effective working-capital management.
- Turnaround in operational performance of the Hotel & construction sector
- Mature investment portfolio and ability to realize value through listing or sale to strategic partners.

Negative Factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Additional debt both at the company & group level
- Additional investment to support the losses in the hospitality and construction verticals.
- Dip in liquidity at the group level well below the committed level.
- Potential impact of new strategic initiatives & investments on Gamma's profitability & capital structure

[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

BACKGROUND

Gamma Civic Ltd ("Gamma") is a listed investment & holding company of Gamma group which is controlled and managed by the Ah Teck family (holding 60.5% stake). Gamma Group is among the top 15 largest companies listed on the Stock Exchange of Mauritius.

Gamma Civic Ltd derives its revenue as dividends and management fee from the various group companies engaged in diversified sectors like lottery, supplying of construction materials, distribution of cement, construction & engineering, property & real estate, financial services, and hospitality. The major companies of the group are Lottotech Ltd (listed on the Stock Exchange of Mauritius), Gamma Materials Ltd, Kolos Cement Ltd (listed on the Development and Enterprise Market "DEM", Gamma Construction Ltd, BR Capital Ltd, Square Mile Investment Nine Ltd. and Morning Light Co. Ltd (listed on "DEM"). The group earned total revenue of MUR 3.7 billion in FY20 (MUR 3.8 billion FY19).

During the last few years, the company has formed strategic alliances and partnerships with world-class companies such as Hilton International, Holcim Ltd, G-Tech Corporation and Colas Group.

Gamma Civic's main business operations include:

- Production & supply of aggregates and construction materials - asphalt, ready mix concrete, concrete blocks, etc.
- Construction - building engineering, road works, civil engineering, infrastructure, and maintenance works.
- Import & distribution of cement.
- Property - Commercial, Residential, and Hotel and Resort.
- Lottery gaming - National lottery operation
- Financial Services – Reinsurance / brokering

Gamma is managed by a team of professional managers. It is governed by a 9-member Board of Directors comprising of members from the Ah Teck family and professionals. The strategic affairs of the Group are looked after by Mr. Tommy Ah Teck who is the Executive Chairman. He is assisted by a team of experience and qualified professionals and the Ah Teck family members sitting on the Board of Directors who bring the entrepreneurship drive to the business.

Gamma Civic Ltd derives its revenue mainly from dividend income and management fee income received from various group companies. In FY19, Lottotech, Cement, Materials and Construction were the major contributors to revenue. In FY20, Lottotech, Cement and Construction & Materials segments were impacted by the pandemic with the country going into two and a half months of lockdown. Operation of these sectors were closed during the lockdown. Despite that Lottotech, Kolos and Gamma Materials posted positive PAT in FY20 and paid management fees and dividend. Gamma Construction incurred operating losses but had posted positive cashflow. None of the group companies had to approach Gamma Civic for financial assistance.

Lower dividend payment by group companies impacted Gamma's EBITDA and PAT in FY20. However, Gamma was able to post a satisfactory performance in FY20 with positive EBITDA and PAT. Gamma Civic (Consolidated) had a cash balance of MUR 653 million as of 31st December 2020. Gamma Civic (both at standalone and consolidated level) is a low geared. Lottotech, Gamma Materials Ltd and Square Mile Investment Nine Ltd are debt free companies. Gamma Civic have a debt of MUR 457 million which has an amortized repayment structure. Gamma Civic has paid a dividend of MUR 200 million for FY20, out of accruals and available cash balance. Avg. working capital utilization during last 24 months was nil.

The projected performance is expected to improve in line with better performance of cement, materials & construction sector, due to proposed infrastructure spending of the Government, and better performance of Lottotech with the increase in gaming license and number of games allowed. The steady performance and low debt profile of the subsidiaries and associates will ensure timely payment of dividend to Gamma Civic Limited.

During discussion, the management stated that MUR 350 million of average liquidity will be maintained at the group level (in all companies) over the tenure of the Bond issue.

In FY20, Gamma Civic (Standalone) has posted a revenue of MUR 358 million (MUR 460 million in FY19) and PAT of MUR 173 million (MUR 250 million in FY19). Interest coverage, Total debt/EBITDA and overall gearing was very comfortable.

In FY20, Gamma Civic (Consolidated) has posted a revenue of MUR 3,706 million (MUR 3,750 million in FY19) and PAT of MUR 228 million (MUR 596 million in FY19). Interest coverage, Total debt/EBITDA and overall gearing was very comfortable. Cash & bank balance as on December 31, 2020 was MUR 653 million.

In May 2021 Gamma Civic proposes to raise a Bond of Mur 1,000 million and utilize MUR 250 million to repay existing debt and utilize MUR 100 million to support the working capital requirement. The balance MUR 650 million will be used for prospective strategic initiatives and investments. Gamma's management stated that they are currently exploring new strategic initiatives and investments to facilitate the further diversification of the geographical and business segment exposures of the Group.

CRAF is unaware in which entity or the segment the company will invest and hence the impact of the investment and the projected cashflow from the same have not been considered in the projection.

CRAF will review the rating once the management discloses to CRAF about the details of the investment.

Annexure I

Rating Symbols

Long /Medium-term Instruments

Symbols	***Rating Definition***
CARE MAU AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry very low credit risk.
CARE MAU A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry moderate credit risk.
CARE MAU BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU D	Instruments with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU AA to CARE MAU C. The modifiers reflect the comparative standing within the category.

Rating Outlook

The rating outlook can be ‘Positive’, ‘Stable’ or ‘Negative’.

A ‘Positive’ outlook indicates an expected upgrade in the credit ratings in the medium term on account of expected positive impact on the credit risk profile of the entity in the medium term.

A ‘Negative’ outlook would indicate an expected downgrade in the credit ratings in the medium term on account of expected negative impact on the credit risk profile of the entity in the medium term.

A ‘Stable’ outlook would indicate expected stability (or retention) of the credit ratings in the medium term on account of stable credit risk profile of the entity in the medium term.

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CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.