

Gamma Civic Ltd
27 June 2022

Ratings

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

Rating Rationale

The rating assigned to the long-term bond issue 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 financial services lottery, cement, construction & 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 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 building material sector, loss making construction & hotel verticals as a result of the impact of Covid-19 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

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

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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 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, Jasiri Investment Ltd (ex-Square Mile Investment Nine Ltd) and Morning Light Co. Ltd (listed on "DEM").

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, WH Investments Pte. Ltd and Colas Group. In 2021, Gamma Civic Ltd has started operations in Madagascar with the launch of Mafonja cement through Kolos Madagascar SA.

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

Gamma derives its revenue mainly from dividend income and management fee income received from various group companies. 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 this Lottotech Ltd, Kolos Cement Ltd and Gamma Materials Ltd posted positive PAT in FY20 and paid management fees and dividend. Gamma Construction Ltd incurred operating losses but had posted positive cashflow. None of the group companies had to approach Gamma Civic for financial assistance.

Gamma Civic Ltd received dividend payment of MUR 330 million from group companies in FY21 and it was able to post a higher EBITDA and PAT as compared to FY20. Gamma Civic (standalone) had a cash balance of MUR 650 million as of December 31, 2021. The overall gearing increased to 1.11x times in FY21 following the bond issue and it is expected to decrease over the projected years as and when debts are serviced. Gamma has paid a dividend of MUR 241 million for FY21, out of dividends received from underlying companies. Average working capital utilization during the last 12 months was nil. In FY21, the company GCA was MUR 315 million vis-à-vis a debt repayment of MUR 124 million. Gamma Civic Ltd has not provided any corporate guarantee to any of its group companies.

During discussion, the management stated that MUR 300 million of average liquidity will be maintained at the group level (in all the various companies) over the tenure of the Bond issue. The projected performance is expected to improve in line with better performance of the group companies in the construction and gaming sector, as a result of

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proposed infrastructure spending of the Government, expansion in Madagascar for Kolos, and better performance of Lottotech with the updated software and introduction of new games / enhancement of existing games.

In June 2021 Gamma Civic raised a Bond of MUR 1,000 million and utilise MUR 250 million to reduce its existing term loan from SBM and ABC Banking. The company has advanced MUR 200 million to Kolos Cement Ltd for working capital management locally. The balance MUR 550 million is earmarked for strategic intents and in April 2022, Gamma Civic invested a total of MUR 216 million in LudWin Group (a French headquartered entity with operations in multiple countries in Africa) through a combination of equity and secured convertible debt. During discussion the management stated that they are exploring possibility to invest in positive cashflow generating business other than the construction and hospitality sector. Given that CRAF is unaware in which company or the segment the company will invest, the projected cashflow from the same has not been considered in the projection.

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity.

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CRAF's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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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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About CARE Ratings (Africa) Private Limited:

CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.

CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.

CRAF's Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.

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

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