

Gamma Civic Ltd

19 May 2023

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") continues to derive 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 & materials verticals, stable performance along with comfortable cash surplus & low debt profile of dividend paying companies. The rating also draws comfort from the sizeable holdings of land & property and comfortable financial position with low gearing & high liquidity position both at the standalone and group level earmarked for future investments to grow future profitability and cashflow.

The rating is, however, limited 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, revenue of lottery business exposed to regulatory risk, concentration of the group's cashflow towards the building material sector, 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.
- Effective cash and working capital management through centralized treasury
- Ability to realize value from listing in SEM and from monetization of investment stake held in various companies

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

- Additional debt both at the company & group level over and above the envisaged level.
- Dip in liquidity at the group level well below the committed level.
- Potential impact of new debt funded investments affecting on Gamma's profitability & capital structure

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

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BACKGROUND

Incorporated on July 4, 1961, Gamma Civic Ltd ("Gamma") is a listed investment and 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 "SEM"), 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.

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 technology - National lottery operation and provision of technology to gaming operators in African countries
- Financial Services

Comfortable financial performance with low gearing and nil working capital utilization level

Gamma derives its revenue mainly from dividend income and management fee income received from various group companies. Gamma provides financial, legal, administrative, and strategic support to all its group companies for which it receives Management fee (as a % of the turnover or operating profit of those companies). This is recurring income. Gamma Civic received a dividend payment of MUR 463 million from group companies in FY22 and it was able to post a higher EBITDA and PAT as compared to FY21. Gamma Civic (standalone) had a cash balance of MUR 430 million as of December 31, 2022. The overall gearing decreased to 1x times in FY22 following part payment of the existing term loan. Gamma has paid a dividend of MUR 267 million in FY22, out of dividends received from underlying companies. Average working capital utilization during the last 12 months was nil. In FY22, the company GCA was MUR 395 million vis-à-vis a debt repayment of MUR 41 million. Gamma Civic Ltd has not provided any corporate guarantee to any of its group companies.

The projected performance is expected to remain stable over the projected tenure. The construction sector is expected to improve with ongoing commissioning of various government projects – Metro Express, Social Housing, development of new road and maintenance of existing road is expected to boost the demand for cement and construction materials in the forecasted period. Lottotech has reported a satisfactory performance in the first quarter of FY23 and they have exceeded the budgets. With the release of new games in Q4FY23, the revenue for Lottotech will be further boosted. For the property cluster, Huawei has signed a 7-year lease for the whole building for Burford House which will ensure a steady cashflow. The hotel sector has been recovering since the pandemic with re-opening of borders and increase in number of flights to and from Mauritius. Around 997,290 tourists visited Mauritius in FY22 which gives a positive view on the hotel industry. Hotels are operating at a high occupancy rate and the trend is expected to continue. 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

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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. In April 2022, Gamma Civic Ltd 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 the possibility of investing 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. In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating.

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***

<i>Symbols</i>	<i>Rating Definition</i>
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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