

Lottotech Ltd

19 May 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Bank Loan	77 (reduced from MUR 90 million)	CARE MAU AA-; Positive [Double A Minus; Outlook: Positive]	Reaffirmed with change in outlook from stable to positive
Overdraft Facility	37	CARE MAU A1+ [A One Plus]	Reaffirmed

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 the National Lottery segment, tracks record of successful varied business operations of the Gamma group, experienced and resourceful promoters, professional and experienced management team at Lottotech, reasonably priced Loto ticket (MUR 20) and high participation rate of more than 65% of the adult population in Mauritius. The rating also draws comfort from the long-term operating licence by the Government of Mauritius (GoM) until 2029 which covers the tenure of the loan and strong financial performance during FY22 with healthy growth in total operating income, profitability and comfortable debt coverage indicators.

The rating is, however, constrained by high regulatory risk, high dividend pay-out ratio leading to low networth and risk associated with execution of proposed capex.

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.
- Diversification of revenue stream with new games
- Successful execution of the project leading to improvement in turnover & margin

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

- Reduction in Participation rate below 50%
- Any increase in contribution percentage to the consolidated fund
- Government intervention adversely impacting the revenue or profitability.

BACKGROUND

Lottotech Limited ("Lottotech") was incorporated in Mauritius in April 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 licence in April 2009 to operate the Mauritius National Lottery under the GRA ACT 2007. The Company operates in a highly regulated environment.

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.

In 2019, Lottotech acquired the company Pool Joseph Mervin Ltd (PJML), which holds the licence to operate as an agent of The Football Pools, a sports betting operator in UK. Lottotech, having secured the new licence, has now a more diversified portfolio comprising of lottery (Loto and Loto vert) and sport games (Football Pools) and provides new games to its base players. In October 2020, the Company successfully launched a modernized Loto vert game under the Loto vert brand.

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

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

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Currently, Lottotech offers Loto game (two weekly draws on Wednesday and Saturday) and Loto vert (weekly draw on Friday) through a network exceeding 676 retailers, comprising mainly small family-owned businesses.

Management: Lottotech is a company managed by professional managers, governed by a 10-member Board of Directors which comprises of 3 members from Ah Teck family. The strategic affairs of the company are looked after by Mr. Chian Tat Ah Teck (Tommy Ah Teck) as Executive Chairman along with the Chief Executive Officer, Mr. Allagappen Veeramootoo. They are assisted by a team of seasoned professionals.

Financials: In FY22, Lottotech has posted a revenue of MUR 1,478 million (MUR 1,054 million in FY21) and PAT of MUR 153 million (MUR 75 million in FY21). The profitability and solvency ratios of the company were very comfortable.

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.

Short term Instruments

Symbols	Rating Definition
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. 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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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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