Gamma Civic Ltd
25 June 2024

Ratings

Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue (long term)	**1,000**	**CARE MAU AA-; Stable**	**Reaffirmed**

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 and low working capital utilization 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, 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 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 stakes held in various companies

Negative 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

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

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BACKGROUND

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 (ranked 14th for 2023 by Business Magazine) listed on the Stock Exchange of Mauritius.

Gamma Civic Ltd derives its revenue as dividends and management fees 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").

Gamma Civic Ltd was incorporated on July 4, 1961, as Randabel & Sons Ltd. The company was initially engaged in asphalt production and road works. In August 1987, it was taken over by the Ah Teck brothers and the name of the company was changed to Civic Ltd. It started to manufacture and trade building materials. In 1994, the company was renamed as Gamma Civic Ltd and commenced additional activities such as contracting, cement trade, property development and lottery. In 1999, Gamma through its associate company Morning Light Co Ltd; entered into a partnership agreement with Hilton International, for the construction of a first-class Hotel resort - Hilton Mauritius Resort & Spa, which since inception is managed by Hilton International until end of February 2022 and thereafter by Hilton Worldwide Manage limited. Gamma Civic holds 25% in that venture.

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

Management Team: Gamma has a highly qualified and experienced employee pool having large experience in their related field. Gamma's improvement in operational efficiency over the years can be attributed to its sound management team. Each vertical is managed by a team of professionals. Mr. Tommy Ah Teck is the Executive Chairman of Gamma Civic Ltd since 2020. Mr. Twalha Dhunnoo was appointed as Group CFO and Executive Director in 2017 and was promoted to Deputy CEO and Chief Investment Officer in September 2023. The finance function of Gamma Civic Group of companies is overseen by Mr. Kavi Baboolall, Group CFO of Gamma appointed in September 2023**.**

Standalone Performance in FY23

In FY23, revenue dropped by 21% to MUR 503 million vis-a-vis FY22 since the company booked a one-off dividend income of MUR 147 million derived from the sale of property held by a subsidiary in FY22. Interest coverage stood at 4.30 times in FY23 and overall gearing as at December 31, 2023, moderated to 0.99 times. The company paid MUR 300 million of dividend during the year and cash balance stood at MUR 574 million as at December 31, 2023.

Consolidated Performance in FY23

In FY23, Gamma Group witnessed a 21% growth in revenue setting new benchmark at MUR 6,697 million (MUR 5,553 million in FY22) in line with the better performance of major group companies. EBITDA was 12% higher in FY23 at MUR 492 million (MUR 439 million). In contrast, PAT witnessed a fall of 8% in FY23 to MUR 443 million. Gamma Group had a cash balance of MUR 1,294 million as of December 31, 2023. The Group paid a dividend of MUR 387 million in FY23.

Annexure II

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 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.