Mauritius Sugar Syndicate

11 August 2023

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Money Market Instrument (Short Term) *	2,000	CARE MAU A1+ [A one Plus]	Reaffirmed
Proposed Money Market Instrument (Short Term) *	2,000	CARE MAU A1+ [A one Plus]	Assigned
Money Market Instrument (Short Term) *	0 (reduced from 1,500)	-	Withdrawn

"The aggregate of outstanding MMI and working capital facilities shall always be within the overall sanctioned working capital limits (overdraft limit & committed money market line) of MSS of MUR 6,200 million with banks". CRAF will monitor the MMI and working capital utilization on a regular basis.

Rating Rationale

The ratings assigned to the short-term Money Market Instruments of Mauritius Sugar Syndicate ("MSS") continue to derive strength from the strategic importance of MSS in the sugar sector of Mauritius, the professional and highly qualified management team, the profit-sharing arrangement independent of Government intervention and higher premium for White Refined Sugar ("WRS") and Speciality Sugar ("SS"). The rating also factors in the flexible pricing and forex hedging mechanism, duty free access to European Union region – resulting in higher premium for refined sugar, the reputed clientele base, comfortable collection period and strong liquidity.

However, the rating also considers the non-profit organisational structure/business model of MSS leading to limitation in building up of the net worth, risk associated with counterparty and price fluctuation of sugar in the global market.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action / upgrade

- Timely collection of receivables from its open account customers

Negative Factors - Factors that could lead to negative rating action / downgrade

- Significant decline in sale to export market and impact of total operating income
- Significant decline in sugar prices
- Significant increase in debtors affecting the cashflow of the company

BACKGROUND

Mauritius Sugar Syndicate ("MSS"), incorporated in 1919, was legally constituted for an indefinite period in pursuance of the Mauritius Sugar Syndicate Act of 1951 (An Act of Parliament).

MSS is the sole organization responsible for the marketing and selling of all sugar produced in Mauritius. It is a 100-year-old organization dealing with marketing and sale of sugar - including a wide range of specialty sugar produced in Mauritius. Its structure aims at providing maximum returns to all sugar producers (growers and millers in Mauritius). All growers (corporate and independent sugarcane planters) and millers (3 Corporate mills producing sugar, ethanol & bagasse from sugar cane) are members of the MSS. The Syndicate has 9,712 members in 2022-23 (July 2022-June 2023 crop Season unchanged from 2021-22 crop season).

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

MSS's objective is to sell all sugar received from its members and distribute the proceeds to them after deducting its actual operational (incl. bad debt, if any) and interest expenses. MSS also imports non originating raw sugar (NOS) from Brazil which is processed in the local mills and then exported. The profit is also distributed among the members. Around 98% of the sugar produced in 2022-23 in Mauritius was exported and sold to the European Union (around 65%) followed by African regional market (through COMESA around 25%), USA and others.

MSS's operations are structured into specialized departments geared to provide support services of direct relevance to its core business, namely marketing and sales, logistics and planning, finance and accounts, service assistance to producers, and ensuring quality and food safety for the sugar supplied.

Business Model with not-for-profit motive

MSS aims at providing maximum return to the growers (cane planters) and millers (producing sugar, ethanol & bagasse from the cane) by way of procuring & selling the entire sugar produced in Mauritius (all growers and millers in Mauritius are members of MSS) and distribution of the proceeds during the year after ensuring deduction of its actual operational (incl. bad debt, if any) and interest expenses. Thus, profit is not a motive of MSS, and build-up of net worth is restricted because of its business model. The sugar producers (growers and millers) are at the base of the Syndicate structure. Cane produced by the growers is supplied to the mills. It is processed by the mills into raw sugar and then special sugar. MSS sells the special sugar in the export market.

Profit is not a motive of MSS. Its motive is to provide maximum return to the growers and millers, by way of final sugar price (determined by the Syndicate) after ensuring retention of actual amount of MSS's debt repayment and operational expenses (incl. bad debt, if any). Furthermore, MSS has a robust cash flow mechanism, wherein MSS releases funds to growers & planters through a two-step price payment mechanism during the year. In the beginning of every crop year (July), MSS fixes an indicative sugar price based on the expected sugar production, demand & prices of sugar in its export markets and after considering all its indicative operational and interest expense. It releases 80% of the indicative price to the growers and millers into 78:22 ratio by borrowing from the Banks. The balance 20% is released at the end of the Crop year (June) once the final sugar price for the crop year is fixed by MSS - after considering the actual sales and expenses. The collection from the debtors is utilized to repay the short-term borrowings to banks (utilized to pay to the growers and millers).

MSS's Net worth should ideally be nil as on all account closing dates since MSS distributes all the excess profit after meeting its expenses. The amount was nil as of June 30, 2022.

MSS's all lenders (all Banks and Financial Institution) are secured by preferential lien over all sugar as conferred by Government Ordinance No.87 of 1951 (Mauritius Sugar Syndicate ACT).

CREDIT RISK ASSESSMENT

Strategic importance of MSS in the sugar sector of Mauritius

MSS is the sole organization responsible for the marketing and selling of all sugar produced in Mauritius. It is a 100-year-old organization dealing with marketing and sale of sugar - including a unique range of specialty sugar (WRS and SS) produced in Mauritius.

All sugarcane growers (20 Corporate planters, 145 Cooperatives and 9,005 individual sugarcane planters) and millers (3 Corporate mills producing sugar, ethanol & bagasse from sugar cane) of Mauritius are members of MSS. Its structure aims at providing maximum returns for all its members.

Growers or planters
In Mauritius, sugarcane is cultivated on a total area of around 40,000 hectares (Ha) and the island has the capacity to produce some 350,000 - 400,000 tonnes of sugar annually. Some 9,005 individual planters (cultivating on less than 10 hectares) grow sugarcane on some 11,000 hectares and contribute to 20-22% of national sugarcane production. The balance (around 78-80%) is supplied by 20 corporate planters (ENL Agri, Omnicane Agri, Terra Agri, Alteo Agri, Medine, etc.) and 145 Cooperatives.

Millers and Refiners
At present, there are 3 milling companies in Mauritius - Omnicane Milling Operations Limited, Alteo Milling Limited (holding company Alteo Limited rated CARE MAU A (SO); Stable and Terra Milling Limited. Annually all three millers together crush 3,000,000 – 3,500,000 of sugar cane and produces 300,000-350,000 tonnes of raw sugar annually. Post closure of Medine Sugar estate's mill in 2019 and as per Agreement between the other 3 millers and the MSS, 42% of annual cane production by Medine (around 350,000 tonnes) goes to Omnicane for crushing and balance to Alteo and Terra. **In July 22 - June 23, the three mills combinedly produced 232,707 tonnes of raw sugar (255,800 tonnes in previous crop year).**

Highly qualified management team & committee members
Mauritius Sugar Syndicate is managed and administered, as provided by its Articles of Association (1967), by a statutory committee known as the "Committee" which comprises 22 members (14 representatives of the corporate sector of the industry including corporate growers and 8 representatives of large and small cane planters). The representatives of the corporate sector are appointed by the relevant members while the planters' representatives are appointed by the Ministry of Agro-Industry and Food Security upon recommendation of their respective associations.

The President of the Syndicate is elected at the organization's annual general meeting held in September. Since 1976, the President's Chair rotates between a planter and a corporate representative yearly. Mr. Roshan Lall Baguant is the current president and Mr. Fabien de Marasse Enouf is the vice-president of MSS. They are assisted by Mr. Devesh Dukhira, CEO of MSS, and a team of experienced professionals. Mr. Dukhira, who joined MSS in 2001 and was appointed as CEO in 2015, holds an MSc in Business Administration and Management from Boston University.

Profit-sharing arrangement independent of Government intervention
MSS sells all sugar it receives from its members, and then distributes the proceeds of sale after deduction of its actual operational and interest expenses. It is the final Authority to fix the indicative (beginning of Crop year - July) & final sugar price (end of Crop year – May-June) for any Crop year in Mauritius.

Indicative crop price is fixed on expected sales price and MSS distributes 60-80% of the indicative price (60% to large planters & 80% to small planters) at the beginning of Crop season. The final price is fixed on actual revenue & expenses at the end of crop year. Post fixation of the final price, MSS distributes the balance to the growers & millers. Hence, MSS will never incur a profit or a loss. ***78% of the final Syndicate price is paid to the growers and 22% of the Syndicate price is paid to the millers.***

Govt. of Mauritius (GoM) does not interfere into the fixation of the final sugar price. However, in case of lower sugar prices worldwide, which in turn translates into a lower sugar price for local growers and millers, the Govt provides subsidies to the small growers through MSS. In FY17 and FY18, due to lower sugar prices in European Union and world market Govt of Mauritius from Sugar Insurance Fund Board provided compensation and loans to the small sugar producers, which enabled them to reduce losses in these years. The compensation and loans are provided through MSS.

Higher premium for White Refined Sugar (WRS) & Speciality Sugar (SS)

Mauritius mainly exports WRS and SS, which is in high demand in Europe and U.S. market. The specialty sugar fetches premium compared to raw sugar and provides higher return to the producers.

In recent years, unfavourable weather condition in Europe led to the reduction in beet sugar production in the country. This led to higher demand for special sugar produced in Mauritius in the EU market (65% of the export market of Mauritius).

Mauritius produces 18 varieties of WRS and Special Sugar SS which includes different types of Demerara, Muscovado and Golden Caster sugar. These sugar command a premium in the European market over the normal sugar. Different varieties of sugar produced in Mauritius are as under:

All the millers send their entire raw sugar production to MSS. MSS then re-allocates the raw sugar to the producers of WRS and SS as per the demand in EU market. MSS pays a conversion price to the refiners based on a fixed percentage of the FOB price of white refined sugar and speciality sugars.

Flexible pricing Mechanism

MSS first deducts the manufacturing premium (conversion Fees) paid to the producers of WRS and Special Sugar [converting raw sugar into special sugar and WRS] and its common expenses from the revenue received from sale of sugar. The net revenue (comprising of the mark-up derived from these value-added sugar) is then distributed to all categories of growers/planters and millers as part of the ex-Syndicate price based on tonnage of sugar accrued. The income and expenditure statement for each crop year is published in the MSS Annual Report in September and illustrates the calculation of the ex-Syndicate price, in MUR per ton of sugar.

Benchmarking price for WRS is done with the world market price as per London No 5 and the premium achievable in the EU, regional and the China market, respectively. For special sugar, they are usually priced 25-35% higher than the white refined sugar price. Special sugar is segmented into 3 main classes: Production costs, product making complexity and production process and then they are classified as good, better, and best range branding. For pricing purposes, market feedback and competition are taken into consideration. Marketing and promotion fees are included in the price to customers for promoting the brand of "Mauritius sugar". MSS communicates the Indicative and final price of every year on its website. The price communicated for last 3 years are as under:

Sugar Season	Communicated	Indicative Price (MUR/ton)	Final Price (MUR/ton)
July 2020-June 2021	July 2020	13,000	14,062
July 2021-June 2022	July 2021	14,750	16,765
July 2022 – June 2023	Sept 2022	21,000	25,554

Export primarily in E.U region due to duty Free access

MSS exported 98% of the sugar produced in Mauritius for crop 2022-23. Export destinations are as under:

MSS, which is already present in over 55 countries across the world, with total of 120 customers, continues to strengthen its energies towards further market diversification. Break-up of export and local sales:

International Market	(2020-21) Tons	%	(2021-22) Tons	%	(2022-23) Tons	%
European Union	224,561	65	148,394	42	197,733	63
African regional market (through COMESA)- **sugar deficient and protected market**	101,734	27	127,195	36	56,897	18
World market (incl. local sales)	17,363	5	64,977	18	46,064	15
United States	12,959	4	12,800	3	12,013	4
Total Export	**356,617**		**321,429**		**284,945**	
Total sales in local market	**15,246**		**31,937**		**27,762**	
Total Sales	**371,863**		**353,191**		**312,707**	

MSS sells sugar primarily in European Union in Region 3 (Southern Europe - Greece, Italy, and Southern Spain), which pays the highest premium for refined sugar. Mauritius, as a member of the Eastern and Southern African (ESA) trade bloc, continues to benefit from duty-free access to the E.U. market. Due to preferential trade access, MSS has the ability to arbitrate sales, especially for WRS, between the EU and non-EU markets, considering the most remunerative market prices obtainable and the EUR/US$ exchange rate. It also has duty free access to U.S. market for 12,500 tonnes annually. Post significant dip in sugar prices in E.U due to higher beet sugar production in FY17 & FY18, MSS is trying to mitigate risk of relying solely on E.U. by exploring other markets such as United Kingdom, India, China, and Africa. Post Brexit, it has entered into Agreement with the U.K. to supply special sugar. In FY20, MSS has also entered into the agreement with China for export of Special Sugar (15,000 tonnes in Year 1 to be increased to 50,000 tonnes in Year 8) at a preferential duty (15-50% duty rebate). In, FY21, MSS has entered into an Agreement with India to export Special Sugar (10,000 tonnes in Year 1 to 40,000 tonnes from Year 3 onwards) at a preferential duty (15-100% duty rebate).

Reputed clientele

MSS supplies its range of special sugar to diverse clientele in Europe, USA, Africa, and local market. It sells sugar on credit terms (48% in FY22 and 58% in FY23) to only those customers with whom they have long standing relationship. It has signed contracts with these clients for 10-60 days credit term. In the case of all other clients including sales in the local market, the Syndicate, after selling the sugar, allows shipment of sugar only after receiving full payment in advance. MSS has open accounts only with those clients – who are reputed and with whom it has had long standing working relationship. These clients can benefit from credit terms ranging from 30-60 days for exports. In case of delay in payment by more than 20 days from delivery of sugar, MSS can halt next shipment (even on transit).

One of such clients is Cristal Union, to whom the MSS has been supplying sugars for more than 20 years. For last 5 years, MSS has entered into a Marketing Agreement with Cristalco, the trading arm of Cristal Union, whereby it sells MSS's sugar in different countries in Europe (Spain, Greece, Germany, France, Netherlands, Italy etc.) and shares the final profit. This agreement benefits MSS in terms of higher sugar price. MSS ships MUR 200-300 million worth of sugar on monthly basis. In case of delay in payment, MSS has the option of blocking the next shipment.

None of these clients have ever defaulted in payment during last 15 years and MSS has also never provided any bad debt or provisioning of these clients. MSS has developed strong business partnerships with these clients over the years. In case of any bad debt, the same will be passed on to the growers & millers as cost.

Comfortable collection period

MSS generally provides a 10 - 60 days average credit period on sale of sugar only to those customers with whom they have strong relationship. Break of credit and cash sales for last two years:

Expected Sales Revenue (Mur Million)	FY21	% of total sales	FY22	% of total sales
Credit sales - Customers with open account	4,124	54%	4,544	48%
Cash Sales - Customers making full payment prior to passing title of sugar sold	3,460	46%	4,877	52%
TOTAL	**7,584**	**100%**	**9,421**	**100%**

Break up of Trade receivables during last 2 years:

Mur million	FY21	FY22
- Export proceeds	1,256	1,359
- Unshipped sugar	1,371	1,941
- Other	27	43
Trade and other receivables	**2,654**	**3,343**

Export proceeds (inventory shipped and payment pending from client) as on June 30, 2022, has increased to MUR 1,359 million from MUR 1,256 million in FY21 due recovery of the sugar industry from the pandemic which was impacted by the closure of business hence led to delayed payment. Unshipped sugar is sugar already sold in the export market, but inventory will be shipped only after receiving full payment in advance from the clients.

Strong Liquidity

MSS has a fixed payment structure for all the sugar producers. MSS release funds to growers & planters through a two-step price payment mechanism during the year. MSS has MUR 6,200 million of sanctioned overdraft and committed money market lines and MUR 2,745 million of uncommitted money market lines from banks in Mauritius. These banking facilities are in MUR/USD/Euro. Average working capital utilization over the period of last 12 months ending June 2023 remined at around 48%.

Efficient hedging mechanism
Around 90% of the revenue is from the export of sugar. Exports are mainly denominated in EUR and USD. The Syndicate has established the practice of hedging its foreign currency receipts to mitigate the risks and volatility inherent in the currency market.

The Forex Management Committee manages the foreign exchange risk by monitoring the concentration and timing of trade receivables by type of currencies. To manage its foreign exchange risk arising from future commercial transactions, and recognized assets and liabilities, the Syndicate uses foreign exchange forward contracts and has foreign currency bank accounts which are transacted with commercial banks.

In the past, MSS has taken derivative, swaps and forward covers for hedging and maximizing the returns on forex at minimized cost. However, in FY20 and FY21, MSS has been opting for forward covers to cover the risk of volatility in forex. The premium paid to cover the forex risk is part of the interest cost. In FY22 and FY23, MSS posted a foreign exchange gain of MUR 144 million and MUR 70 million respectively.

Sugar Industry - Mauritius and International market
Mauritius sugar industry consists of sugarcane growers (20 Corporate planters, 145 Cooperatives and 9,005 individual sugarcane planters), millers (3 Corporate mills producing sugar, ethanol & bagasse from sugar cane) and the MSS. All growers and planters are members of MSS who are responsible for the marketing and selling of sugar across the world. Mauritius is famous for its White refined sugar – (WRS) and Specialty Sugar (SS), which is in huge demand in Europe and the US market. MSS exported 98% of the sugar produced in Mauritius for 2022-23 crop and it imports sugar for consumption in local market (annual local market consumption is estimated at some 35,000 MT, split between some 32,000 MT white refined sugar and the balance as direct consumption raw sugar). **Below table shows the performance of the Mauritius Sugar Industry for the past six years in terms of sugar production and sale.**

Year	Hectares of land	Cane Crushed (tonnes)	Sugar Produced (tonnes)	Total Disposable sugar (tonnes)#	Domestic Sales of sugar (tonnes)	International Sales of sugar (tonnes)	Total sales (international + local)	Price per tonne of sugar (MUR/tonne)
2017/18	49,974	3,713,331	355,213	421,529	18,003	345,209	363,212	10,716.64
2018/19	47,678	3,154,516	323,406	411,583	16,080	365,722	381,802	8,685.60
2019/20	45,054	3,405,250	331,105	394,335	11,326	353,227	364,553	11,383.65
2020/21	43,711	2,619,014	270,875	403,233	15,246	356,616	371,862	14,062.00
2021/22	41,897	2,668,465	255,818	336,818	31,937	321,255	353,191	16,765.00
2022/23	39,199	2,255,046	232,707	324,128	27,762	284,945	312,707	25,554.00

#Total disposable sugar comprises of the present year crop outturn added to carry over stocks from the previous year and the imported raw sugar feedstock during the year.

Evolution of sugar price in Mauritius

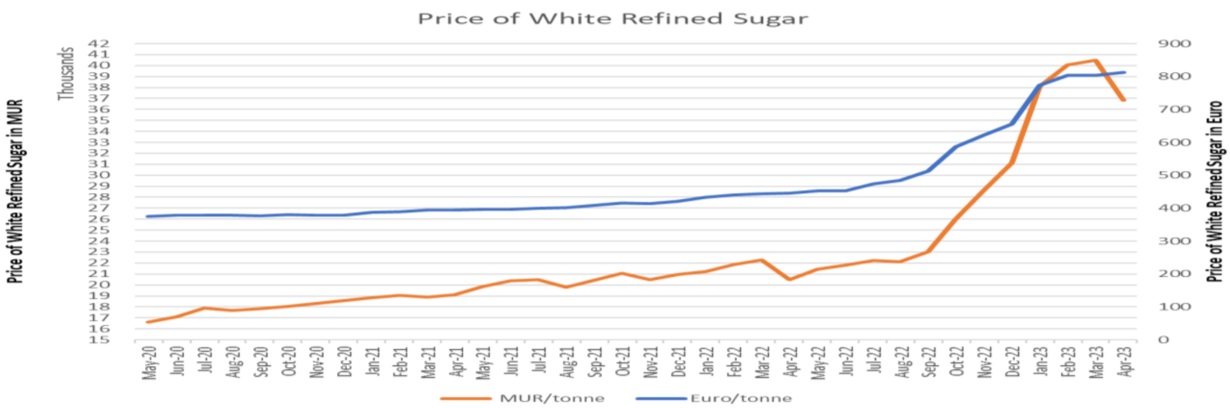
Between the years 2007-2017, sugar prices were relatively high ranging between MUR 13,000 -18,000. The highest sugar price was recorded in 2007-08 at MUR 18,620 per tonne. FY18-19 recorded the lowest price of sugar at MUR 8,700 per tonne. Thus, the Government of Mauritius (through Sugar Insurance Fund Board) came up with several measures and financial assistance to the cane growers to encourage sugar production. Sugar sales for the 2019-20 crop took place under improved market conditions, after two consecutive years of direly depressed prices. As world supply (falling from 176 M MT in 2018-19 to 172 M MT in 2019-20) fell short of demand in 2019-20, the deficit was estimated by the International Sugar Organization (ISO) in September 2019 at 4.76 M tonnes for the October 2019 – September 2020 campaign, compared with global surpluses of 8.49 M MT in 2017-18 and 1.81 M MT in 2018-19 campaign. The estimated deficit increased during the course of the year and was estimated at 9.44 M MT in February 2020. Since then, the prices have started improving in the world market.

In the EU market, beet sugar production already decreased to 17.63 M MT in 2018 from 21.32 M MT in 2017 mainly due to unfavourable weather conditions and stock supplies became less abundant. A second consecutive year of subdued production, estimated at 17.36 M MT in 2019, because of weather and 9% overall decline in acreage under beet cultivation, increased pressure on stocks, and consequently market prices. This pushed up the average price of white sugar prevailing in the EU market compared to the global prices in 2019-20.

Accordingly, Sugar prices for the 2019-20 crop was higher as compared to the last two years. The final sugar price communicated by the MSS for 2019-20 crop in June 2020 was MUR 11,383.65 per ton (i.e., an increase of 31% compared to the previous year – MUR 8,685.60 per ton). Since the 2019-20 crop, sugar prices have been increasing year-by-year. In 2020-21, sugar price increased to MUR 14,062 per tonne and in 2021-22, it increased further to MUR 16,765 per ton. World sugar prices have taken an upward trend since the war start in Ukraine. For crop 2022-23, the price of sugar increased significantly by 52% to reach MUR 25,554 per tonne.

Crop Years	Sugar Price (MUR/tonne)
2010-11	13,535.72
2011-12	16,020.16
2012-13	17,573.32
2013-14	15,829.86
2014-15	12,693.50
2015-16	13,166.37
2016-17	15,571.50
2017-18	10,716.64
2018-19	8,685.60
2019-20	11,383.65
2020-21	14,062.00
2021-22	16,765.00
2022-23	25,350.00

Sugar Price in E.U. for last 3 years till April 2023



International Sugar Industry

Sugar producers: -The major sugar producers in the world are Brazil, India, Europe, Thailand, China, United States, Mexico, Australia, Pakistan, and Russia.

Sugar Importers: - The main importers of sugar are the European Union, United States, Russia, UAE, Indonesia, Iran, South Korea, Japan, Malaysia, Canada, and China (which are all potential/existing clients for Mauritius sugar producers).

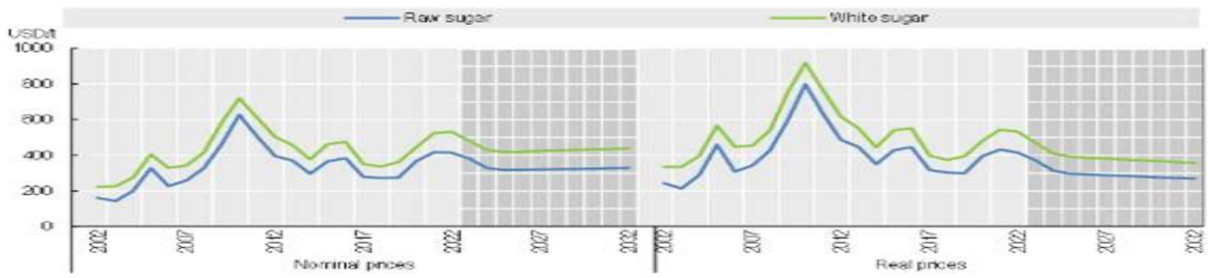
Cane Industry: - The cane industry is cyclical in nature and a typically a cycle normally lasts 3-5 years. There will be years of surpluses and years of shortages and the cane industry is fully supply-driven. During the years of excessive sugar on the market, price falls leading to a decrease in profitability for sugar producers. The producers in turn resort to cultivation of other crops until the level of stock of sugar stabilizes in the market and the price of sugar increases again. This cycle continues. These fluctuations and the fall in prices of sugar on the international market result from the abolition of sugar quotas. This has badly affected the performance and operation of sugar producers for the past years. In 2021-22, many countries including Brazil, the leader in sugar production had reduced its production capacity and shifted towards ethanol production. Brazil faced financial problems for several years and the government provided support to ethanol production rather than sugarcane. As such, sugarcane production decreased by around 50% from the switch to ethanol production. In Thailand, the production of cane decreased due to the Thai government putting a ban on burning of sugar cane field and a weak monsoon rainfall while India was impacted by floods. Production in Australia decreased due to the bushfires destroying the cane fields. US (Central and North America) witnessed bad weather conditions which impacted sugarcane production (leading to decrease in production). In 2022-23, Brazil was the biggest sugarcane producer however more than half of the sugarcane are used to produce ethanol.

Outlook for the major sugar producers: Sugar production will increase in the upcoming years for Brazil resulting from area expansion and yield improvements driven by higher sugar prices. Production is also expected to increase in India due to productivity gains and higher extraction rates while sugar production will remain at the current level in Thailand. However, supply of sugar will be disrupted as Brazil and India have been encouraging ethanol production. Beet sugar production is also expected to increase.

International sugar production and prices

World sugar production amounts to 177.3 million tonnes for 2022-23 (172.5 million tonnes for 2021-22) representing an increase of 4.8 million tonnes compared to the previous crop. Consumption for the year 2022-23 was 176.5 million tonnes (2021-22 was 174.8 million tonnes). Production was enough to cater for consumption with a global sugar surplus of 0.8 million tonnes (source: European commission). World sugar consumption is expected to increase to around 180 million tonnes in 2023-24.

World sugar trade is expected to increase by 1.6% yearly over the next decade. The high sugar price in 2022-23 was a result of the downturn in sugar production in the major sugar producing countries and shift to ethanol production. The exchange rate is also a key factor that impacts on the sugar market. Post the COVID-19 pandemic, USD/Euro strengthened against a majority of currencies including MUR. This has enhanced the competitiveness of major sugar exporters on the world market including Mauritius. World sugar prices is expected to follow a moderate upward trend (evolution of world sugar prices shown in the chart below):



Note: Raw sugar world price, Intercontinental Exchange contract No.11 nearby futures price; Refined sugar world price, Euronext Liffe, Futures Contract No. 407, London. Real sugar prices are nominal world prices deflated by the US GDP deflator (2022=1).
Source: OECD/FAO (2023), "OECD-FAO Agricultural Outlook", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-outl-data-en.

World per-capita sugar consumption is expected to increase over the next few years resulting from population growth and income growth in the low- and middle-income countries in Asia and Africa. Sugar, as at date, comprises of 80% of the global sweetener utilization. Global sugar consumption will grow at around 1.1% per annum according to OECD-FA Agricultural Outlook 2023-2032 reaching some 190 million tonnes by 2032.

Beet Sugar Industry: -An alternative to cane sugar is beet sugar (due to high sucrose content in beet plants). Cane sugar accounts for 80% of the world sugar market and the remaining 20% is beet sugar. Beet sugar gained popularity since it is considered as a healthier alternative as compared to cane sugar (it contains a number of nutrients and vitamins) and it is also used in ethanol production. The European Union is the largest producer of beet sugar in the world due to the suitability of the climate. They produce 50% of the beet sugar consumed in the world. The cane industry is still advantageous compared to the beet industry for a number of reasons:

- ✓ The European sugar market is subject to production quotas and the fixing of minimum price for beet. After the abolition of production quotas in October 2017, there was an over-stock of beet sugar on the market which contributed to the decrease in demand for cane sugar (impacting Mauritius sugar industry). Global beet sugar production for 2022-23 stood at 37.2 million tonnes compared to 40.3 million tonnes for the previous year. The decline in beet production was due to bad weather conditions in the EU and pesticides bans.
- ✓ Beet industry has limited length of their processing season which impacts the cost competitiveness of beet factories. The production costs of beet sugar are also higher than that of cane sugar.
- ✓ Flavour and caramelization of cane sugar is superior to beet sugar. Producers of chocolate and champagne prefer cane sugar to beet sugar. The use of beet sugar is limited. Thus, beet sugar is regarded as less competitive and costlier than cane sugar. For 2023-24 crop, global beet sugar production is expected to reach around 39 million tonnes.

Financials of Mauritius Sugar Syndicate **Mur Million**

For the year ended as on	Jun-20	Jun-21	Jun-22	Jun-23
12M		**Audited**		**Unaudited**
Total Income	7,468	7,645	9,465	11,668
EBIDTA	4,069	4,153	4,310	6,159
Depreciation	6	5	4	4
EBIT	4,063	4,148	4,307	6,155
Interest Paid	211	267	140	176
PAT	3,793	3,830	4,311	5,980
Gross Cash Accruals (GCA)	3,799	3,835	4,314	5,983
Equity share capital	-	-	-	-
Tangible networth	(67)	-	-	(1)
Total debt	2,331	2,447	2,491	2,877
Trade and other payables	1,783	1,258	2,273	2,365
- Amount payable to producers	864	708	1,020	
- Trade and accrued expenses	913	488	1,206	2,365
- Other payables	6	62	47	
Cash & Bank balances	283	280	710	615
Key Ratios				
EBIDTA / Total operating income	54.48	54.32	45.54	52.78
PAT / Total income	50.79	50.09	45.54	51.25
Interest coverage (times)	19.25	15.57	30.85	35.09
Long term Debt/ EBITDA	0.04	-	-	-
Total debt/ EBITDA	0.57	0.59	0.58	0.47
Total debt/ GCA	0.61	0.64	0.58	0.48
Current ratio	0.98	1.00	1.00	1.00
Quick ratio	0.96	0.83	0.87	0.76
Avg. Collection Period (days)	157	144	114	103
Avg. Inventory (days)	16	36	43	62
Avg. Creditors (days)	138	157	123	152
Op. cycle (days)	35	23	34	13

Adjustments

1. Tangible net worth is calculated by netting off revaluation reserve and intangible assets from total equity.
2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax.
3. Total cash inflow includes cost of land.
4. Gearing ratio is calculated as total debt (long term and short-term debt)/Tangible Net worth.
5. Total Operating Income includes revenue from others (Dividend income, rental income, Management fees, rebate on purchase, etc.).

Details of Instrument

Details of Facilities

Type of facility (short term – 1 year)*	Amount (MUR Million)	Interest Rate
Money Market Instrument	2,000	1.8% per annum
Proposed Money Market Instrument	2,000	Indicative interest rate of key rate + 45 bps

"The aggregate of outstanding MMI and working capital facilities shall always be within the overall sanctioned working capital limits (overdraft limit & committed money market line) of MSS of MUR 6,200 million with banks". CRAF will monitor the MMI and working capital utilization on a regular basis.

Annexure I

Rating Symbols
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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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.