CareEdge RATINGS AFRICA

A subsidiary of CARE Ratings Limited, India

Mauritius Sugar Syndicate

23 April 2025

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bank Facility- Short Term	**800**	**CARE MAU A1+**	Reaffirmed
Bank Facility- Short Term	**1,500 (enhanced from MUR 1,000 million)**	**CARE MAU A1+**	Reaffirmed
Money Market Instrument (Short Term)	**2,000**	**CARE MAU A1+**	Reaffirmed
Total	**4,300**		

Rating Rationale

The ratings assigned to the short-term Money Market Instruments and Bank Facility 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 ratings also take into account the non-profit organizational structure/business model of MSS, which limits the growth of its net worth, risks associated with counterparties and the price fluctuations 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 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 who are the members of the MSS.

MSS's objective is to sell all sugar received from its members and distribute the proceeds. MSS also imports raw sugar from Brazil which is processed in the local mills and then exported. The profit is also distributed among the members. More than 90% of the sugar produced are exported to the European Union and African regional market (through COMESA), USA and others.

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

Business Model with not-for-profit motive

The MSS aims at providing maximum returns 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 the MSS) and distributing the proceeds during the year after ensuring deduction of its actual operational (including bad debt, if any) and interest expenses. Thus, profit is not a motive of the MSS, and hence 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. The 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. MSS releases 80% of the indicative price to the growers and millers in 78:22 ratio by borrowing from banks. The remaining balance of 20% is released at the end of the Crop year (June) once the final sugar price for the crop year is fixed by the 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).

Highly qualified management team & committee members Mauritius mainly exports WRS and SS, which is in high demand in Europe and the U.S. markets. The specialty sugar fetches premium compared to raw sugar and provides higher return to the producers. In recent years, the 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. All the millers send their entire raw sugar production to the MSS. MSS then re-allocates the raw sugar to the producers of WRS (Omnicane) and special sugar (Alteo and Terra) as per the demand in EU market. The MSS pays a conversion price to the refiners based on a fixed percentage of the FOB price of white refined sugar and speciality sugars.

Performance during season 2023-24: Global sugar prices have reached their highest levels in the past two years, benefiting the Mauritian sugar industry through improved export market prices. Total sales revenue grew by 12% compared to the previous season, reaching MUR 13,140 million in FY24 (up from MUR 11,355 million in FY23). The ex-Syndicate sugar price rose by 21% to MUR 30,951 per tonne (compared to MUR 25,554 per tonne in FY23). The depreciation of the Mauritian Rupees vis-à-vis USD and EURO as from February 2020, together with the review of certain direct operational costs incurred by the Syndicate, also contributed towards an improvement in the sugar price. As a result, EBITDA and PAT increased to MUR 7,255 million and MUR 7,429 million, respectively (from MUR 5,880 million and MUR 5,980 million in FY23). Given that MSS distributes all excess profits after expenses, its net worth was nil as of June 30, 2024.

During the discussion the MSS, the management articulated that none of these clients have never defaulted in payment during the last 15 years and the MSS has also never provided any bad debt or provisioning of these clients. They stated that the MSS has developed strong business partnerships with these international clients over the years. They stated that in case of bad debt the same will be passed on to the growers & millers as cost. Additionally, to further minimize loss probability, the MSS has tied up with international insurance companies for credit Insurance on their open Account exposure.

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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)} 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.

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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.