

# GUIDELINES TO KNOW WHERE YOU STAND FINANCIALLY

# EXAMINE YOUR CASH FLOW



## What is the state of your finances?

It is of utmost importance to know where you stand now financially to better build your business strategy. Business owners need to access up-to-date information on the state of their business. To do so, request your accountant to update your financial statements to see the state of your finances.

## What is the potential impact on key areas of your business?

Discuss with your key personnel about the likely impact of COVID-19 on the business. The impacts on a business may be significant in the following areas:

**Sales** – particularly if you have little to no online presence.

**Human Resources** – how many people will I need? Will they be able to work? Will their ability to work be reduced, particularly if there is limited scope for them to work from home.

**Supply Chains** – Can I rely on my suppliers? Will they be able to provide for my raw materials particularly if suppliers are from badly impacted parts of the world?

**Finance** – How much cash reserves do I have? Are there means to keep a healthy cash reserve in this particular situation?

If you are not impacted yet, you should still be able to make some informed projections. In listing those possible impacts, attempt to quantify what those impacts will have on your business and identify possible strategies to mitigate those impacts.

Develop a checklist for the above 4 core areas and estimate their potential impact on the business.

**Sales**

**Human Resources**



**Supply Chains**

**Finance**



Below is an example of some issues that you might consider.  
You may use the checklist below to list potential impacts on your business.

Possible impact of COVID-19 on business	Estimate of financial Impact	Possible mitigating strategies
You have to honour full payment for supplies/inventory purchased prior to Covid-19 pandemic	Lack of finance to honour payment to creditors	<p>Look for alternate funding e.g. Government measures that are being put in place.</p> <p>Enhance sales of products already produced</p> <p>Seek payment extensions, even temporarily to your credit terms with suppliers.</p> <p>Negotiate with suppliers to effect payment in parts and spanning over a period of months as per your state of finance</p> <p>Check your supply contracts to determine under what circumstances you can cancel orders if necessary, or at least delay delivery.</p>
You have to pay full salary to employees without generating any revenue	No/Limited cash reserve available to pay salary of employees	<p>Access emergency financing provided by Government</p> <p>Consider following up on invoices sent to clients for goods purchased or services delivered.</p> <p>Staff may prefer taking a temporary pay cut over redundancy</p>
You have 3 months of stock (finished goods) that may eventually go bad and thereby result in a loss	Loss of cash equals the cost of production of these goods and loss of opportunity	<p>Promote the selling of excess, slow moving and/or obsolete stock. Contact known customers to let them know about products at hand</p> <p>Look for alternate ways to sell the items for example online</p> <p>Look for other clients to sell the goods</p> <p>Consider increasing your presence on social media such as Facebook, where people can see your products</p> <p>Can I do a promotional sale of these items?</p>
You have to pay monthly rent and you are finding it difficult to pay the rent	Lack of finance/not seen as a priority	Confer with your Bank regarding short / medium term facilities



## Assessing the Financial Viability of your Business

As at now, there is no way of accurately predicting the definitive impact, social, economic/financial, of COVID-19 before it has been suitably contained.

There is however, necessity to respond decisively to the situation at hand. Organisations will have to continue in business, but business continuity will not be enough. They have to build Business resilience and one of the key issues to be addressed is cash flow.

This generally includes identifying, managing and mitigating cash flow and liquidity risks. To be noted that your cashflow measures how well you manage your cash position, meaning how well you generate cash to pay debt obligations and fund operating expenses. The challenge is that during the lockdown, there are no operations, but you have to continue meeting fixed costs and part of your variable costs. Businesses will therefore also need to answer the more strategic question: 'How do we continue to generate revenue?'

## Where is the Cash?

You will need sufficient cash resources to survive for a minimum period of six to twelve months. The first question you put is how much cash reserves does your company actually have and can be put to use immediately.

Investigate what support your bank can provide immediately and what support the Government and business associations are giving. Reduce waste, scraps and reworks to improve cash flow.



## How do we continue to generate revenue?



**Reduce waste, scraps, and reworks to improve cash flow**

## You have to:

1. Perform regular cash flow analysis to know your cash position and when funding will be needed.
2. Update that forecast throughout the crisis, possibly weekly. This will give you forewarning of any cash flow problems so you can act early to address them.
3. Identify where the cash is.

Think about the following: -

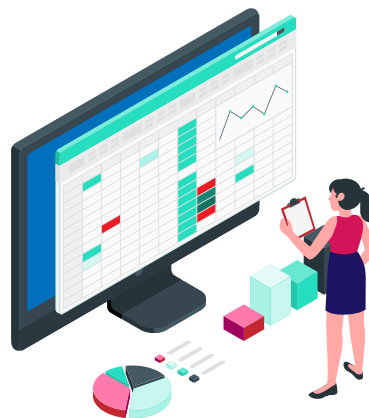
## Stock Management

Now is the time to release the much-needed fund tied up in the stock that is not required.

Measures to be considered: -

- Take steps to increase sales. In this period of confinement/social distancing, online presence can boost sales and improve cash flow, more so it requires customers to pay before delivery. Ensure you factor in the additional cost of online marketing and delivery.

- Consider promotions for items that will not last up to 6 months. Take into account the ongoing cost of holding that stock and maintaining it in a saleable condition.
- Reduce stock orders, particularly stock you assume will be in low demand during the crisis.
- Increase purchases of stock you think will be in high demand.
- Consider selling excess, slow moving and/or obsolete stock.
- You might even consider selling some raw materials that may not last three months to generate cash if need be. Think about customers, may be other businesses that may require these materials.
- Use Inventory Reduction Method such as Kanban, Small Batch Processing, Just In Time to improve cash flow.



# Take steps...



# ...to increase sales



## Managing Debts

- Contact all your debtors and ask them to pay you. If your debtors are experiencing cash flow difficulties themselves, negotiate periodic payments and make sure they stick to their side of the deal.
  - Consider giving a discount to encourage customers to pay fast. This may be less expensive than an overdraft facility with your bank.
  - Invoice as soon as the product or service is delivered ... don't delay and as far as possible negotiate cash payment prior to or upon delivery.
  - Reduce debtors by encouraging customers to pay at the point of purchase or to pay early. Again, consider payment terms with cash discount to encourage customers to pay fast.
  - In the event you are supplying to a supermarket for instance, consider that their customers pay cash at the till and they usually negotiate very favourable credit terms with suppliers. They therefore usually have excess liquidity. More important they are among the few businesses operating during the lockdown. Always take a chance to negotiate.
  - Look at the possibility of factoring your debts with a firm to improve liquidity.
- Only pay commission to sales staff when payment is received on their sales.
  - Review your sales contracts to determine the circumstances under which customers can cancel orders. If necessary, renegotiate those contracts to limit cancellation of orders by customers.
  - Given the present situation of a general downside of cash crisis, it is imperative that you review the creditworthiness of your present and future clients.
  - Remember, without a customer, there will be no cash inflow to manage. Make sure that your business is advertising effectively and making it easy for your customer to place an order. Make full use of digital technology, accept orders online, by telephone, or via fax. Make the ordering process quick, precise and easy.
  - Never feel guilty about collecting a debt in the present situation. You are owed money for goods or services supplied. The law is on your side. Start the collection process as soon as the sale is made. Do not forget that the reputation, survival and success of your business now depend on how well you are able to collect overdue accounts and keep the cash running in to meet expenditures.

## Review creditworthiness...



## ...of present and future clients

## Cash Outflows/ Creditors Management

- Managing cash flows with regard to cash outflows is to delay all outflows of cash as long as you possibly can while still meeting all your outflow obligations on time. Delaying cash outflows makes it possible for you to maximize the benefits of each Rupee in your own cash flow. Seeing the benefit of delaying your cash outflows is indeed the first step in managing them.
- The proper management of cash outflows requires you to track and manage your business liabilities. Managing your cash outflows also requires that you follow one simple, but basic rule: Pay your bills on time, but never pay your bills before they are due.
- Renegotiate your credit terms with your suppliers to defer cash payments for as long as possible. Your suppliers may allow you a trade discount off the total amount of their invoice if you pay within a specified period of time. Ensure you do not lose such advantages. Compare the discount rate with what it costs you to borrow money in order to have funds available to make an early payment to a supplier.
- Remember availability of soft loans during this period.
- Check your supply contracts to determine under what circumstances you can cancel orders if necessary, or at least delay delivery.
- To a limited extent, your business may be able to delay cash outflows by deferring the payment of certain expenses. Payroll is one example of an expense that you may (emphasis on "may") be able to defer. If your business pays its employees once a week, you may want to consider switching to paying your employees once every two weeks instead. Likewise, if your business pays employees once every two weeks, you might switch to a monthly payroll cycle. Be sure to consider the contract terms of your employees and the current employment local laws before making any switch.
- Consider payment of sales commissions or sales bonuses and any other expenses that can be reasonably deferred.
- Negotiate instalment plans for any payments due to authorities for taxes, permits, etc.

## Track and manage...



...your business  
liabilities



## Cost Containment

- Avoid all types of waste and improve operational excellence in your organization to improve productivity and have a healthier cash flow.
- Cut spending you believe unnecessary in a crisis, such as advertising. Consider using social media for same.
- Review staffing arrangements to reduce staff costs. Consider reducing contract employees and allocate their tasks to permanent employees. Negotiate with unions (if present) for reduced working hours and reduced pay until the situation gets better. Consider working from home to reduce travelling cost/cost of utilities. Implement a recruitment freeze for the time being.
- Reduce your drawings/payment of dividends.

## Capital Expenditure/Asset Management

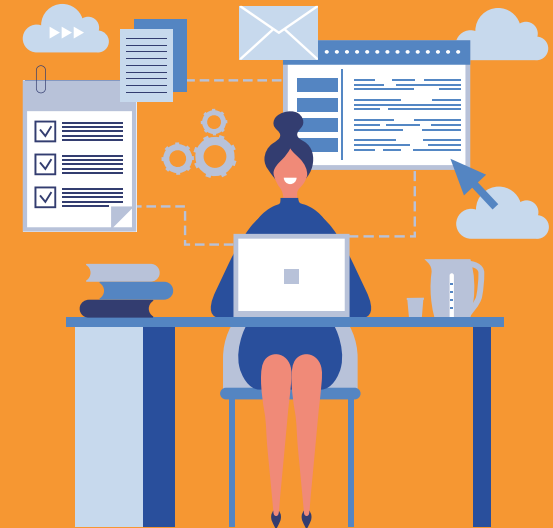
- Sell or lease out assets/production equipment you will not be able to use due to curtailment of activities.
- Try to monetize non-strategic assets. For instance, consider renting out or selling unused real estate to generate cash and keep the business going.
- Postpone any planned investment or capital expenditure which may not yield expected returns given the crisis.
- If you operate through different outlets, reconsider if you need to keep all of them or if migrating to E-Commerce is more effective.

## Other Sources of Finance

- Speak to your bank about extending overdraft/loans facilities.
- Determine your own personal cash position and how much cash you can inject into your business.
- Contact investors and find out who can inject cash into the business.
- Consider all Covid-19 Government measures that can support your business.

## During the crisis, regularly ask:

- Is your business able to pay your creditors, your tax obligations, employment obligations and make loan repayments as they become due?
- Do you have adequate financial reserves to cover debts due and payable in the next few months?





## Do not hesitate to seek Professional Advice early

Build a 12-month cash forecast that will help you better manage your cash. This regular and systematic cash flow analysis will help you adapt and respond better to any new constraint that may arise.

## Conclusion

Cash flow is one of the most critical components for an organization to get out of the crisis situation. There is an old adage about business that “cash is king”. If this is true, then cash flow is the blood that keeps the heart of the kingdom pumping.

Having a clear view of where your cash is tied up, unpaid invoices, stock and so on. What cash is coming in and when? What cash commitments you have coming up? All this will be highly beneficial for you to spot potential cash flow gaps and act instantly to reduce any impact. Negotiating new terms with suppliers, fresh borrowing with your bank or chasing overdue invoices will improve your liquidity and enable you to plan ahead and come out of the Covid-19 crisis successfully.

## Source

<https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/professional-resources/business/disaster-recovery-toolkit.pdf>

You may use the Template below or annexed to develop your 12-month cash forecast.

Enter Company Name Here													
Cash Flow (12 months)												Fiscal Year Begins:	Mar-20
	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Total Item EST
Cash on Hand (beginning of month)	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>CASH RECEIPTS</b>													
Cash Sales													
Receipt from debtors													
Loan													
Other receipt													
<b>TOTAL CASH RECEIPTS</b>	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Cash Available (before cash out)</b>	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>CASH PAID OUT</b>													
Purchase of materials													
Other Purchases													
Wages													
PAYE													
NPF													
Professional fees ( Accounting, Audit & Legal )													
Office Supplies													
Repairs & maintenance													
Advertising													
Delivery expenses													
Rent													
Telephone and Internet													
Utilities ( CEB & CWA )													
Interest													
Other expenses (specify)													
Other (specify)													
Other (specify)													
Miscellaneous													
<b>SUBTOTAL</b>	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan repayment													
Capital purchase													
<b>TOTAL CASH PAID OUT</b>	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cash Position (end of month)</b>	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>ESSENTIAL OPERATING DATA (non cash flow information)</b>													
Sales Volume (Rs)													
Accounts Receivable													
Bad Debt (end of month)													
Inventory on hand (eom)													
Accounts Payable (eom)													
Depreciation													



# GUIDELINES TO KNOW WHERE YOU STAND FINANCIALLY

# KEEP TRACK OF SUPPORT MEASURES



# Mauritius Enterprise COVID-19 Support Measures

This document will be continuously updated with new developments as they arise.

The Government of Mauritius and other stakeholders have launched a number of business support measures to help businesses mitigate the impact of Covid-19 (Coronavirus).

## Wage/ Salary Support

### COVID-19 Wage Assistance During Confinement/ Curfew Period

The Government of the Republic of Mauritius has decided to extend the following: a. the Government Wage Assistance Scheme (GWAS) to cover the period 1st of April 2020 to 30th of April 2020, and b. the Self-Employed Assistance Scheme (SEAS) to cover the period 16th of April 2020 to 30th of April 2020.

**GOVERNMENT WAGE ASSISTANCE SCHEME (GWAS)** The aim of the Government Wage Assistance Scheme is to provide financial support to employees of the private sector who became technically unemployed during the COVID-19 lockdown/curfew period. Since the COVID-19 lockdown period has been extended up to 04 May 2020, the Government has decided to extend the Scheme for the month of April 2020.

A business will thus be eligible to receive an additional funding equivalent to one month's basic wage bill for its employees drawing a monthly basic wage of up to Rs 50,000 subject to a cap of **Rs 25,000 of assistance per employee**. An employer would be debarred from the Scheme if he/she has benefitted from funds under the Scheme and has not paid his/her employees for the months of March and April 2020 or he/she has laid off even one employee during the lockdown/curfew period. The Scheme is applicable in respect of Mauritians in full-time or part-time employment, and expatriate employees working in Mauritius.

For the Government Wage Assistance Scheme, employers will have to apply again because there could be changes in the number of employees/wage bill. A new online application form will be made available on MRA website: [www.mra.mu](http://www.mra.mu)

## SELF-EMPLOYED ASSISTANCE SCHEME (SEAS)

The Self-Employed Assistance Scheme gives financial support to the informal sector. Under the Scheme, eligible self-employed individuals were entitled to receive an amount of Rs 5,100 for the one-month period, 16th March 2020 to 15th April 2020. For the fortnight 16th of April 2020 to 30th of April 2020, an additional amount of Rs 2,550 will be paid to the self-employed individuals.

For the Self-Employed Assistance Scheme, there is no need for a fresh application.

Payment regarding the extension of both GWAS and SEAS will be effected as from Thursday 23 April 2020. For further information, applicants are kindly requested to visit the website of the MRA: [www.mra.mu](http://www.mra.mu) or by calling on 207 6000.



# Financial Support

## Bank of Mauritius Special Relief Programme (Banking)

### Special Relief Amount of Rs 5 Billion

The Bank of Mauritius is introducing a Special Relief Amount of Rs 5 billion through commercial banks to meet cash flow and working capital requirements of economic operators which are being directly impacted by COVID-19. This Special Relief Amount will be made available, through commercial banks.

The interest rate is 2.5% per annum and there will be a moratorium of six months on capital and interest repayments, with the loan repayment period being two years.

With regard to financial support to Small and Medium Enterprises (SMEs), the Bank of Mauritius has brought down the **Special Relief Fund by 1.5 percent and loan** under this scheme will be secured up to 60 percent by the State Investment Corporation (SIC) for SMEs with a turnover of less than Rs 50 million. As for companies with turnovers exceeding Rs 50 million, the SIC will secure loans up to 50 percent.

### Reduction of Cash Reserve Ratio

The Cash Reserve Ratio applicable to commercial banks has been reduced from 9% to 8%. It aims at supporting commercial banks to further assist businesses which are being directly impacted by COVID-19.

### Moratorium on capital repayment for loans

Commercial banks will provide a moratorium of 6 months on capital repayment for existing loans for economic operators that are being affected by COVID-19.

### Easing of Banking Guidelines

The Bank of Mauritius has put on hold the Guideline on Credit Impairment Measurement and Income Recognition, which was effective since January 2020. This measure will allow commercial banks to continue supporting enterprises facing cash flow and working capital difficulties in the context of COVID-19.

### 2020 Savings Bond

The Bank of Mauritius is introducing a 2.5% Two-Year Bank of Mauritius 2020 Savings Bond for an amount of Rs 5 billion from 23rd of March 2020.

# Process

Enterprises may have access to those support through their Commercial Banks.

Any clarification or additional information may be addressed to the Bank of Mauritius on [communications@bom.mu](mailto:communications@bom.mu)



## Other Financial Support

### State Investment Corporation

#### Equity Participation Scheme

The State Investment Corporation (SIC) Ltd has launched an Equity Participation Scheme to assist enterprises with annual turnover exceeding Rs 250 million to overcome their financial difficulties in the wake of COVID-19.

### Investment Support Programme Limited (ISP)

#### SME Factoring Scheme

Enterprises with annual turnover of up to Rs 50 million will benefit from a reduced interest rate of from 2.5% instead of 3.9% under SME Factoring Scheme.

### Leasing Equipment Modernisation Scheme (LEMS I, II, III)

Enterprises with annual turnover ranging between Rs 50 million and Rs 1.5 billion will benefit from a reduced interest rate ranging between 2.5% and 3.35% per annum.

### Corporate Guarantees to banks

ISP Ltd will issue corporate guarantee to banks to enable them to grant loans to companies affected by COVID-19, on a case to case basis.

### SME Equity Fund Ltd

#### Equity Financing

The SME Equity Fund Ltd will reduce its minimum return dividend rate requirement on equity /quasi-equity financing from 6% to 3% up to 31 December 2020. Thereafter, normal conditions and dividend rate of 6% will be applicable.

### Development Bank of Mauritius Ltd

#### Enterprise Modernisation Scheme (EMS)

Enterprises with annual turnover of up to Rs 10 million will benefit from a reduced interest rate 2.5% instead of 3.5% up to 31st December 2020 and a grant of 15% up to a maximum of Rs 150,000.

### Revolving Credit Fund

A Revolving Credit Fund of Rs 200 million has been established at the Development Bank of Mauritius Ltd to help companies with turnover of up to Rs 10 million to ease cash flow difficulties up to Rs 1 million with repayment over 2 years. Interest will not be payable if loan is repaid within 9 months. Otherwise, interest will be at a rate of 6% per annum.

## Process

The COVID-19 'Plan de Soutien' Cell has been set up and comprises the State Investment Corporation Limited (SIC), Investment Support Programme Limited (ISP), SME Equity Fund Ltd (SEF) and Development Bank of Mauritius Ltd (DBM).

### Application Form

All applications to be submitted to -  
COVID-19 'Plan de Soutien' Cell  
Ground Floor of DBM Building,  
Chaussée Street,  
Port Louis.  
Fax: 208 8309  
E-mail: [covid19support@stateinvestment.mu](mailto:covid19support@stateinvestment.mu)  
Hotline: 260 9200



## Additional Support Households and Businesses

### Support to Households

Mauritian households impacted by COVID-19 may request their commercial banks for a moratorium of 6 months on capital repayments on their existing household loans as from the 1st April 2020.

In addition, for households earning a combined monthly basic salary of up to Rs 50,000 the Bank of Mauritius will bear the interest payable for the period 1st April 2020 to 30th June 2020 on their outstanding household loans with commercial banks.

The terms and conditions will be made available through commercial banks as from Monday 30th March 2020.

### Special Foreign Currency (USD) Line of Credit

The Bank of Mauritius is introducing a Special Foreign Currency (USD) Line of Credit targeting operators having foreign currency earnings, including SMEs.

This line of credit shall be for an amount of USD 300 million, to be made available through commercial banks. Funds will be made available to commercial banks at 6-month USD Libor for this facility.

This line of credit will be available from the 24th March 2020 until the 30th June 2020 and repayment will be over a period of 2 years from the effective date of disbursement.

### Swap Arrangement to Support Import oriented Businesses

The Bank of Mauritius is introducing a USD/MUR swap arrangement with commercial banks for an initial amount of USD 100 million. This arrangement will enable commercial banks to support import-oriented businesses, except for the State Trading Corporation which will be dealing directly with the Bank of Mauritius for its foreign currency requirements until further notice.

The swap arrangement will be effective as from the 24th March 2020 until the 30th June 2020.



## Process

Enterprises may have access to those support through their Commercial Banks.

Any clarification or additional information may be addressed to the Bank of Mauritius on [communications@bom.mu](mailto:communications@bom.mu)



# COVID SUPPORT- OTHER STAKEHOLDERS

## SME Mauritius

**sme MAURITIUS** **PLANS DE SOUTIEN AUX PME**

**INTERNAL CAPABILITY DEVELOPMENT SCHEME (ICDS)**  
L'acquisition d'expertise sur l'amélioration de la Productivité, le Mentoring, l'accréditation aux normes internationales, l'enregistrement officiel des marques et la propriété intellectuelle, le code bar, la formation technique entre autres.  
Valeur du soutien financier : **80% jusqu'à un maximum de Rs 150,000**

**TECHNOLOGY AND INNOVATION SCHEME (TINNS)**  
L'acquisition de logiciel de comptabilité, développement d'applications mobile et de sites web, intégration sur les réseaux sociaux et la communication, l'acquisition de Technologies et celles liées au recyclage, l'installation de panneaux photovoltaïques et du traitement d'eau usée entre autres.  
**Rs 50,000 pour l'achat d'équipements productifs aux jeunes et aux femmes de moins de 29 ans.**  
Valeur du soutien financier : **80% jusqu'à un maximum de Rs 150,000**

**SME MARKETING SUPPORT SCHEME (MSS)**  
Remboursement des coûts liés aux développements des catalogues en ligne, des conférences sur la formation à l'étranger, du matériel de marketing et des coûts administratifs liés aux exportations, au factoring et au Leasing.  
Valeur du soutien financier : **80% de la valeur totale jusqu'à un maximum de Rs 150,000**  
Frais administratifs : **80% par projet jusqu'à un maximum de Rs 15,000**

**SME UTILITY CONNECTION ASSISTANCE SCHEME (UCA)**  
Participation financière aux frais liés à la connexion des réseaux du CEB et de la CWA ainsi que l'achat de réservoirs d'eau (capacité maximum de 10,000 litres).  
Valeur du soutien financier : **80% jusqu'à un maximum de Rs 150,000**

**INCLUSIVENESS AND INTEGRATION SCHEME (INC)**  
Incitations liées à la collaboration et partenariat d'affaires entre PME.  
Valeur du soutien financier : **15% de la valeur totale des coûts du service de sous-traitance jusqu'à un maximum de Rs 100,000**

**La totalité d'aides financières d'un ou de plusieurs plans de soutien choisis sera d'un maximum de Rs 150,000 par PME**

Pour plus de détails, appelez SME Mauritius sur le 202 0040 ou complétez en ligne le formulaire d'application <https://smemu.org>

**sme MAURITIUS** *trap nou lamé, trace ou simé...*



### Employees' Lodging Accommodation Permits/Certificates of Registration of Factory

Ministry of Labour, Human Resource Development and Training - Communiqué

Taking into consideration the present challenge being faced by the country with the outbreak of Covid-19 pandemic, the Ministry of Labour, Human Resource Development and Training hereby informs employers whose:

- (a) Employees' Lodging Accommodation Permits have expired in March 2020 or will expire in April 2020, or
- (b) Certificates of Registration of Factory will expire in April 2020 and May 2020,

that they may renew their Employees' Lodging Accommodation Permits or Certificates of Registration of Factory by 30 June 2020 without any payment of surcharge.



The NPCC can facilitate the discussions for the modules where you need us most.  
We can arrange for online discussions and group work.

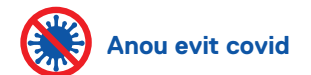
Contact us

[fmcharlotte@npccmauritius.com](mailto:fmcharlotte@npccmauritius.com)



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[www.npccmauritius.org](http://www.npccmauritius.org)

[www.npccmauritius.org/eps](http://www.npccmauritius.org/eps)



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