



The Cane Commissioner, U.P.
Ganna Bhawan,
17, New Berry Road,
Lucknow

August 12, 2014

Dear Sir,

Sub.: Starting of sugar factories for season 2014-15

We are writing to inform you that while we are very keen to run our sugar mills (because that is the business we are in), we will be constrained not to start our sugar mills in this season unless there is a highly equitable, transparent and easy to use formula, such as the Rangarajan Committee (RRC) formula, for cane pricing.

The present price of Rs 280/- plus taxes plus society commission is completely untenable which places acute stress on the companies and consequently leads to acute stress for the farmers. We really feel unhappy that the farmers are in distress owing to delay in payment. We have had a generations old relationship with them. Now this relationship is under threat. The cause of this is not that the mills are unwilling to pay but their sheer inability to do so for the reasons mentioned in so many communications. We are unable to understand why a RRC kind of formula cannot be accepted by the Government, and the law changed permanently appropriately, because :

Under the RRC formula, there is no cane price.

There is simply a sharing of revenues.

This leads to a huge incentive to the farmers to improve recoveries from cane because higher recovery means higher revenue for the farmers and the company.

MAWANA SUGARS LIMITED

Corporate Office:

Plot No. 15, Institutional Area
Sector-32, Gurgaon-122 001 (India)
T 91-124-4298000 F 91-124-4298300

Registered Office:

5th Floor, Kirti Mahal, 19 Rajendra Place
New Delhi-110 125 (India)
T 91-11-25739103 F 91-11-25743659

CIN : L74100DL1961PLC003413

E corporate@mawanasugars.com
www.mawanasugars.com





This simple fact is either not understood by the farmer leaders, and perhaps the Government as well, or there is willful intent to destroy the sugar industry.

The outstandings today are at about Rs 5000 crores and these will go up by another Rs 10000 crores in the coming season. Even if RCs/sealing of godowns/FIRs/acute harassment of the Managers of the companies/auction of sugar stocks and assets are undertaken, it is not a solution. In fact, such action has become part of the problem.

There is only one solution, as mentioned above, and that is the RRC formula.

It is understandable that, for the near future, there will be a gap of about Rs 50/- per quintal between the SAP and the amount payable under RRC and the Government does not know how to bridge this gap if the RRC is to be followed. At present international prices are at a low and domestic production is so high that prices will be kept around the Rs 30,000/- level. This gap for U P works out to be approximately Rs 4000 crores per annum or so. If an arrangement can be worked out by the State Government with the Central Government to fund this over the next 2/3 years it will be extremely beneficial not only to the industry but also to the farmers. After all, the State Government is funding the cooperatives and corporation factories.

Another important aspect of sugar prices is that if wholesale sugar prices do not move to approximately Rs 40000/- per tonne, i.e. approximately Rs 45 -50 per kg. at the retail level, there need not be any expectation of revenue increase by the farmers unless recovery increases substantially. Here too, your persuading the Central Government to accepting a higher price at the retail level will be exceedingly beneficial. This may be difficult because of the need to control inflation; however, it must be known that approximately 20% of the sugar is purchased by retail customers of which only about 5% are below the poverty line; the rest can absorb this in their monthly budget. The true benefit of low sugar price is going to domestic and multinational industrial companies.

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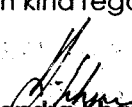




Additionally, we request the Government of U P to please work with the Central Government authorities to eliminate sugar from the basket of Consumer Price Index (CPI) as this does not help the need for higher sugar prices.

We feel for the U P Government because they have unreasonably increased the price of sugarcane by Rs 40/- per quintal and are possibly politically unable to withdraw this increase. However, once the farmers have got accustomed to the RRC formula, you will find a sea change in the whole development of this otherwise beautiful industry in the State of U.P. U.P., with its large production and significant investment in the sugar industry should lead rather than be led by specious arguments from so called visionaries, whether in court or outside.

With kind regards


Rajendra Khanna

**Whole Time Director
Mawana Sugars Limited**

- Cc: - The Chief Secretary, Government of U.P., Lucknow.
- The Principal Secretary, (Sugar Industries and Cane Development) Government of U.P., Lucknow.
- District Magistrate, Meerut/Muzaffarnagar
- Addl. Cane Commissioner (Purchase), U.P., Lucknow
- Dy. Cane Commissioner, Meerut/Saharanpur
- District Cane Officer, Meerut/Muzaffarnagar
- President, Indian Sugar Mills Association, Ansal Plaza, C-Block, 2nd Floor, Andrews Ganj, New Delhi - 110049
- Director General, Indian Sugar Mills Association, Ansal Plaza, C-Block, 2nd Floor, Andrews Ganj, New Delhi - 110049
- The President, UP Sugar Mills Association, Ansal Plaza, C-Block, 2nd Floor, Andrew Ganj, New Delhi - 110049

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