KESAR ENTERPRISES LIMITED

Oriental House, 7 Jamshedji Tata Road, Churchgate, Mumbai-400 020. India. Website : http://www.kesarindia.com
Phone : (+91-22) 22042396 / 22851737 Fax : (+91-22) 22876162 E-mail : headoffice@kesarindia.com

20th November, 2013

The Secretary Corporate Relationship Department Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 **Fax # 2272 3121 / 2272 20 37 / 2272 2041**	Mr. Hari K Assistant Vice President Listing Department, National Stock Exchange of India Ltd. 5th Floor, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 **Fax # : 2659 8237 / 2659 8238**

Dear Sir,

Sub: Updates on crushing operations for the Sugar Season 2013-14.

Pursuant to Clause 36 and other applicable provisions of the Listing Agreement, we would like to inform that due to unilateral directions by the Uttar Pradesh Government Authorities to the Sugar Mills for commencing the crushing operation without announcing / fixing a viable and affordable State Advised Price (SAP) as sugarcane price for Sugar Season 2013-14 and to avoid incurring operating losses as also to prevent facing consequential financial difficulties, the Company is unable to commence crushing operations during the Sugar Season 2013-14 at the Sugar Mill of the Company at Baheri, UP.

The Company has vide its letter dated 19.11.2013 written to the concerned Authorities of the UP Government for suspension of operations of the Sugar Mill of the Company during the Sugar Season 2013-14, till a viable and affordable sugarcane price in accordance with the recommendations of the Rangarajan Committee Report is announced by the UP Government.

A copy of the aforesaid letter dated 19.11.2013 is attached herewith. The same may please be taken on record and suitably disseminated to all concerned.

Please acknowledge.

Thanking you.

Yours faithfully,
For **KESAR ENTERPRISES LTD.**

D. J. SHAH
SR. VICE PRESIDENT (LEGAL)
& COMPANY SECRETARY

Encl. : As above.

KESAR ENTERPRISES LIMITED

Baheri - 243201 Distt.: Bareilly (U.P.) Ph:05822-223691-93 Fax # 05822-223697
email: kesarbaheri@kesarindia.com, Website: www.kesarindia.com

Ref.No. FL/CAN/13/2044 Dated : 19/11/2013

To

The Cane Commissioner, UP
Lal Bahadur Shashtri Ganna Kisan Sansthan
New Berry Road,
Lucknow

SUBJECT: NOTICE OF SUSPENSION OF OPERATIONS OF OUR SUGAR MILL AT BAHERI.

Sir,

This has reference to the actions initiated and letters issued by you and your good office for commencing operation of the sugar mills ***in losses*** without due consideration of the extremely difficult situation and problems faced by the Sugar Mills and also without our participation in the cane reservation process.
With reference to the above having been left with no other ***option*** **and** ***for the reasons beyond our control,*** we are ***constrained*** *to* give Notice of Suspension of operations of our Sugar Mill at Baheri and in that connection ***we submit*** *and* reiterate as follows:

1. The State Government has been fixing ***unreasonable, unaffordable and illogical*** State Advised Price (SAP) for sugarcane under the U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953, without giving due consideration to the paying capacity of the sugar mills towards sugarcane price and without considering the expected return that a sugar unit is entitled to earn for its stakeholders.
2. As a result of the above, due to unviable operations ***you are fully aware that*** the sugar mills have incurred huge cash losses and its financial resources have exhausted; consequently the sugarcane arrears have also piled up to the detriment of interests of the farmers, besides the sugar mills.
3. In this scenario, we have been requesting the State Government to fix ***affordable*** Sugarcane Prices in accordance with the recommendations of the Rangarajan Committee appointed by the Central Government either (a) at the rate of 70% of the revenue realised from sugar, bagasse, molasses and press mud or in the alternative (b) at the rate of 75% of the revenue realised from sugar only (giving 5% weightage to the revenue from the first stage by-products) ***so that the sugarcane price should have linkage with the sugar price on the basis of established and recognized formula.***
4. While awaiting consideration and decision by the State Government due to our inability to operate in the prevailing circumstances, ***we could not submit*** our reservation proposals and informed the Government that we do not want to be allotted sugarcane, ***as we cannot pay unknown and unaffordable sugarcane price and thus cannot*** operate unless a viable sugarcane price is announced. Thus, we ***could*** not participate in the sugarcane reservation process.
5. We also brought to the notice of the Government that in the current year, banks have altogether refused to even renew the credit facilities to the sugar units, unless a viable sugarcane price is determined by the State Government in accordance with the Rangarajan Committee formula.

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6. We brought to the kind notice of the State Government that the sugar mills can afford to pay not more than Rs. 225 per qtl. (subject to rebates and taxes) as the Sugarcane price (based on the Rangarajan formulae being 75% of average sugar sales realisation of the previous year w.e.f 1st October 2012 to 30th September 2013 or the current sugar prices) for the coming sugar season and therefore, requested for taking appropriate decision before our sugar mills submit their proposal for reservation of the sugar cane for the current season ***to avoid losses and non-payment of sugarcane price and its consequences.***
7. We have also informed that the Board of Directors of the Company had ***also opined*** that in view of high losses during the previous seasons, company's existing liabilities and lack of adequate resources, the operations of the company's sugar mills should not be commenced until and unless a viable Sugarcane Price is declared by the State Government, in accordance with the paying capacity of the sugar mill(s) linked with the average sales realisation in accordance with the Rangarajan formula. ***In short, the management is concerned that the mills should not suffer further losses and rather should get a fair and reasonable return from the sugar business***.
8. It may be appreciated that we ***could*** not send any requirement of sugarcane by way of sugar cane reservation proposal in absence of a viable and affordable sugarcane price and thus, we are neither prepared ***to run the operation in losses*** nor can ***in these circumstances forcibly*** commence operations in violation of our constitutional and legal rights.
9. The unbridled, unviable, unaffordable and unreasonable sugarcane price has been continuously fixed over and above the paying capacity of the mills or above a level, which ***did not*** give a fair and reasonable return to the mills. This has already caused huge losses to us and has created an unavoidable situation which is beyond our control to continue to run the operations in losses.
10. It may kindly be appreciated that how long we can continue to run the operation in losses and from where the funds will come to operate the mills and to make the payment of sugarcane. The banks have already shown their disinclination to provide further finance in the present conditions.

We had submitted vide our letter dated 14th November 2013 and explained the difficult situation and crisis before the sugar mills in ***details*** and had clearly stated that since we will have no resources to commence operations, if a viable and affordable sugarcane price is not fixed. We had also stated that we would be left with no options; but to suspend operations of our mills for 2013-14 in case the Government makes no consideration.

However, without giving due consideration to our submissions and requests, now we are being compelled to commence operations without announcing ***affordable*** sugarcane price and without even our participation in the sugarcane reservation process and contrary to the situation, following ***unwarranted*** actions are being initiated/taken ***to further put the mills in deeper crisis*** :

I. Without submission of cane reservation proposals by our sugar mill(s), cane allotment orders are being passed and uploaded on the website.

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II. Dates for commencing operation of the mills are being announced by way of Press Release without consulting the sugar mills and without considering the real situation and the submissions being made by us.

III. The Sugar Mills have been directed in various meetings with District authorities and your Office to commence crushing operations on the dates arbitrarily fixed without appreciating that no sugar mills are in a position to commence operations ***in losses*** as well as due to lack of finance needed for the operations, which has resulted in the part of the sugarcane price for crushing season 2012-13 still remaining outstanding.

IV. We also understand that knowing fully well that sugar mills cannot commence operations in the present circumstances, the District/relevant Cane offices are *suo moto* preparing *Purchies* for distribution to farmers for supply of cane to their sugar mill, which may create great confusion amongst farmers since, inter alia, the relevant arrangements for weighment, procurement and commencing the crushing operations are yet not ready and may create a serious law and order problems.

V. Further knowing fully well that due to lack of adequate financial and other resources we have no mandate from ***the management*** and no preparedness could be made for commencing crushing operations and that no commencement of operations can take place unless and until a viable sugarcane price is declared and after which the mills are able to obtain finance for operations and that the commencement of boiler and plant operations would take nearly a fortnight thereafter, such actions are being initiated.

We apprehend that all the above actions are likely to create serious law and order situation, besides other complications specially confusion amongst farmers as they may be misguided by distribution of *Purchies* and other such information. We have to clarify that this situation will arise without any fault on the part of the sugar mills, as the sugar mills have very clearly informed that they have no capacity and preparedness to commence operations ***in losses***. We have to clearly state that in case any such law and order problem arises, the sugar mill shall not have any responsibility; nor shall be made responsible for the same.

In the above premises, we have left with no option/choice; but are compelled to not to commence the crushing operations and serve this Notice of SUSPENSION OF OPERATIONS OF OUR SUGAR MILL located at Baheri for the current crushing season of 2013-14.

A copy of this Notice is also being sent to the stock Exchange in compliance of the provisions of the Listing Agreement.

A copy of this Notice is also being pasted on the PUBILC NOTICE BOARD of the Mill.

Please take notice accordingly;

Thanking you,

Yours Faithfully,

For Kesar Enterprises Ltd.,

Occupier.

Copy to:

- District Magistrate, Bareilly
- District Cane Officer, Bareilly
- Chairman/Secretary of Cooperative Societies Baheri/Bhuria/Bareilly/Bhojipura/Meerganj: With request to provide appropriate and correct information to the Farmer members.