



SIMBHAOLI SUGARS

Simbhaoli Sugars Limited

(An FSSC 22000 : 2011, ISO 9001 : 2008
& 14001 : 2004 Certified Company)

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Dated: - November 19, 2013

To,

The Chief Secretary,
Uttar Pradesh

SUBJECT: NOTICE OF SUSPENSION OF OPERATIONS OF OUR SUGAR MILL AT SIMBHAOLI DISTT. HAPUR

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 extreme difficulties and problems faced by the Sugar Mills and also without our participation in the cane reservation process in the State for 2013-14 season.

With reference to the above having been left with no other option and for the reasons beyond our control, we are constrained to give a Notice of Suspension of operations of our Sugar Mill at Simbhaoli Distt. Hapur and in that connection we submit and reiterate as follows:

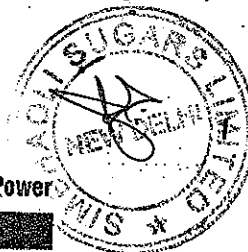
1. The State Government has been fixing unreasonable, unaffordable and arbitrary State Advised Price (SAP) for sugarcane under the U.P. Sugarcane (Regulation of Supply and Purchase) Act, 1953, without giving due consideration to the paying capacity of the sugar mills towards sugarcane price and without considering the normal business returns 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 mill has incurred huge cash losses and its financial resources have been fully exhausted; consequently the sugarcane price dues have 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 an 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 an 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 for 2013-14 season and informed the State 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 at all.
5. We also brought to the notice of the Government that in the current year, lending banks to the Company and sugar unit have altogether refused to provide the credit facilities to the sugar unit,

Specialty Sugars

Potable Alcohol

Ethanol

Power



unless a viable sugarcane price is determined by the State Government in accordance with the Rangarajan Committee formula.

6. We brought to the kind notice of the State Government that our Sugar mill including the other sugar mills in the State 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 mill submit its proposal for reservation of the sugar cane for the current season (2013-14) 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 in their meeting 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 mill 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 linked with the average sales realisation in accordance with the Rangarajan formula. In short, the management is concerned that the mill 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 mill. 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 finances 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 option; 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, cane allotment orders are being passed and uploaded on the website.
- II. Dates for commencing operation of the mill are being announced by way of Press Release without consulting the sugar mill and without considering the real situation and the submissions being made by us.



- III. The Sugar Mill 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 mill 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 mill 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 mill 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 mill, as the sugar mill 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 view of the above premises, we humbly submit that 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 Simbhaoli Distt. Hapur for the current crushing season of 2013-14.

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

You are requested to take a note of this notice accordingly;

Thanking you

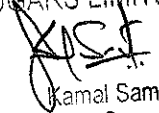
Yours Faithfully,

For Simbhaoli Sugars Limited
Unit: Simbhaoli

Authorized Signatory

CERTIFIED TRUE COPY

For SIMBHAOLI SUGARS LIMITED


Kamal Samtani
Company Secretary