DWARIKESH SUGAR INDUSTRIES LIMITED

Corp. Off.: 511, Maker Chambers V, 221, Nariman Point, Mumbai - 400 021. Tel.: 2283 2468, 2204 2945 Fax : 2204 7288
E-mail : dsilbom@dwarikesh.com • Website : www.dwarikesh.com

REF: DSIL/2014-15/214 CIN No: L15421UP1993PLC018642 August 11, 2014

National Stock Exchange of India Limited
"EXCHANGE PLAZA"
Bandra – Kurla Complex
Bandra [E]
Mumbai - 400 051

Kind Attn: Mr. Hari K.

Sub: Suspension of Operations

Dear Sir,

We wish to inform you that the company has been compelled to suspend its operations and discontinue repairs & maintenance of our plant at all 3 units with immediate effect on account of arbitrary and high sugar cane price leading to uneconomic and unviable working and losses during last 4 years.

We have requested the state government of Uttar Pradesh to work out a suitable formula for arriving at reasonable sugarcane price considering the recommendation of the Rangrajan Committee so as to find out a long term & economically unviable mechanism for continuation of the operations of the company.

A detailed letter dated August 8, 2014 addressed to the cane commissioner with a copy to the chief secretary and the principal secretary of state of Uttar Pradesh has been delivered to them on August 11, 2014 for their consideration and needful action. (copy enclosed)

Thanking you,

Yours faithfully

B. J. Maheshwari
Whole Time Director & CS cum CCO

Encl : As above

CST NO-NJ-5015393
UPTT NO-NJ-0034047

DWARIKESH SUGAR INDUSTRIES LIMITED

(UNIT - DWARIKESH PURAM)

Dwarikesh Puram - 246722, Dist - Bijnor, (U.P.) Phone: 01343-241256-57
e-mail: dp@dwarikesh.com website - www. dwarikesh.com

Ref: DSIL: DP: 20294
Date: 08th August, 2014

Registered Post/By Hand/Fax

1. The Cane Commissioner, U.P.
   17, New Berry Road, Lucknow- 226 001

2. The Chief Secretary, U.P.
   Govt. of U.P.,
   Bapu Bhawan, Lucknow- 226 001

3. The Principal Secretary,
   Deptt.of Sugarcane Development and Sugar Industries,
   Govt. of U.P.,
   Bapu Bhawan, Lucknow- 226 001

Subject: **Notice for Suspending Cane Crushing Operations in 2014-15 Sugar Season**

Sir,

With great sense of anguish and despair, we state that our financial health has deteriorated so much that it has become extremely difficult for us to continue our operations under the current circumstances, owing to certain reasons that are beyond our control which your good offices are well aware of.

2. There is an urgent need to rationalize the cane pricing policy in U.P. and adopt the 'linkage formula' recommended by the Rangarajan Committee. Unless a plausible and suitable relationship and nexus is not established between Sugarcane price and Sugar sales realization, as a Policy measure on the part of the State Government, in order to determine the Sugarcane price, the State Sugar industry shall continue to bleed.

Regd. Off. : Dwarikesh Nagar - 246 762, Dist. Bijnor, (U.P.) Phone: 01343-267061-267064 Fax: 01343-267065
CIN No. L15421UP1993PLC018642

3. We individually and our Association, UPSMA as well, have regularly been representing to the State authorities including your good offices, from time to time, whereby, we exhaustively and

elaborately raised and raked up all the issues the State Sugar industry is facing and prayed to your good offices to address and redress our difficulties. Our Association wrote to the State Government on 08.07.2014 and 04.08.2014, containing the issues and difficulties leading to the present predicament of the Sugar mills in the State. Copy of the said letter dated 04.08.2014 is enclosed herewith for your ready reference.

4. The gist of what the said letter contains is asunder:

a. For Sugar mills in the State, what lies in the future remains unknown and uncertain. In the present scenario of unknown and unbridled cane price, it remains uncertain as to when a long-term sustainable cane price pricing Policy, based on the 'linkage formula', would be adopted in the State. The Sugar mills are not in a position to make any commitment for purchase of cane in the ensuing season or submit our requirement for the same. We have already requested the concerned authorities to allow us to defer submission of our estimates of cane requirement till cane price is fixed, vide our Association's letters dated 21.07.2014 and 25.07.2014 also; but the request made in our said letters have not yet been accepted.

b. Facing a similar problem before the start of 2013-14 Sugar season, we had submitted that the State Advised Price (SAP) of Rs.280/- per quintal of cane was much beyond our paying capacity and that this SAP would lead to the substantial rise in cane price arrears. Our apprehensions proved true. We have been left to struggle to clear the cane price arrears of the current season. We do not want a repeat of this situation again next year (2014-15 Sugar season).

c. While making us to start the crushing operations in 2013-14, the State Government gave the following assurances and commitments: -

i. The Committee under Chief Secretary would recommend a rationalized cane pricing Policy from next Sugar season. The Committee was set up in January, 2014, and was to give its recommendations in 03 months.

ii. If the financial condition of the Sugar industry so requires, the State Government would give financial assistance, including subsidy of Rs.9/- per quintal of cane. A Committee was set up in January, 2014, and was to give its recommendations in 03 months.

iii. No coercive action would be taken against the Sugar mills, promoters, Directors and officials.

No positive actions have emerged from the aforesaid two committees .Further assurance on no co ercive action against the mills, promoters, Directors & officials have been kept up.

d. Relying upon the assurances and commitments given by the State Government, we had started crushing operations for 2013-14. We hoped that if need be, the State Government would come forward with financial help. Instead of getting the assured and committed financial assistance from the State, we are being subjected to all sorts of prosecutions, including FIRs against most of the promoters, directors and senior officers of the Sugar mills.

e. The Banks have become quite apprehensive due to seizure and forced auction of Sugar stocks of several companies, ignoring the first charge of Banks. They also want clarity and transparency on the cane pricing Policy to take further exposures in U.P. Sugar mills.

5. The State Government, accepting the losses incurred by the Co-operative Sugar mills of the State, provides financial help to them every year to meet their cane price liabilities. For the season 2013-14 too, the Government of U.P has provided Rs. 400/- crore grant to enable them meet their cane price arrears. This works out to around Rs. 55/- to Rs. 60/- per quintal. No such financial help has ever been provided to the private Sugar mills, despite operating in the same

State, under similar circumstances. This discrimination against the private Sugar mills is unacceptable to us any longer.

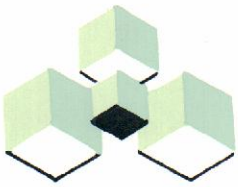
6. The two major Sugar producing States i.e. Maharashtra and Karnataka, which together contribute for almost 50% of the country's Sugar production, have already adopted and implemented the 'linkage formula' as recommended by the Rangarajan Committee for determining the cane price automatically at 70% of revenue realized from Sugar sale and first stage by-products or 75% of revenue realized from sugarsale alone. It is understood that a team of senior officials from U.P. had visited Maharashtra and Karnataka to study their cane pricing system and have since submitted their report to the Government. Therefore, the State Government should be able to quickly finalize the formula for U.P. too.

7. UPSMA has submitted several representations to the State Government, apprising them about the factual financial position of the

Sugar mills, requesting financial help so that the mills could tide over the severe crisis. However, no response has been received to our submissions so far.

8. The Rangarajan Committee after consulting all stakeholders had recommended for adoption of the revenue sharing model of cane pricing, as is being followed all over the world, between the farmers and the millers in a fair and equitable manner. The Central Government had also referred these recommendations to the State Governments, including to the U.P. Government, suggesting for adoption and implementation of the formula. It is common knowledge that the Central Govt. has already declared the Fair and Remunerative Price (FRP) @ Rs.220/- per quintal linked to 9.5% recovery of Sugar for the Sugar season 2014-15 vide its order dated 14.02.2014.

9. It must be appreciated that the genesis of the problem is high and excessive cane price fixation by the State Government, combined with the low Sugar realizations. It is pertinent to point out that even the Central Government in its recent Affidavit filed before the Hon'ble High Court has also observed thus,



"That the problem of cane price arrears arises when realization by Sugar mills from sale of Sugar is not enough to pay the cane prices to the farmers. Surplus production over domestic consumption in the last three Sugar seasons and low exports due to subdued international Sugar prices have led to building up of Sugar stocks with the mills. This has adversely affected the financial health of the mills and led to cane price arrears. Though the Government fixes Fair & Remunerative Price of Sugarcane on the recommendations of CACP, fixation of higher cane price by some of the States compounds the problem".

10. It is also to be appreciated that there is an atmosphere of fear and lack of confidence in the system. The promoters and officers are being branded as criminals. The business environment in U.P. of is vitiated and the industry of unsure not only about the business per se, but also the environment in the State. We cannot continue to run our mills in losses and that too under fear and threat of penal actions including arrest. We do not only expect, but are entitled to earn reasonable and fair return from the Sugar manufacturing business.

11. It has been emphasized time and again that the Sugar industry in Uttar Pradesh is financially distressed and ailing. The Promoters, as

also the Banks and Financial Institutions do not see any future in the State to continue in the business.

12. We had repeatedly requested and pleaded for a long-term solution to the vexed problem of cane pricing, year after year leading to huge losses, lengthy litigations and cane price arrears of farmers. It is to be appreciated that business is not sustainable under such circumstances. We are willing to commence cane crushing operations in the coming Sugar season 2014-15 on the basis of FRP and sharing of further revenue and cane price as per the Rangarajan Committee recommendations and Rs.9/- per quintal of financial assistance be given for current Sugar season and coercive actions be stopped to allow the Management and Staff to work in congenial and peaceful atmosphere. It is expected that a rationale cane pricing formula similar to the 'linkage formula' and as adopted in Maharashtra, is adopted in the State of U.P. too, to give the fair deal to the farmers as well as to the Sugar mills.

Under the present circumstances and with any non–existent long term transparent, logical and economically viable mechanism or formula to determine Sugarcane price, we are constrained to serve "Notice of suspension of cane crushing operations" in 2014-15 Sugar season and are forced to discontinue repair and maintenance of our Plant and machinery and accordingly, forced to withdraw concerned workers and staff from the factory. We are also informing the concerned authorities about the suspension of works.

Sir, we would like to submit that being conscious of commitment towards cane farmers and in the over-all public interest, it would be prudent that, as submitted above, an amicable long term solution is worked out at the earliest to save this ailing industry of the State.

Thanking You,

Yours faithfully,

For Dwarikesh Sugar Industries Limited

08/08/2014

U.S. Sirohi

Dy. General Manager (Legal)

Encl.: 1. Letter dated 08.07.2014
2. Letter dated 04.08.2014
3. Letter dated 25.07.2014
4. Letter dated 21.07.2014

Copy to:

1. District Magistrate, Bijnor
2. District Cane Officer, Bijnor/Moradabad
3. Chairman/Secretary, Co-operative Cane Development Society Ltd. (With request to provide appropriate and correct information to the farmer members)
   - Afzalgarh
   - Dhampur
   - Moradabad