



October 11, 2014

Dear Mr. Phatak,

This is with reference to your mail dated October 10th, 2014x regarding clarification on a news item relating to default by Mawana Sugars Limited (MSL or the Company) in its debt obligations to the Banks.

We confirm that the Company has not been good in its debt obligation due to heavy losses suffered by it over the last many years.

The Company is mainly in the business of manufacturing plantation white sugar and has all its three manufacturing facilities located in the State of Uttar Pradesh. Due to very high cane purchase price set up by the State Government over the past many years and relatively low sugar selling prices, the Company had been suffering from extremely difficult financial conditions. It will be relevant to mention that during the last 4 years, the cane price (SAP) declared by the State Government of UP has gone up by about 70% whereas the sugar prices have increased by just about 10% which has resulted in huge mismatch in cane prices and sugar prices. Owing to this, the financial condition of sugar mills, particularly in the state of U.P, has become extremely bad. Consequently, despite having reduced the long term debt to Bankers by Rs 270 crs over last 5 years and having paid about Rs 330 crs towards interest during the same period, the Company presently is not being good for its obligations.

The Company has kept its Stakeholders, including the Shareholders, Bankers, Other Creditors and Stock Exchanges, informed of its fast deteriorating financial condition on regular basis through its Annual Reports and published Quarterly Results. The Company had specifically disclosed in its Annual Report for the period ending September 2013 about the default made by the Company in meeting its debt obligations to the Banks. The Annual Report was widely circulated to all the Shareholders and was also filed with the appropriate authorities including the Stock Exchanges where the shares of the Company are listed. The independent auditors of the Company had also made a specific reference to such default in their report to the Shareholders under the provisions of CARO 2003.

The FORM B sent along with the Annual Report for the period ending 30th September 2013 to the Stock Exchanges, specifically mentions about the fact of default to the Banks. A Copy of the said Form B is attached herewith as Annexure-1.

We would like to further point out that State Bank of India has sold its entire risk assets relating to MSL to an ARC, demonstrating that they were fully in knowledge of Company's financial condition.

The Company has thus intimated all the relevant information/events to the Stock Exchanges which it ought to have disclosed under Clause 36 of the Listing Agreement and has not withheld any such relevant information. Company therefore believes that it is in full compliance with the requirements of the Clause 36 of the Listing Agreement.

MAWANA SUGARS LIMITED

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Sector-32, Gurgaon-122 001 (India)
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New Delhi-110 125 (India)
T 91-11-25739103 F 91-11-25743659

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Company had specifically notified the Stock Exchanges under Clause 36 about Company's potential sickness and complete erosion of its net worth requiring a mandatory reference to the BIFR under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985.

To directly respond to your queries :

- a) Discussions with reference to the published news items have been taking place with the Banks on an ongoing basis to find solution
- b) As explained, the information has been fully provided to the Shareholders and all interested Stakeholders in the Annual Reports / Quarterly Reports

We trust this clarifies the issues raised in your mail adequately. However, Company shall be happy to provide any further information that may be required by the Exchange in this regard and would request for a personal hearing, if so desired by the Exchange, to explain the position.

Thanking you,

Yours faithfully

For **Mawana Sugars Limited**



(Rajendra Khanna)

Whole Time Director

FORM B

ANNEXURE -1

Format of covering letter of the annual audit report to be filed with the stock exchanges
(Pursuant to Clause 31(a) of Listing Agreement)

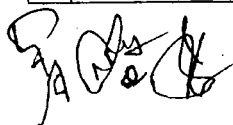
(STANDALONE)

1.	Name of the company	Mawana Sugars Limited								
2.	Annual Financial Statements for the year ended	September 30, 2013								
3.	Type of Audit Qualification	Qualified: Qualification on page no. 23 of enclosed Annual Report Various matters arising out of the reorganization arrangement of DCM Limited will be settled and accounted for as and when the liabilities/benefits are finally determined as stated in note 36 of the financial statements. The effect of these on the accounts has not been determined by the Company. The matter referred to in above was also subject matter of qualification in our audit report on the financial statements for the eighteen months ended September 30, 2012. Emphasis: Emphasis of Matter on page no. 23 of enclosed Annual Report (i) Emphasis of Matter As per Independent Auditors' Report: Attention is invited to note 1(B) of the financial statements regarding the Company being registered with Board for Industrial and Financial Reconstruction in September 2013 consequent to it becoming a "Sick Industrial Company" in terms of the provisions of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions), Act, 1985, as the Company's net worth has been fully eroded and the Company has incurred cash losses during the current year and prior periods and its current liabilities are far in excess of current assets. However, the financial statements have been prepared by the Management of the Company on a going concern basis for the reasons stated in the said note. As per annexure to the Independent Auditors' Report: (x) The accumulated losses of the Company at the end of the financial year i.e. September 30, 2013 are not less than fifty percent of its net worth and the Company has incurred cash losses during the financial year ended September 30, 2013 and the immediately preceding financial period ended September 30, 2012. Also refer to our comments under paragraph 1 of "Emphasis of Matters" section of our report of even date. (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company, during the year, has not defaulted in repayment of dues to financial institutions and has not issued debentures. During the year ended September 30, 2013, the Company has defaulted in repayment of following loans to banks: <table border="1"> <thead> <tr> <th>Lender</th> <th>Amount (Rs. Millions)</th> <th>Period of Delays up to September 30, 2013 (in days)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>			Lender	Amount (Rs. Millions)	Period of Delays up to September 30, 2013 (in days)			
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FORM B**Format of covering letter of the annual audit report to be filed with the stock exchanges**
(Pursuant to Clause 31(a) of Listing Agreement)

(STANDALONE)

			<table border="1"> <tr> <td data-bbox="727 281 1003 326">Banks (including interest)</td> <td data-bbox="1003 281 1177 326">223.71</td> <td data-bbox="1177 281 1352 326">30 - 95 days*</td> </tr> <tr> <td data-bbox="727 326 1003 381"></td> <td data-bbox="1003 326 1177 381">1,225.52</td> <td data-bbox="1177 326 1352 381">Up to 61 days</td> </tr> </table>	Banks (including interest)	223.71	30 - 95 days*		1,225.52	Up to 61 days	
Banks (including interest)	223.71	30 - 95 days*								
	1,225.52	Up to 61 days								
			* not outstanding as at the year end. (xv) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that short term funds of Rs. 4,224.54 million have been used for long term purposes. Refer to our comments under paragraph 1 of "Emphasis of Matters" section of our report of even date. (ii) Emphasis of Matter Attention is invited to note 41(ii) of the financial statements. As stated in the note, remuneration paid to chairman and managing director includes Rs. 6.02 million in excess of the limit specified under Section 198 read with Section 309 and Schedule XIII to the Companies Act, 1956 which is subject to the approval of the Central Government. (iii) Emphasis of Matter Attention is invited to Note 44(b)(i) of the financial statements regarding de-recognition of profit amounting to Rs. 1215.45 million recognized in the previous financial period on the non-monetary transfer of shares held in a wholly owned subsidiary to another wholly owned subsidiary, for the reasons stated in the said Note.							
4.	Frequency of observation		Our opinion is not qualified in respect of these matters. Qualification Appearing since 1990-91, the year in which there was reorganization arrangement of DCM Limited. Emphasis of Matter (i) First matter is appearing since last financial year i.e. 18 months ended September 30, 2012. (ii) Second matter is appearing for the first time. (iii) Third matter was subject matter of qualification in the previous period financial statements. During the year, the Company in order to give effect to the Statutory Auditors' qualification, the profit of Rs. 1215.45 million has been eliminated from the value of the investments held by the Company in SIEL-IED and the corresponding loss of Rs. 1215.45 million has been charged as a prior period adjustment in the Statement of Profit and Loss. Considering the impact of the same in current year financial statements this matter has been given as emphasis of matter paragraph in the report.							
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:		Qualification <u>Note no. 36 on page no. 49 of enclosed Annual Report</u> There are various issues relating to sales tax, income tax etc. arisen / arising out of the reorganisation arrangement of DCM Limited which will be settled and accounted for in terms of the Scheme of Arrangement of DCM Limited and memorandum of understanding between all the companies involved as and when the liabilities/benefits are fully determined.							



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