

STAR CEMENT LIMITED

DIVIDEND POLICY

I. PREAMBLE

The shares of Star Cement Limited ('the Company') are listed on The National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) with effect from 16th June, 2017. Securities and Exchange Board of India (SEBI) vide its Notification No. SEBI/LAD-NRO/GN/2016-17/008 dated July 08, 2016, inserted Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') mandating the formulation of a Dividend Distribution Policy for the top 500 listed entities based on their market capitalisation calculated on March 31 of every financial year.

In compliance with the said Regulation, the Company decided to frame a Dividend Distribution Policy ('Policy').

II. EFFECTIVE DATE

This Policy would be effective and binding on the Company after the Company falls under top 500 listed companies based on market capitalisation calculated on 31st March of every financial year.

III. OBJECTIVE

The objective of the policy is to specify all relevant factors to the extent applicable to the Company that will be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend.

The objective of the policy is to share a portion of the profits, whilst also ensuring that sufficient funds are available for growth and smooth running of the Company. This Policy intends to act as a guiding tool to the Board for taking decision whether to distribute or to retain its profits, in the best interest of the stakeholders as well as the Company.

IV. TYPES OF DIVIDEND AND PROCEDURE FOR APPROVAL

The Companies Act provides for two types of Dividend i.e., Interim dividend and Final Dividend. The Board of Directors shall have the absolute power to declare interim dividend during the financial year which is ratified by the members at the next Annual General Meeting, as and when they consider it fit and also have power to recommend final dividend to the shareholders for their declaration in the Annual General Meeting of the Company.

(a) Final Dividend

The Final dividend is declared once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of Final Dividend to the shareholders in annual general meeting for their approval. The declaration of Final dividend shall be included in the ordinary business items, if recommended, that are required to be transacted at the Annual General Meeting.

Process for approval of Payment of Final Dividend:

Board shall recommend quantum of final dividend payable to shareholders in its meeting in line with this Policy based on the profits arrived at as per the audited financial statements

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Dividend as recommended by the Board shall be approved/declared at the annual general meeting of the Company.

Payment of dividend to the eligible shareholders shall be made within 30 days from the date of declaration or within such time as may be prescribed under applicable law.

(b) Interim dividend

Interim dividend can be declared by the Board of Directors one or more times in a financial year as may be deemed fit by it. The Board of Directors of the Company would declare an interim dividend, as and when considered appropriate, in line with this policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial statements. This may be in order to supplement the annual dividend.

Process for approval of payment of Interim Dividend:

The Board of Directors may declare Interim Dividend at its complete discretion, one or more times in a financial year in line with this Policy based on profits arrived at as per quarterly/half- yearly financial statements or for such period as may be decided.

Payment of dividend to the eligible shareholders shall be made within 30 days from the date of declaration or within such time as may be prescribed under applicable law.

Interim dividend paid during the year shall be confirmed in the annual general meeting, held after the payment of the same.

V. FINANCIAL PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND

The Board shall determine the dividend payout in a particular year after taking into consideration the operating and financial performance of the Company, available cash flow, Capex requirements, working capital position and applicable taxes.

In the event of inadequacy or absence of profits in any year, the Company may declare dividend out of surplus subject to the fulfilment of conditions specified under the Companies Act, 2013 and rules made thereunder, including any amendment/ modifications thereto.

Payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.

Preference Shareholders shall be entitled and paid dividend at the fixed rate as per the terms of issue. In case of the Cumulative Preference Shares, if the Company is not having distributable profits for any certain financial year or the Company is not able to pay the dividend, then this shall be accumulated and be paid later on. Dividend when declared shall be first paid to the preference shareholders of the Company as per the terms and conditions of their issue.

VI. INTERNAL AND EXTERNAL FACTORS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND

The decision regarding dividend pay-out is a crucial one as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained by the Company for its

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business. The Board of Directors will endeavour to take a decision with an objective to enhance shareholders wealth and market value of the shares. However, the decision regarding dividend pay-out is subject to several factors and hence, any optimal policy in this regard may be far from obvious.

The Board shall consider the following factors while deciding the dividend pay-out:

Internal Factors:-

(a) Profits earned during the year

The profits earned during a financial year impacts dividend pay-out decision.

(b) Liquidity requirements of the businesses

Availability of adequate operating cash flow to meet financial obligations and for running day-to-day operations.

(c) Expansion/Modernization of existing businesses

The need for replacement of capital assets, expansion and modernization or augmentation of capital stock, including any major capital expenditure proposals may impact dividend declaration decision.

(d) Acquisitions of new business

Acquisition of new businesses, increasing expenditure on marketing, advertising and brand building in the long-run will also influence the Board's decision of declaration of dividend.

(e) Cost of borrowings

Cost of funds raised/ to be raised from Banks, lending institutions or through issuance of debt securities vis-à-vis ploughing back of profits also needs to be considered while deciding dividend payment.

(f) Obligations towards creditors and other stakeholders

The Company needs to maintain adequate liquidity to be able to fulfil its obligations towards its creditors and other stake holders. Considering the volume of such obligations and time period of repayment, the decision of dividend declaration shall be taken.

(g) Post dividend EPS

Post dividend EPS tends to have substantial impact on market capitalisation and the same also needs to be considered before declaring dividend.

External Factors:-

There are external factors those are determinants for the amount of dividend proposed to be declared. In such conditions, the Board shall exercise its discretion after due consideration of following factors:

(a) Economic conditions

In case of uncertain or recessionary economic and business conditions, whether in the National or International markets, Board will endeavour to retain larger part of profits to have adequate reserves to absorb unforeseen and adverse circumstances.

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(b) Capital Markets

In case markets are favourable, dividend pay-out can be liberal. However, in case of unfavourable market conditions, Board may resort to a conservative dividend pay-out in order to conserve cash outflows.

(c) Taxation and Statutory Restrictions

The Board shall consider the tax regulations together with restrictions imposed by any statute, including the Companies Act, as may be applicable at the time of declaration of dividend. Changes in policies of the Government with respect to dividend may also impact dividend distribution.

VII. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The shareholders of the Company may not expect dividend under the following circumstances:

- (a) Whenever the Company undertakes or proposes to undertake a significant expansion project;
- (b) Higher working capital requirements for any acquisitions of business/brand/company or joint ventures etc.;
- (c) Whenever the Company proposes to utilise surplus cash for buy-back of securities;
- (d) In the event of inadequacy of profits or whenever the Company has incurred losses.

VIII. POLICY ABOUT UTILIZATION OF RETAINED EARNINGS

The Company looks forward to deliver maximum to its shareholders by consistently working towards creating a balance between overall Wealth Maximization and Earnings per share. Thus the retained earnings of Company after declaration of dividend (if any), shall be utilized in the manner as considered appropriate by the Board.

IX. PARAMETERS ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

The company has issued one class of equity shares with equal voting rights, therefore, all the members of the company are entitled to the same dividend per share.

X. REVIEW AND AMENDMENT

This Policy is subject to review by the Board as and when required.

Date: 17.05.2018
Place: Kolkata
SAJJAN BHAJANKA
CHAIRMAN