

Directors' Report

and Management Discussion & Analysis

Dear Shareholders

Your Directors have pleasure in presenting Eighteenth Annual Report of the Company together with the Audited Balance Sheet as at March 31, 2019 and the Statement of Profit & Loss for the year ended on that date.

FINANCIAL PERFORMANCE

The highlights of the financial performance of the Company for the financial year ended March 31, 2019 as compared to the previous financial year are as under:

(₹ in Lacs)

Particulars	Consolidated		Standalone	
	2018-19	2017-18	2018-19	2017-18
Total Income	1,83,651.63	1,63,349.21	1,73,488.92	1,48,759.25
Profit before Interest, Depreciation and Tax	45,463.89	52,573.74	34,773.40	32,872.77
Interest & Finance Charges	1,437.99	5,245.73	2,087.86	4,343.37
Depreciation	10,564.48	12,068.65	4,648.77	5,745.45
Profit/(Loss) before Tax	33,461.42	35,259.36	28,036.77	22,783.95
Provision for taxation:				
- Current Tax	6,825.41	7,326.93	5,187.74	4,877.74
- Deferred Tax	(3,860.98)	(5,685.62)	(2,740.11)	(3,171.44)
Net Profit after Tax	30,496.99	33,618.05	25,589.14	21,077.65
Other comprehensive income for the year, net of tax	14.36	(28.29)	1.93	(13.18)
Total comprehensive income for the year	30,511.35	33,589.76	25,591.07	21,064.47
Net profit attributable to:				
Owners of the Company	29,877.70	33,065.62	-	-
Non-controlling interest	619.29	552.43	-	-
Total	30,496.99	33,618.05	-	-
Other Comprehensive Income attributable to:				
Owners of the Company	14.65	(27.43)	-	-
Non-controlling interest	(0.29)	(0.86)	-	-
Total	14.36	(28.29)	-	-
Total Comprehensive Income attributable to:				
Owners of the Company	29,892.35	33,038.20	-	-
Non-controlling interest	619.00	551.56	-	-
Total	30,511.35	33,589.76	-	-
Proposed Dividend:				
Proposed Dividend @ ₹1/- per share	-	4,192.29	-	4,192.29

OPERATIONAL REVIEW

During the year under review, your Company has manufactured 6,00,025 MT of Cement Clinker as against 5,15,350 MT recorded during the FY2017-18. Company's subsidiary M/s. Star Cement Meghalaya Limited has produced 14,36,600 MT of Clinker as against 15,41,945 MT during the FY2017-18. On consolidated basis total clinker production during the year was at 20,36,625 MT as against 20,57,295 MT during FY2017-18.

During the year under review the Company has received subsidies from the Central Government under Capital Subsidy Scheme and the said amount has been utilized towards prepayment of loan.

In terms of capacity utilization, clinkerization unit of your Company was able to utilize 75.76% of its installed capacity as against 65.07% during the FY2017-18. Similarly, the capacity utilization of

clinkerization unit of its subsidiary M/s. Star Cement Meghalaya Limited was at 82.14% during FY2018-19 as against 88.16% during the FY2017-18. On consolidated basis, the capacity utilization of clinkerization units was at 80.15% during the FY2018-19 as against 80.96% during FY2017-18. Marginal reduction of capacity utilization on consolidated basis was due to reduction of capacity utilization of Star Cement Meghalaya Limited owing to sudden shutdown of gear box.

Your Company has been able to maintain the performance on grinding front too. During the year under review, total cement production on consolidated basis was at 26,98,536 MT (including volume from hired grinding units) as against 24,07,955 MT during the FY2017-18.

Similarly, your Company has been able to achieve sales volume of 27,05,841 MT of Cement as against 24,04,423 MT during the previous

financial year. There has been improvement in performance of your Company during the financial year 2018-19.

DIVIDEND

Your Directors do not recommend any dividend for the Financial Year 2018-19 (Previous year @100%).

INDIAN ECONOMY AND OUTLOOK – AT A GLANCE

The Indian economy is the world's seventh-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). After the 1991 economic liberalisation, India achieved 6-7% an average GDP growth annually. Since 2014 with the exception of 2017, India's economy has been one of the world's fastest growing large economy. Foreign companies are also encouraged to set up facilities in India on account of various government initiatives like 'Make in India' and 'Digital India'. Make in India initiative with an aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. These initiatives was reflected by India's improved ranking on World Bank's 'ease of doing business' report for the second straight year, jumping 23 places to the 77th position on the back of reforms related to insolvency, taxation and other areas.

Digitisation movement increased transparency and ease of doing business. Agriculture, manufacturing and service sectors performance improved. However, during the year the Country faced a growth risk due to fluctuation in rupee and crude prices.

Government's introduction of various policies like National Mineral Policy, National Policy on Software Products, National Electronics Policy, Agriculture Export Policy etc., will help all round development of the Country and boost the economy. Country's GDP is expected to reach US\$ 6 trillion by FY27 and revenue receipts are estimated to touch ₹28-30 trillion (US\$ 385-412 billion) by 2019. Country is also focusing on renewable sources to generate energy and planning to achieve 40 per cent of its energy from non-fossil sources by 2030. It is also expected that the country is likely to be the third largest consumer economy by 2025 due to change in consumer behaviour and expenditure pattern.

CEMENT INDUSTRY OVERVIEW

India is occupying second position amongst the cement producer countries in the world and the industry plays a vital role in the development of the country's economy and provides employment to more than a million people directly and indirectly. Post deregulation, the sector has attracted huge investment from within the country and abroad. Real estate and housing sector in India is the biggest demand driver of cement consumption and it covers

65% of total consumption, infrastructure sector consumes 20% and industrial development consumes 15% of total consumption.

Country's cement production capacity stood at 502 MT p.a. and the country is presently producing 280 MT p.a. and 5 MT for export requirements. Cement production capacity had grown steadily in last 15 years at a CAGR of about 9%. GDP growth of the Country historically has had correlation with cement capacity addition. Industry's capacity utilization also improved by 3% compared to previous year. In the F.Y 2019-21, capacity addition of 20 MTPA is expected.

Government's initiatives for development of 'Smart cities', 'Housing for all' and infrastructural projects like development and construction of road, rail, bridges etc., will boost the grow of the cement sector. The Government has also launched various missions like the Pradhan Mantri Awas Yojana, Atal Mission for Rejuvenation and Urban Transformation and Swachh Bharat Mission in order to ensure advanced living habitation for the poor. In view of increasing domestic demand in certain specified sector like housing, industrial construction and commercial construction the capacity of the cement industry of the country is expected to reach 550-600 MTPA by 2025.

The aforesaid factors contributed the cement sector to grow at approx. 9% during the year. Implementation of the Real Estate (Regulation and Development) Act, 2016 (RERA) made the sector transparent.

NORTHEAST SCENARIO – GATEWAY OF OPPORTUNITIES

The North Eastern Region of the Country comprising of eight states are very rich in natural resources. Post-independence era and after partition, the region became land locked and lost its easy access to ports and other parts of the country. As a result, it witnessed lack of development in comparison with other states of the country. The Government of India has taken several measures to accelerate growth of the North East Region (NER). In the past few years due to continued support of the State and Central Government, the North East Region has seen continued improvement in consumer spending on Housing.

The Government's development initiatives in the Northeastern states got a major budgetary push as the Government proposed to increase in the interim budget 2019-20, allocation to the region by 21 per cent to ₹58,166 crore in comparison to the previous year allocation. The said allocation will have direct and significant benefits of infrastructure development. Several Central Government projects have restarted and some of them have been completed during 2018-19.

During the year Arunachal Pradesh has come on the air map of country and Meghalaya, Tripura and Mizoram have come on India's rail map for the first time. This will have a positive impact on the all round development of the North Eastern Region.

It is also proposed to introduce container cargo movement to the northeast by improving the navigation capacity of the Brahmaputra River. Long stucked projects like the Bogibeel rail-cum-road bridge in Assam and Arunachal Pradesh have been completed and opened to the public on 25th December, 2018. It is the longest rail-cum-road bridge in India and second longest in Asia measuring 4.94 kms. With the commissioning of the Pakyong airport in Sikkim, the number of operational airports in the country has crossed 100. Ro-Ro service between Neamati-Kamalbari in Assam became operational w.e.f. 11th October, 2018 and projects of construction of bridges across Diband and Lohit river systems including approach road between Chowkham-Diagaru and Bomjur-Meka in the State of Arunachal Pradesh inaugurated and opened to the public.

Inclusion of several northeastern cities such as Guwahati (Assam), Imphal (Manipur), Agartala (Tripura), Kohima (Nagaland), Aizwal (Mizoram), Pasighat and Itanagar (AP) in the 'SMART CITY' project offers huge scope of infrastructure development. Central Government has approved funds of about ₹15,000 crore to boost this development.

The budget allocation for some of the schemes being implemented in the northeastern region of the country.

Proposal of Government of Assam for establishment of an Industrial Corridor in the North Eastern Region from Dawki, Shillong via Guwahati to Nagaon and from Golaghat via Dimapur and Imphal to Moreh once materialized will help to further develop in the Region. The Ministry of Finance has requested Asian Development Bank for undertaking feasibility study. Total 10 projects under North East Special Infrastructure Development Scheme (NESIDS) have been sanctioned with projects cost of ₹473.11 crores.

The aforesaid developments and initiatives specially in infrastructure fonts present a promising future for cement industry in the North East Region. Over the past 7-8 years, NER cement demand has risen at 1.3-1.5 times and it seems likely to continue in future.

NEW PROJECT AT SILIGURI

In order to meet increase demand of cement and to expand business operation in Eastern India, the Company is establishing a new Grinding Unit with 2 million tonne capacity per annum at Siliguri, West Bengal. Construction works of the project is in full swing. Upon operational, the said project will help the Company to strengthen its market share in Eastern markets. The project is likely to be functional by Q4, 2019.

Market Development

As a strategy, the North East Market continued to be the focus market for your company. Cement demand was good throughout the year. Demand increased by 12% in NER against an all India average of 9%. The Company recorded growth of about 17% YOY in NER and overall by 12.5%.

During the year under review your company was able to sell 20,44,484 MT of cement in NER market as against 17,51,508 MT during the FY2017-18. During the year under review, around 12.5% of the total Cement demand in NER was catered to by the industry through imports from other regions including Bangladesh and Bhutan.

Clinker demand was good in Eastern Nepal and Bhutan. Your company grabbed this opportunity and has achieved export of 91,142 MT Cement Clinker during the entire year under review as against 1,38,508 MT recorded in previous year.

As a market leader in NER your company has further consolidated dealers and sub dealer's network. The Company has introduced a mobile application for dealers for payments, orders booking, printouts of invoices and ledgers. This initiative is helping dealers in timely submission of GST returns.

During the year under review your Company has undertaken various marketing initiatives in order to make the brand "**Star Cement**" more visible and attain top of mind recall. A unique Brand Campaign named "Bhaag North East Bhaag" was launched in North East. This was North East's first International Half Marathon & people in thousands from all walks of life participated in the event with the Honourable Chief Minister of Assam Mr. Sarbananda Sonowal and Bollywood Star Bipasha Basu flagging off the event on 1st April 2018 at Guwahati. The brand also tied up with Ms Hima Das, the first Indian athlete to win Gold at an International event. The tie up resulted in a TVC being made with Ms Hima Das where she factually claimed that her own house was being made with Star Cement which created a huge buzz around the brand "Star Cement" in market places. Other initiatives included retail & mass branding initiatives in the form of retail boards, cuboids, hoarding at shop, TV, Radio, Print & OOH ads. To make the brand more visible in remote areas, a block level branding campaign was undertaken through wall wraps, rural vans & rural theatres alongwith high impact Building Branding in select locations.

PRODUCTION AND COST DEVELOPMENTS

Fly Ash

Use of Fly ash in Cement Manufacturing has multiple benefits. Besides the environmental benefits, major cost benefits and capacity enhancement is possible through better use of fly ash. Your Company used fly ash and produced 21,46,900 MT of Portland Pozzolana Cement (PPC) (including from hired grinding units) on consolidated basis out of total production of 26,98,537 MT of cement during FY2018-19. Your Company ensured utilization of fly ash generated by power plant of its subsidiary M/s. Meghalaya Power Limited and such close access to fly ash provides competitive edge to your Company in term of cost. In addition, your Company has also made arrangements with major power plants like NTPC, Tata Power, DVC, WBPDC and few others to ensure its long-term requirement of fly ash.

Power cost

During the year under review too, your Company continued to source its power requirement for its Lumshnong unit from its subsidiary

M/s. Meghalaya Power Limited under long term arrangement for supply of quality power at competitive rates and thus, has been able to reduce dependency on grid power. To optimize the power cost and to reduce dependency on State supplied grid power, your Company has been able to source its power requirement of its Grinding Unit at Guwahati and integrated cement plant at Lumshnong from Indian Energy Exchange (IEX), in addition to sourcing of power from State Grid. The blend of sourcing has not only reduced power cost for your Company but also its quality and dependability.

Logistics & Freight

Your Company achieved better service levels on order execution, through process optimization. While new warehouses were opened at strategic locations for better service levels, right sizing of warehouse network was done to keep the cost under control.

Private Railway Siding at Guwahati Factory was commissioned during the year. This Railway siding besides giving major cost benefits, will provide better efficiency in handling Railway Traffic.

Inland Waterway's transportation, which is a considered to be the most economical and environment friendly mode of transportation, was used by the Company for number of pilot movement for Cement and Fly Ash. Barges loaded with Fly Ash were transported from NTPC – Kahalgaon in Bihar to Guwahati, in close co-ordination with Inland Waterways Authority of India.

Freight cost came under pressure due to increase in Diesel prices. MORTH increased the safe axle load capacity of goods vehicles by 25% resulting in freight reduction. Wtd. Avg. Freight increased by 3% to ₹1168 against ₹1133 during previous year. Wtd. Avg. Lead reduced to 275 KM as against 283 KM during previous year.

KEY PERFORMANCE HIGHLIGHTS

- Consolidated cement production (including purchase from hired grinding units) was at 26.98 Lac MT during the year as against 24.07 Lac MT during the previous financial year.
- Consolidated net sales at ₹1,836.52 Crores during the year under review as compared to ₹1,633.49 Crores during the financial year 2017-18.
- Consolidated EBIDTA was at ₹454.63 Crores during the year under review as compared to ₹525.73 Crores during the immediate previous financial year.
- Consolidated profit before tax during the year 2018-19 was at ₹334.61 Crores as against a profit of ₹352.59 Crores in the year 2017-18.

OPPORTUNITIES & THREATS, RISKS AND CONCERNS

Your Company has been maintaining a very strong dealer network, which has helped the Company withstand intense market competition. Company's strong presence in North Eastern Region supported market position. Locational advantages helped to procure raw materials at affordable prices. Company's aggressive

marketing strategies and strong branding network also contributed to establish its position as the market leader in the region.

However, dependent on domestic market and concentration on regional market for a longer period of time may adversely affect the long time productivity of the Company.

India is the second leading cement producer in the world. The country's cement production is expected to grow at a high speed. Which creates opportunities for the Company to tap the demand so created. Cement Industry of the country is going to be benefited with GST, logistics cost is also to be decreased by GST.

Government's various initiatives like Make in India, Housing for all, development of Ports, Roads and Highways, dedicated Freight Corridors, Gauge conversion Projects undertaken by Railways, development in the area of alternative source of energy viz. Hydro and Solar Power and other infrastructure projects is expected to boost Cement and Power Demand of the country. Various positive moves on the policy front, in areas related to ease of doing business, promoting start-ups, rationalising the tax structure, administration, and opening up more areas for foreign investment through the automatic route will also increase the demand of cement and power.

Competition in the cement industry is very high apart from the large players there are also small players in the market. Competition from the foreign players may lead to tougher competition to the domestic players. This allows limited market share in the industry. Cement and power industry being majorly dependent upon availability of raw materials at affordable cost. Policies of the Government as well as Central and State Laws may adversely affect the availability of lime stone, coal etc. Any major changes in Government's Environmental and Forest regulations may affect limestone and coal availability to cement plants. However, your Company is sourcing raw materials from alternate sources so that raw materials availability risks is mitigated. Company's vast dealer's network across the States also help to mitigate the risk.

Your Company has evolved a risk management framework to identify, assess and mitigate the key risk factors of the business. The Board of Directors of the Company is kept informed about the risk management of the Company. The Board of Directors have formed a Risk Management Committee inter alia, to oversee the risk assessing and mitigation process of the Company and advice the management in this regard.

SHARE CAPITAL

The paid up Equity Share Capital of the Company as on March 31, 2019 was ₹41,92,28,997/- divided into 41,92,28,997 equity shares of ₹1/- each. During the year under review, the Company has neither issued any shares with differential voting rights nor granted stock options or sweat equity shares.

SHARES IN SUSPENSE ACCOUNT

Disclosures of the shares lying in Company's Unclaimed Shares Suspense Account are given in the Report of Corporate Governance.

TRANSFER OF UNCLAIMED DIVIDEND

The details relating to Unclaimed Dividend are given in the report of Corporate Governance.

EXTRACT OF ANNUAL RETURN

In terms of requirement of section 134 (3) (a) of the Companies Act, 2013, the extract of the Annual return in form MGT-9 is annexed herewith and marked Annexure-1.

Further, in terms of Section 134(3)(a) of the Companies Act, 2013 the Annual Return of the Company has been placed on the Company's website and can be accessed at the web link: <http://starcement.co.in/wp-content/uploads/Annual-Return-2017-18.pdf>

MEETINGS OF THE BOARD

During the year Five (5) Board Meetings and five (5) Audit Committee Meetings were convened and held. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013. The details of the Board meeting and the Committee meeting are provided in the Corporate Governance Report.

MEETINGS OF INDEPENDENT DIRECTORS

During the year under review, a meeting of Independent Directors was held on 15th March, 2019 wherein the performance of the Non-Independent Directors and the Board as a whole was reviewed. The Independent Directors at their meeting also inter alia assessed the quality, quantity and timeliness of flow of information between the Company management and the Board of Directors of the Company.

COMMITTEES OF THE BOARD

The composition and terms of reference of the Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee, Risk Management Committee and Finance Committee have been furnished in the Corporate Governance Report forming part of this Annual Report. There has been no instance where the Board has not accepted the recommendations of the Audit Committee and Nomination and Remuneration Committee.

WHISTLE BLOWER POLICY/ VIGIL MECHANISM

The Company has a Whistle Blower Policy/ Vigil Mechanism as required under Section 177 of the Companies Act, 2013 and as per Listing Obligations and Disclosures Requirements Regulations, 2015 formulated by Securities and Exchange Board of India (SEBI). The Vigil (Whistle Blower) mechanism provides a channel to the employees and Directors to report to the management, concerns about unethical behavior, actual or suspected fraud or violation of the Code of Conduct or policy. The mechanism provides for adequate safeguards against victimization of employees and Directors to avail the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. The said policy may be referred to at the Company's website at the web link: <http://starcement.co.in/wp-content/uploads/Whistle-Blower-Policy.pdf>

POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT EMPLOYEES

The Board has framed a Remuneration Policy for selection,

appointment and remuneration of Directors, Key Managerial Personnel and Senior Management Employees. The remuneration policy aims to enable the Company to attract, retain and motivate highly qualified members for the Board and at other executive levels. The remuneration policy seeks to enable the Company to provide a well-balanced and performance-related compensation package, taking into account shareholder interests, industry standards and relevant Indian corporate regulations. The details on the same are given in the Corporate Governance Report. The said policy may be referred to at the Company's website at the web link: <http://starcement.co.in/wp-content/uploads/Remuneration-policy.pdf>

DIVIDEND DISTRIBUTION POLICY

In terms of Regulation 43A of the Listing Regulations, your Board has framed and adopted a Dividend Distribution Policy. The object of the policy is to sharing profit of the Company with the shareholders appropriately and also to ensure funds are available for the growth of the Company. The policy inter alia describes the circumstances under which the shareholders may or may not expect dividend, the financial parameters that shall be considered while declaring dividend, internal and external factors that shall be considered for declaration of dividend, policy for utilization of retained earnings and the parameters with respect to different classes of shares for the purpose of declaration of dividend. The said policy may be referred to at the Company's website at the web link: <http://starcement.co.in/wp-content/uploads/Dividend-policy.pdf>

CODE OF CONDUCT

With intent to enhance integrity, ethics & transparency in governance of the Company your Company had adopted a Code of Conduct for Directors and Senior Management Personnel. The Code has been displayed on the Company's website www.starcement.co.in

COMPLIANCE WITH THE SECRETARIAL STANDARDS AND INDIAN ACCOUNTING STANDARDS

The Company has complied with the applicable Secretarial Standards as recommended by the Institute of Company Secretaries of India. The Company has also complied with all relevant Indian Accounting Standards referred to in Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standard) Rules, 2015 while preparing the financial statements.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirement of Section 134 (3) (c) read with Section 134 (5) of the Companies Act, 2013, the Directors hereby confirm and state that:

- In the preparation of Annual Accounts, the applicable Accounting Standards have been followed along with the proper explanation relating to material departures, if any;
- The Directors have selected such accounting policies and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2019 and of the profit of the Company for the year under review;

- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts on going concern basis;
- The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively;
- The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

AUDITORS & AUDITORS' REPORT

M/s. D. K. Chhajjer & Co., Chartered Accountants (Firm Registration no. 304138E) Statutory Auditors of the Company, have been appointed by the members at the Sixteenth Annual General Meeting and shall hold office for a period of 5 years from the date of such meeting held on 11th September, 2017.

The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore, do not call for any further comments.

COST AUDITORS

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of its manufacturing activity is required to be audited. The Board of Directors re-appointed M/s. B. G. Chowdhury & Co., Cost Accountants, (Firm Registration number 000064) as Cost Auditors of the Company for conducting the audit of cost records of the Company for the Financial Year 2018-19.

The Board of Directors of the Company on the recommendation of the Audit Committee, appointed Messrs Sanjib Das & Associates, Cost Accountants (Firm Registration Number 100751), as the Cost Auditors of the Company for the Financial Year 2019-20 under section 148 of the Companies Act, 2013. Messrs Sanjib Das & Associates have confirmed that their appointment is within the limits of section 141(3)(g) of the Companies Act, 2013 and have also certified that they are free from any disqualifications specified under section 141(3). The Audit Committee has also received a Certificate from the Cost Auditors certifying their independence and arm's length relationship with the Company.

As per the provisions of the Companies Act, 2013, the remuneration payable to the Cost Auditors is required to be placed before the Members in a General Meeting for their ratification. Accordingly, a Resolution seeking Members' ratification for the remuneration payable to Messrs Sanjib Das & Associates, Cost Auditors for the Financial year 2019-20 is included in the Notice convening the ensuing Annual General Meeting.

The cost audit report for the Financial Year 2017-18 was filed with the Ministry of Corporate Affairs on 26th September, 2018.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of

Managerial Personnel) Rules, 2014, the Company has appointed M/s. MKB & Associates, a firm of Company Secretaries in Practice, to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed herewith and marked Annexure-2. The report is self-explanatory and do not call for any further comments.

In terms of Regulation 24A of LODR, Star Cement Meghalaya Limited, a material subsidiary is under secretarial audit and report submitted by the secretarial auditors is annexed herewith and marked Annexure – 2A.

BUSINESS RESPONSIBILITY REPORT

As required under Regulation 34 of SEBI Listing Regulations 2015, the Business Responsibility Report of the Company for the financial year ended March 31, 2019 is attached as part of the Annual Report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, your Company has not made any investment or provided guarantee or security in connection with a loan to any person exceeding the limit specified in Section 186 of the Companies Act, 2013.

Details of Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in notes to the financial statements and the loans received from the Directors of the Company are fully repaid during the Financial Year 2018-19.

RELATED PARTY TRANSACTIONS

All related party transactions are entered on arm's length basis, in the ordinary course of business and are in compliance with the applicable provisions of the Companies Act, 2013. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. In terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014, the particulars of the material contract or arrangement entered into by the Company with related parties as referred to in Section 188 in form AOC-2 is attached as Annexure – 3 of this report. However, the details of the transactions with the Related Party are provided in the Company's financial statements in accordance with the Accounting Standards.

All Related Party Transactions are presented to the Audit Committee and the Board. Omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. A statement of all related party transactions is presented before the Audit Committee on a quarterly basis, specifying the nature, value and terms and conditions of the transactions.

A policy on 'Related Party Transactions' has been devised by the Company which may be referred to at the Company's website at the web link <http://starcement.co.in/wp-content/uploads/Related-Party-policy.pdf>.

RESERVES

During the year under review no amount was transferred to reserves.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated in section 134 (3) (m) of the Act and rules framed there under is mentioned below:

(A) Steps taken toward Conservation of energy:

- Pre-heater down Comer Duct expansion joint replaced to reduce false air and Power/heat consumption.
- Preheater 5th Cyclone Dip Tube replaced to improve the cyclone efficiency.
- Continuous monitoring of false air to reduce specific power and specific fuel consumption.
- Total 506 Nos. of street lights including flood lights replaced with LED light fittings resultant saving of 2.79 lacs Kwh Per year.

(B) Steps taken toward Technical Absorption:

- National Counsel for cement and building material conducted diagnostic study for SOX-NOX. Their advice for controlling emission level is under implementation.
- Holtec conducted the feasible study for Waste heat Recovery Project.
- Anti-Coating Brick CR-60 used from 25 to 38 meters to reduce Coating formation in Burning and calcination Zone.
- The Company has developed a Research & Development cell for carrying out R&D Projects in the plant with specific objective of development of advanced systems for quality improvement. During the year under review, your Company incurred Capital expenditure of ₹12.49 Lacs (PY 6.38 Lacs) and Revenue Expenditure of ₹26.54 Lacs (PY 34.43 Lacs) in Research & Development.

(C) Foreign Exchange Earnings And Outgo

During the period under review, Foreign Exchange Earning was NIL (Previous Year – NIL) and the Foreign Exchange Outgo was ₹476.85 Lacs (Previous Year ₹914.60 Lacs).

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES (CSR)

As a responsible corporate citizen, Company's CSR initiatives have been playing a significant role in bringing steady transformation of the society with special focus on marginalized and underprivileged section. Business decisions of the Company have always linked to the ethical values of "do good for the community" and respect for people, communities and environment around the operational area and in nearby localities.

During the year under review your Company's generous contributions for the advancement of the rural society have brought about considerable positive changes in both its social and economic aspects. With focus on creating thriving conditions for the marginalised and underprivileged sections, the Company's CSR

activities have transformed the standard of living, quality of life as well as the environment of the communities residing in the plant's functional and nearby areas. These goals have become achievable under the aegis of your Company and its affiliates. Under the CSR purview, your Company along with its subsidiaries had prioritized need of the community under the following verticals:

SUSTAINABLE LIVELIHOOD

Your company has taken up sustainable livelihood programs in village areas where employment opportunities barely exist. These programmes were initiated to enhance the source of secondary income of individual households in Meghalaya and Assam. The component broadly includes the following interventions for ensuring sustainable livelihood for farm families.

- Pig rearing project was initiated in Guwahati and Sonapur area. Beneficiary households were supported with free shifting of piglets and veterinary support to enable the farmers for earning substantial income.
- Support to Eri Silk farmers in Assam with supply of Motorised cum Pedal operated Eri Spinning machines.
- Support to Bee farmers by way of conducting workshops and construction of cemented stands.
- Star Usha Tailoring Schools, offering training on tailoring and embroidery to enhance skill of the rural unemployed youths, especially women to help them improve their household income. Sewing machines, Stitch Magic with Motor alongwith tailoring items were provided at the training centre. Honorarium paid to the Tailoring Instructors.
- Goat rearing project was initiated in Lumshong village and constructed shed for goat rearing.
- Fish Feed distribution and training programme organized in Sonapur, Assam to enable farmers for earning substantial income.

HEALTH & SANITATION

Your Company as a good corporate citizen provided basic health care services in and around plant location.

- The Company had also extended financial support for development of Paediatric Intensive Care Unit in Guwahati.
- Periodic Health camps were organised to diagnose health problems and patients were supported basic drugs for minor ailments needed for taking care of essential health needs of men, women and children. Company had taken up necessary measures to render eye care services in Assam and Meghalaya where free medicines, spectacles were distributed to the needy patients.
- The Company had donated Ambulance for benefit of the people located in Lumshong
- The Company had distributed free napkins in the Lumshong village and made them aware about the menstrual hygiene.

EDUCATION

Your Company had made necessary contribution in the area of education by extending the necessary support to the educational institutes in nearby plant areas of Assam and Meghalaya:

- Company had rendered necessary financial support for hiring teachers.
- Company had extended financial supports for expansion of the Assam Kaziranga University.
- Company has initiated for developing computer fitted bus for ensuring computer literacy among students and youths during journey.
- Company had taken up students support programme targeting to encourage students to attain their classes on regular basis. Under this programmes students were supported with distribution of exercise books etc.
- Company has responded to the request of school management committee and constructed additional class rooms and toilets in the schools of Sonapur areas of Assam.

RURAL DEVELOPMENT

In the year 2018-19, your company has contributed immensely in developing the rural infrastructure and enhancing the quality of life of people in the remote areas. Through various schemes like construction of internal roads, concrete road, footpaths, earth leveling, etc. the prime objectives of providing smooth mobility and access to livelihood opportunities to the villagers have been steadily achieved.

EMERGENCY RELIEF

Your Company has supported the flood affected people by providing foods, drinking water, medicines etc., in Assam, as a part of flood relief programme.

Annual Report on CSR as required to be annexed in terms of requirement of Section 135 of Companies Act, 2013 and rules framed thereunder is annexed herewith and marked Annexure- 4.

EVALUATION OF THE BOARD'S PERFORMANCE

In accordance with the requirements of the Companies Act 2013, the performance evaluation of the Board was carried out during the year under review. The Board follows a formal mechanism for the evaluation of the performance of the Board as well as Committee. The evaluation reflected the overall engagement of the Board and the Committee.

A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

The Nomination and Remuneration Committee at its meeting established the criteria based on which the Board evaluate the performance of the Directors.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company and its minority shareholders, etc. The performance evaluation of the Non-Independent Directors and Board as a whole was also carried out by the Independent Directors.

The Directors expressed their satisfaction over the evaluation process and results thereof.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The tenure of appointment of Mr. Mangilal Jain as Independent Director expired on 31st March, 2019 and pursuant to Regulation 17(1A) of SEBI Listing Regulations, 2018 as amended, no listed entity shall appoint a person or continue the directorship of any person as a non-executive Director who has attained the age of 75 years unless a special resolution is passed in this regard. Accordingly, the shareholders of the Company approved the re-appointment of Mr. Mangilal Jain as an Independent Director for a second term of 1 (one) consecutive year from 1st April, 2019 upto 31st March, 2020 by way of special resolution passed through postal ballot including e-voting concluded on 27th March, 2019.

Mr. Pramod Kumar Shah was appointed as an Independent Director of the Company by the shareholders of the Company upto 31st March, 2020. On the recommendation of the Nomination & Remuneration Committee and based on the performance evaluation, the Board of Directors re-appointed Mr. Pramod Kumar Shah as an Independent Director for a further period of 3 (three) consecutive years effective from 1st April, 2020 upto 31st March, 2023 subject to approval of the shareholders of the Company by way of Special Resolution at the ensuing Annual General Meeting. Requisite Notice under Section 160 of the Companies Act 2013 has been received from a member in respect of his re-appointment.

Mr. Pramod Kumar Shah has given his consent for re-appointment and has confirmed that he still retain his status as Independent Director and does not suffer from any disqualifications for re-appointment.

In accordance with the provisions of Companies Act, 2013 and in terms of the Memorandum and Articles of Association of the Company, Mr. Pankaj Kejriwal will retire by rotation and being eligible, offer himself for re-appointment. In view of his considerable experience, your Directors recommend his re-appointment as Director of the Company.

DECLARATION BY INDEPENDENT DIRECTORS

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and the Listing Regulations. Mr. Mangilal Jain, Mr. Pramod Kumar Shah, Mr. Santanu Ray, Mrs. Ibaridor Katherine War and Mrs. Plistina Dkhar are Independent Directors on the Board of your Company. In the opinion of the Board and as confirmed by these Directors, they fulfill the conditions specified in section 149 of the Act and the Rules made thereunder and the Listing Regulations about their status as Independent Director of the Company.

FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

In order to enable the Independent Directors to perform their duties optimally, the Board has devised a familiarization programme for the Independent Directors to familiarize them with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. They are periodically updated about the development which takes place in the Company. At the time of appointment of an

Independent Director, the Company issues a formal letter of appointment setting out in detail, the terms of appointment, duties, responsibilities and commitments etc. The familiarization program is available on the Company's website under the web link: <http://starcement.co.in/wp-content/uploads/Familiarization-Programme.pdf>

SUBSIDIARIES AND ASSOCIATE COMPANY

M/s. Star Cement Meghalaya Limited, M/s. Megha Technical & Engineers Private Limited, M/s. Meghalaya Power Limited, M/s. NE Hills Hydro Limited and M/s. Star Century Global Cement Private Limited continue to remain subsidiaries of the Company.

Star Cement Meghalaya Limited is engaged in manufacturing of Cement Clinker and has a Clinkerization plant with an installed capacity of 1.75 MTPA. During the year under review, the Company manufactured 14,36,600 MT of clinker as against 15,41,945 MT in FY2017-18.

Megha Technical & Engineers Private Limited is engaged in the manufacture of cement. During the year under review, the Company produced 3,450 MT of Cement.

Meghalaya Power Limited is engaged in generation of Power. During the year under review the Company generated 1,701 Lac Kwh units of power.

NE Hills Hydro Ltd., wholly owned subsidiary of your Company is currently not operational.

Star Century Global Cement Private Limited a wholly-owned subsidiary in Myanmar is yet to commence its operations.

CHANGES IN NATURE OF BUSINESS, IF ANY

There has not been any change in the nature of business.

AUDITED FINANCIAL STATEMENTS OF THE COMPANY'S SUBSIDIARIES

Pursuant to sub-section (3) of section 129 of the Act, the statement containing the salient features of the financial statement for the year ended March 31, 2019 for each of the Company's subsidiaries viz. Star Cement Meghalaya Limited (SCML), Megha Technical & Engineers Private Limited (MTEPL), Meghalaya Power Limited (MPL), NE Hills Hydro Limited (NHHL) and Star Century Global Cement Private Limited (SCGCPL) are annexed in the Form AOC – 1 and marked as Annexure-5.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company have been prepared in accordance to requirements of Indian Accounting Standards, as prescribed by the Institute of Chartered Accountants of India and has been included as a part of this Annual Report.

The detailed financial statements and audit reports of each of the subsidiaries of the Company are available for inspection at the Registered Office of the Company during office hours between

11 A.M. and 1 P.M. The Company will arrange to send the financial statements of the subsidiaries upon written request from a shareholder to the registered address of the said shareholder.

DEPOSITS

During the year under report, the Company has not accepted any deposits from public or from any of the Directors of the Company or their relatives falling under ambit of Section 73 of the Companies Act, 2013.

CHANGES IMPACTING GOING CONCERN STATUS AND COMPANY'S OPERATIONS

During the year under review, there have been no material orders passed by the Regulators/Courts impacting materially the going concern status or future operations of the Company.

There were no material changes and commitments affecting the financial position of the Company during the period under review.

CREDIT RATINGS

Your Company enjoys a sound reputation for its prudent financial management and its ability to meet financial obligations. ICRA Limited, has reaffirmed the Company's short term rating to [ICRA] A1+ (pronounced ICRA A one plus) and upgraded the long term rating at [ICRA]AA- (pronounced as ICRA double A minus) from [ICRA]A+ (pronounced ICRA A plus).

ADEQUACY OF INTERNAL FINANCIAL CONTROL

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations, if any, along with corrective actions thereon are presented to the Audit Committee of the Board.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company has in place adequate internal financial controls commensurate with the size, scale and complexity of its operations. During the year, such controls were tested and no reportable material weakness in the design or operations were observed. The Company has policies and procedures in place for ensuring proper and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

DETAILS OF SIGNIFICANT CHANGES (I.E., CHANGES OF 25% OR MORE) IN KEY FINANCIAL RATIO AND CHANGE IN RETURN ON NETWORTH ALONGWITH DETAILED EXPLANATIONS

Key Financial ratios	F. Y. 2018-19	F.Y. 2017-18	% change	Explanation for Significant Changes
Debtors Turnover ratio	13.29	11.85	12.17	NA
Inventory Turnover ratio	10.69	10.53	1.56	NA
Interest Coverage ratio	14.43	6.25	131.03	All the loans have been repaid by the Company, therefore interest cost has been reduced drastically.
Current ratio	3.16	2.06	53.40	Company has received outstanding subsidies from the Government. Thus, the Current Assets has increased due to the parking of idle funds after payment of most of its Current Liabilities.
Debt Equity ratio	0.14	0.34	(57.09)	All the loans have been repaid by the Company during the year and therefore ratios has been decreased.
Operating Profit Margin (%)	15.44	18.02	(14.34)	NA
Net Profit Margin (%)	15.09	14.21	6.26	NA
Return on Net Worth	0.24	0.25	(3.17)	During the year the Company has no freight subsidy receivable from the Govt. as compared to the last year.

MANAGERIAL REMUNERATION AND PARTICULARS OF EMPLOYEES

The disclosures with respect to the remuneration of Directors and employees as required under Section 197 of Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 along with a statement containing particulars of employees as required under Section 197 of Companies Act, 2013 read with Rule 5 (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith and marked Annexure- 6 and forms part of this report.

POLICY ON PREVENTION OF SEXUAL HARASSMENT

The Company values the integrity and dignity of its employees. The Company has put in place a 'Policy on Prevention of Sexual Harassment' as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("Sexual Harassment Act") and has constituted the Committee with internal and external members. We affirm that adequate access has been provided to any complainants who wish to register a complaint under the policy. No complaint was received during the year.

CORPORATE GOVERNANCE

The Company has complied with the corporate governance requirements as stipulated under the Listing Obligations and Disclosures Requirements Regulations, 2015 formulated by Securities and Exchange Board of India (SEBI). A separate section on corporate governance, along with a certificate from the auditors confirming the compliance, is annexed and forms part of the Annual Report. This certificate will be forwarded to the Stock Exchanges along with the Annual Report of the Company.

CHIEF EXECUTIVE OFFICER (CEO) /CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

As required under Regulation 17(8) of the Listing Obligations and Disclosures Requirements Regulations, 2015 formulated by Securities and Exchange Board of India (SEBI), the CEO/CFO certification has been submitted to the Board and a copy thereof is contained in this Annual Report.

RISK MANAGEMENT

Risk management refers to the practice of identifying potential risks in advance, analyzing them and taking precautionary steps to reduce the risk. The Company has evolved a risk management framework to identify, assess and mitigate the key risk factors of the business. The Board of the Company is kept informed about the risk management of the Company.

HUMAN RESOURCE DEVELOPMENT & INDUSTRIAL RELATIONS

Human Resource (HR) supports and upholds Star Cement's overall goals/vision & mission by fostering a positive and engaging work environment. HR ensures that employees are engaged and motivated to help the Company succeed.

Alongwith the changing needs of our diverse community Our dedicated Human Capital, have transformed its practices from transactional to strategic from administration to business partnering, From Hiring to Developing & Retaining thus contributed in the making of Star Cement as one of the most sought after places to work in the cement sector in Eastern India.

Campus recruitment from some of the Best B Schools of Eastern India including IIM Shillong, IIM Ranchi and IIM Bodh Gaya also plays an integral role to help in differentiating the employer brand.

Human Resources streamlined processes and encouraged the use of technology by eliminating forms, automating manual processes, implementing online training and reducing Turnaround times. We at STAR, have always embraced the cultures in which we operate and considered diversity & inclusion as the most predominant agenda to be driven at workplace.

We have a strong belief that health and wellness of our employees contribute to the success of the organization and nation at large. There have been multifarious activities in regions and corporate offices to ensure they remain physically fit and emotionally agile.

It has been a constant endeavor of Human Resource Department of Star Cement to create a high performing organization. A structured and robust Performance Management System has helped in aligning the workforce, building competencies, improving employee performance and development, and driving better business results. It has also created a work environment that empowers employees to work to the best of their abilities. Over the years, people have grown and evolved with the organization and has been bestowed with the best of rewards, accolades, compensation and benefits, both fixed and variable.

Another area is the blue collared workforce management, especially the Local employees in our Plants, has witnessed transformational changes in their existing People Practices and gives a whole new dimension to employee life cycle management. Several interventions in the areas of Performance tracking & enhancement, Training, Performance Coaching for local employees and dedicated Counseling have led to a dynamic change in the culture of the organization and mindset of local employees, resulting in a marked improvement in the productivity and overall engagement levels.

During the year under review, there has not been any material changes in human resources and industrial relations.

AWARDS AND ACCOLADES

During the year under review your Company has won the 'CSR Leadership Award' in Manufacturing category organised by World CSR Congress and ET NOW for its exemplary contribution to the neighboring community of cement plant operational area through implementation of various CSR projects in the domain of health & sanitation, education, livelihood, rural development, environment and bio-diversity verticals. Your Company also received a 'Certificate of Appreciation' from the Office of the Deputy Commissioner, Kamrup, Assam for making adequate arrangement for serving food and water to the devotees during the Ambubachi Mahotsav, 2018".

GREEN INITIATIVES IN CORPORATE GOVERNANCE

Ministry of Corporate Affairs has permitted Companies to send copies of Annual report, Notices, etc., electronically to the email IDs of shareholders. Your Company has arranged to send the soft copies of these documents to the registered email IDs of the shareholders, wherever applicable. In case, any shareholder would like to receive physical copies of these documents, the same shall be forwarded upon receipt of written request in this respect.

CAUTIONARY STATEMENT

Statements in this report describing the Company's objectives, expectations or predictions, may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include: global and domestic demand and supply conditions affecting selling prices, new capacity additions, availability of critical materials and their cost, changes in Government policies and tax laws, economic development of the country and other factors which are material to the business operations of the Company.

ACKNOWLEDGEMENT

Your Directors take this opportunity to express their deep sense of gratitude to Banks, Central and State Governments and their departments and the local authorities, customers, vendors, business partners/associates for their continued guidance and support.

Your Directors would also like to place on record their sincere appreciation for the commitment, dedication and hard work put in by every member of the Company and dedicates the credit for the Company's achievements to them. Last but not least, your Directors express their gratitude to the shareholders of the Company for reposing their confidence and faith in the Management of the Company.

For and on behalf of the Board of Directors

Sajjan Bhajanka

Chairman

(DIN: 00246043)

Place: Kolkata

Date: 7th May, 2019