

STAR CEMENT LIMITED
(Formerly CEMENT MANUFACTURING COMPANY LTD)

To
Corporate Finance Department
Division of Issues and Listing
Securities & Exchange Board of India,
'SEBI Bhavan', Plot C4-A, G Block,
Bandra Kurla Complex, Bandra (E)
Mumbai- 400051

Sub: Request for interpretive letter under SEBI (Informal Guidance) Scheme 2003, as amended (the "SEBI Scheme ") in relation to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 dated January 15, 2015 as amended.

Dear Sir/Madam,

1. This is a request for an interpretative letter under clause 5(ii) of the SEBI Scheme on the basis of the factual background and details provided herein below in this letter.

2. **Factual Background :**

Star Cement Limited is a Company incorporated under the provision of Companies Act, 1956 having registered office at Lumshnong, P. O. Khaliehriat, Dist. East Jaintia Hills, Meghalaya-793210 (herein after referred as "the Company")

- a) The Company is listed on NSE Limited (Symbol- STARCEMENT) and BSE Limited (Code – 540575). The shares of the Company were listed and traded with effect from June 16, 2017 after obtaining the relaxation granted from Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 subsequent to merger of Star Ferro and Cement Limited (a listed company) with Star Cement Limited.
- b) As per the requirement of SEBI (Prohibition of Insider Trading) Regulations, 2015, the company has framed Internal Code of Conduct.
- c) The Company has appointed the Company Secretary to act as the Compliance Officer.
- d) Mr. Sajjan Bhajanka, a promoter has sold certain number of shares in the open market on 14th February, 2018. He proposes to acquire a certain number of shares from Mr. Rajendra Chamaria, another promoter through an off-market inter-se transfer of shares. However the proposed acquisition shall be within 6 months of the sale. The proposed transfer of shares would be subject to the applicable provisions of the SEBI SAST Regulations 2011.

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3. Legal Framework :

The SEBI Regulations on Insider Trading, "The (Prohibition of Insider Trading) Regulations, 2015, "hereinafter referred as "The Regulations" has come into force on 15th January, 2015.

Regulation 8(1) of the Regulations requires

8 (1) *The board of directors of every company, whose securities are listed on a stock exchange, shall formulate and publish on its official website, a code of practices and procedures for fair disclosure of unpublished price sensitive information that it would follow in order to adhere to each of the principles set out in Schedule A to these regulations, without diluting the provisions of these regulations in any manner.*

Further the Regulations defines certain key terms as follows:

(g) "insider" means any person who is:

i) A connected person or

ii) In possession of or having access to unpublished price sensitive information;

(h) "promoter" shall have the meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 or any modification thereof;

(i) "trading" means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and "trade" shall be construed accordingly ;

(n) "unpublished price sensitive information" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –

(i) financial results;

(ii) dividends;

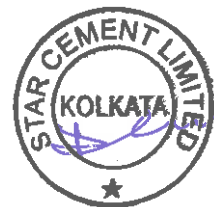
(iii) change in capital structure;

(iv) mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;

(v) changes in key managerial personnel; and

(vi) material events in accordance with the listing agreement.

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Further Chapter II of the Regulations restricts trading when in possession of unpublished price sensitive information. But an exemption is granted if

- (i) *the transaction is an off-market inter-se transfer between promoters who were in possession of the same unpublished price sensitive information without being in breach of regulation 3 and both parties had made a conscious and informed trade decision;*

Thus, the promoters are allowed to trade and have inter se transfer among each other in the normal course of business.

The Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders in Schedule B of (Prohibition of Insider Trading) Regulations, 2015 lays down the following:

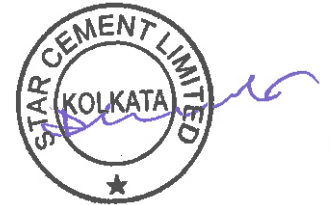
10. The code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated person who is permitted to trade shall not execute a contra trade. The compliance officer may be empowered to grant relaxation from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to the Board for credit to the Investor Protection and Education Fund administered by the Board under the Act.

Application under the SEBI Scheme

The paragraph 4 of SEBI Scheme permits the following persons to make a request for informal guidance:

- (i) any intermediary registered with the Board under section 12 of the Act;
(ii) any listed company ;
(iii) any company which intends to get any of its securities listed and which has filed either a listing application with any stock exchange or a draft offer document with the board or the Central Listing Authority;
(iv) any mutual fund trustee company or asset management company;
(v) any acquirer or prospective acquirer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Star Cement Limited, being a listed company is eligible to apply for informal guidance under the SEBI Scheme.



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4. Interpretive Letter sought on :

In reference to the factual background as explained in Point no. 2, the following relevant facts may please be reiterated :

- a) A Promoter being a key managerial personnel is supposed to be privy of unpublished price sensitive information at all times as he is involved in the day to day affairs of the Company. So, he will be an insider as per the regulations.
- b) Trading has been given an exhaustive definition in the Act. The definition defines any buying and selling under trading and does not specifically exclude inter se transfer among promoters from the ambit of trading. In the given scenario, six months have not elapsed since sale of the shares, so any transfer by the promoter may also amount to contra trading.
- c) Thus, promoters being the designated person cannot execute a contra trade within 6 months as per the minimum standards of the code of conduct as per the said regulations.

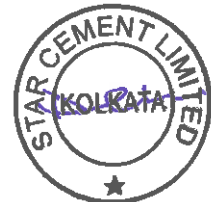
But, the compliance officer has been empowered to grant a relaxation from such strict application on case basis and the reasons has to be recorded in writing.

- d) Further, as per a recent guidance issued by SEBI dated August 24, 2015 where in certain clarifications have been given regarding contra trade transactions, certain transactions like issue of ESOPS buy back offers, open offers, rights issues FPOs etc., have been exempted and restriction of 'contra-trade' shall not apply in respect of such matters.
- e) We also understand that wherever specific exemptions have been provided the same may be used in that situation and context only.
- f) An inter se transfer between promoters does not bring any change in the shareholding pattern of the promoters and public, only the hands of the promoters are changed. Further all the promoters of the Company are expected to have same kind of information regarding the Company. So a transfer among them will be based on the same grounds.
- g) We believe that the proposed inter se transfer will not give any undue advantage to the promoters or have any impact on the public shareholding pattern.

Considering the facts as explained above,

- i. Based on the same, we would like to take a specific opinion whether the proposed inter-se transfer between the promoters within six months of sale in the open market by a promoter will violate any provision of the SEBI (Prohibition of Insider Trading) Regulations, 2015 and attract any penal provisions.

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- II. Further, we would also like to understand that after the inter-se transfer of shares between the promoters, if the same promoter who had acquired shares from another promoter wants to sell shares in the open market within six months of the inter-se transfer, will the same violate the provisions regarding contra trade as provided in the SEBI (Prohibition of Insider Trading) Regulations, 2015.
- III. Further, in our understanding the restrictions on contra trade would apply to trades made by an individual promoter. We would like to know whether provisions of contra trade apply to promoters individually or whether the entire promoter group is considered for the same. For example, if a single promoter has executed a trade, then whether the restrictions on contra trade apply to him individually or will it apply to the entire promoter group.

Compliance with Paragraph 6 of the SEBI Scheme:

In accordance with paragraph 6 of the SEBI Scheme, this request for an interpretative letter is addressed to the Corporate Finance Department and is accompanied with a Demand Draft bearing No.858884 dated 16th February, 2018 for Rs. 25,000/- (Rupees Twenty Five Thousand only) drawn on State Bank of India. Further all material facts, circumstances and legal provisions which in our opinion are relevant for the purpose of determination of this request, are stated herein.

5. Request for Confidentiality:

Given the sensitivities involved in a transaction of this nature, we request you to keep this request and your response confidential in accordance with the applicable SEBI regulations including the Right to Information Act, 2005.

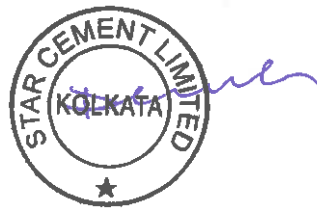
We would appreciate receiving the interpretive letter sought at your earliest convenience. For any assistance / clarification, we request you to kindly contact the person named below:

Thanking you,

Yours faithfully,
For Star Cement Limited



Name: D. Thakurta
Designation: Company Secretary
E-mail id: debabratathakurta@starcement.co.in



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