

Star Ferro and Cement Limited

Regd. Office : Vill : Lumshnong, P.O. : Khaliehriat, Meghalaya - 793210, Phone : 03655-278215/16/18, Fax : 03655-278217
E-mail : info@starferrocement.com, Website : www.starferrocement.com, CIN : L27310ML2011PLC008564

25th August, 2014

The Secretary
Bombay Stock Exchange Limited
Corporate Relationship Department, 1st Floor
New Trading Ring, Rotunda Building, P.J.Tower
Dalal Street, Fort,
Mumbai – 400001
Scrip Code: 536666

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G, 5th Floor,
Bandra-Kurla Complex
Bandra (E), Mumbai 400051
Scrip Name: SFCL

Dear Sirs,

Re: **Scheme of Arrangement.**

The Board of Directors of Star Ferro and Cement Limited ("SFCL") at their meeting held today have approved of a Scheme of Arrangement between Star Ferro and Cement Limited ("SFCL") and Shyam Century Ferrous Limited ("SCFL") and their respective shareholders providing for demerger of the Ferro Alloys Division of SFCL to SCFL with effect from 1st April, 2014 ("the Appointed Date").

The Ferro Alloys Division of SFCL constitutes the business and interests of SFCL in manufacture of ferro alloys including captive power plants attached thereto. It comprises of ferro alloys and power plant at Byrnihat in the State of Meghalaya and investment in 83,58,998 Equity Shares of Rs.10/- each in Meghalaya Power Limited ("MPL"), a Company running power plant.

SCFL is a new company and is a wholly owned (100%) subsidiary of SFCL with SFCL and its nominees holding all the 5,00,000 Equity Shares of Re.1/- each issued by SCFL.

The remaining business and interests of SFCL, including manufacture of cement will continue to belong to and be managed by SFCL.

In consideration of the demerger, SCFL will issue and allot to the shareholders of SFCL, 1 (One) Equity Share of Re.1/- each credited as fully paid up in SCFL for every 1 (One) Equity Share of Re.1/- each fully paid-up held by them in the capital of SFCL. Consequently all shareholders of SFCL will also become shareholders of SCFL.

The ferro alloys business in one hand and cement business of SFCL on the other hand constitute the largest business segments of the consolidated SFCL and are poised to grow further.

STAR FERRO AND CEMENT LTD.



Company Secretary

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The said businesses and interests of SFCL have evolved and grown from strength to strength over the years. The present day nature and size of the ferro alloys and cement business, are such that the divergent considerations, factors, financials, risks and rewards applicable to the running, growth and development of such businesses are required to be addressed with greater focus at all levels and are also required to be evaluated and looked at separately. The said businesses have good potential for funding, running, growth and development thereof as independent businesses.

In view, inter alia, of the aforesaid and as part of an overall business reorganisation plan and in order to take the respective businesses to the next level of growth it is necessary to segregate and realign the businesses and interests of SFCL appropriately. In the circumstances it is considered desirable and expedient to reorganise and reconstruct SFCL by demerging the Ferro Alloys Division of SFCL to SCFL, as aforesaid.

The demerger will simplify and rationalise the holding structure of various businesses and interests of SFCL and result in creation of two more focussed entities, i.e. (a) SFCL having interests primarily in cement business and (b) SCFL having interests primarily in ferro alloys business. Consequent to the demerger, the ferro alloys and cement business will be capable of independent evaluation. The same will unlock shareholders value and enable independent funding of the said businesses as also suitable strategic, technological and/or financial alliance and participation of appropriate partners and stakeholders in such business. The demerger will enable the said businesses to be carried on more conveniently and advantageously and will unlock the capacity of each of the businesses to raise and access larger funds for running, growth and expansion thereof on the basis of their individual strengths and operating parameters and independent evaluation.

The Scheme is subject to and conditional upon the requisite approvals being received therefor, including approval of shareholders and sanction of the Hon'ble High Court at Meghalaya pursuant to Sections 391 to 394 of the Companies Act, 1956. Accordingly, the Scheme although operative from the Appointed Date shall come into effect on the Effective Date, being the date or last of the dates on which certified copies of the orders sanctioning the Scheme are filed by SFCL and SCFL with the Registrar of Companies.

Copy of the Scheme will be submitted to you for approval under clause 24(f) of the listing agreement.

For Star Ferro and Cement Limited



Company Secretary