Challenging times. Inspirational performance

Forward looking statement

This document contains statements about expected future events and financial and operating results of Shyam Century Ferrous Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Shyam Century Ferrous Limited Annual Report 2016-17.

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Corporate Information

Board of Directors

Mr. Sajjan Bhajanka, *Director*

Mr. Nagraj Tater, *Director*

Mr. Aditya Vimalkumar Agarwal, *Director*

Mr. Mangilal Jain, *Director*

Mr. Santanu Ray, *Director*

Mrs. Plistina Dkhar, *Director*

Auditors

Kailash B. Goel & Co.
Chartered Accountants
70, Ganesh Chandra Avenue, 1st Floor
Kolkata – 700013

Chief Executive Officer

Mr. M.V.K. Nageswara Rao

Chief Financial Officer

Mr. Uday Bahadur Chetri

Company Secretary

Ms. Neha Agarwal

Registered Office

Vill.: Lumshnong, P.O.Khaliehriat
Dist.: East Jaintia Hills
Meghalaya – 793210

Works

Ferro Alloy & Power Plant
EPIP, RajaBagan,
Dist. Ri-Bhoi, Byrnihat
Meghalaya – 793101

Corporate Office

'Satyam Towers', 1st Floor,
Unit No. 9B,
3, Alipore Road
Kolkata-700027
Phone : 033 22484169/70
Fax : 033 22484168
Email : investors@shyamcenturyferrous.com
Website : www.shyamcenturyferrous.com

Registrars & Share Transfer Agents

Maheswari Datamatics Pvt. Ltd.
23, R. N. Mukherjee Road, 5th Floor,
Kolkata - 700001

Bankers

-The North Eastern Development Finance Corporation Ltd

-Oriental Bank of Commerce

CIN Number

L27310ML2011PLC008578

REVENUES (₹/cr)

91.08

EBIDTA (₹/cr)

11.13

SHYAM CENTURY FERROUS LIMITED. A PROMINENT FERRO ALLOYS MANUFACTURER IN THE NORTH EASTERN PART OF INDIA.

Pedigree

- Business interests in power and ferro alloys
- Steered by industry veterans Mr Sajjan Bhajanka (Director) and a team of other experienced professionals

Presence

- Headquartered in Lumshnong, Meghalaya
- Manufacturing unit in Byrnihat, Meghalaya
- Presence in North East provides easy access to abundant raw materials like coal, lam coal and quartz in proximate locations
- Equity shares listed on BSE Limited as well as National Stock Exchange of India Limited

Products

The Company is engaged in the production of the following:

- Ferro Silicon with annual manufacturing capacity of 21,600 MT
- Captive power generation capacity of 14 MW
- It also has facilities to produce silico manganese and other varieties of ferro alloys

PAT (₹/cr)	MARKET CAPITALISATION	
	BSE (₹/cr)	NSE (₹/cr)
5.31	174.18	176.63

Dear Shareholders

Much like the preceding few years, FY2016-17 witnessed a decline in the offtake for ferro alloys. This glut in demand got reflected in the fact that the Company produced 12,605 million tonnes of ferro silicon during the year under review compared to 15,104 million tonnes during FY2015-16. The result was that our topline declined from ₹11,363.42 lac during FY2015-16 to ₹9,108.70 lac in FY2016-17. Fortunately, our net profit improved from ₹158.77 lac during FY2015-16 to ₹798.51 lac on account of increase in sale price and achieving cost efficiency. The year also saw our y-o-y realisations grow from ₹71,176.47 per tonne to ₹72,629 per tonne. Our power business too put up a robust performance by generating 1,044 lac units compared to 552 lac units during FY2015-16. The entirety of the power generated was consumed in-house, enhancing our self-sustainability. Furthermore, the performance of Meghalaya Power Limited, an associate company, brightened our long-term prospects. Here's proof: power generation reached 2,016 lac units during FY2016-17 compared to 1,831 lac units during FY2015-16 and thereby allowed to clock a PBT of ₹1,481.03 lac and PAT of ₹1,203.72 lac during the fiscal gone by compared to ₹1,472.07 lac and ₹1,082.84 lac, respectively.

Sectoral overview

Ferro alloys are critical additives in the production of steel and iron and the growth of the industry is largely influenced by demand traction in the downstream industries. India is among the preferred ferro alloys suppliers in the world owing to its abundantly available natural resources, cost competitiveness and locational advantages. The performance of the iron and steel industry had been lacklustre during the past couple of years. This has been primarily owing to a visible reduction in demand from the infrastructure, automobile and white goods sectors. However, with increased governmental investments being channelised towards the infrastructure sector, the tide has begun to turn. Case in point: the Central Government has approved the National Steel Policy to boost the country's steel industry. The salient features of this key piece of legislation include:

- Achieving self-sufficiency in terms of steel production by providing policy support and guidance to private manufacturers, MSMEs and CPSEs, among others
- Guaranteeing adequate availability of iron ore, coking coal and natural gas
- Developing globally-competitive steel manufacturing capabilities

- Easing asset and raw material acquisition processes
- Achieving cost-efficiency in terms of production
- Ensuring adequate capacity additions
- Enhancing domestic steel demand
- Facilitating foreign investment

The policy targets reaching a crude steel capacity of 300 million tonnes, an output of 255 million tonnes and a finished steel consumption level of 158 kilograms (per capita) by FY2030-31 compared to the current consumption level of 61 kilograms. The policy also envisages to meet the entire demand of high-grade automotive steel, electrical steel, special steels and alloys for strategic applications and increase the domestic availability of washed coking coal so as to reduce import dependence on coking coal from ~85% to ~65% by FY2030-31.

Industry outlook

With the Indian Government single-mindedly focusing on infrastructure creation, the downstream steel sector is poised for rapid development on the back of a robust growth in domestic demand. Here's a lowdown on some of the key downstream sectors which will have a significant bearing on SCFL's prospects:

Roads

- The Indian Government plans to develop a total of 66,117 kilometres of roads under different programmes such as the National Highways Development Project, Special Accelerated Road Development Programme in North East and Left Wing Extremism. The Indian Government has identified development of 2,000 kilometres of coastal roads to improve connectivity between ports and remote villages.
- The Cabinet Committee on Economic Affairs (CCEA) permitted 100% equity divestment by private developers after two years of construction completion for all BOT projects, irrespective of the year of awarding of the project.
- The Central Government approved the construction of ~1,000 kilometres of expressways at a cost of ~₹16.68 crore via the DBFOT mode. The approved corridors are Delhi-Chandigarh (249 kilometres), Bengaluru-Chennai (334 kilometres), Delhi-Jaipur (261 kilometres) and Vadodara-Mumbai (400 kilometres). The Central Government will also take up the development of 135 kilometre-long Eastern Peripheral Expressway at ~₹5,763 crore.
- The Ministry of Road Transport and Highways has undertaken the development of about 7,000 kilometres of National Highways under the Bharatmala Pariyojana at a cost of ~₹80,000 crore in consultation with State Governments. The National Highways Authority of India has invited bids for preparing detailed project reports for road development along borders and coastlines under the Bharat Mala project.

Budgetary allocation

The Central Government earmarked ₹3,96,000 crore for driving infrastructural development in India. As part of the new integrated infrastructure planning paradigm comprising roads, railways, waterways and civil aviation, the Central Government unveiled the largest-ever rail budget of ₹1.31 trillion, an 8.26% increase over the ₹1.21 trillion allocated during FY2016-17.

Automobile industry

The Automobile Mission Plan 2016-22 envisages the size of Indian automotive industry to grow to ~₹18,88,500 crore by 2026 from ₹4,64,000 crore in 2015. This will cement India's position among the top-3 players in the realm of engineering, manufacture and export of vehicles and automobile components. Subsequently, safe, efficient, environment-friendly and affordable mobility for people and goods will become a reality for most Indians. The result: this sector will account for >12% of India's GDP and generate an additional 65 million jobs.

Outlook

The Indian ferro alloys industry is expected to post substantial growth over the foreseeable future. SCFL, being one of the prominent manufacturers of ferro alloys, is expected to make the most of the aforementioned macroeconomic developments. I am thankful to all our stakeholders for their continued support and assure them that the journey forward will be a spectacular one.

Regards,

Sajjan Bhajanka
Director

Directors' Report & Management Discussion and Analysis

Dear Shareholders

Your Directors have pleasure in presenting the Sixth Annual Report of the Company together with the Audited Balance Sheet as at 31st March, 2017 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 31st March, 2017 as compared to the previous financial year are as under:

(₹ in Lacs)

Particulars	Consolidated		Standalone	
	2016-17	2015-16	2016-17	2015-16
Net Sales / Income	9,108.70	11,363.42	9,108.70	11,363.42
Profit Before Depreciation, Interest & Tax	1,112.99	750.68	1,112.99	750.68
Depreciation	(214.69)	(294.14)	(214.69)	(294.14)
Interest and Finance Charges	(99.79)	(297.77)	(99.79)	(297.77)
Exceptional Items	-	-	-	-
Profit Before Tax	798.51	158.77	798.51	158.77
Tax Expenses:				
-Current Tax	(255.92)	(54.56)	(255.92)	(54.56)
-Income Tax for earlier years	(4.43)	-	(4.43)	-
-Deferred Tax	(6.70)	3.19	(6.70)	3.19
Profit after Tax	531.45	107.40	531.45	107.40
Share of profit of associates	587.36	528.38	-	-
Net profit after taxes and share of profit of associates	1,118.81	635.78	-	-

Ferro Alloy Business - Industry at a Glance

Ferro-alloys are critical additives in the production of Iron & Steel. Ferro alloys are used in the production of steel as de-oxidant and alloying agents and act as an intermediate industry to the Iron & Steel Industry and therefore, fortune of Ferro Alloys Industry is directly linked with the growth of Iron & Steel Industry. The product mix of Ferro Alloys contains bulk Ferro Alloys viz., Ferro Manganese, Silicon Manganese, Ferro Silicon, Ferro Chrome, Charge Chrome, etc. and noble Ferro Alloys viz., Ferromolybdenum, Ferrovanadium, Ferrotungsten, Ferro-silicon magnesium, Ferro-boron and Ferro-titanium. India emerged as a preferred supplier of Ferro Alloys on account of abundant availability of key resources, trained and cost-effective manpower and locational advantages.

India is having huge scope for growth in the sector due to comparatively low per capita steel consumption and the expected rise in consumption due to increased infrastructure construction and the thriving automobile and railways sectors. National Mineral Development Corporation is expected to increase the iron ore production considerably indicating new opportunities in the sector. The Government has announced National Steel Policy 2017 which aims to increase steel production capacity by three times over the next few years. The Government has also approved a proposal to give preference to locally made steel in public sector projects. The Government focuses on housing, roads, ports and railways which will enable India to be the second largest steelmaker in the World. The export of steel has also increased during the year under review which enabled growth in steel production in financial year 2016-17. The Government has been very mindful towards growth of domestic steel industry.

On the domestic consumption side, with intensifying

infrastructure development and growing demand for automotive, steel consumption of the country is expected to reach 104 MT by 2017. Country's steel production is expected to increase up to 300 MTPA by Financial year 2025. The growing steel sector and opening up of steel for FDI will help in increasing domestic demand of Ferro-alloys.

The domestic Ferro alloys industry is revitalizing to face challenges from Malaysia and Indonesia. In India too, additional capacities got added during the year under review. With under-utilized capacities at present on account of sluggish demand, price and net realization of Ferro alloys are likely to remain subdued in the near term. On the cost side, power cost still remains a concern for industry.

In the backdrop of above, your Company continued to focus on its fundamental strength of its ability to continuously focus on productivity and quality. There was strong emphasis on internal efficiencies together with an improvement in the sales mix which enabled your Company to withstand inflationary pressures on costs and profitability.

During the year under review, your company has sold 12,657 MT of Ferro Silicon as against 16,105 MT. While your Company constantly strives to increase stakeholder's value, emphasis continues to be on delivering value to customers and strengthening processes while driving sustainable practices, resulting into expanding customer base.

Power Business

During the year under review, your Company generated 1,044 lacs unit as compared to 552 lacs unit which was captively consumed by the Company.

Further, the performance of M/s. Meghalaya Power Limited, an Associate Company, was very optimistic. The power generation has increased to 2,016 lacs units as compared to 1,831 lacs units recorded in the previous year. During the Financial year 2016-17, the Company has posted PBT of ₹1,481.03 lacs and PAT of ₹1,203.72 lacs as against ₹1,472.07 lacs and ₹1,082.84 lacs respectively recorded in the previous financial year.

Opportunities & Threats, Risks and Concerns

Performance of the Company depends on the continued demand of our products in the steel and stainless steel industry. The liberalization of industrial policy and other initiatives taken by the Government have given a definite impetus for entry, participation and growth of the private sector in the steel industry. While the existing units are being modernized/expanded, a large number of new steel plants have also come up in different parts of the country based on modern, cost effective, state of-the-art technologies. The country is expected to become the second largest producer of crude steel in the world soon, provided all requirements for creation of fresh capacity are adequately met.

Uncertainty of availability of raw materials and other resources such as water, skilled manpower etc., high cost, insufficient infrastructural facilities for rapid transportation from ore mines to plants may also affect the operations and in turn the financial condition and profitability of the Company. Further, the Electrical energy is one of the major input in production of Ferro alloys but high power tariff and cost of coal is a great threat for the Ferro alloys industry. Apart from electrical energy, the industry also faces challenges of procuring quality raw materials in time.

It is hopeful that the Government who already initiated so many steps for the betterment of Indian economy would certainly recognize the challenges arising out of price increase of power and input materials and take steps to address them urgently to enable the Ferro alloys and Steel producers to survive & compete in the domestic as well as international markets.

Despite these threats, Indian Ferro alloy industry has tremendous growth opportunities due to rapid industrialization and urbanization in India which may lead India emerging as the leading exporter of Ferro alloys.

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.

Performance and Operations Review

During the year under review, on a full year basis, although on the demand side there has been concern, on the realization side, your Company was able to achieve marginal improvement. The Ferro Alloy and Power segment posted total revenue of ₹9,108.70 Lacs and Profit before Tax of ₹798.51 Lacs as against ₹11,363.42 Lacs and ₹158.77 Lacs respectively during the previous financial year. Your Company produced 12,605 MT of Ferro Silicon during the year under review as against 15,104 MT in the Financial Year 2015-16. Net realization per ton has improved marginally during the year under review as compared to previous financial year. With internal efficiencies, your Company has been able to sustain the pressures of slow-down in demand and other challenges being faced by Ferro alloys industry.

Share Capital

The paid up Equity Capital as on March 31, 2017 was ₹2,221.73 lacs. During the year under review, the Company has neither issued any shares with differential voting rights nor granted stock options or sweat equity shares.

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.

Meetings of the Board

During the year, five (5) Board Meetings and four (4) 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 are provided in the Corporate Governance Report.

Meetings of Independent Directors

During the year under review, meeting of Independent Directors was held on 18th March, 2017 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 and Stakeholders Relationship 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 formed a Whistle Blower Policy/ Vigil Mechanism as required under Section 177 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. A 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 Codes of conduct or policy. The mechanism provides for adequate safeguards against victimization of employees and Directors to avail of 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://shyamcenturyferrous.com/wp-content/uploads/2015/04/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 shareholders' interests, industry standards and relevant Indian corporate regulations. The details on the same are given in the Corporate Governance Report.

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, 2017 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.

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. Mr. Santanu Ray, Mr. Mangilal Jain 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 fulfil the conditions specified in section 149 of the Act and the Rules made there under about their status as Independent Director of the Company.

Familiarization Programme Undertaken 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 familiarise