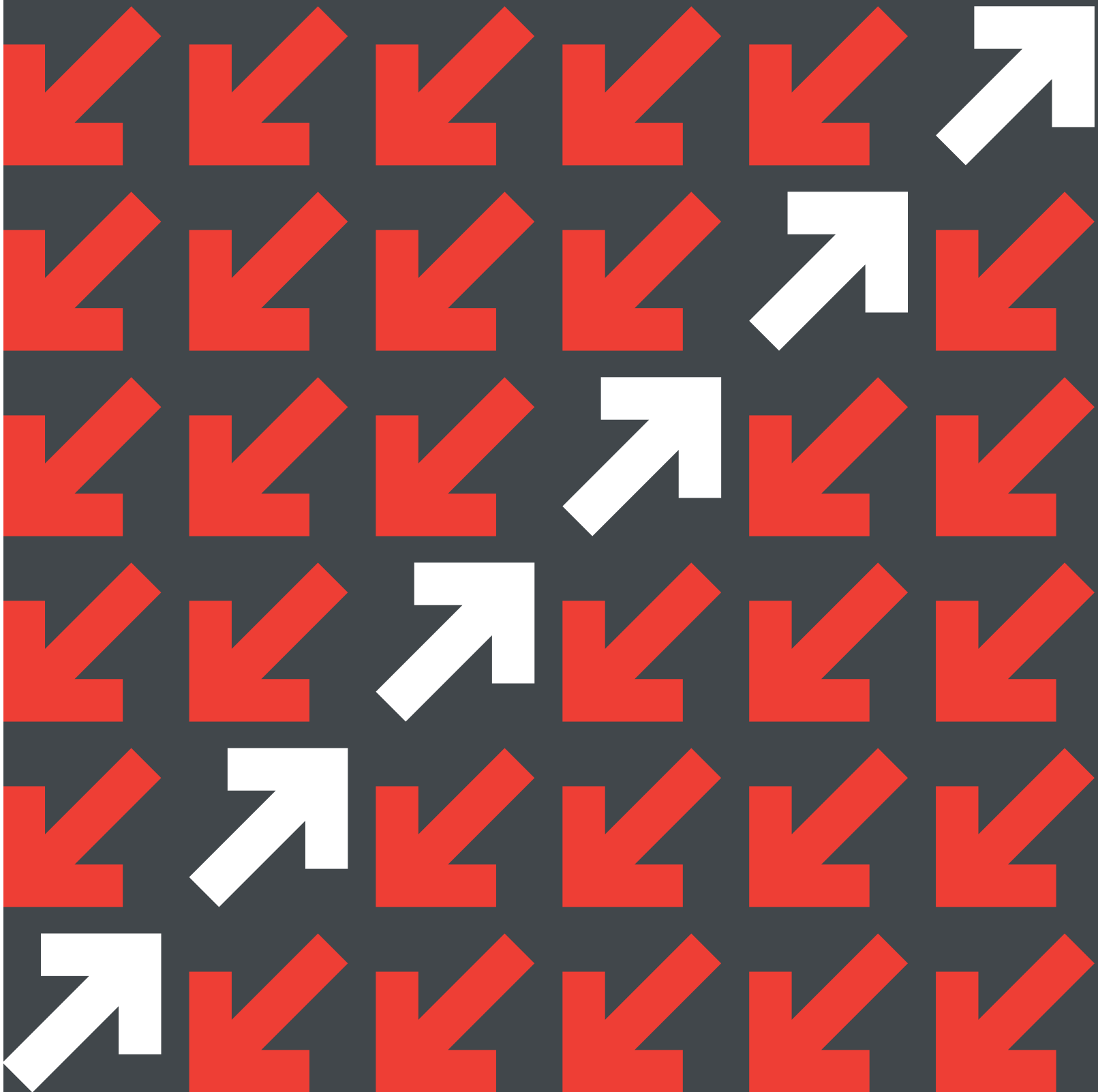


against the tide

Shyam Century Ferrous Limited | Annual Report 2017-18



Forward looking statement

This document contains statements about expected future events, 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 2017-18.

Contents

1	Corporate Overview
4	Corporate Information
5	Director’s Report and Management Discussion and Analysis
32	Report on Corporate Governance
44	Standalone Financial Statements
85	Consolidated Financial Statements
127	Notice





Revenues (₹ Lacs)

12,421.44

EBIDTA (₹ Lacs)

1,958.66

Total Comprehensive
Income (₹ Lacs)

1,047.52

Four things that Shyam Century Ferrous stands for

Experience

■ The Company is managed by industry veteran Mr. Sajjan Bhajanka (Director) and a team of other experienced professionals.

Presence

■ The Company is headquartered in Lumshnong, Meghalaya and has manufacturing unit in Byrnihat, Meghalaya.

■ The Company's strategic presence in North East which provides easy access to abundant raw materials like coal, coke and quartz in proximate locations.

Listing

■ Equity shares of the Company is listed on Bombay Stock Exchange Limited as well as National Stock Exchange of India Limited.

Products

■ The Company is engaged in the production of Ferro Silicon with annual manufacturing capacity of 21,600 MT.

■ It also has captive power generation capacity of 14 MW and has facilities to produce silico manganese and other varieties of ferro alloys.

Dear fellow Stakeholders,

The year 2017-18 turned out to be mixed for the Indian economy. Growing at a rate of 6.7%, India regained its status as the fastest-growing major economy in the world during Q4 despite a slowdown in demand, falling rupee and a rising oil bill.

The demand for ferro alloys is principally determined by developments within the iron and steel industry. The growing investment in infrastructure creation is set to catalyse demand for steel. India's annual steel manufacturing capacity (currently at 126 million tonnes) is forecast to rise to 150 million tonnes by FY2020-21, making it possible for India to displace Japan as the second-largest steel producer by 2022. The Asian steel sector is also expected to perform better, brightening prospects for ferro alloy manufacturers.

Highlights, FY2017-18

The Company's revenues grew by 34.18% from ₹ 9,257.46 lacs in FY2016-17 to ₹ 12,421.44 lacs in FY2017-18.

The Company produced 14,169 million tonnes of ferro silicon during the year under review compared to 12,605 million tonnes during FY2016-17. Following GST implementation, the Company lost out on some of the excise benefits which it was previously entitled to, nevertheless your company reported a record profit of ₹ 1,047.52

Lacs compared to ₹ 539.67 Lacs in FY2016-17 on account of improved realization, increase in volume, proactive decision making and cost-effective measures.

Even though raw material prices surged and coal availability declined, the longstanding engagement that Shyam Century forged with resource suppliers ensured round-the-clock access to adequate and affordable coal at competitive prices.

Shyam Century is attractively placed to capitalize on India's projected 7.3% GDP growth for FY2018-19 through a combination of prudent vertical selection, in-depth knowledge, proven competence, best-in-class assets, transparent governance and spare capacity to grow.

Macro-economic scenario

China accounts for half of global steel production and in FY2017-18 after the Chinese Government selected to moderate steel production in the face of rising pollution, there was adverse impact on demand-supply scenario and prices internationally. This caused reduction in imports from China and the domestic steelmakers have benefited resulting in a positive ripple effect on Ferro Silica. The Company

Shyam Century is attractively placed to capitalize on India's projected 7.3% GDP growth for FY2018-19.

consciously keeps the track of environment it operates in to capitalize on burgeoning opportunities.

India is the third-largest crude steel producer in the world. In FY2017-18, India produced 104.98 million tonnes (MT) of finished steel. Crude Steel production during FY2017-18 stood at 102.34 MT. Steel consumption is expected to grow 5.7 per cent year-on-year to 92.1 MT in FY2018-19. India's steel production is expected to increase from 102.34 MT in FY2017-18 to 128.6 MT by 2021. India's per capita consumption of steel grew at a CAGR of 4.75 per cent from 45 kgs in FY2008-09 to 65.25 kgs in FY2016-17. The figure stood at 68 kgs during April-February FY2017-18. National Steel Policy, 2017 seeks to increase per capita steel consumption to the level of 160 kgs. India would need to invest

US\$ 156.08 billion by FY2030-31 to achieve steel capacity build-up of 300 million tonnes per annum (MTPA) by 2030.

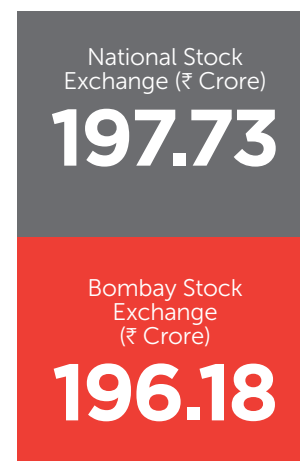
India is the world's fourth-largest automobile industry and the world's seventh-largest commercial vehicle manufacturer. The Indian automobile industry, which accounts for a 7.1% share of the country's GDP, is at the cusp of a transformation, moving from BS-IV to BS-VI. Besides, the transition to electric vehicles bodes well for the ferro alloys industry in India. India is expected to be the world's third-largest car market by 2020, with >4 million units being sold annually. Indian car sales are likely to remain robust, growing at a rate of 7% during 2018, supported by the GST regime as well as new launches.

Rising automobile demand and steel consumption shall catalyse the demand for raw material i.e. Ferro Silica and is expected to benefit the Company.

Outlook

India is expected to report steady growth over the foreseeable future. This growth will be manifested in rising disposable incomes, post-GST stabilisation and increased aspirations.

Market Capitalization



Given this context, I am pleased to state that Shyam Century is the right company in the right verticals at the right time. My optimism stems from the fact that we have created a strong foundation and a rich repository of sectoral experience.

I gratefully acknowledge the efforts of our employees, bankers, financial institutions and vendors and would like to end by assuring our stakeholders that the Company is on the verge of posting yet another standout performance.

Regards,

Sajjan Bhajanka

Director

Shyam Century Ferrous Limited

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

Oriental Bank of Commerce

CIN Number

L27310ML2011PLC008578

DIRECTORS' REPORT & MANAGEMENT DISCUSSION ANALYSIS

Dear Shareholders,

Your Directors have pleasure in presenting the Seventh Annual Report of the Company together with the Audited Balance Sheet as at March 31, 2018 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, 2018 as compared to the previous financial year are as under:-

(₹ in Lacs)

Particulars	Consolidated		Standalone	
	2017-18	2016-17	2017-18	2016-17
Net Sales / Income	12,501.32	9,282.94	12,501.32	9,282.94
Profit before Depreciation, Interest and Tax	1,958.66	1,141.29	1,958.66	1,141.29
Depreciation	249.67	214.69	249.67	214.69
Interest and Finance Charges	110.31	111.58	110.31	111.58
Profit/Loss Before Tax	1,598.68	815.02	1,598.68	815.02
Tax Expenses:				
-Current Tax	526.67	260.35	526.67	260.35
-Deferred Tax	26.65	12.16	26.65	12.16
Profit/Loss after Tax	1,045.36	542.51	1,045.36	542.51
Share of profit of associates	552.42	615.06	-	-
Net profit after taxes and share of profit of associates	1597.78	1157.57	-	-
Other comprehensive income for the year, net of tax	1.29	(3.60)	2.16	(2.84)
Total comprehensive income for the year	1599.07	1153.97	1,047.52	539.67

INDIAN ACCOUNTING STANDARDS

As per notification dated February 16, 2015 issued by the Ministry of Corporate Affairs, the Company has adopted the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 01, 2017. Accordingly, Financial statements for the year ended March 31, 2017 have been restated to conform to Ind AS. The reconciliations and descriptions of the effect of the transition from IGAAP to Ind AS have been provided in the notes to accounts in both the Standalone and Consolidated Financial Statements.

FERRO ALLOY BUSINESS - INDUSTRY AT A GLANCE

Steel is the one of the multipurpose materials on the earth. Ferro alloy are mainly used in the production of steel. Ferro

alloys are important additives in manufacturing of steel. 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. World ferro alloy market has been divided into two major categories like bulk ferro alloys and noble ferro alloys. Use of bulk ferro alloys is for making stainless steel and Carbon steel while noble ferro alloys are made from rare earth minerals. Future of ferro alloys industries are dependent on the prospect of steel industry of the country.

The country is having adequate potential to develop the industry due to availability of raw materials, cheap and skilled man power and locational advantages. The National

Steel Policy announced in the year 2017 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. Government's budgetary thrive to develop infrastructure, housing, rail road, ports etc., will push the demand of the ferro alloy industries.

The country's ferro industry is facing serious challenges from Malaysia and Indonesia. Country's high power tariff in comparison with the other ferro producing countries is one of the disadvantages of the industry. Non availability of high grade manganese and low phos coke are the serious challenges of the industry. Imposing of anti-dumping duty on Chinese coke has also put an upward pressure on cost of production.

In spite of above, your Company continued to focus on its fundamental strength i.e., productivity and quality. Strong emphasis were given on utilization of 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 14,189 MT of Ferro Silicon as against 12,657 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 689 lacs KWH unit as compared to 1,044 lacs KWH unit which was captively consumed by the Company.

Further, M/s. Meghalaya Power Limited, an Associate Company has generated 1,901 lacs kwh units as compared to 2,016 lacs kwh units recorded in the previous year. During the FY2017-18, the associate Company has posted PBT of ₹1,054.27 lacs and PAT of ₹1,132.12 lacs as against ₹1,504.42 lacs and ₹1,260.49 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. Government's initiatives to liberalise industrial policy, policy on 'Make in India' and other infrastructural development will have positive impact of the company's future prospect. Global stainless steel production growth is expected to average +2.6% p.a. upto 2021. Low scrap

utilization in China, demand for virgin chrome will remain robust. In view of lack of a feasible alternative which can meet the various applications of ferro alloys, the industry seems healthy in future. It is expanding at estimated CAGR of 5.9% during 2017-2025. The market for worldwide ferro alloys is projected to reach a valuation of USD 188.7 bn by the end of 2025 from its worth of USD 112.8 bn in 2016.

However, challenge faced by the domestic industry due to non-availability of low phosphorous coke is a serious concern. High power cost, lack of infrastructural facilities for easy transportation of raw materials from mines to the location affects the sector. Policy of the Government and regulatory changes may also affect the domestic industry.

Despite these threats, Indian Ferro alloy industry has growth prospect due to rapid industrialization and urbanization 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 Company has posted total income of ₹12,501.32 Lacs and Profit before Tax of ₹1,598.68 in FY2017-18 Lacs as against ₹9,282.94 Lacs and ₹815.02 Lacs respectively during the previous financial year. Your Company produced 14,169 MT of Ferro Silicon during the year under review as against 12,605 MT in the Financial Year 2016-17. 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.

During the 1st and 2nd quarter of the year, due to the lesser demand of steel the market was sluggish. However, the market revived in the 3rd and 4th quarter of the financial year which resulted in better price realisation thereby increasing the profit of the Company.

SHARE CAPITAL

The paid up Equity Capital as on March 31, 2018 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 6th March, 2018 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.

COMPLIANCE WITH THE SECRETARIAL STANDARD

The Company has complied with the applicable Secretarial Standards as recommended by the Institute of Company Secretaries of India.

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 31 March, 2018 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 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. The Independent Directors have been issued 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 weblink: http://shyamcenturyferrous.com/wp-content/uploads/2015/10/Familiarization_Programme_for_Independent_Directors.pdf

AUDITORS & AUDITORS' REPORT

M/s. Kailash B. Goel & Co., Chartered Accountants (Firm Registration no. 322460E), Statutory Auditors of the Company, have been appointed by the members at the third Annual General Meeting and shall hold office for a period of 5 years from the date of such meeting held on 4th July, 2014.

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. Your Directors have, on the recommendation of the Audit Committee, appointed M/s. B. G. Chowdhury &

Co., Cost Accountants, (Firm Registration number 000064) as Cost Auditors of the Company for the financial year ended 31st March, 2018 in the Board Meeting held on 30th May, 2017. The remuneration proposed to be paid to them for the FY2017-18, as recommended by audit committee, was ratified in the meeting of shareholders held on 11 September, 2017.

M/s. B. G. Chowdhury & Co., Cost Accountants, (Firm Registration number 000064) have expressed their willingness to be appointed as Cost Auditors of the Company for ensuing financial year. The Board, on recommendation of the audit committee has appointed M/s. B. G. Chowdhury & Co., Cost Accountants, (Firm Registration number 000064) as Cost Auditors of the Company for the FY2018-19 subject to ratification of their remuneration by shareholders in the General Meeting of the company.

The cost audit report for the Financial Year 2016-17 was filed with the Ministry of Corporate Affairs on 26th June, 2017.

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 marked **Annexure-2**. The report is self-explanatory and do not call for any further comments.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, your company has not given any loan or guarantee to any person falling under ambit of Section 186 of the Companies Act, 2013.

Details of Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

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. Accordingly, no transactions are being reported in Form AOC-2 in terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014. However, the details of the transactions with the Related Party are provided in