

GROWING WITH THE FLOW



SHYAM CENTURY FERROUS LIMITED
ANNUAL REPORT 2020-21

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Disclaimer: This document contains statements about expected future events and financials 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 a significant risk that the assumptions, predictions, and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several 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 Discussion and Analysis section of this Annual Report.

Growing with the Flow

₹ 127.62 Crore
Revenue from Operations

₹ 21.22 Crore
EBITDA

₹ 2.80 Crore
Profit after Tax

The ebb and tides in a river are analogous to the growth of an organisation. Both internal and exterior thrust propels it. This year's theme is a slight tweak to the famous saying, 'Going with the Flow'. It aptly describes our growth through these trying times and how we seized opportunities in our target market.

Shyam Century Ferrous Limited is a well-known Ferro Alloys manufacturer in North-Eastern India. The Company manufactures ferrosilicon and has a production capacity of 21,600 metric tonnes per year. This capacity includes a captive power generating capacity of around 14 MW, facilitating the production of silico manganese and other ferro alloys, using the same infrastructure.

Despite the challenges posed by the pandemic, the Company's revenue rose by 46.26%, and profit increased to ₹ 280.20 Lakhs. With the Government putting effort into new infrastructure projects, there has been a rise in demand, spearheaded by the infrastructure industry. This led to a positive result for the Company as it helped maintain demand and the Company benefited from rising steel demand and prices. The Company seized the opportunity, which resulted in a strong financial performance that allowed it to keep up with the flow. The Company is now steady on its growth path, tapping every prospect in significant markets across the nation.

Director's Message

With business and society affected by the disruptions caused by the COVID-19 pandemic, we took proactive measures to extend support to our employees and other stakeholders, while effectively managing our business operations. We implemented necessary protocols and undertook measures to go beyond the normal to ensure safety for all.

Dear Shareholders,

It's been a different year, and thus, makes it even more pronounced to discuss the fiscal in detail. There are two ways to look at the pandemic year 2020-21- one marked by disruptions, inconsistencies, and loss; and the other is the year's lessons on adaptability, agility and resilience.

With the pandemic prompting lockdowns and disrupting businesses around the world, FY 20-21 was hard to gauge. There was significant contraction in the first quarter due to the nationwide lockdown, and India's economy contracted by 7.7% during the course

of the year. During such a difficult time of the pandemic, the Government and the Reserve Bank of India (RBI) provided significant support to the Indian economy by offering numerous stimulus packages, reducing interest rates, and providing liquidity, all of which allowed the Indian economy to recover at a far faster rate.

Our economy gradually started opening up by the second quarter and signs of revival were evident in economic activities. Business activities across sectors showed signs of improvement in the

second quarter, with the contraction narrowing down to 7.5%. The Indian economy became the second to post positive GDP results in the third quarter, after China. It was because of decreased COVID-19 positive cases and multiple inoculation drives, there was an improvement in public morale, which resulted in increased GDP - indicative of a positive outlook for the global and Indian economy.

Always With Our Employees

Our people have been the backbone of the Company, and the driving force behind

our progress. Over the course of the year, we took proactive measures to protect our employees' well-being. We made sure that our people stayed healthy by enforcing social distancing and personal hygiene norms, as well as wearing masks at all times to prevent the virus from spreading.

We have thoroughly assured the safety of both permanent and contract staff. We permitted our employees, who were stranded due to the lockdown, to stay on the plant premises. The Company also provided them with food and

other necessities, and also shut down offices during the peak of COVID-19 to protect everyone associated with us. These protocols enabled us to begin operations prior to other organisations, clearly giving us a competitive edge. Post lockdown, we have also provided free vaccines to our employee as well as to the people in our nearby communities.

Stellar Performance

I am glad to inform you that despite the challenges posed by the pandemic, we have performed exceptionally well during the year. Our revenue from operations stood at ₹ 12,761.56 Lakhs in the financial year under review, which is up by 46.26% from ₹ 8,725.48 Lakhs in previous financial year. EBITDA also recorded a robust growth to reach ₹ 2,122.40 Lakhs. Our PAT has also shown a very good recovery and from a net loss in the previous year we have posted a profit of ₹ 280.20 Lakhs, which has added to the enthusiasm and morale. On account of an exceptional

item appearing on the profit and loss account for the year, the Profit After Tax has been affected, despite a higher level of EBITDA. This strong financial performance stands testimony to our sound management and operational systems. As a result of the early actions we took, we have been able to start sooner with a 50% capacity.

It was important for us to keep a healthy stock of raw materials over the financial year to maintain an efficient production cycle and to prevent production from being hindered by a lack of raw materials during the early stages of unlocking. This year's second half saw a strong demand for ferro silicon, largely due to reduced supply from major geographies and producers. Our efficient inventory management helped us to improve our margins and grab the opportunity, thus creating value for our stakeholders.

The fiscal saw our Company's production falter due to a lack of oxygen for production.

Amid the chaos of the second wave of the pandemic, as a socially responsible corporate citizen, we slowed down our production and diverted our oxygen supplies to the hospitals to save lives.

Outlook

Going ahead, I am confident of a robust demand for ferro silicon. It being a chief contributor in stainless steel, there are vast opportunities yet to get materialised in the automobile and infrastructure development space. With improving auto sales during the year and Government's ardent focus towards infrastructure development, there are huge untapped opportunities for ferro-silicon in India. Our prudent approach, resilient and agile business model and commitment towards our customers will help us to grow. The overall demand and price conditions are favourable, and the business outlook is increasingly improving. Financial discipline, operational excellence, and

client centricity continue to guide the Company through adversities. The epidemic has taught us a lot of new things, and these lessons will become key tenets of our Company as we move ahead with our objectives.

Vote of Thanks

Financial year 20-21 has been a successful year for the Company despite all the challenges related to the ongoing pandemic, lockdowns and logistical issues. I am proud of all our achievements, especially the higher level of attributable revenue in the financial year, a healthy cash balance, no fatalities and continued safety achievements. I would like to thank our management team, all members of staff and other stakeholders, including our investors for maintaining trust and contributing to this success. We are devoted to building a vibrant organisation, as we shift the gear towards driving a better tomorrow.

Warm Regards,
Sajjan Bhajanka
Director



Corporate Information

CIN: L27310ML2011PLC008578

Board of Directors

Mr. Sajjan Bhajanka

Director

Mr. Rajesh Kumar Agarwal

Director (w.e.f. 08.02.2021)

Mr. Aditya Vimalkumar Agarwal

Director

Mr. Pramod Kumar Shah

Director

Mr. Nirmalya Bhattacharyya

Director (w.e.f. 01.04.2021)

Mrs. Plistina Dkhar

Director

Mr. Nagraj Tater

Director (up to 11.11.2020)

Lt. Hari Prasad Agarwal

Director (w.e.f. 12.11.2020 up to 18.12.2021)

Mr. Santanu Ray

Director (up to 31.03.2021)

Auditors

AKSD & Associates

(Formerly Kailash B. Goel & Co.)

Chartered Accountants

70, Ganesh Chandra Avenue, 1st Floor,

Kolkata 700 013

Chief Executive Officer

Mr. Sumanta Kumar Patra (w.e.f. 29.06.2020)

Chief Financial Officer

Mr. Kamlesh Pathak

(up to 22.03.2021)

Mr. Uday Bahadur Chetri (w.e.f. 09.06.2021)

Company Secretary

Ms. Neha Agarwal

Bankers

HDFC Bank Limited

Registered Office

VIII : Lumshnong, P. O. Khaliehriat

Dist: East Jaintia Hills

Meghalaya 793 210

Works

Ferro Alloy & Power Plant

EPIP, Raja Bagan,

Byrnihat 793 101

Ri-Bhoi, Meghalaya

Corporate Office

'Century House', 2nd Floor,

P-15/1, Taratala Rd, 2nd Floor, CPT Colony

Taratala, Kolkata, West Bengal 700 088

Phone no.: 033 2248 4169/70

Fax: 033 2248 4168

Email: investors@shyamcenturyferrous.com

Website: www.shyamcenturyferrous.com

Registrars & Share Transfer Agents

Maheswari Datamatics Pvt. Ltd.

23, R. N. Mukherjee Road, 5th Floor,

Kolkata 700 001

DIRECTORS' REPORT & MANAGEMENT DISCUSSION ANALYSIS

Dear Shareholders,

Your Directors have pleasure in presenting the Tenth Annual Report of the Company together with the Audited Balance Sheet as at 31st March, 2021 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, 2021 as compared to the previous financial year are as under:-

(₹ in Lakhs)		
Particulars	2020-21	2019-20
Total Income	13,568.06	8,913.93
Profit before Depreciation, Interest and Tax and exceptional item	2122.40	257.15
Depreciation	186.30	229.08
Interest and Finance Charges	79.58	40.14
Exceptional items	1,719.63	-
Profit/Loss Before Tax	136.89	(12.08)
Tax Expenses:		
-Current Tax	-	3.20
-Income Tax for previous years	(1.99)	(25.39)
-Deferred Tax	(141.32)	13.53
Profit/Loss after Tax	280.20	(3.42)
Other comprehensive income for the year, net of tax	1.01	5.82
Total comprehensive income for the year	281.21	2.40

- Previous years figures were rearranged and regrouped wherever necessary.
- During the FY 2020-21, Meghalaya Power Limited ceased to be an Associate Company, therefore, consolidated financial position for the year 2020-21 and 2019-20 have not been provided.

FERRO ALLOY BUSINESS - INDUSTRY AT A GLANCE

Country's Ferro alloys industry having enormous capacity to compete at international parlance. Due to massive infrastructure need, expansion of industrial production etc., India having potentiality to develop very strongly. Indian ferro alloys is very much preferred in Europe therefore, its growth prospect is very high. As per report of Steelworld the industry is estimated to grow at CAGR of 5.9% between 2017-2025, however, impact of Covid may defer the estimated growth.

Ferro alloy business is dependent on demand of steel. Covid-19, has impacted the overall demand of steel across the globe. There was reported a mixed impact on the business. Bounding the global trend, China and Russia produced more steel in 2020 comparing 2019. Among the top five nations, production declined in India and Japan. As per report of World Steel Association (WSA), crude steel production fell globally by 0.9% in 2020; however, China abled to raise production up by 5.2% over 2019 and its share in global crude steel production increased from 53.3% in 2019 to 56.5% in 2020. Russia also improved production by 2.6%. India retained its second position. Country's share in the global output deep to 5.3% in 2020 from 5.9% a year ago.

Impressive ore and ferro alloy prices witnessed in India, during February-March, 2021 with most markets posted significant price gains. High demand from steelmakers along with supply shortages in numerous markets, as well as freight and transportation issues, continued to push prices higher.

Low cost manpower and easy availability of iron ore reserves made the country competitive in global arena. During last decades the industry is witnessing consolidation of powers and business which is attracting investments from other sources and it has opened opportunities to the players from outside India.

Government's various initiative like implementation of National Steel Policy in 2017, Steel scrap Recycling Policy helped to reduce import of steel thereby conserving foreign exchange reserves, Atmanirbhar Bharat initiatives contributing for development of the sector. National Steel Policy forsee 300 million tonnes (MT) steel-making capacity and 160 kgs per capita steel consumption by 2030-31. The Ministry of Steel prepared a draft policy framework for development of steel clusters in the country.

The Ministry of Steel supporting for setting up a Steel Research and Technology Mission of India (SRTMI) to

promote research and development activities in the iron and steel industry at an initial corpus of ₹ 200 Crore.

The Directorate General of Foreign Trade (DGFT) announced that steel manufacturers are eligible to avail duty drawback benefits on steel supplied through their service centres, distributors, dealers and stock yards. To help domestic companies, Government imposed export duty of 30% on iron ore to help interrupted supply to domestic industry. Government's infrastructure development programme is expected to boost growth of the sector. The Government of India raised import duty on most steel items twice, each time by 2.5% and imposed measures including anti-dumping and safeguard duties on iron and steel items. The aforesaid measures and initiatives are expected to help the domestic industry to flourish again.

As per National Steel Policy, the ferro alloy industry is very much power intensive, therefore, captive power generation needs to be encouraged. There is direct linkage of steel production with the ferro alloy industry, therefore, to meet demand of steel industry, establishment of larger units of ferro alloy needs to be stimulated.

Your Company continued to focus on its fundamental strength i.e., productivity and quality. Strong emphasis were given on reduction of cost, utilisation of internal efficiencies together with an improvement in the product mix which enabled your Company to withstand inflationary pressures on costs and profitability.

During the year under review, your Company has sold 14,477.50 MT of Ferro Silicon as against 11,568 MT recorded in previous year. Prices of ferro silicon was increased therefore sales realisation was also increased. Your Company produced 14,124 MT of Ferro Silicon during the year under review as against 11,110 MT recorded in the FY 2019-20. Due to increase of variable cost, running of plant throughout the year was not viable and for sake of cost efficiency the plant was closed for a certain period. However, prices started improving from February, 2021. 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, due to non-availability of coal your Company has not generated any power like previous year.

During the year, M/s. Meghalaya Power Limited ceased to be an Associate Company of the Company due to sell of entire shares held by the Company in Meghalaya Power Limited.

OPPORTUNITIES & THREATS, RISKS AND CONCERNS

Performance of the Company depends on the continued demand of our products in the steel and stainless steel industry. Ferro Silicon market in India is subdued for quite a period of time. Highest consumption of Ferro Silicon seen in Stainless Steel Sector followed by Mild Steel Sector. Low demand from the above sectors affected Ferro silicon production in India. There has been sharp fall in market price of Ferro Silicon due to low demand from the sectors. However, Government's various initiatives to liberalise industrial policy, approval of National Steel policy and policy on 'Make in India' and other infrastructural initiatives taken are expected to increase in demand of ferro silicon.

Challenges being faced by the domestic companies due to fall in global demand, short availability of raw materials and very high power cost, lack of infrastructural facilities for easy transportation of raw materials to the location affects the sector. Policy of the Government, regulatory changes and force majeure events may also affect the development of domestic industry.

Despite all threats, Indian Ferro alloy industry has tremendous growth prospect due to low per capital steel production, rapid industrialisation, urbanisation, infrastructural development, thriving automobile and railway sectors and other Government initiatives.

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

In view of ongoing pandemic situation and lock down announced, we had implemented lot of measures at plant and non plant level. We have enforced Covid protocols in offices and plant as per directives of the Government to keep all concerned safe.

During the year under review, on a full year basis, the Company has posted total revenue of ₹ 13,568.06 Lakhs and Profit before Tax of ₹ 136.89 Lakhs in FY 2020-21 as against ₹ 8,913.93 Lakhs and ₹ (12.08) Lakhs respectively during the previous financial year. Exceptional Items during the year was ₹ 1719.63 Lakhs. Your Company produced 14,124 MT of Ferro Silicon during the year under review as against 11,110 MT recorded in the FY 2019-20.

SHARE CAPITAL

The paid up Equity Capital as on 31st March, 2021 was ₹ 2,221.73 Lakhs. 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.

EXTRACT OF ANNUAL RETURN

In terms of requirement of Section 134(3)(a) read with Section 92(3) of the Companies Act, 2013, the extract of the Annual return of the Company can be accessed at the web link: <http://shyamcenturyferrous.com/wp-content/uploads/2021/09/Annual-Return2020-21.pdf>

MEETINGS OF THE BOARD

During the year, Four (4) 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 12th March, 2021 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 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 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 victimisation 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/2021/09/SCFL_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. The said policy may be referred to at the Company's website at the web link: http://shyamcenturyferrous.com/wp-content/uploads/2019/04/SCFL_Remuneration-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.shyamcenturyferrous.com

COMPLIANCE WITH THE SECRETARIAL STANDARD 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 Standards) 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, 2021 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. AKSD & Associates (Formerly M/s. Kailash B. Goel & Co.), Chartered Accountants (Firm Registration no. 322460E), Statutory Auditors of the Company, have completed their tenure of two terms of five consecutive years as stipulated under section 139 of the Companies Act, 2013. Therefore, the terms of office of the existing Statutory Auditors will conclude from the close of the forthcoming Annual General Meeting of the Company.

The Board of Directors places on record its appreciation for the services rendered by M/s. AKSD & Associates as the Statutory Auditors of the Company.

M/s. D.K. Chhajer & Co, Chartered Accountants (Firm Registration no. 304138E) have expressed their willingness to be appointed as Statutory Auditors of the Company and have confirmed that their appointment, if made, would be within the limits mentioned under section 141(3)(g) of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014.

Subject to the approval of shareholders, the Audit Committee and the Board of Directors of the Company have recommended the appointment of M/s. D.K. Chhajer & Co., Chartered Accountants (Firm Registration no. 304138E), as Statutory Auditors of the Company pursuant to Section 139 of the Companies Act, 2013 for a period of five years commencing from the conclusion of 10th Annual General Meeting till the conclusion of 15th Annual General Meeting,

The Auditors' Report to the Shareholders for the year under review does not contain any qualification.

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 Messrs Sanjib Das & Associates, Cost Accountants (Firm Registration Number 100751) as Cost Auditors of the Company for the financial year ended 31st March, 2021 in the Board Meeting held on 25th June, 2020. The remuneration proposed to be paid to them for the FY 2020-21, as recommended by audit committee, was ratified in the meeting of shareholders held on 29th September, 2020. However, Messrs Sanjib Das & Associates, have expressed their unwillingness to be re-appointed for the FY 2021-22 due to their pre-occupation.

The Board of Directors of the Company on the recommendation of the Audit Committee, appointed M/s. B. G. Chowdhury & Co., Cost Accountants, (Firm Registration number 000064), as the Cost Auditors of the Company for the Financial Year 2021-22 under section 148 of the Companies Act, 2013. M/s. B. G. Chowdhury & Co. 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 Auditor 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 M/s. B. G. Chowdhury & Co., Cost Auditors for the FY 2021-22 is included in the Notice convening the Annual General Meeting.

The cost audit report for the FY 2019-20 was filed with the Ministry of Corporate Affairs on 09th December, 2020.

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-1**. The report is self-explanatory and do not call for any further comments.