

## Shyam Century Ferrous Limited

October 01, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term (LT/ST) Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable / CARE A3+ (Triple B Plus; Outlook: Stable / A Three Plus) and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable (Triple B Plus; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A3+ (A Three Plus) and Withdrawn

\* Details of instrument/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB+; Stable/CARE A3+' [Triple B Plus; Outlook: Stable/ A Three Plus] assigned to the bank facilities of Shyam Century Ferrous Limited (SCFL) with immediate effect. The above action has been taken at the request of SCFL. and 'No Objection Certificate' received from the bank(s) that has extended the facilities rated by CARE.

### Detailed description of the key rating drivers

#### Key rating strengths

##### *Experienced promoters and established group*

The promoters of company are Mr. Sajjan Bhajanka, Mr. Hari Prasad Agarwal and Mr. Sanjay Agarwal who are reputed and experienced industrialists having interests in Ferro Alloys, Power, Cement, Plywood, Veneer, Laminates etc. The promoters of the company have over decades of rich experience in various industries. The other major group company is Star Cement Ltd (SCL) having a consolidated clinker capacity of 2.5 MTPA and cement capacity of 4.30 MTPA.

##### *Improvement in financial performance in FY21*

The total operating income (TOI) of SCFL registered a y-o-y growth of around 45% during FY21 to Rs.129.29 crore. The PBILDT and PAT increased to 15.64% and 2.06% respectively in FY21 as against 13.42% and -0.03% respectively in FY20 mainly on account of improved realizations. However, the company has recorded an extraordinary loss of Rs.17.20 crore due to charging off the differential excise duty in FY21. Interest coverage ratio improved to 18.54x in FY21 from 6.41x in FY20 due to increase in PBILT level. The company earned a GCA of Rs.3.23 crore as against debt repayment obligation of Rs.0.73 crore in FY21.

##### *Sale of stake in Meghalaya Power Limited leading to increased cashflow*

As on March 31, 2020, SCFL had high exposure of Rs.33.74 crore (which accounted for 48.80% of total equity share capital of Meghalaya Power Limited (MPL)) in the form of investments in MPL. However, during FY21, the company has sold its entire holding in MPL for a consideration of Rs.40.12 crore leading to gain of Rs.6.41 crore. This has resulted in increased cashflow in the company.

##### *Comfortable capital structure and debt coverage indicators*

The capital structure of SCFL continues to remain comfortable, marked by low term debt obligation with overall gearing ratio of 0.04x as on March 31, 2021 (0.02x as on March 31, 2020). Total Debt/GCA though moderated slightly, remained comfortable at 1.44x as on March 31, 2021 as against 1.10x as on March 31, 2020 due to increase in working capital borrowings in FY21.

##### *Rationalization of power cost by entering into a Power Purchase Agreement with Meghalaya Power Distribution Corporation Limited (MePDCL)*

The production process of Ferro Alloy is highly power intensive (forming around 45%-50% of the cost of sales) and therefore the cost of power is crucial to competitiveness of the products. SCFL has entered into a long term PPA (5 years) with MePDCL in May 2019 to safeguard itself from the power availability concerns and to rationalize the cost of power consumed.

### Key Rating Weakness

#### *Moderate capacity utilization*

The capacity utilization has remained moderate over the last three fiscals. It has moderated to around ~56% in FY20 as against ~74% during FY19.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

### ***Susceptible to volatility in the prices of raw materials***

The company locally procures its major raw material like Quartz, Lam coke, Super Screen Coal, Mills Scale, etc. The entire raw material procurement is on spot basis (i.e. at market-linked rates) and hence it is exposed to volatility in raw material prices.

### ***Customer concentration risk***

SCFL is exposed to customer concentration risk as ~74% of its total sale in FY20 was contributed by its top ten customers. Therefore, any disruption in the operations of the said clientele (be it regulatory or financial or economy related), will adversely impact the revenue of the company.

**Analytical approach:** Standalone approach while factoring linkages with Shyam Group & Century Group.

### **Applicable Criteria**

[Policy on Withdrawal of ratings](#)

[Criteria on assigning outlook and credit watch](#)

[CARE policy on default recognition](#)

[Liquidity Analysis of Non-Financial sector](#)

[Rating Methodology- Manufacturing Companies](#)

[Financial Ratio- Non - Financial Sector](#)

[Criteria for Short term ratings](#)

[Rating Methodology- Factoring Linkages in ratings](#)

### **About the Company**

Shyam Century Ferrous Limited (SCFL) was incorporated in 2011. It was a dormant company till April 01, 2014 before the transfer of ferro alloy business. The promoters of company are Mr. Sajjan Bhajanka, Mr. Hari Prasad Agarwal and Mr. Sanjay Agarwal. The main companies promoted by them are Century Plyboards (I) Ltd. & Star Cement Ltd (formerly Cement Manufacturing Company Ltd). SCFL is engaged in manufacturing of Ferro Silicon with a total capacity of 21,600 Metric tonnes per annum (MTPA) and has a captive power plant of 14 MW (currently non-operational) at Meghalaya.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	89.14	129.29
PBILDT	2.57	14.83
PAT	(0.03)	2.80
Overall gearing (times)	0.02	0.04
Interest coverage (times)	6.41	18.64

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable.

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

### **Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit		-	-	-	0.00	Withdrawn
Fund-based - ST-Bills discounting/ Bills purchasing		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantees		-	-	-	0.00	Withdrawn

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB+; Stable (07-Jul-20)	1)CARE BBB+; Stable (14-Feb-20)2)CARE A-; Negative (14-Nov-19)3)CARE A-; Stable (05-Jul-19)	1)CARE A-; Stable (18-Feb-19)2)CARE A-; Stable (08-Jan-19)
2	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)CARE A3+ (07-Jul-20)	1)CARE A3+ (14-Feb-20)2)CARE A2+ (14-Nov-19)3)CARE A2+ (05-Jul-19)	1)CARE A2+ (18-Feb-19)2)CARE A2+ (08-Jan-19)
3	Fund-based - ST-Bills discounting/ Bills purchasing	ST	-	-	-	1)CARE A3+ (07-Jul-20)	1)CARE A3+ (14-Feb-20)2)CARE A2+ (14-Nov-19)3)CARE A2+ (05-Jul-19)	1)CARE A2+ (18-Feb-19)2)CARE A2+ (08-Jan-19)
4	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST*	-	-	-	1)CARE BBB+; Stable / CARE A3+ (07-Jul-20)	1)CARE BBB+; Stable / CARE A3+ (14-Feb-20)2)CARE A-; Negative / CARE A2+ (14-Nov-19)3)CARE A-; Stable / CARE A2+ (05-Jul-19)	1)CARE A-; Stable / CARE A2+ (18-Feb-19)2)CARE A-; Stable / CARE A2+ (08-Jan-19)

\*Long Term / Short Term

## Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

## Annexure-4: Complexity level of various instrument rated for this category

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Bills discounting/ Bills purchasing	Simple
3	Non-fund-based - LT/ ST-Bank Guarantees	Simple
4	Non-fund-based - ST-Letter of credit	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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### Disclaimer

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