August 20, 2025

Shyam Century Ferrous Limited: Ratings downgraded; outlook continues to be Negative

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based - Working capital	24.00	24.00	[ICRA]BBB(Negative); downgraded from [ICRA]BBB+(Negative)
Short term non-fund based – Letter of credit	10.00	10.00	[ICRA]A2; downgraded from [ICRA]A2+
Total	**34.00**	**34.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings downgrade for Shyam Century Ferrous Limited (SCFL) reflects its weakening cost structure that has persisted through FY2024, FY2025 and Q1 of FY2026. Further, the company's plant remains non-operational, following its closure on May 7, 2025, due to high power tariffs that rendered the operations economically unviable. SCFL's profitability remains under significant pressure, with operating losses at Rs. 3.6 crore in FY2024, Rs. 12.5 crore in FY2025, and Rs. 4.7 crore in Q1 FY2026, because of elevated cost pressures. On August 8, 2025, SCFL announced its financial results for the first quarter of FY2026.

Additionally, SCFL, along with other ferroalloy producers in the North East, continues to face competitive pressure from the imports from Bhutan, where the producers benefit from the significantly lower hydropower tariff, thereby impacting SCFL's overall competitiveness. A timely resolution of the power-related challenges and restoration of production remain the key monitorables, going forward.

The ratings are constrained by SCFL's small scale of operations, which makes the company vulnerable to a period of sustained industry downturn. The company is exposed to significant volatility in earnings, given the cyclical nature of the steel industry, the key end user for ferrosilicon. ICRA also notes that many industries based in Meghalaya, including SCFL, remain exposed to regulatory risks as any unfavourable change in Government policy may impact the raw material availability and restrict production. The company's performance was also impacted by a ~70-day plant shutdown during 9M FY2025, following the regulatory restrictions imposed by the Pollution Control Board.

Despite these operational and profitability challenges, SCFL's ratings continue to be supported by its comfortable financial risk profile, underpinned by a debt-free comfortable capital structure and a strong liquidity position. The company benefits from significant financial flexibility, being a part of the Century Group, which enables it to secure funding at competitive interest rates. SCFL's liquidity remains robust, with ample headroom in the form of undrawn working capital limits and a sizeable cash and liquid investment balance, giving it resilience to withstand the industry downturn.

The Negative outlook reflects the sustained pressure on SCFL's credit profile, stemming from continued operating losses and uncertainty regarding the timely recommencement of operations of the currently shut-down plant.

Key rating drivers and their description

Credit strengths

Comfortable capital structure - SCFL has a comfortable financial risk profile, characterised by its long-term debt-free status, with total outside liabilities/tangible net worth (TOL/TNW) of 0.1 times as on March 31, 2025 (0.1 times as on March 31, 2024). The sizeable cash and liquid investments have led to a net debt negative status for the company since FY2021.

Strong liquidity profile provides ample headroom to withstand industry downturn - The company's liquidity is strong, supported by a significant headroom in undrawn working capital limits and sizeable cash and liquid investments. The company had undrawn working capital facilities of ~Rs. 24.0 crore, unencumbered fixed deposits of ~Rs. 85 crore, as well as liquid investments valued at ~Rs. 44 crore as on August 12, 2025.

High financial flexibility from being a part of the Century Group - SCFL continues to demonstrate strong financial flexibility, supported by its status as a part of the Century Group. The flagship company of the Century Group is Century Plyboards Limited {rated [ICRA]AA(Stable)/[ICRA]A1+}, a dominant player in the plywood industry. Other notable companies in the Group include Star Cement Ltd, a leading cement manufacturer in the northeastern market. SCFL's parentage is expected to help it secure funding at competitive rates.

Credit challenges

Plant shutdown amid persisting cost pressures; operations remain loss-making– The company's plant remains non-operational, following its closure on May 7, 2025, due to high power tariffs that rendered the operations economically unviable Further, SCFL's profitability remains under significant pressure, with operating losses of Rs. 3.6 crore in FY2024, Rs. 12.5 crore in FY2025 and Rs. 4.7 crore in Q1 FY2026 because of elevated cost pressures.

Exposure to regulatory risks associated with raw material availability and operational disruptions –ICRA notes that SCFL remains exposed to regulatory risks that could impact the raw material availability and operations. Industries in Meghalaya have faced challenges due to government policy changes, including past restrictions on coal mining and movement. In FY2025, the production was disrupted by directives from the Pollution Control Board (PCB), following Byrnihat's classification as a highly polluted area. This led to a plant shutdown for ~70 days, affecting the overall operations.

Small scale of operations; captive power plant remains unutilised from FY2020 due to bottlenecks in coal availability in Meghalaya – The small scale of operations makes SCFL vulnerable to periods of sustained industry downturns. Its modest scale is also a function of its moderate capacity utilisation of 60-70% over the last five years ended 9M FY2025. The company is unable to utilise its 14-MW captive power plant under Meghalaya Power Limited (MPL) due to coal availability constraints in Meghalaya after the ban on coal movement in the state from FY2020 and subsequent elevated prices of coal, making it more expensive to produce power captively against procurement from the grid. However, if adequate coal is available at a competitive rate, the company would be able to operate the power plant and will become largely self-sufficient in its power requirements.

Competitive pressure from imports from Bhutan due to access to cheaper hydropower – SCFL faces competition from Bhutanese imports, as producers there benefit from significantly lower hydropower costs. This puts Indian manufacturers, including SCFL, at an inferior cost position, adversely impacting the overall competitiveness and profitability.

Exposed to cyclical nature of end-user industry and volatility in raw material prices - The steel industry, the key end-user for ferrosilicon, is cyclical in nature, which is likely to result in volatile cash flows for ferroalloy players, including SCFL. Further, raw materials constitute a significant portion of SCFL's cost structure, thereby exposing the profitability to input price volatility. Low ash metallurgical (LAM) coke is the major raw material used by the company and has exhibited volatility in the past. The company's profitability, thus, remains vulnerable to the fluctuations in raw material prices, given its limited ability to pass on the price variation to its end customers.

Environment and Social Risks

Environmental considerations – Ferro-alloy manufacturing is an energy-intensive process and requires a substantial use of fossil fuel (scope 1 emissions) and power (scope 2 emissions), which results in greenhouse gas emissions, industrial waste generation and environmental pollution. Increasing regulatory requirements to reduce greenhouse gas emissions and stricter air pollution standards may result in higher costs for ferro-alloy manufacturers in the medium term. SCFL has progressively taken steps towards the conservation of energy and technical absorption, like cooling tower hot basin modification work to arrest the water leakage. These measures partly mitigate the risk of non-compliance with the applicable environmental laws and ensure business continuity. Further, SCFL faces the risk of physical climate change from rainfall in the form of disruption in the availability of raw materials, like coke and coal.

Social considerations – Social risks for ferro-alloy manufacturers manifest from the health and safety concerns of employees involved in the manufacturing activity. Casualties/accidents at operating units due to gaps in safety practices could not only result in production outages for ferro alloy manufacturers but also invite penal actions from regulatory bodies. The sector is exposed to labour-related risks and risks of protests/social issues with local communities, which might impact its expansion/modernisation plans. Also, the adverse impact of environmental pollution in nearby localities could trigger local criticism. During FY2024, the company spent Rs. 7.6 crore towards its corporate social responsibility (CSR) initiatives. This included the distribution of medicines under the Pradhan Mantri TB Mukt Yojana, along with contributions towards promoting education and the development of schools.

Liquidity position: Strong

SCFL's liquidity position is strong with sufficient undrawn limits and a sizeable cash & liquid investment position. As the plant is not operational, there has been nil utilisation of the fund-based working capital limits from April 2025 to July 2025. The company has no long-term debt service obligations, which further strengthen its liquidity profile. In addition, the company holds unencumbered fixed deposits amounting to ~Rs. 85 crore, along with liquid investments currently valued at ~Rs. 44 crore as on August 12, 2025, thus strengthening its on-balance sheet liquidity position.

Rating sensitivities

Positive factors –A rating upgrade is unlikely, given the Negative outlook. ICRA may revise the outlook to Stable if SCFL is able to improve the profitability levels meaningfully while maintaining its comfortable liquidity profile.

Negative factors – A sustained period of loss-making operations could result in a downgrade. Moreover, a significant debt-funded capex, leading to a deterioration in the debt protection metrics, or a material deterioration of the liquidity position would exert pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financials of SCFL.

About the company

Shyam Century Ferrous Limited (SCFL) was incorporated in 2011. It was a dormant company till April 1, 2014, before the ferro alloy business, including a 48.8% shareholding in Meghalaya Power Ltd. (MPL, operating a 43-MW thermal power plant), was transferred from Star Ferro and Cement Limited, under a scheme of demerger approved by the High Court of Meghalaya on March 31, 2015, effective from April 01, 2014. Star Ferro and Cement Limited earlier used to house the ferro alloy, power, and cement businesses. SCFL manufactures ferrosilicon with a total capacity of 21,600 MTPA and has a captive power plant of 14 MW (currently non-operational) in Meghalaya.

Key financial indicators (audited)

SCFL Standalone	FY2024	FY2025*	Q1FY2026^
Operating income	138.1	113.1	14.2
PAT	0.7	-9.3	-4.0
OPBDIT/OI	-2.6%	-11.1%	-33.3%
PAT/OI	0.5%	-8.2%	-28.4%
Total outside liabilities/Tangible net worth (times)	0.1	0.1	NA
Total debt/OPBDIT (times)	-0.7	-0.4	NA
Interest coverage (times)	-12.4	-44.5	-152.7

*Source: Company, ICRA Research; *Annual results; ^Quarterly results, NA since only profit and loss items are published; All ratios as per ICRA's calculations; Amount in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	Aug 20, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Working capital	Long term	24.00	[ICRA]BBB (Negative)	Apr 09, 2025	[ICRA]BBB+ (Negative)	Aug 22, 2024	[ICRA]BBB+ (Negative)	Dec 12, 2023	[ICRA]BBB+ (Stable)	Oct 31, 2022	[ICRA]BBB+ (Stable)
Non-fund based – Letter of credit	Short term	10.00	[ICRA]A2	Apr 09, 2025	[ICRA]A2+	Aug 22, 2024	[ICRA]A2+	Dec 12, 2023	[ICRA]A2+	Oct 31, 2022	[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based - Working capital	Simple
Short term non-fund based - Letter of credit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Fund based - Working capital**	NA	NA	NA	24.00	[ICRA]BBB(Negative)
NA	**Non-fund based - Letter of credit**	NA	NA	NA	10.00	[ICRA]A2

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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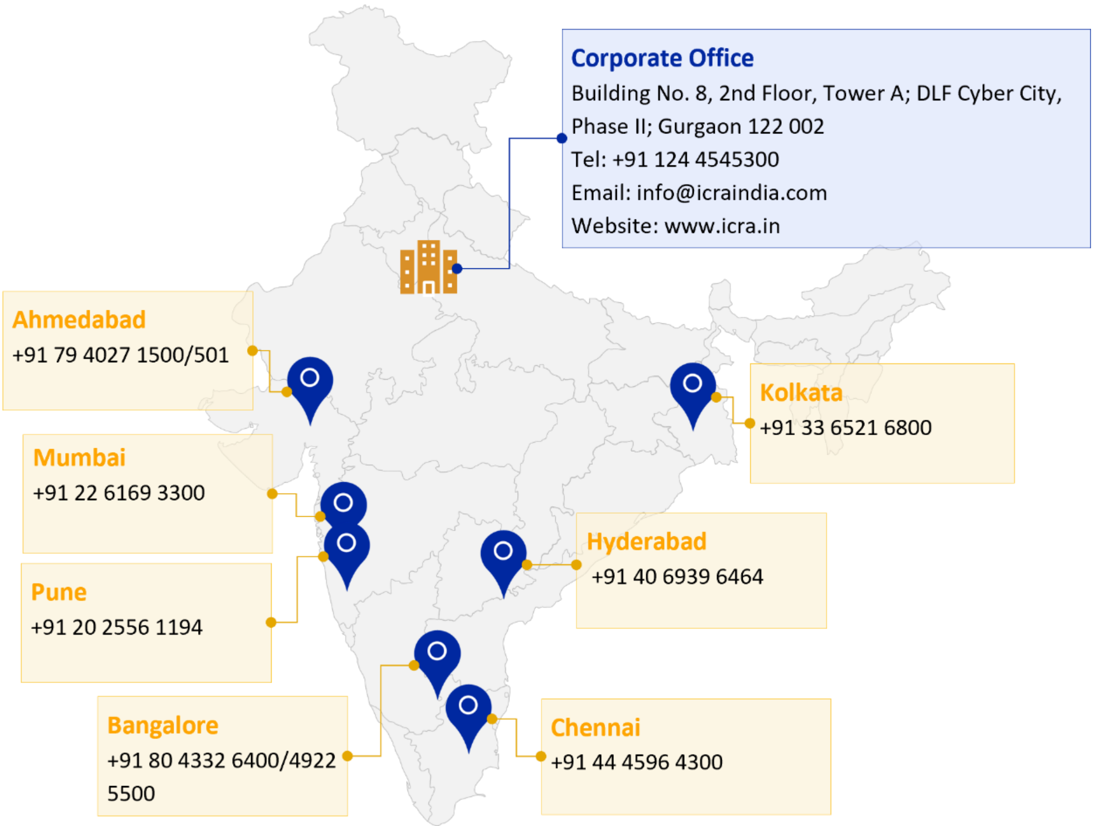

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