

# SKY INDUSTRIES LIMITED



CIN No.: L17120MH1989PLC052645

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SKY/SE/21-22/54

January 21, 2022

To  
BSE Limited  
P. J. Towers, Dalal Street,  
Mumbai- 400 001  
Scrip Code: 526479

Dear Sir/Madam

**Sub: Sky Industries Limited: Revision in Credit Rating**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that CRISIL has revised its outlook on the long term bank facilities of Sky Industries Limited ('Company') to 'Positive' from 'Stable' while reaffirming the rating at 'CRISIL BB+'. The short term rating has been reaffirmed at 'CRISIL A4+.

<b>Total Bank Loan Facilities Rated</b>	Rs.18.3 Crore (Enhanced from Rs.15.3 Crore)
<b>Long Term Rating</b>	CRISIL BB+/Positive (Outlook revised from 'Stable' Rating reaffirmed)
<b>Short Term Rating</b>	CRISIL A4+ (Reaffirmed)

A copy of the Rating Rationale issued by CRISIL covering *inter alia* Press Release for Reaffirmation of Credit Rating is enclosed.

We request you to take the above information on record.

Thanking you

Yours faithfully  
For SKY INDUSTRIES LIMITED

**MAIKAL RAORANI**  
**WHOLE TIME DIRECTOR & CFO**  
**DIN: 00037831**



Encl.: a/a

# Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



## Rating Rationale

January 21, 2022 | Mumbai

### Sky Industries Limited

*Rating outlook revised to 'Positive', Ratings reaffirmed; Rated amount enhanced*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.18.3 Crore (Enhanced from Rs.15.3 Crore)</b>
<b>Long Term Rating</b>	<b>CRISIL BB+/Positive (Outlook revised from 'Stable'; rating reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A4+ (Reaffirmed)</b>

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL Ratings has revised its outlook on the long term bank facilities of Sky Industries Limited (SIL) to '**Positive**' from 'Stable' while reaffirming the rating at '**CRISIL BB+**'. The short term rating has been reaffirmed at 'CRISIL A4+'.

The revision in outlook is driven by the expected improvement in the scale of operations and sustenance of improved profitability strengthening the business risk profile. Revenue recovered sharply during first half of fiscal 2022, after a subdued pandemic impacted fiscal 2021, to Rs 34.8 crores, registering 93.6% growth year-on-year. Overall revenue is expected to register growth of 15-20% from pre pandemic levels in fiscal 2022. Operating margins have improved to around 9.7% in fiscal 2021 from 7.6% a year before, despite pandemic related disruptions and likely to be sustained over medium term.

The ratings continue to reflect the company's established market position in the hook and loop industry, and above-average financial risk profile backed by strong debt protection metrics. These strengths are partially offset by the company's small scale of operations in a highly fragmented industry and modest and fluctuating profitability.

#### Key Rating Drivers & Detailed Description

##### Strengths:

- **Established market position:** SIL's market position is backed by a strong track record, more than 500 active customers, and direct sales to 90% of the clients. The promoters' experience of around three decades, understanding of local market dynamics, and established relationships with suppliers and customers should continue to support business risk profile. Key customers have been associated with the company for 10-15 years, ensuring stable demand for products. As SIL supplies to a wide range of industries—including footwear, automotive, and aviation—dependence on a single sector is low.
- **Above-average financial risk profile:** Network was moderate at Rs.25.68 crore and total outside liabilities to adjusted network ratio healthy at 0.94 times, as on March 31, 2021. Debt protection metrics were strong, with interest coverage and net cash accrual to adjusted debt ratios of 4.50 times and 0.23 times, respectively, in fiscal 2021. Financial risk profile is expected to remain stable over the medium term backed by moderate accrual, absence of any significant debt-funded capital expenditure (capex) and consistently managed working capital cycle.

##### Weaknesses:

- **Moderate scale of operations:** During the five fiscals through March 31, 2021, revenue ranged from Rs 48-59.3 crore. Scale up in revenue is constrained by intense competition from a large unorganised sector, leading to smaller market size for manufacturers of premium, high-quality fasteners and low export revenue. The international market is also highly competitive, with large supply coming from China. While there has been above average growth in current fiscal and revenue is expected to further grow over medium term, overall scale of operations are expected to remain moderate given the industry dynamics.
- **Low and fluctuating profitability:** Operating profitability has been 7.6-9.7% over the three fiscals through 2021 primarily on account of fluctuations in raw materials prices. While SIL has moderate ability to pass on these input price hikes to clients, operating margins shall remain susceptible to any large and sudden movements in input prices

#### Liquidity: Adequate

Net cash accrual is expected to be Rs 4.7-5.4 crore per fiscal over the medium term against yearly debt obligation of Rs 0.46-0.53 crore. No large debt funded capex is planned over the medium term. Bank limit was moderately utilized at around 67.21% during the 12 months through Nov-2021. There is adequate drawing power to avail of sanctioned limit, and current

ratio was comfortable at 1.74 times as on March 31, 2021. Low leverage also aids financial flexibility. Liquid investments of around Rs.5.22 cr in mutual funds as on March 31, 2021 further enhances liquidity profile.

### Outlook: Positive

CRISIL Ratings believes SIL's business risk profile will continue to benefit from the extensive experience of its promoters and established relationships with customers.

### Rating Sensitivity Factors

#### Upward factors:

- Sustained improvement in revenue and profitability strengthening net cash accrual to around Rs 4-5 crore
- Sustained working cycle and stable financial risk profile on the back of stable capital structure debt protection metrics and liquidity profile

#### Downward factors:

- Decline in operating margin and subdued revenue growth weakening net cash accrual to below Rs 2.5 crore over the medium term
- Stretch in working capital cycle or large debt funded capex or stress on liquidity affecting financial risk profile

### About The Company

Incorporated in 1989, SIL manufactures Hook and Loop Tape Fasteners & other value added products, Velvet Tape, Webbing, etc. The Company sells its products under various brands, prominent among them being Sky-Magic, Sky-Walker, Sky-Magna, Sky-Wonder etc. The Company also deals in Fibre Glass Insect Screens and other products. The Company has its manufacturing facilities in Navi Mumbai and Bhiwandi.

### Key Financial Indicators

As on/for the period ended March 31	Unit	2021	2020
Operating income	Rs.Crore	52.92	59.34
Reported profit after tax	Rs.Crore	0.82	0.12
PAT margins	%	1.51	0.48
Adjusted Debt/Adjusted Networkth	Times	0.45	0.45
Interest coverage	Times	4.47	3.91

**Any other information:** Not applicable

### Note on complexity levels of the rated instrument:

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### Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Complexity Levels	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	8.5	NA	CRISIL BB+/Positive
NA	Letter of Credit	NA	NA	NA	8	NA	CRISIL A4+
NA	Working Capital Term Loan	NA	NA	Aug-2025	1.8	NA	CRISIL BB+/Positive

### Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	10.3	CRISIL BB+/Positive		--		--	07-12-20	CRISIL BB+/Stable	28-08-19	CRISIL BB+/Stable	CRISIL BB+/Stable
			--	--	--	--	10-11-20	CRISIL BB+/Stable		--	--	
Non-Fund Based Facilities	ST	8.0	CRISIL A4+		--		--	07-12-20	CRISIL A4+	28-08-19	CRISIL A4+	CRISIL A4+
			--	--	--	--	10-11-20	CRISIL A4+		--	--	

All amounts are in Rs.Cr.

### Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	8.5	Kotak Mahindra Bank Limited	CRISIL BB+/Positive
Letter of Credit	5	Kotak Mahindra Bank Limited	CRISIL A4+
Letter of Credit	3	Kotak Mahindra Bank Limited	CRISIL A4+

<b>Working Capital Term Loan</b>	<b>1.8</b>	<b>Kotak Mahindra Bank Limited</b>	<b>CRISIL BB+/Positive</b>
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*This Annexure has been updated on 21-Jan-2022 in line with the lender-wise facility details as on 21-Jan-2022 received from the rated entity.*

## Criteria Details

<b>Links to related criteria</b>
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>

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