

SKY INDUSTRIES LIMITED



CIN No.: L17120MH1989PLC052645

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Tel.: +91 22 67137900, Website.: www.skycorp.in

SIL/OUT/2020-21/43
November 11, 2020

To
The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001
Scrip Code: 526479

Sub: Intimation of Credit Rating by CRISIL

Dear Sir/Madam,

This is to inform you that, CRISIL Limited (CRISIL) has reaffirmed the Credit Rating of the Company as follows:

Total Bank Loan Facilities Rated	Rs. 13.5 Crores
Long Term Rating	CRISIL BB+/Stable (Re-affirmed)
Short Term Rating	CRISIL A4+(Re-affirmed)

The letter received from CRISIL (as updated on the website of CRISIL) is enclosed.

Kindly acknowledge and take the same on records.

Thanking You,

For **SKY INDUSTRIES LIMITED**

MAIKAL RAORANI
WHOLE TIME DIRECTOR & CFO
DIN : 00037831



Encl.: a/a

Rating Rationale

November 10, 2020 | Mumbai

Sky Industries Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.13.5 Crore
Long Term Rating	CRISIL BB+/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB+/Stable/CRISIL A4+' ratings on the bank facilities of Sky Industries Ltd (SIL).

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.

The lockdown and other measures undertaken by the Central and various state governments to contain the spread of Covid-19 are expected to have only a moderate impact on the business risk profile of the company. Revenue and profitability are likely to be lower than CRISIL's earlier expectation in fiscal 2021. However, SIL has gradually scaled up its revenue post-lockdown and is currently at par with pre-pandemic levels. Overall credit risk profile will continue to be supported by comfortable financial risk profile.

Key Rating Drivers & Detailed Description

Strengths:

* **Established 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:** Networth was moderate at Rs 21.63 crore and total outside liabilities to adjusted networth ratio healthy at 1.27 times, as on March 31, 2020. Debt protection metrics were strong, with interest coverage and net cash accrual to adjusted debt ratios of 3.91 times and 0.19 time, respectively, in fiscal 2020. 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:

* **Modest scale of operations:** During the five fiscals through March 31, 2020, revenue ranged from Rs 48-60 crore. Growth 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. Revenue is likely to remain subdued over the medium term.

* **Low and fluctuating profitability:** Operating profitability has been 7.6-10.8% over the three fiscals through 2020 primarily on account of fluctuations in raw materials prices. Margin declined to 7.6% in fiscal 2020 due to increased fixed expenses following full-fledged manufacturing operations. Profitability will remain at 6-9% over the medium term and will be a key rating sensitivity factor.

Liquidity Adequate

Net cash accrual is expected to be Rs 1.7-3.2 crore per fiscal over the medium term against yearly debt obligation of Rs 0.67 crore. No large capex is planned over the medium term. Bank limit was moderately utilised at around 83.3% during the 12 months through June 2020. There is adequate drawing power to avail of sanctioned limit, and current ratio was comfortable at 1.37 times as on March 31, 2020. SIL has availed of emergency Covid line of Rs 1.8 crore, which supports liquidity. Low leverage also aids financial flexibility.

Outlook: Stable

CRISIL 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 above Rs 6 crore
- * Improved working capital cycle and debt protection metrics leading to a better financial risk profile

Downward factors

* Decline in operating margin and subdued revenue growth weakening net cash accrual to below Rs 1.7 crore over the medium term

* Stretch in working capital cycle or large debt funded capex affecting financial risk profile

About the Company

Incorporated in 1989 and promoted by Shah family, SIL manufactures hook and loop fasteners, knitted elastics, and woven elastics under the Wonder and Magic brands. It also deals in value-added products such as velvet tapes and fibre glass insect screens. facility is in Navi Mumbai.

Key Financial Indicators

As on / for the period ended March 31		2020	2019
Operating income	Rs crore	59.34	58.32
Reported profit after tax	Rs crore	0.29	1.81
PAT margins	%	0.48	3.10
Adjusted Debt/Adjusted Net worth	Times	0.45	0.44
Interest coverage	Times	3.91	4.48

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure – Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

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	Overdraft	NA	NA	NA	8.5	NA	CRISIL BB+/Stable
NA	Letter of Credit	NA	NA	NA	5	NA	CRISIL A4+

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	8.50	CRISIL BB+/Stable			28-08-19	CRISIL BB+/Stable	30-05-18	CRISIL BB+/Stable	28-02-17	CRISIL BB/Stable	–
Non Fund-based Bank Facilities	LT/ST	5.00	CRISIL A4+			28-08-19	CRISIL A4+	30-05-18	CRISIL A4+	28-02-17	CRISIL A4+	–

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Letter of Credit	5	CRISIL A4+	Letter of Credit	5	CRISIL A4+
Overdraft	8.5	CRISIL BB+/Stable	Overdraft	8.5	CRISIL BB+/Stable
Total	13.5	--	Total	13.5	–

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings](#)

[The Rating Process](#)

[Understanding CRISILs Ratings and Rating Scales](#)

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