

SKY INDUSTRIES LIMITED



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February 12, 2024

To,

BSE LTD

P.J. Towers, Dalal Street,

Mumbai- 400 001

SCRIP CODE- 526479

Sub: Transcript of Earnings Call.

**Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
("SEBI Listing Regulations")**

Dear Sir/Madam,

Please find enclosed copy of transcript of Earnings Call for the Quarter and Nine Months ended December 31, 2023 conducted on Friday, February 09, 2024 for your information and records.

This will also be hosted on the Company's website, at www.skycorp.in

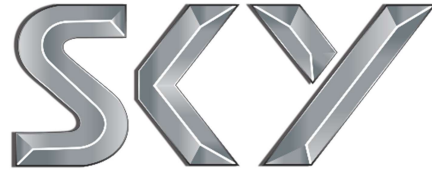
Kindly take the same on your record.

Thanking you.

For SKY INDUSTRIES LIMITED

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

Encl.: a/a



“Sky Industries Limited
Q3 FY '24 Results Conference Call”
February 09, 2024



MANAGEMENT: **MR. MAIKAL RAORANI – WHOLE-TIME DIRECTOR
AND CHIEF FINANCIAL OFFICER – SKY INDUSTRIES
LIMITED**
**MS. PRIYAL RUPARELIA – COMPANY SECRETARY –
SKY INDUSTRIES LIMITED**

MODERATOR: **MS. CHANDNI CHANDE - KIRIN ADVISORS**



Moderator: Ladies and gentlemen, good day and welcome to the Sky Industries Limited Q3 FY24 Results Conference Call hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Chandni Chande from Kirin Advisors. Thank you and over to you, ma'am.

Chandni Chande: Thank you. On behalf of Kirin Advisors, I welcome you all to the conference call of Sky Industries Limited. From management side, we have Mr. Maikal Raorani, Whole-Time Director and Chief Financial Officer, Ms. Priyal Ruparelia, Company Secretary.

Now I hand over the call to Mr. Maikal Raorani. Over to you, sir.

Maikal Raorani: Thank you, ma'am. Ladies and gentlemen, a very warm welcome to each one of you as we gather for the conference call of Sky Industries Limited, where we aim to delve into the exceptional performance during the Q3 FY24. Before we delve into the specifics of Q3 FY24, please allow me to provide a very concise overview of our company.

Sky Industries Limited has proudly stood as a premier hook-and-loop manufacturer and exporter in India since its inception in 1994, with over 30 years of industry expertise. We have earned recognition as specialists in delivering customized hook-and-loop fastening solutions. As a trusted supplier, our global reach extends to more than 10 countries and serving more than 38 diverse industries.

We have manufacturing facilities in Navi Mumbai and Bhiwandi, and apart from the main product of hook-and-loop tape fasteners, we also offer value-added offerings like self-adhesive tapes, webbings, neoprene, velvet, functional elastics, etc. Beyond our products, Sky Industries Limited plays a pivotal role in BIS Committee, contributing to the establishment of standards of hook-and-loop tape fasteners in India. Our commitment to excellence has been acknowledged with the highest exporter award by SRTPC in the past, which is under the Ministry of Textiles.

Furthermore, we carry certifications like ISO, IATF, OEKOTEX, etc., which underscore or underline our ability and dedication to quality and compliance. In FY23, the company achieved a total income of INR 75.24 crores, EBITDA at INR 5.63 crores and net profit of INR 1.77 crores. Coming to the Q3 FY24, it is evident that Sky has showcased remarkable resilience and strategic prowess.

In Q3 FY24, the company's total revenue witnessed a substantial upswing, reaching INR 20.28 crores, demonstrating its adaptability in an ever-changing business environment. With EBITDA steady at around INR 2.38 crores and EBITDA margin of around 11.75%, it underscores the company's operational efficiency. The noteworthy surge in net profit to INR 1.22 crores, with a net profit margin of 6.03%.



Further emphases are finance strength and sound decision-making. The positive trajectory extends to earnings per share, earnings from minus 0.4 in Q3 FY23 to 1.55 in Q3 FY24. Looking ahead to the upcoming quarters, Sky Industries Limited's optimistic outlook is grounded in its strong Q3 performance and strategic initiatives geared towards industry prominence. The company's consistent growth and financial stability position, favourably for continued success in dynamic market landscape.

Before we delve into the question and answer session, I want to express my sincere gratitude to all the stakeholders for being an integral part of our growth journey. Your support and involvement have played a crucial role in our success and we genuinely appreciate your valuable contribution. With this, I would like to open the floor for questions and answers.

Thank you once again for your presence and continued support.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Pritesh Vora from Mission Street, India. Please go ahead.

Pritesh Vora: Okay. So my question is, to understand your product profile, what exactly you do, what is the industry market size where you operate, and what is the capability to scale in these businesses to the maximum? What kind of capital expenditure and working capital requirements you may require in this industry? If we can address these three questions, then I'll have a follow-up. Thank you. Okay.

Maikal Raorani: Can I answer those right now?

Pritesh Vora: Yes.

Maikal Raorani: Yes. Okay. So we are into manufacturing of technical textiles, primarily hook and loop tape fasteners. The primary application of this product is for fastening, and it goes into footwear, automobile, orthopedic, home furnishings, etc. We also offer a lot of value additions along with this product, which are like self-adhesive tapes, or shapes, or different dots, etc. Apart from that, allied products also are being offered by us.

As far as hook and loop industry is concerned, the market size domestically would be around 200 crores, roughly. And internationally, of course, it is much larger. And as far as the scalability is concerned, though presently, we may be having major market share of the premium segment, but as far as scalability is concerned, on global level, there is a huge scope for expansion.

As far as the working capital requirements and the capital requirements are concerned, if we intend to expand, working capital is very like normal, maybe you can consider it as a two-month cycle, and the capital expenditure, if we set up a greenfield project, to start with, it would cost roughly around INR30 crores to start with.

Pritesh Vora: And what is the greenfield project you are saying?



Maikal Raorani: Around INR30 crores is what you require, roughly depending on the location and what size you want to put. But initially, you can say around INR30 crores is the capex you can project.

Pritesh Vora: You said two months of working capital cycle, right?

Maikal Raorani: Yes. Yes.

Pritesh Vora: So what sort of margin, EBITDA margin, you want in this?

Maikal Raorani: Presently, we are...

Pritesh Vora: So you do INR100 crores revenue, what is the EBITDA margin you can do?

Maikal Raorani: If we do INR100 crores, at present rate, what we are doing, EBITDA margin could be around INR7 crores, INR7.5 crores easily.

Pritesh Vora: So 7% you are saying?

Maikal Raorani: 7% is what we have done. I mean, it depends again on the valuated products, because there are various different products where the margins could be better. So it can go up to 8%, 9% as well, depending on the product mix.

Pritesh Vora: So your business is not self-funded. I mean, if you want to increase your revenue to INR100 crores, for example, right, that will require 60 days of receivables, right?

Maikal Raorani: On an average, Yes.

Pritesh Vora: INR16 crores, INR17 crores.

Maikal Raorani: Yes.

Pritesh Vora: INR16 crores, INR17 crores. additional working capital you require, and your margin is only 7%. So your EBITDA on incremental business, if I were to talk about, suppose you want to grab a INR100 crores business tomorrow.

Maikal Raorani: Okay.

Pritesh Vora: I'm not talking about the present business. On INR100 crores business, you will do a 16% you need working capital. So INR16 crores of working capital you need, but you make EBITDA is only INR7 crores. So you will always be in a constant need of getting money to run the business in terms of working capital.

Maikal Raorani: I'll just put in a different question. No, I'll just put a, when we are looking at export market in future, when the scalability side, so in export, the working capital cycle is much shorter. What we are talking about?

Pritesh Vora: Export cycle.



- Maikal Raorani:** In import, in export, we generally get a good amount of advance. A minimum 30% advance is available and 70% is immediate payment. Usually these are the payment terms. So there's the working capital cycle won't be, I mean, extended to two months. It will be much shorter like.
- Pritesh Vora:** Right. And what personal revenue is coming from export?
- Maikal Raorani:** Presently it is around 18%, but going forward, that percentage will be higher.
- Pritesh Vora:** But still you'll have a large mismatch of our fund, whatever you generate, because margins are too low. What exactly you do? Why is margins so low?
- Maikal Raorani:** For margin improvements, we are working out. We are taking some strategic decisions and maybe we may move to a low cost manufacturing location in future. These are things which are under pipeline that these are the initiatives which will help us to strengthen the margins.
- Pritesh Vora:** Okay. All right. I'll come back in the queue. Thank you.
- Moderator:** Thank you. Our next question is from the line of Yashwanti from Congencies. Please go ahead.
- Yashwanti:** Hello?
- Moderator:** Yes, hi. Please go ahead.
- Yashwanti:** Yes, please excuse me. This question has been asked earlier because there was no clear connection coming up. I just wanted to know, sir, you have one capacity -- I mean, one plant at New Mumbai and one is at Bhivandi. So what are the reasons for having plants at two different locations? And in future, are you looking to consolidate these facilities?
- Maikal Raorani:** Yes, definitely we are looking to consolidate the facilities in future. The present setup is basically New Mumbai. We all know that the land is very scarce. I mean, nearby our factory, hardly any land is available for any expansion or anything. So maybe we may have to scout for a place wherein we can accommodate both the units in future.
- But definitely when we talk of the previous question of a separate place where we are talking of strengthening the margins and all, so all these initiatives, clubbing the manufacturing units and all will definitely help to reduce the overhead.
- Yashwanti:** Okay. And so should we consider that maybe the shift is towards the Bhiwendi side?
- Maikal Raorani:** We are not very sure as of now, but we may be looking towards Gujarat or something. Something we are trying to work out, but nothing is finalized yet.
- Yashwanti:** Okay. But Gujarat calls out for the proximity to all the industries which you supply.
- Maikal Raorani:** Yes.



- Yashwanti:** Okay. And sir, just wanted to understand like what are your current capacities and how is the utilization levels currently going on?
- Maikal Raorani:** I think currently we may be utilizing around 60% to 70% of our capacities, plus the value-added products what we are having. We don't have any defined capacities. It depends on a lot of other factors. So you can say that capacity is there for value-added products.
- But for hook and loop, maybe 60%, 70% is what we are currently utilizing. But of course, there is a further scope for expansion. And when we look at global markets, what we are targeting in future, definitely the capacity utilization would be better, definitely.
- Yashwanti:** Okay. So two questions for that. One is saying that how is our order book? Can we define ourselves in terms of the order book? And second is if we are targeting the international market, which countries you look for the potential for our business?
- Maikal Raorani:** Correct. I'll answer both one by one. We are -- just to understand our industry better, we are into something called as an accessory industry, like how a button is to a shirt. So like that, we are an accessory to some industries, the footwear or orthopedic or home furnishings.
- So usually our order books are not very long. I don't have an order book which will be more than one month, because naturally the main usage of footwear, the footwear player will not wait for more than one month for a small accessory. Okay. So my order books are usually between 20 days to 30 days on an average.
- And as far as your other thing is concerned about exports, we presently are exporting a lot to U.S. and Europe. And we still think that those two countries have enough potential to help us grow further. Over and above that, we are also looking at South American and other Asian markets.
- Yashwanti:** Okay. So there we will be having more marketing payoffs and the production will happen in India, right sir?
- Maikal Raorani:** Yes.
- Yashwanti:** Okay. Chorus, there's a lot of disturbance. So can you please manage? We are not able to hear from the management.
- Moderator:** Okay, ma'am. We'll check on that.
- Yashwanti:** Yes. So basically our production happens like just in times whenever we get an order, maybe a 15 days or 20 days, and when we can, we are in a position to look at. So how the sourcing of the raw material things happens, sir? So we need to store this raw material in an inventory for a longer period so as to execute the order as and when we get it. Or we have facilities of being a proximity to the raw material supply so that we do not have to build an inventory for executing the orders.



- Maikal Raorani:** No, we do definitely keep a good buffer of raw materials. We have to import raw materials. The yarn which goes into making of hook and loop is usually imported from Taiwan, Vietnam or China.
- Yashwanti:** Okay.
- Maikal Raorani:** So we definitely will have to plan much in advance. So we basically -- based on what our past experience is, we keep that in pipeline and we always keep some buffer stock for raw materials. And that is why my working capital cycle in the earlier question, it extended to two months was primarily because of this reason also.
- Yashwanti:** Okay. So I just wanted to understand, as we are basically a leader in the textile segment after China, so is it that this is a cost efficiency causes to import it from Taiwan and other countries? Or how is it seen at India for the yarn requirement of your need?
- Maikal Raorani:** No. The yarn what is supplied by Taiwanese or Vietnamese manufacturers is basically their suppliers to the hook and loop manufacturers all over the world. That is one thing. Second thing, India, these are specialized yarns, these are not the normal yarns. So there are very few manufacturers in India. But again, to make a quality product, the yarn has to be consistent. So we definitely get a quality and specialty yarn from Taiwan or Vietnam or China.
- Yashwanti:** Okay. And if I may ask -- yes, please go ahead. Yes, sir, please go ahead.
- Maikal Raorani:** Of course, the question about the cost, of course, we may be a little bit costly in terms of when we consider the freight cost and all for the yarn. But in terms of other efficiencies, in terms of labor costs, etcetera, we will be much better. So ultimately, we should be in position to compete with the Chinese and Taiwanese players. Of course, China is much better than us in terms of cost. But there are other factors, other considerations also, wherein we are able to compete with them on a global level.
- Yashwanti:** Okay. And if I ask one more question, what is our import content? What is the percentage of the total raw material and how much is imported?
- Maikal Raorani:** Of the total raw material, import content would be around 60% to 70%. Yes, around 70% you can say roughly.
- Yashwanti:** Hello. Chorus team, am I audible?
- Moderator:** Ma'am, your line is audible. I would request you to reconnect your line in case you are facing an audio issue. The management's line is clear.
- Yashwanti:** Hello.
- Maikal Raorani:** Yes, madam. Yashwanti madam, my percentage of import would be around 70% of my total RM cost. Hello, can you hear me?
- Moderator:** Sir, I think there's an issue in the line of the participant. May I request that we move to the next participant, sir?



- Maikal Raorani:** Okay, no problem.
- Moderator:** Thank you. The next question is from the line of [Sachin Gupta] from Gupta Family Office. Please go ahead.
- Sachin Gupta:** Yes. My question is, out of the total revenue, what is our contribution in defense, export, and domestic market?
- Maikal Raorani:** Yes, export is around 18%, as I mentioned earlier. In defense, presently, we are around 2% to 3% of our goods go towards defense, but slowly that will increase. And rest all you can consider in the domestic market.
- Sachin Gupta:** And what will be our focus if we want to increase our focus in defense, export, or domestic market?
- Maikal Raorani:** As far as growth comes, we will have to be focusing all the markets. Of course, there are challenges in each market, but of course, we will be overcoming those challenges.
- Sachin Gupta:** But my question is, our margin is basically more in defense, export, or domestic market?
- Maikal Raorani:** No, domestic will have better margin, of course, but the growth will come from export. The top line will be driven by exports in future.
- Sachin Gupta:** And what about defense? Are we focusing in defense?
- Maikal Raorani:** Yes, we are definitely supplying to defense. We are also registered with a few of the ordnance factories, wherein we are a type of a nominated supplier to defense.
- Sachin Gupta:** But considering existing revenue and potential revenue, how much we can increase from existing to potential in defense?
- Maikal Raorani:** Defense, we can from present, say 3% or we can go up to 6% to 7% in very foreseeable near future. And export, what presently we are at around 18%, that can go up to 25%-30% in near future.
- Sachin Gupta:** And for this, we have existing facility or we have to increase the facility or we have to move to new facility?
- Maikal Raorani:** We can cater to certain extent from the present facilities, but slowly we will be having to expand to cater to the growing demand.
- Sachin Gupta:** But for that, do we need any funding requirement via equity or debt?
- Maikal Raorani:** Yes, of course, but since things are not finalized, we will be finalizing depending on the project size. Then accordingly, we will decide on the mode of funding like debt and equity.
- Sachin Gupta:** But as a director, you must have decided as a Board that we have to raise funds through equity or through debt? Or partially debt or partially equity?



- Maikal Raorani:** Yes, it could be mix of both, it could be mix of both or it could be more of debt and less of equity, but it could be mix of both. But going forward, we can decide on that. As of now, we are still in process of identifying the locations and all.
- Sachin Gupta:** So, have you decided any amount we have for expansion, we need say INR30 crores, INR40 crores, INR50 crores funding partially in debt and partially in equity?
- Maikal Raorani:** Yes, we have some ballpark figures with us, but I mean these are not final figures because unless we finalize the land and the location, these figures won't be having any meaning. We have internal workings that this location, this could be the funding and all. And we are usually like we do have our internal sources as well as of now. But the exact contour of equity and debt is yet to be decided.
- Sachin Gupta:** Sir, my last question is we have higher margin in defense, footwear export or domestic market, which are higher margin products for us?
- Maikal Raorani:** Yes, more than the segments, you can say there are certain products which will have higher margins. It can go to various segments like for example, footwear may have higher margin depending on the product mix what we give. If more of value-added sales are done, obviously, it will have better. So, in general, but to answer to your question would be domestic would have definitely the better margins than the other sectors what you have mentioned.
- Sachin Gupta:** And sir, in defense, what do we exactly supply?
- Maikal Raorani:** We supply hook and loop tape passers and we supply webbing.
- Sachin Gupta:** What is the use for defense for this product?
- Maikal Raorani:** Hook and loop goes into the various overall stands, etcetera. Webbing also goes into various sacks and all that, rucksack bags and all that.
- Sachin Gupta:** Okay. Thank you, sir.
- Moderator:** Thank you, Mr. Gupta.
- Moderator:** Thank you. We have follow-up question from the line of Yashwanti. Please go ahead.
- Yashwanti:** Yes, I was just, I had been asked about this import content of total raw material...
- Maikal Raorani:** Around 70% is you can consider of the total raw material. Around 70% is imported.
- Yashwanti:** Okay. And with the chain, with the wallet gateway in the exchange, you are able to pass it on to your customers?
- Maikal Raorani:** Yes. See, we have some sort of natural hedge by virtue of exports. So, a great amount of the import exposure is hedged. And some we have left unhedged for the time being. And of course, in past, whenever there has been a larger volatility, we have been able to pass it on to our customers.



- Yashwanti:** Okay. So, you might have seen that my line was disconnected. So, what was your export content? How much your export content?
- Maikal Raorani:** Yes. As of now, it is around 18%.
- Yashwanti:** 18%. Okay. And in future, you wanted to take it to?
- Maikal Raorani:** Of course, it would go up to 25% to 30% in very foreseeable future.
- Yashwanti:** So, can you explain the margin difference between the export orders and the domestic orders?
- Maikal Raorani:** Madam, for margin, it is depending on the product mix. We have multiple products. But of course, the domestic will have better margins as compared to export. Because in export, we are competing with China primarily in the export market. But certain parameters are there wherein some customers of US or Europe would definitely want to have a China Plus One policy. So, there is where we have opportunity.
- Yashwanti:** Okay. So, considering the margin profile, I believe your focus would be in the domestic market going forward.
- Maikal Raorani:** The growth will be, domestic market will have a limitation to the market size. But export, there is a larger unexplored market size which we can cater to.
- Yashwanti:** Okay. So, volume is the export mantra?
- Maikal Raorani:** Yes. Yes.
- Yashwanti:** Okay. Thank you so much for answering.
- Maikal Raorani:** Thank you, madam.
- Moderator:** Thank you. Our next question is from the line of Jignesh from Jiva Capital. Please go ahead.
- Jignesh:** Yes, sir. Considering your last three to four years revenues and also your operating margins, there has been volatility in both. And even I think revenues went down a couple of years back. So, what has been the trend because of utilization of certain sectors? Volumes keep on going up and down? In revenues?
- Maikal Raorani:** Yes. Okay. Our revenue again, as I told earlier, that it again depends on a lot of product mix. We normally, normally we would be growing at around 10% to 15% on an average in last three to four years. The aberration was the COVID year wherein our turnover has dipped. But apart from that, we have been growing between 7% to 15% overall on an average.
- Jignesh:** Okay. On volume basis?
- Maikal Raorani:** I would say more of a value basis. Volume basis, we might have a little lesser growth.
- Jignesh:** Okay. So, volume basis, suppose if we take steady state, we can grow to 8% to 10%?



- Maikal Raorani:** Yes, safely we can say that.
- Jignesh:** Okay. And I think margin also has been hovering between 7% to 12%. So, what has been?
- Maikal Raorani:** Again, as I told you, it depends on product mix. Supposing some product of ours would fetch a better margin as compared to other products.
- Jignesh:** Okay.
- Maikal Raorani:** Again, it is very difficult to predict exact margins because again it depends on product mix and on how, because we cater to say roughly 30 different industry segments. Now, in an economy always some industry segments will do, perform better than other segments. But for us, it is always a comfort that if one industry is slowed down, it will not affect us greatly. At the same time, we may not grow to that extent because our reliance is there on different industry segments.
- Jignesh:** Okay. So, if we want to understand in recent years, out of total revenues, your top five sectors are I think footwear, automotive, orthopedics, and home furnishings. Correct. So, they would consist around 70% to 80% of total revenues?
- Maikal Raorani:** No, much lesser. Roughly 25% to 30% of the total revenues, the sectors what you mentioned.
- Jignesh:** Okay. So, which is the other 4 to 5 sectors which contribute majorly 40%, 50%? Any major sectors which I have missed out?
- Maikal Raorani:** No, there are small, small sectors like PPE is there, then other sectors are there, but which will contribute to 3%, 4% overall. So, we are basically spread evenly over the other sectors.
- Jignesh:** Okay. And if you see competitive landscape, who are your major peers? Is it in unorganized market majorly?
- Maikal Raorani:** Yes, majorly are in unorganized market. We are the only listed company in this segment.
- Jignesh:** Okay. And size wise also, any major in same size or there are smaller players?
- Maikal Raorani:** No, they would be smaller players. Maybe, see, we are basically focusing more on premium segment. They are focusing more on the economy segment.
- Jignesh:** Okay. And since now we are focusing on exports in terms of volume growth, so any major competitors that you are, most of the time you get competition from that players of China or Taiwan?
- Maikal Raorani:** No, they are much bigger, they are much better in terms of cost also, but there are certain other parameters like quality and then again some customers would definitely want an alternative to China. That is where we step in.
- Jignesh:** Okay. Right.



- Maikal Raorani:** So, these are the two major factors. Sorry, Yes, you were saying something.
- Jignesh:** Yes. So, now, since we are approaching INR1,100 crores of turnover, maybe this or next year. So, what is the vision of the company for the next five years in terms of revenues and profitability broadly, if you can guide us?
- Maikal Raorani:** Yes, if, in terms of revenue, we can safely, I mean, grow at about 15% or so on an average. That is what we foresee over the next five years. And in terms of profitability, again, similar growth you can expect.
- Jignesh:** Okay. So, considering 7% to 8% to 9% EBITDA margin.
- Maikal Raorani:** Correct. Yes. From that you can expect around every year on year 15% growth.
- Jignesh:** Okay. So, on EBITDA margin, maybe we can expect some growth?
- Maikal Raorani:** Again, it depends on a lot of other factors like. No.
- Jignesh:** So, I was just coming down to the profit margin. Since you mentioned that we might take a debt and equity route. So, I think a lot of our interest component will increase. So, I think pet margins might not see the consistent increase like revenue growth.
- Maikal Raorani:** At the same time, we will be taking certain strategic initiatives like moving to a lower cost location where the costs are lower and all that. So, that should set off the effect of increasing interest costs.
- Jignesh:** Okay. And this, all the strategic decisions, how soon, maybe in next one or two quarters, we will get a lot of, to learn more of this?
- Maikal Raorani:** Yes. Yes. Definitely next two quarters we will get to know more about this.
- Moderator:** Thank you. Our next question is from the line of Sampat Naik from Tiger Assets. Please go ahead.
- Sampat Naik:** Yes. Hi, this is Sampath from Tiger Assets. I joined this call a bit late. So, can you repeat what is your vision for the company for next few years?
- Maikal Raorani:** Definitely, we would want to grow more towards the export market and increase the proportion of exports in the total portfolio. And I mean, what I have mentioned earlier is we expect 10% to 15% growth year on year.
- Sampat Naik:** On the revenue front?
- Maikal Raorani:** Yes.
- Sampat Naik:** Okay. And like, do we see any, can we see any margin expansion, sir?
- Maikal Raorani:** Yes, that depends again on strategic initiatives like moving to a lower cost location, having a better product mix, having tighter controls on the cost, etcetera.



- Sampat Naik:** Okay. So, like, again, why is this strategy decision to, you know, increase export revenue because you said domestically we are, clocking higher revenue, right?
- Maikal Raorani:** Domestically, profitability is better, again, depending on the product mix. Export profitability will be lesser, but the market size is much larger.
- Sampat Naik:** Okay, sir. And even, like, even bottom line, we can expect like 15, 10 to 15 kind of growth?
- Maikal Raorani:** Yes, yes, we can expect that.
- Sampat Naik:** And so, like you said, we might plan to move to a lower cost location, right? Any numbers on capex that you are planning or is it not decided yet?
- Maikal Raorani:** I mean, roughly we can identify, but not a confirmed figure. So, once we decide on the location and once we finalize the location, the land, etcetera, then maybe we can get more concrete numbers.
- Sampat Naik:** Okay, but can you, you know, give some ballpark number?
- Maikal Raorani:** It's difficult to build, but roughly between INR30 crores to INR40 crores is the capex what one can look at.
- Sampat Naik:** Okay, sir. Thank you so much.
- Maikal Raorani:** Thank you.
- Moderator:** Thank you. The next question is from the line of Khushabu Kaur, who is an Investor. Please go ahead.
- Khushabu Kaur:** Sir, can you tell me what is your current market penetration and what are the steps in the global market and what are the steps being taken to further expand the company's global reach and penetrate new markets?
- Maikal Raorani:** I would not be able to put a number to what penetration we have done as far as numbers are there for the global market because the market is much bigger and the applications keep on evolving. But definitely, I can tell you what steps we have taken to increase our market share. We have strengthened our export marketing team and we have started to participate more in international exhibitions.
- Recently, we have participated in Columbia Tech, which was in Columbia. We are going to participate in more exhibitions, forthcoming exhibitions in Europe as well, Europe, USA. So, by being present in exhibitions consistently and having a better and more people in the export team, getting more touch points with the export customers will definitely help us into export market.
- Khushabu Kaur:** Okay. And, sir, how is the performance of the manufacturing unit in Navi Mumbai and Bhiwandi compared to the -- during -- just compared to in the quarters?



- Maikal Raorani:** Sorry, I did not get your question. Something got disturbed. Can you please repeat?
- Khushabu Kaur:** How is the performance of manufacturing unit in Navi Mumbai and Bhiwandi compared during this quarter?
- Maikal Raorani:** No, the profitability always depends on the product mix. So, this quarter, this particular quarter, the product mix was much better. So, obviously, the performance as compared to previous quarters has been slightly better.
- Khushabu Kaur:** Okay. And, could you give me an outlook for the next quarter for the EBITDA margins and net profit?
- Maikal Raorani:** EBITDA, we could see similar trends what we have been seeing in the quarter, at least for the next quarter. And, net profit, again, similar trend we can expect, what we have got.
- Khushabu Kaur:** Okay, sir. Thank you.
- Maikal Raorani:** Thank you, Khushabu.
- Moderator:** Thank you. The next question is from the line of Milan Shah from Urmil Research Consultancy. Please go ahead.
- Milan Shah:** Okay, sir. Thank you, sir, for the company is going to conduct the con-call and as we said, the company is going to conduct every quarter. So, we have a very long-term investor in the company and hope the company is going to grow more bigger in the future. I want to understand, please, can you make any presentations before, after the result is declared and before con-call?
- So, many customers can understand. And, I also request to make a photographer's photo on our website. We have participating exhibition in international seminar or whatsoever. So, customer can understand the potential of the company because it is a unique product in the state's list. And, sir, my question is, what is the import material in our product?
- Maikal Raorani:** Yes, we normally have to import the nylon filament yarn. Okay. And, as far as the presentations and photographs etcetera is concerned, we will definitely attempt to get it prepared and share it with the investing community in general. And, thank you very much for faith given to us.
- Milan Shah:** No, no. New management has already doing a very good product and profit margin improvement after 10 years [inaudible] Sky Industries. But, we hope that we are going to be a very big company in the next five years.
- Maikal Raorani:** Definitely, with your support and with all the hard work, we should definitely grow.
- Milan Shah:** Okay, sir. Anytime, I am doing a PMS for some time. If a big investor who wants to visit company or any time to management, it is possible to?
- Maikal Raorani:** Yes, yes. It could be possible. We could arrange it maybe at a convenient and suitable time.



- Milan Shah:** Okay. Thank you, sir.
- Maikal Raorani:** Thank you, Mr. Milan. Thank you.
- Moderator:** Thank you. The next question is from the line of Vijay Rawat from Vedant Capital. Please go ahead.
- Vijay Rawat:** My question was, during the call I heard you saying that domestic margins are lower than the export margins. Is that correct?
- Maikal Raorani:** No, on the contrary, domestic margins are better than export margins. But, the growth opportunity in export, top line can grow better in export as compared to domestic. Domestic will have a limited margin.
- Vijay Rawat:** Yes, that's fine. But, normally in other textile companies or maybe other product companies, export margin is always better. So, why it is different at our company, sir?
- Maikal Raorani:** I'll just explain you. Traditionally, China has been, Taiwan and China has been the major manufacturers of hook and loop tape fasteners. And China is predominantly present in global market. The capacities are huge. And, obviously, because of that, the costing's are very competitive. So, we are competing with them on a global level.
- When we compete with them on a global level, as compared to our size, maybe they are 10 or 20 times larger than us in terms of the machinery. So, obviously, economies of scale plays a major part in the cost. And, also, in this industry, what makes additional is the backward integration.
- Like, we, because of certain constraints, like lack of land, etcetera, lack of space, we may not be able to do much of backward integration. Where, over there, they have done a lot of backward integration. So, going forward, when we do all these things, this will help us be more cost conscious.
- Vijay Rawat:** Okay, okay. And, what kind of backward integration is there, sir, in this industry?
- Maikal Raorani:** Yes. Here, there are two major backward integration what one can think of are, the yarn what we procure, basically, has to be twisted. So, one is twisting can be done as a backward integration. And, there is a monofilament, which is nothing but extruded yarn. So, we can think of monofilament extrusion, which could be a backward integration, because the packing cost itself is a significant portion of the total cost. So, we could probably save on that.
- Vijay Rawat:** Okay. So, if you are able to achieve both these integrations, what could be the margin increase?
- Maikal Raorani:** I can say, roughly.
- Vijay Rawat:** Approximately.
- Maikal Raorani:** Yes, Yes. On the EBITDA level, it could result to 0.5% or so.



- Vijay Rawat:** So, it is very less, actually, even after backward integration.
- Maikal Raorani:** No, I mean, Yes, Yes. 5% on a total base, you can say it will be over the total cost, it will contribute significantly.
- Vijay Rawat:** Okay. Just a minute. Last year, your margins were near about 7% to 8%, right?
- Maikal Raorani:** Correct.
- Vijay Rawat:** So, you are saying if you are able to achieve these backward integration, your margin will increase only by 0.5%. Okay, right. And second question, sir. Next question is, you said INR30 crores to INR40 crores capex. So, in how many years you will be requiring that capex? Or you will be executing that?
- Maikal Raorani:** Roughly, a time frame of three years.
- Vijay Rawat:** Okay, in three years. And if you execute that in three years, what could be the revenue from that fresh capex?
- Maikal Raorani:** Okay, the revenue from the fresh capex, the incremental revenue would be another INR30 crores to INR40 crores in the first year, and maybe again, growing year-on-year around 15% on the overall things. Because we intend to move to a totally green field project, to a newer location.
- Vijay Rawat:** Okay, okay. Right. And what is the revenue guidance for FY25 and FY26, sir?
- Maikal Raorani:** Approximately, you can say 15% growth is what we could normally expect based on our industry standards and all. Roughly, safely, we can say around 15% we can grow like.
- Vijay Rawat:** Okay, okay. Right, sir. Thank you so much.
- Maikal Raorani:** Thank you, Mr. Rawat.
- Moderator:** Thank you. Our next question is from the line of Ritika Jain, who's from HNI Investments. Please go ahead.
- Ritika Jain:** Hi, sir. Thank you for the opportunity. Sir, what will be the industry growth drivers going forward? And what is the outlook for the demand in hook and loop partner solution market, both domestically and internationally?
- Maikal Raorani:** Okay, Ritika, it is very difficult to project on international level because there are various applications and various avenues available for expansion. But domestically, I can give you more better figures. Domestically, the present market size is around INR200 crores, which usually grows on an average of 10% to 12% or 10 to 15%.
- And the growth drivers are basically newer applications or more innovative applications or more customized applications in terms of fastening. So, that are the industry drivers.



- Ritika Jain:** Okay, sir. Okay, got it. And what are the key competitive advantages or unique selling points of the company?
- Maikal Raorani:** Okay, we are basically known for our customized and quality products. We offer solutions in terms of fastening. So, if anybody needs any fastening solutions in terms of technical textiles or hook and loop tape fasteners, definitely they would get some solution from our side. We have a strong R&D, which aids us in this particular thing.
- Ritika Jain:** Okay, okay. And what are your company's goal and objectives for the next three-five years?
- Maikal Raorani:** Madam, of course, to definitely create value for the shareholders and to be a major player on the global market.
- Ritika Jain:** Okay, sir. And sir, what will be the required capex plan for next three-five years?
- Maikal Raorani:** As I mentioned earlier, it could be in range of INR30 to INR40 crores over next two to three years. More than that, we are yet to, I mean, form up our plans for further expansion.
- Ritika Jain:** Okay, okay, sir. Got it. Thank you so much, sir.
- Maikal Raorani:** Thank you, Ritika.
- Moderator:** Thank you. Our next question is from the line of Riya Sen from Investore. Please go ahead.
- Riya Sen:** Good afternoon, sir.
- Maikal Raorani:** Good afternoon, Riya.
- Riya Sen:** Thank you for the opportunity. Sir, what is the working capital cycle?
- Maikal Raorani:** The working capital cycle, you can say, traditionally, we have been operating on a roughly two-month working capital cycle on an average.
- Riya Sen:** Okay. And can you discuss any recent achievements or awards received by the company?
- Maikal Raorani:** Recent achievements, okay. Basically, we, achievements, basically, we are in the committee of BIS as of now, wherein we are one of the players who have been invited by the government to set up the hook and loop standards in India. And apart from that, certifications, we are right now in process of GRS certification. We already have OEKOTEX and other certifications.
- Riya Sen:** Okay, okay. What are the future growth strategies?
- Maikal Raorani:** Of course, definitely make a competitive offering and grow in the global market.
- Riya Sen:** Okay. What is the outlook on EBITDA margin and strategies to improve it further?
- Maikal Raorani:** EBITDA, as I said, we can grow roughly 10%-15% year on year. And the strategies would be to definitely strengthen the margin by little bit of backward integration, little bit of moving to a better location, which is favouring in terms of cost, etcetera.



Riya Sen: Okay, sir. Thank you, sir. I am done with it and all the best. Thank you, sir.

Maikal Raorani: Thank you very much. Thank you.

Moderator: Thank you. Our next question is from the line of Ashok Shah from LFC Securities. Please go ahead. Please go ahead.

Ashok Shah: Hello.

Maikal Raorani: Hello, Ashok Shahji.

Ashok Shah: Yes. Thanks for taking my questions. Sir, are we doing something for supply of the bulletproof jacket to defense sector in India?

Maikal Raorani: Yes, yes, we do.

Ashok Shah: So, how you do? So, do you make a jacket or are you having plan to make a jacket and supply fully jackets to defense sector?

Maikal Raorani: So, basically, we make technical textiles. So, we make hook and loop and the webbing, which basically go into the jacket. So, the basic tender is obtained by some companies, which are basically they get the tenders.

And in the tenders, there are certain specifications for hook and loop and webbings, which we normally meet and they intend buy from us and that then the jackets are supplied to the defense.

Ashok Shah: But are you directly registered with the defense?

Maikal Raorani: Yes, with Ordnance Factories and all, yes, we are registered.

Ashok Shah: But do they...

Maikal Raorani: Yes, they recommend that the hook and loop what is to be used in their product should be from sky and up to certain [inaudible 51:17.7] standards.

Ashok Shah: Do you make anything for the defense factory for while using your whatever hook and loop and everything so to the safeguard the ordnance materials and everything so?

Maikal Raorani: No, I'll explain. As we are into something called as accessory. So, basically, there will be a jacket, which requires an accessory like how in a shirt you have a button as an accessory or a collar as an accessory.

Okay. So, basically, we will be supplying to them. We are nominated by Ordnance Factories and so we meet their quality parameters.

Ashok Shah: Sir, you told about capex of around INR30 crores to INR40 crores over next two years. So, would it be financed via fund raise or equity raise or it will be from done from the internal accruals?



- Maikal Raorani:** Yes, partly it's going to be from internal accruals and partly it is going to be from debt. But the final contour, once we finalize the location, etc., that time it will be more finalized like what would be the ratio of debt and equity.
- Ashok Shah:** So, this expansion will be done when we move from our present location in Maharashtra to I think maybe Gujarat or something like that.
- Maikal Raorani:** Correct, correct.
- Ashok Shah:** So, what will be approximate capex in the new factory or you would be required to only lend and only move the machine from here to there?
- Maikal Raorani:** Yes, ideally it will be that way. We get the land, have a construction done for the buildings, factory buildings.
- Ashok Shah:** Okay.
- Maikal Raorani:** Get some new machines which will basically enhance our capacity as well as move a few machines from here. But that again depends on how we are proceeding forward like. But this is our overall plan.
- Ashok Shah:** Do we have any requirement for this expansion so we can do the production and sales from the new factory fully in India itself? Demand is there?
- Maikal Raorani:** Yes, The demand of course in India that will be limited demand domestically but the global demand is definitely there.
- Ashok Shah:** So, our sales can increase after expansion to what extent?
- Maikal Raorani:** I'll give the figures roughly say INR30 crores to INR40 crores. We can expand over a period of 2 to 3 years additional over and above what we are currently doing.
- Ashok Shah:** Okay, okay. Thank you, sir. Thank you. That's all from my side.
- Maikal Raorani:** Thank you, Ashok ji.
- Moderator:** Thank you. Our next question is from the line of Sachit Gupta from Gupta Family Office. Please go ahead.
- Sachit Gupta:** Sir, my question is, sir, if we shift from Navi Mumbai to Gujarat, so what is the value of our Navi Mumbai plant? If we sell Navi Mumbai plant, instead of raising funds, we can utilize that fund for Gujarat's plants?
- Maikal Raorani:** Yes, we can definitely do. The present valuation of the new Mumbai property would be in range of INR23 crores to INR26 crores. In that range, you can expect.
- If needed, that is a fallback option. If needed, that is a fallback option.



- Sachit Gupta:** And secondly, why we are not focusing on defense? As you said, our defense ratio to the sale is less than 5%. Why we are not focusing more on defense?
- See, as per current government policy, we are more focusing on defense. So if we can increase our share in defense, our revenue can be higher than our expectation.
- Maikal Raorani:** Correct, See, as compared to previous year, this year's contribution to defense has increased. Okay, I can definitely tell that the focus is definitely there to increase in defense.
- But then there are certain limitations. There are certain limitations in terms of their procurement process. So we have to overcome the hurdles and then can get better and better. But of course, the efforts are always there to increase the defense procurement.
- Sachit Gupta:** Okay, thank you sir.
- Maikal Raorani:** Thank you, Sachin.
- Moderator:** Ladies and gentlemen, that was the last question for today. As there are no further questions from the participants, I now hand the conference over to Ms. Chandni Chande from Kirin Advisors for closing comments. Thank you and over to you.
- Chandni Chande:** Thank you, everyone, for joining the conference call of Sky Industries Limited. If you have any queries, you can write to us at research@kirinadvisors.com. Once again, thank you for joining the conference.
- Maikal Raorani:** Thank you, everybody. Thank you for being to participant in the conference call. Thank you so much.
- Moderator:** Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
- Maikal Raorani:** Thank you.