

# SKY INDUSTRIES LIMITED



CIN No.: L17120MH1989PLC052645

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SKY/SE/23-24/07

April 22, 2023

To

**BSE Limited**

P. J. Towers, Dalal Street,  
Mumbai - 400 001

**Scrip Code: 526479**

Dear Sir/Madam

**Sub: Intimation for revision in the Credit Rating pursuant to Regulation 30 of (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("Listing Regulations")**

Pursuant to Regulation 30 of the Listing Regulations, we wish to inform that CRISIL has revised its outlook on the long term bank facilities of Sky Industries Limited ('Company') to 'Stable' from 'Positive' 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
<b>Long Term Rating</b>	CRISIL BB+/Stable (Outlook revised from 'Positive' 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.

Yours faithfully

**For SKY INDUSTRIES LIMITED**

**MAIKAL RAORANI**  
**EXECUTIVE DIRECTOR & CFO**  
**DIN: 00037831**

Encl.: a/a

## Rating Rationale

April 21, 2023 | Mumbai

### Sky Industries Limited

Rating outlook revised to 'Stable', Ratings reaffirmed

#### Rating Action

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

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

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 '**Stable**' from '**Positive**' while reaffirming the rating at '**CRISIL BB+**'. The short term rating has been reaffirmed at '**CRISIL A4+**'.

The revision in outlook reflects the moderation in SIL's business risk profile with company's operating margin declined sharply to around ~6.5% for the first nine months of fiscal 2023 from around 13% in fiscal 2022 on account of inability to pass on increased raw material prices to customers. However, margins are expected to improve in FY24 with stabilization of raw material prices and will remain monitorable. Further, company's financial risk profile continues to remain healthy which supports credit profile of the company.

The ratings continue to reflect the company's established market position in the hook and loop industry, and healthy 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 800 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.
- **Healthy financial risk profile:** Networth was moderate at Rs.36.01 crore and total outside liabilities to adjusted networth ratio healthy at 0.87 times, as on September 30,2022. Debt protection metrics were strong, with interest coverage and net cash accrual to adjusted debt ratios of 7.2 times and 0.44 times, respectively, in fiscal 2022. 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. Interest coverage was ~2.48 times for the first 9 months of fiscal 2023.

##### Weaknesses:

- **Moderate scale of operations:** During the five fiscals through March 31, 2022, revenue ranged from Rs 48-70 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. Company has done Rs 57 crore sales for 9 months of fiscal 2023. The international market is also highly competitive, with large supply coming from China, Vietnam. Overall scale of operations are expected to remain moderate given the industry dynamics.
- **Low and fluctuating profitability:** Operating profitability has been 7.6-13% over the three fiscals through 2022 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 as seen in the first nine months of fiscal 2023, in which company had registered margins of ~6.5%.

##### Liquidity: Adequate

Bank limit utilisation is moderate at around 67.74 percent for the past twelve months ended February 2023. Cash accrual are expected to be over Rs 2 crores which are sufficient against term debt obligation of Rs 0.4 crores over the medium term. Current ration was ~2.06 as on March 31, 2022. No large debt funded capex is planned over the medium term. Company had liquid investments of 6.18 crores as on September 30,2022.

**Outlook: Stable**

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 above Rs. 7 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 1.5 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		2022	2021
Operating income	Rs crore	70.28	52.92
Reported profit after tax	Rs crore	4.87	0.80
PAT margins	%	6.93	1.51
Adjusted Debt/Adjusted Net worth	Times	0.42	0.45
Interest coverage	Times	7.21	4.47

**Any other information:** Not applicable

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

CRISIL Ratings` 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.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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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+/Stable
NA	Letter of Credit	NA	NA	NA	8	NA	CRISIL A4+
NA	Working Capital Term Loan	NA	NA	Aug-25	1.8	NA	CRISIL BB+/Stable

**Annexure - Rating History for last 3 Years**

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	10.3	CRISIL BB+/Stable		--	21-01-22	CRISIL BB+/Positive		--	07-12-20	CRISIL BB+/Stable	CRISIL BB+/Stable
			--		--		--		--	10-11-20	CRISIL BB+/Stable	--
Non-Fund Based Facilities	ST	8.0	CRISIL A4+		--	21-01-22	CRISIL A4+		--	07-12-20	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+/Stable

Letter of Credit	3	Kotak Mahindra Bank Limited	CRISIL A4+
Letter of Credit	5	Kotak Mahindra Bank Limited	CRISIL A4+
Working Capital Term Loan	1.8	Kotak Mahindra Bank Limited	CRISIL BB+/Stable

This Annexure has been updated on 21-Apr-23 in line with the lender-wise facility details as on 21-Jan-22 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="#">Assessing Information Adequacy Risk</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>

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