

Press Release

10 October, 2017

Sapphire Digital Printers (SDP)

Rating Upgraded and Reaffirmed



Total Bank Facilities Rated *	Rs. 48.27 Cr
Long Term Rating	SMERA BB+/ Outlook: Stable (Upgraded)
Short Term Rating	SMERA A4+ (Reaffirmed)

Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating from '**SMERA BB**' (read as **SMERA double B**) to '**SMERA BB+**' (read as **SMERA double B plus**) and reaffirmed the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 48.27 crore bank facility of Sapphire Digital Printers (SDP). The outlook is '**Stable**'.

The Haryana based-Sapphire Digital Printer (SDP), is a proprietorship firm established in 2003 by Mr. Neeraj Chaudhary. SDP is engaged in the business of digital printing, publishing of books, brochures, posters, wedding albums and wedding cards at Gurgaon. SDP has two manufacturing unit in Haryana.

Key Rating Drivers

Strengths

- **Experienced management**

Mr. Neeraj Chaudhary, has over a decades experience in printing and publishing and is supported by second line of personnel with substantial experience in the industry.

- **Reputed clientele base**

The firm has long track record of operations and long term relations with customers and suppliers. SDP undertakes printing work for reputed clients including Siemens, Maruti Suzuki India Limited, TCS, Matrix, Hyundai Motors India Limited.

- **Healthy revenue growth**

SDP has grown at a CAGR of 38 percent from FY2013 to FY2017. The firm booked revenue of Rs.150.17 crore for FY2016 compared to Rs.101.59 crore for FY2015. Further, for FY2017 (Provisional) the revenue stood at Rs.213.21 crore with the setting up of another unit.

- **Comfortable liquidity position**

SDP has comfortable liquidity position marked by moderate GCA days of 103 for FY2017 as compared to 132 for FY2016. The debtor days stood comfortable at 63 for FY2017 as against the firm's policy of 90

days. The inventory days stood at 36 as on 31 March 2017. Further, the bank limit utilisation has been ~90 percent for the last three months ending June 2017.

Weaknesses

Moderate financial risk profile

The financial risk profile of SDP is moderate marked by relatively high gearing of 2.35 times as on 31 March 2017 (Provisional), deterioration from 1.69 times as on 31 March, 2016. The net worth stood at Rs.35.19 crore as on 31 March, 2017 as against Rs.32.98 crore in the previous year. The firm reported interest coverage of 1.99 times and DSCR of 1.62 for FY2017 compared to 1.84 times in FY2016. The NCA/TD stood at 0.13 times in FY2017. Further, SMERA believes that the financial risk profile of the firm will remain moderate on the back of negligible debt funded capex and steady profitability.

- **Highly fragmented and competitive industry**

SDP operates in the printing and publishing industry, which is fragmented with limited entry barriers and minimal capital requirement exposing it to intense competition.

- **Proprietorship constitution**

The financial risk profile is susceptible to the inherent risk of capital withdrawal considering its proprietorship constitution. Further, SMERA has observed the same during the period under study.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Sapphire Digital Printers to arrive at the rating.

Outlook: Stable

SMERA believes that SDP will continue to benefit over the medium term owing to established track record and extensive experience of the promoter in the digital printing business. The outlook may be revised to 'Positive' in case of significant and sustained increase in revenues and profitability margins while improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in SDP's revenues, profitability margins or elongation in its working capital cycle resulting in weakening of the financial risk profile.

About the Rated Entity - Key Financials

The firm reported Profit after Tax (PAT) of Rs. 4.73 crore on operating income of Rs. 213.21 crore in FY2016-17 (Provisional) compared to PAT of Rs. 3.94 crore on operating income of Rs. 150.17 crore in the previous year. The net worth (Quasi included) stood at Rs. 35.19 crore as on 31 March, 2017 (Provisionals) as against Rs. 32.98 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument
<https://www.smera.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02 Jun, 2016	Cash Credit	Long Term	29.00	SMERA BB/ Stable (Assigned)
	Term Loan	Long Term	19.23	SMERA BB / Stable (Assigned)
	ILG/FLG	Short Term	0.04	SMERA A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	29.00	SMERA BB+ / Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	19.23	SMERA BB+ / Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.04	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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