

October 09, 2013

Facilities	Amount (Rs. Crores)	Rating
Cash Credit	10.00	SMERA B+/Stable/Assigned
Term Loan	4.90	SMERA B+/Stable/Assigned

SMERA has assigned a rating of **'SMERA B+' (read as SMERA B Plus)** to the Rs.14.90 crores long term facilities (fund based) of Sapphire Digital Printer Private Limited (Sapphire). The rating is constrained by the company's below-average financial risk profile marked by high leverage and working-capital-intensive operations. The rating is further constrained by the high competition prevalent in the printing industry. However, the rating is supported by the company's reputed clientele, diversified offerings and experienced management.

Sapphire, a Gurgaon-based company, is engaged in providing high-end designing and printing solutions. The company has regularly undertaken debt-funded capacity expansion, which has resulted in high total debt-to-equity ratio at 3.51 times as on March 31, 2012. Moreover, Sapphire's leverage is likely to remain high on account of further debt-funded capacity expansion plans. Sapphire operates in a highly competitive and fragmented printing industry, which limits the company's bargaining power with customers. Sapphire also has stiff credit terms with suppliers. The company's operations are thus highly working-capital-intensive. Sapphire's average utilization of working capital limit is high at 99 per cent over the six months ended March 2013. The company's working capital cycle is stretched at 81 days in FY2008–09 (refers to financial year, April 01 to March 31). Sapphire primarily caters to educational training institutes and multinational companies. Sapphire's operating income increased from Rs.2.42 crores in FY2008–09 to Rs.36.34 crores in FY2011–12 on account of diversification resulting from wedding cards and album printing services. Sapphire has undertaken continuous capacity enhancement over the years with expansion in dealer network across various cities in India.

Mr. Neeraj Chaudhary, Promoter and Director of Sapphire, has about 10 years of experience in the printing industry, and is supported by an experienced second line of management.

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**Outlook: Stable**

Sapphire has a 'Stable' outlook. SMERA believes that Sapphire will continue to maintain its scale of operations on the back of its experienced management and continuous capacity expansion and product diversification effort. However, the company's ability to improve its capital structure and maintain a comfortable liquidity position remains the key rating sensitivity.

About the company

Sapphire was established as a sole proprietorship concern in 2004 by Mr. Neeraj Chaudhary. On January 30, 2012, Sapphire was converted into a private limited company. Sapphire provides high-end designing and printing solutions to various large entities including Siemens, Ericsson, Nestle, NIIT, Matrix Cellular, Aakash Institute, MDI Gurgaon, Satyapaul, Lal Pathlabs and Right Management. Sapphire has recently ventured into printing of premium range wedding cards and albums. The company plans to open a retail outlet (offering premium wedding card and album printing solutions) in a reputed mall in Gurgaon, Haryana.

Mr. Neeraj Chaudhary, Managing Director of Sapphire, has over 10 years of experience in the printing business. Sapphire also has an experienced second line of management.

In FY2011-12, Sapphire reported PAT of Rs.1.58 crores on total income of Rs.36.34 crores as compared with PAT of Rs.0.78 crores on total income of Rs.14.27 crores in FY2010-11. Further, Sapphire registered revenues of Rs.59.52 crores (provisional) in FY2012-13.

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