

March 25, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	20.00 (enhanced from 10.00)	SMERA B/Stable (Downgraded from SMERA B+/Stable)
Term Loan	2.64 (reduced from 4.90)	SMERA B/Stable (Downgraded from SMERA B+/Stable)
Bank Guarantee	5.51	SMERA A4 (Assigned)

SMERA has downgraded the long-term rating of Sapphire Digital Printers Private Limited (SDPPL) to '**SMERA B** (read as SMERA single B)' from '**SMERA B+**' (read as SMERA B plus) and has assigned short term rating of **SMERA A4 (read as SMERA A four)**. The outlook is '**Stable**'.

The downgrade reflects the company's stretched liquidity position and decline in profit margin. The company's bank limit utilisation is high at ~97 per cent for the six months ended December 2014. SDPPL's net profit margin declined from 3.03 per cent in FY2012-13 to 2.72 per cent in FY2013-14 on account of increase in interest expenses. SDPPL's leverage (total debt-equity ratio) stood at 1.91 times as on March 31, 2014.

The rating continues to remain constrained by the company's below-average financial risk profile and working-capital intensive operations. However, the rating derives comfort from the company's experienced management and strong revenue growth.

For arriving at the ratings, SMERA has combined the business and financial risk profiles of SDPPL and its group entity viz. Sapphire Digital Printers. The consolidation is in view of the similar business model and common management of the entities.

Outlook Stable

SMERA believes SDPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profit margins while maintaining healthy revenue growth and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of significant deterioration in the company's profitability and financial risk profile.

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About the company

SDPPL, incorporated in 2012, is a Gurgaon-based company promoted by Mr. Neeraj Chaudhary. SDPPL was established to take over the running business of Sapphire Digital Printers, a proprietorship concern established in 2004 by Mr. Neeraj Chaudhary.

SDPPL undertakes digital printing and publishing of books, brochures, posters, wedding albums and wedding cards.

For FY2013-14, SDPPL reported profit after tax (PAT) of Rs.2.23 crore on revenues of Rs.82.04 crore, as compared with PAT of Rs.1.80 crore on revenues of Rs.59.53 crore in FY2012-13. The company's net worth stood at Rs.15.72 crore as on March 31, 2014, as compared with Rs.8.47 crore a year earlier.

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