



Press Release

Sapphire Media Limited

February 05, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	112.91	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	32.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	144.91	(Rupees One hundred forty-four crore and ninety-one lakh only)		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long term rating of IVR BBB- with a Stable outlook and short-term rating of A3 for the bank loan facilities of Sapphire Media Limited.

The rating assigned to the bank facilities of Sapphire Media Limited draws comfort from experienced management and long track record of operations, diversified customer profile and geographical presence. The ratings also take into consideration the increasing scale of operations with improvement in profitability on account of newer order with better profit margins. The ratings further derive comfort from the healthy order book position and comfortable capital structure and debt protection parameters.

However, these rating strengths are partially offset by working capital intensive nature of operations and competition from major players in the industry and technology and obsolescence risk inherent to the nature of business.



Press Release

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes that Sapphire Media Limited will continue to benefit from its operational track record in the business, its reputed clientele and regular inflow of orders.

IVR has principally relied on the standalone audited financial results of Sapphire up to 31 March 2023, and projected financials for FY2024-FY2026.

Key Rating Sensitivities:

- **Upward Factors**

Substantial and sustained improvement in revenue & profitability leading to overall improvement in debt protection metrics.

- **Downward Factors**

Any further decline in revenue and/or profitability impacting the debt protection metrics or liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management and long track record of operations.

Established in 2009, SML is engaged in providing advertising and media related services. The company has an experienced management team having decades of expertise in this industry. The company is promoted by Mr. Sahil Mangla, who has long experience in out of home (OOH), print media and digital fabrications.

Diversified customer profile and geographic presence.

The company has its presence across pan India with projects across regions mitigating the geographic concentration risk. The top 10 customers account for around 63.09% of the sales in FY2023, indicating diversified customer base in the industry.



Press Release

Increasing scale of operations with improvement in profitability.

TOI of Sapphire Media Limited increased from Rs. 139.55 Crore in FY22 to Rs. 201.80 Crore in FY23. The increase in TOI is on account of higher execution of orders.

In line with the increase in TOI, EBITDA also increased from Rs. 5.66 Crore in FY22 to Rs. 8.86 Crore in FY23, PAT also increased from Rs. 3.64 Crore in FY22 to Rs. 6.14 Crore in FY23.

The profitability margins of the company, like EBITDA margin increased from 4.05% in FY22 to 4.39% in FY23. The operating margin improved due to higher margins earned on executed orders. In line with the improvement in EBITDA margin, PAT margin also improved from 2.60% in FY22 to 3.04% in FY23.

Healthy Order book.

The company has a healthy order book and the total unexecuted orders on hand as of December'2023 are Rs. 162.72 Crore, which is 1.26 times of TOI for FY23. The execution period for the order book is 1-2 years further company also keep on receiving order on recurring basis.

Comfortable capital structure and debt protection parameters.

The overall gearing ratio improved and stood at 1.27 times as on March 31,2023, as against 1.46 times as on March 31,2022. The improvement is on account of the increase in tangible net worth of the company on account of accretion of profits to reserves. However, TOL/TNW moderated from 2.69 times as on March 31, 2022, to 3.99 times as on March 31, 2023. The debt protection indicators improved marked by Interest Coverage Ratio of 12.84 times in FY23(FY 22: 8.30 times). Debt Service Coverage Ratio was 2.07x in FY23 (FY22: 2.13x). Total Debt to GCA improved and stood at 4.42 years in FY23 against 5.91 years in FY22 due to an increase in GCA.

Tangible Net Worth of the company increased from Rs.20.92 Cr. as on 31st March 22 to Rs. 24.46 Cr. as on 31st March 23.

Key Rating Weaknesses



Press Release

Working capital intensive nature of operations.

SML has relatively large working capital requirements, as reflected in the collection period of 103 days as on 31st March 2023 as against the average creditor days of 83 days for FY2023, implying working capital intensive operations. The operating cycle was of 37 days in FY2023, as against 40 days in FY2022.

Competition from major players in the industry and technology and obsolescence risk.

Company faces stiff competition from large industry impacting its pricing flexibility; in addition to the ability of the company to acquire new customers also. Company's increasing scale of operations restricted its operational and financial flexibility to an extent. Any adverse technological changes would have an adverse impact on the revenues of company.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Companies](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning rating outlook](#)



Press Release

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate on the expectation of sufficient cushion in its cash accruals vis-à-vis debt repayment obligations. The company had unencumbered cash and bank balances of Rs. 0.52 Cr. as on December 2023. The current ratio stood at 1.62x as on March 31, 2022, which further moderated to 1.10x as on March 31, 2023. The operating cycle was 40 days in FY22, the same reduced to 37 days in FY23. The average fund-based utilization for 12 months ending November 2023 is 76.81%.

About the Company

Sapphire Media Limited is in advertisement and media industry. Advertising in India has come a long way in the last few years. The Company was initially working and operating as Sole proprietorship firm of Mr. Sahil Mangla, which was later converted as a Public Limited Company. Mr. Sahil Mangla is in advertisement and media business since 2009 and has 15 years of experience in the business. The company ventured is present into outdoors, fabrication, LEDs and has been catering retail signages and in-shop branding, Out of Home (OOH) advertising with a team of about 300 people.

Financials (Standalone):

For the year ended* / as on	(Rs. Crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	139.55	201.80
EBITDA	5.66	8.86
PAT	3.64	6.14
Total Debt	30.45	31.14
Tangible Net Worth	20.92	24.46
Ratios		
EBITDA Margin (%)	4.05	4.39
PAT Margin (%)	2.60	3.04
Overall Gearing Ratio (x)	1.46	1.27

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA: None



Press Release

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021
1.	Cash Credit	Long Term	92.50	IVR BBB-/ Stable	--	--	--
2.	Term Loan	Long Term	20.41	IVR BBB-/ Stable	--	--	--
3.	Bank Guarantee	Short Term	22.00	IVR A3	--	--	--
4.	Letter of Credit	Short Term	10.00	IVR A3	--	--	--



Press Release

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI). Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	92.50	IVR BBB-/ Stable
Term Loan	-	-	-	20.41	IVR BBB-/ Stable
Letter of Credit	-	-	-	10.00	IVR A3
Bank Guarantee	-	-	-	22.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-sapphire-feb24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.