

November 13, 2014

## CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF SPECTRUM DYES & CHEMICALS PRIVATE LIMITED

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	38.69 (enhanced from Rs.27.87 crore)	<b>CARE BBB- (Triple B Minus)</b>	Reaffirmed
Long/Short-term Bank Facilities	103.00 (enhanced from Rs.78.00 crore)	<b>CARE BBB- / CARE A3 (Triple B Minus / A Three)</b>	Reaffirmed
Short-term Bank Facilities	3.60	<b>CARE A3 (A Three)</b>	Reaffirmed
<b>Total Facilities</b>	<b>145.29</b>		

### Rating Rationale

The ratings assigned to the bank facilities of Spectrum Dyes & Chemicals Private Limited (Spectrum) continue to take into account the wide experience of the promoters in the field of textile and related business segments, established track record of Spectrum in the disperse dye industry along with the benefit of the plant being located in the chemical belt and proximity to the main consumption centre. The ratings also continue to take into account Spectrum's moderate leverage and debt coverage indicators along with steady growth in the total operating income, depth of its product-line backed by established agent/distribution network and long-standing relationship with its customers.

The ratings, however, continue to be constrained on account of the risk associated with volatility in raw-material prices, exposure to exchange rate fluctuations, working capital-intensive nature of operations and Spectrum's presence in the cyclical chemical industry. The ratings are also constrained by the Spectrum's presence in a single segment of the dyes industry and continuous increase in the support extended to the group entities by way of corporate guarantees restricting its financial flexibility.

Spectrum's ability to increase the scale of its operations, manage risks associated with fluctuation in the raw material prices and foreign currency exchange rates and the extent of any further support to group entities shall remain the key rating sensitivities.

### Background

Spectrum, the flagship company of the Surat-based Pratibha group, was promoted by Mr M. K. Chaudhary in 1989. It is engaged in the manufacturing of disperse dyes which are used in the dyeing and printing of polyester fibre. Located at Palsana (near Surat) in Gujarat, Spectrum is the second-largest manufacturer of disperse dyes in India. Spectrum manufactures around 150 different shades of disperse dyes and some dye intermediates with main focus on the basic colours, viz, blue, black and red. Spectrum has an installed capacity of 11,250 metric tonnes per annum (MTPA) as on March 31, 2014. The Pratibha group also has long-standing presence in the textile value chain.

As per the audited result, Spectrum reported a PAT of Rs.9.02 crore on a total operating income of Rs.326.54 crore in FY14 (FY; refers to period April 1 to March 31) as against a PAT of Rs.7.06 crore on a total operating income of Rs.241.61 crore in FY13. Further, as per the provisional results for H1FY15, Spectrum reported a PAT of Rs.5.82 crore on a total operating income of Rs.184.39 crore.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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CIN - L67190MH1993PLC071691