

March 30, 2011

CARE REVISES THE RATING ASSIGNED TO THE LONG-TERM BANK FACILITIES AND REAFFIRMS THE RATING ASSIGNED TO THE SHORT-TERM BANK FACILITIES OF SPECTRUM DYES & CHEMICALS PVT. LTD.

Ratings

Facilities	Amount (Rs. Crore)	Ratings¹	Remarks
Long-term Bank Facilities	40.51	'CARE BBB' (Triple B)	Revised from 'CARE BBB' (Triple B Minus)
Long-term/Short-term Bank Facilities	69.00	'CARE BBB'/PR3' (Triple B)/(PR Three)	Revised from 'CARE BBB'/'PR3' (Triple B Minus)/(PR Three)
Short-term Bank Facilities	1.00	'PR3' (PR Three)	Reaffirmed
Total Facilities	110.51		

Rating Rationale

The rating revision takes into account the improvement in Spectrum Dyes & Chemicals Pvt. Ltd's (Spectrum's) profitability and debt coverage indicators in FY10 as well as the stabilization of added capacities.

The ratings continue to take into account Spectrum's experienced management and established track record in the disperse dye industry, depth of product-line backed by strong agent/distribution network and long-standing clientele. The ratings continue to be constrained by its moderate financial risk profile and high working capital intensity. The ratings are also constrained by high level of competition and susceptibility of its margins to fluctuations in its raw material prices being closely linked to movements in crude oil prices and foreign exchange rates.

Sustainability of its improved profitability and cash accruals through increase in share of high-value items in its sales mix, rationalisation of debt levels and the extent of future investments in group companies would remain the key rating sensitivities.

Company Profile

Spectrum, the flagship company of Surat-based Pratibha Group, was established in 1989 for manufacturing disperse dyes which are used in the dyeing and printing of polyester fibre. It is the second-largest manufacturer of disperse dyes in India, currently manufacturing around 150 different shades of disperse dyes and some dye intermediates. Consequent to the capacity expansion undertaken during FY10, its disperse dye manufacturing capacity has increased from 9,000 MTPA to 10,500 MTPA currently. Sales of Spectrum have been focused mainly on the domestic market with more than 70% of its turnover coming from the local Surat market.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications



Press Release

As against a PAT of Rs.2.24 crore on a total income of Rs.133.63 crore in FY09, Spectrum earned a PAT of Rs.5.99 crore on a total income of Rs.164.07 crore in FY10. Further, as per the provisional results for 10MFY11, Spectrum earned a PBT of Rs.8.16 crore on a total income of Rs.165.98 crore.

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