

October 17, 2011

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
SPECTRUM DYES & CHEMICALS PVT. LTD.**

Ratings

Facilities	Amount (Rs. Crore)	Ratings¹	Remarks
Long-term Bank Facilities	36.29	'CARE BBB' (Triple B)	Reaffirmed
Long/Short-term Bank Facilities	69.00	'CARE BBB'/'CARE A3' (Triple B)/(A Three)	Reaffirmed
Short-term Bank Facilities	1.00	'CARE A3' (A Three)	Reaffirmed
Total Facilities	106.29		

Rating Rationale

The ratings continue to take into account the experienced management and established track record of Spectrum Dyes & Chemicals Pvt. Ltd (Spectrum) in the disperse dye industry and benefit of the plant being located in the chemical belt alongwith proximity to the main consumption centre. Furthermore, the ratings also continue to take into account Spectrum's average financial risk profile, depth of product-line backed by the established agent/distribution network and long-standing clientele. However, the ratings continue to be constrained by Spectrum's presence in the single segment and high working-capital intensity. The ratings are also constrained by the high level of competition and susceptibility of its profitability margins to fluctuations in its raw material prices being closely linked to the movements in the crude oil prices and foreign exchange rates. Improvement in the profitability and cash accruals through increase in the share of high-value items in its sales mix, rationalization of the debt levels and the extent of future investments in the group companies would 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 for manufacturing disperse dyes which are used in the dyeing and printing of polyester fibre. Located at Palsana (near Surat) in Gujarat, it is the second-largest manufacturer of disperse dyes in India. Spectrum manufactures around 150 different shades of disperse dyes and some dye intermediates and has main concentration in the basic colours viz blue, black and red. Spectrum has an installed capacity of 10,500 MTPA as on March 31, 2011.

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

Spectrum earned a PAT of Rs.6.08 crore on a total operating income of Rs.198.27 crore in FY11 vis-à-vis a PAT of Rs.5.99 crore on a total operating income of Rs.164.07 crore in FY10.

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