

December 17, 2015

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

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	64.43 (enhanced from 38.69)	<b>CARE BBB- (Triple B Minus)</b>	Reaffirmed
Long-term/Short-term Bank Facilities	110.00 (enhanced from 103)	<b>CARE BBB- / CARE A3 (Triple B Minus / A Three)</b>	Reaffirmed
Short-term Bank Facilities	9.60 (enhanced from 3.60)	<b>CARE A3 (A Three)</b>	Reaffirmed
<b>Total Facilities</b>	<b>184.03 (Rupees One Hundred Eighty-four crore and Three lakh only)</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 chemicals businesses, 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 steady growth in the total operating income of Spectrum along with moderate leverage and debt coverage indicators, 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 foreign 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 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. The company is engaged into manufacturing of disperse dyes which are used in the dyeing and printing of polyester fibre/fabric. 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, 2015.

The Pratibha group of Surat is a three decade old group having business interests in the field of textile and related business segments. The group has multiple manufacturing units across diverse businesses such as textile processing houses, manufacturing of disperse dyes, manufacturing of nylon yarn, weaving of linen fabrics and embroidery work etc.

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

As per the audited result for FY15 (refers to the period April 1 to March 31), Spectrum reported a PAT of Rs.10.19 crore on a total operating income of Rs.361.38 crore as against a PAT of Rs.9.02 crore on a total operating income of Rs.326.54 crore in FY14. Further, as per the un-audited result for H1FY16, Spectrum reported a PAT of Rs.5.94 crore on a total operating income of Rs.175.98 crore.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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