

August 12, 2013

**CARE REVISES THE RATING ASSIGNED TO THE LONG-TERM BANK FACILITIES AND REAFFIRMS THE RATING ASSIGNED TO SHORT-TERM BANK FACILITIES OF SPECTRUM DYES & CHEMICALS PRIVATE LIMITED**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	27.87 (enhanced by Rs.6.63 crore)	CARE BBB- (Triple B Minus)	Revised from CARE BBB (Triple B)
Long/Short-term Bank Facilities	78.00	CARE BBB-/CARE A3 (Triple B Minus/ A Three)	Revised from CARE BBB/CARE A3 (Triple B / A Three)
Short-term Bank Facilities	3.60 (enhanced by Rs.2.60 crore)	CARE A3 (A Three)	Reaffirmed
<b>Total Facilities</b>	<b>109.47</b>		

**Rating Rationale**

The revision in the long-term rating of the bank facilities of Spectrum Dyes & Chemicals Private Limited (Spectrum) takes into account the increase in the support provided to the group entities by way of corporate guarantees restricting its financial flexibility.

The ratings, however, continue to take into account the experienced management and established track record of Spectrum in the disperse dye industry and benefit of the plant being located in the chemical belt along with proximity to the main consumption center. The ratings also continue to take into account Spectrum's moderate debt coverage indicators, depth of its product-line backed by an established agent/distribution network and long-standing clientele.

The ratings, however, continue to be constrained by Spectrum's presence in a single segment of the dyes industry and its high working-capital intensity. The ratings are also constrained by the high level of competition and susceptibility of its profitability margins to the volatile raw material prices being closely linked to the movements in crude oil prices and foreign exchange rates.

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

**Background**

Spectrum, the flagship company of the Surat-based Pratibha Group, was promoted by Mr MK 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 the 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, 2013. The Pratibha group also has a long standing presence in the textile value chain.

Spectrum reported a PAT of Rs.7.06 crore on a total operating income of Rs.241.61 crore in FY13 (refers to the period April 1 to March 31) as against a PAT of Rs.6.12 crore on a total operating income of Rs.238.01 crore in FY12.

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

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