

September 28, 2012

**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 | 28.56 (reduced from Rs.36.29 crore) | CARE BBB (Triple B) | Reaffirmed |
| Long/Short-term Bank Facilities | 78.00 (enhanced from Rs.69.00 crore) | CARE BBB/CARE A3 (Triple B)/(A Three) | Reaffirmed |
| Short-term Bank Facilities | 1.00 | CARE A3 (A Three) | Reaffirmed |
| Total Facilities | 107.56 | | |

Rating Rationale

The ratings continue to take into account the experienced management and established track record of Spectrum Dyes & Chemicals Private Limited (Spectrum) in the disperse dye industry and benefit of the plant being located in the chemical belt along with proximity to the main consumption centre. The ratings also continue to take into account Spectrum's moderate leverage and debt coverage indicators, depth of its product-line backed by 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 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, improve its profitability while managing risks associated with fluctuation in raw material prices & foreign currency exchange rates and the extent of future support provided to the group companies are 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 presence in 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, 2012.

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

Spectrum earned a PAT of Rs.6.12 crore on a total operating income of Rs.238.01 crore in FY12 (refers to the period April 1 to March 31) as against a PAT of Rs.6.08 crore on a total operating income of Rs.198.27 crore in FY11. Further, as per provisional results for Q1FY13, it earned a PBT of Rs.2.38 crore on a total operating income of Rs.72 crore.

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