AUGUST 04, 2016

CARE REVISES THE LT RATING AND REAFFIRMS THE ST RATING ASSIGNED TO THE BANK FACILITIES OF DIGJAM LIMITED

Ratings

Facilities	Amount (Rs. Crore)	Ratings[1]	Remarks
Long term Bank Facilities	40.50 [Enhanced from Rs.28 crore]	**CARE B+ (Single B Plus)**	Revised from CARE B (Single B)
Short term Bank Facilities	54.00	**CARE A4 (A Four)**	Reaffirmed
Total Bank Facilities	**94.50 (Rupees Ninety Four crore and Fifty lakh only)**		

Rating Rationale

The revision in the long-term rating of Digjam Limited (Digjam) takes into account the steps taken by the company for increasing its scale of operations, induction of experienced professional in top management, marketing tie-up with renowned luxury suiting retailer of UK and proposed capex in the area of value addition.

The ratings of Digjam continue to be constrained by modest scale of operation, cash losses, weak debt coverage indicators and working capital-intensive nature of operations. The ratings are further constrained by its presence in the highly competitive worsted fabric segment and susceptibility of its margins to foreign currency exchange rate fluctuation.

The ratings, however, derive strength from the resourceful and experienced promoters, long track record of operations of Digjam along-with an established brand.

The ability of Digjam to scale up its operations along-with improvement in profitability and capital structure with efficient management of working capital and foreign exchange rate fluctuation are the key rating sensitivities.

Background

Originally incorporated in 1948 as Digvijay Woollen Mills Ltd, Digjam is promoted by the S K Birla Group. Mr Sidharth Birla, son of Mr S K Birla, is the Chairman of the company. Digjam (amalgamating company) amalgamated with its wholly-owned subsidiary Digjam Textiles Ltd. (amalgamated company) with appointed date of June 30, 2016, and effective date of March 23, 2016. Subsequently, the name of the company has been changed from Digjam Textile Ltd. to Digjam Ltd., upon completion of all the requisite formalities. The amalgamation has been accounted for as per 'the purchase method'. In terms of the scheme, the company has allotted 87,641,621 fully paid equity shares of Rs.10 each at a premium of Rs.5 per share and 500,000 – 8% non-convertible redeemable preference shares of Rs.100 each at par fully paid in the ratio of 1 share for every 1 share held in the amalgamating company.

Digjam is primarily engaged in manufacturing worsted fabrics at its sole manufacturing facility at Jamnagar, Gujarat. Digjam sells its fabric under the 'Digjam' brand through its established marketing network consisting of approximately 19 agents, 114 wholesale dealers and 1207 retailers spread across India.

As per the audited results for 9MFY16 (refers to the period July 1, 2015 to March 31, 2016), Digjam reported net loss of Rs.9.88 crore on a total operating income (TOI) of Rs.95.31 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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