

SEPTEMBER 03, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF DIGJAM LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	27.50	CARE B (Single B)	Reaffirmed
Short term Bank Facilities	54.50	CARE A4 (A Four)	Reaffirmed
Total Facilities	82.00 (Rupees Eighty two crore only)		

Rating Rationale

The ratings of Digjam Limited (Digjam) continue to be constrained by modest scale of operation, operating losses, working capital-intensive nature of operations, high leverage and weak debt coverage indicators. 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 Wollen 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 is primarily engaged in manufacturing worsted fabrics at its sole manufacturing facility in Jamnagar, Gujarat. It had an installed capacity to manufacture 5 million meters of worsted fabric supported by 14,800 spindles and 98 looms as on March 31, 2015.

Digjam sells its fabric under the 'Digjam' brand through its established marketing network consisting of approximately 1250 retailers, 55 wholesalers and 26 exclusive retail outlets spread across India.

During FY15 (refers to the period April 1 to March 31), Digjam reported net loss of Rs.14.64 crore on a total operating income (TOI) of Rs.135.79 crore as against a PAT of Rs.0.29 crore on a TOI of Rs.152.78 crore in FY14. During Q1FY16 (provisional), Digjam has reported loss of Rs.2.77 crore on TOI of Rs.34.23 crore.

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

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

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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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