

Digjam Limited

December 20, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	40.50	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	ISSUER NOT COOPERATING; Based on best available information
Short Term Bank Facilities	54.00	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	ISSUER NOT COOPERATING; Based on best available information
Total Facilities	94.50 (Rupees Ninety Four Crore Fifty Lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Digjam Limited (Digjam) to monitor the ratings vide e-mail communications/ letters dated December 9, 2019, December 11, 2019 and December 13, 2019 along with numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Digjam has not paid the surveillance fee for the rating exercise as agreed to in its letter of request. The ratings on Digjam's bank facilities will now be denoted as **CARE D / CARE D; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings assigned to the bank facilities of Digjam take into account delays in debt servicing owing to its stressed liquidity and cash losses incurred by the company.

Detailed description of the key rating drivers

At the time of last rating on August 31, 2018, the following were the rating strengths and weaknesses (updated based on the best available information from BSE filing, banker feedback and as conveyed by the company)

Key Rating Weaknesses

Delay in debt servicing: Digjam has delayed in servicing its term loan principal and interest along with over-drawing in its fund-based working capital facilities due to its stressed liquidity and cash losses. Subsequently, the account has been classified as Non-Performing Asset (NPA) by the lenders. Further to this, the Hon'ble National Company Law Tribunal ("NCLT") has initiated Corporate Insolvency Resolution Process against the company u/s 9 of the Insolvency and Bankruptcy Code, 2016, vide its order dated April 26, 2019.

Rating Sensitivities:

Positive factors:

- Sustained track record of timely servicing of debt obligations for a period of at least 90 days

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

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

*Issuer did not cooperate; Based on best available information

About the Company

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 is primarily engaged in manufacturing worsted fabrics at its sole manufacturing facility at Jamnagar, Gujarat with an installed capacity to manufacture 5.50 million meters of worsted fabric.

Brief financials of Digjam are tabulated below:

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	100.73	60.46
PBILDT	(4.26)	(16.16)
PAT	(21.60)	(32.90)
Overall gearing (times)	0.89	1.29
Interest coverage (times)	NM	NM

A: Audited, NM: Not Meaningful

Further, during 9MFY19, Digjam reported a net loss of Rs.29.72 crore on a total operating income of Rs.7.04 crore, compared with a net loss of Rs.21.58 crore on a total operating income of Rs.52.07 crore during in 9MFY18.

Further, the notes accompanying Digjam's 9MFY19 financials mention the following key aspects:

- The company's operations continue to be severely affected by working capital availability and lack of liquidity which has significantly impacted its performance resulting in substantial loss for the period. It has incurred losses amounting to Rs.9.54 crore for the quarter and Rs.29.72 crore for the nine months ended December 31, 2018 and the company's current liabilities exceed current assets by Rs.94.38 crore as at December 31, 2018, indicating existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going-concern. However, considering that the company is in advanced discussions, to sell its surplus free-hold land and realisation from which would enable debt reduction and restructuring of its operations, these financial results are presented on a going concern basis which contemplates realisation of assets and settlement of liabilities in the normal course of business and do not include any adjustments relating to recorded amounts and their classification of assets and liabilities that might be necessary should the company be unable to continue as a going concern.
- The production continues to be temporarily suspended in view of the extremely tight liquidity & working capital position.

Further, Digjam's auditor has drawn attention to the following matter in their review report on 9MFY19 (Prov.) results, without modifying the opinion in this regards:

- The Company has incurred a net loss of Rs.9.54 crore during the quarter and Rs.29.72 crore during the nine months ended December 31, 2018 and, as of that date, the company's current liabilities exceeded its current assets by Rs.94.38 crore. These events or conditions, along with other matters as set forth in the note accompanying the financial statements (as mentioned above), indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. However, the statement has been prepared on a going concern basis for the reasons stated in the note accompanying the financial statements.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	27.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	1.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	34.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - ST-EPC/PSC	-	-	-	18.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	0.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Term Loan-Long Term	-	-	March 2019	12.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*Issuer did not co-operate, based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	27.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (31-Aug-18)	1)CARE D (18-Jul-17)	1)CARE B+ (04-Aug-16)
2.	Non-fund-based - ST-BG/LC	ST	1.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (31-Aug-18)	1)CARE D (18-Jul-17)	1)CARE A4 (04-Aug-16)
3.	Non-fund-based - ST-BG/LC	ST	34.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (31-Aug-18)	1)CARE D (18-Jul-17)	1)CARE A4 (04-Aug-16)
4.	Fund-based - ST-EPC/PSC	ST	18.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (31-Aug-18)	1)CARE D (18-Jul-17)	1)CARE A4 (04-Aug-16)
5.	Fund-based - LT-Cash Credit	LT	0.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (31-Aug-18)	1)CARE D (18-Jul-17)	1)CARE B+ (04-Aug-16)
6.	Term Loan-Long	LT	12.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating;	-	1)CARE D (31-Aug-18)	1)CARE D (18-Jul-17)	1)CARE B+ (04-Aug-16)

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
	Term			Based on best available information				

*Issuer did not co-operate, based on best available information

Note on complexity levels of the rated instrument: 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.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades; it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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