



Press Release
Fiona Solitaires Private Limited
 October 30, 2018
Rating Reaffirmed

Total Bank Facilities Rated*	Rs.6.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs. 6.00 crore bank facilities of FIONA SOLITAIRE PRIVATE LIMITED. The outlook is '**Stable**'.

Fiona Solitaires Private Limited (FSPL) is a Maharashtra based company incorporated in 2015. The company is promoted by the Agrawal family. FSPL is engaged in the retail sale of jewellery by branding in the name of Fiona Solitaires. FSPL has 4 owned outlets and 9 franchise outlets across India. The company also sells their products online from their website. FIONA is the first ever registered brand for Moissanite Jewellery in India. FSPL has recently entered the lab-grown diamond market in FY2018. Fiona is also the first registered brand in India to sell lab-grown diamonds to their clients. The company is positive about the lab-grown diamond market which is growing annually at more than 200 percent.

Analytical Approach

For arriving at its rating, Acuité has considered the standalone business and financial risk profile of FSPL.

Key Rating Drivers

Strengths

• Experienced management

The promoters, Mr. Dilip Agrawal, Mr. Parag Agrawal and Mr. Saurabh Agrawal have around two decades of experience in the gems and jewellery sector.

• Entry in the lab-grown diamond segment

FSPL is the first and the only registered brand in India selling lab-manufactured diamonds. Lab manufactured diamonds are cost effective and the eco-friendly alternatives to earth-mined diamonds. The company has successfully developed their own manufacturing facility for the lab-grown diamonds. Selling of lab-grown diamonds is expected to reduce the cost and increase the profitability since the industry is growing at more than 200% Year on Year.

While there are other players selling the lab grown diamonds, FSPL is the only player currently in the market selling it directly to customers.

Weaknesses

• Working Modest scale of operations and limited operational track record

FSPL commenced commercial operations from June 2015. The company registered a modest rise in operating income from Rs. 12.99 crore in FY2017 and Rs.13.95 crore in FY2018. The company has also very recently entered in the lab-grown diamond segment. For FY19, the company has target revenue Rs. 21 crore.

• Working capital intensive operations

The operations are working capital intensive due to the retail nature of business marked by Gross

Current Assets Days (GCA) of 247 days for FY2018 as against 254 days for FY2017. The high GCA days are mainly on account of high inventory holding period of 231 days in FY2018 and 249 days in FY2017. The working capital utilization stood at ~95-98 percent for the last six months ended April, 2017.

• Susceptibility to regulatory framework, and Intense Competition in jewellery industry

Government's regulations aimed towards increasing transparency in the gold & diamond jewellery industry through mandatory PAN disclosures for transactions above Rs. 2 lakh and compulsory hallmarking impacting the gold & diamond jewellery demand could hinder near - term growth prospects of the company. Also, the lack of knowledge of the Indian customers about the lab-grown diamonds might make them hesitant about purchasing expensive jewellery manufactured using lab-grown diamonds. However, this might also incline the customers to prefer buying from FSPL due to reduction in the price of the jewellery manufactured using lab-grown diamonds. Further, the fragmented nature of the industry has resulted in strong competitive pressures thereby squeezing players' margins.

Outlook: Stable

Acuité believes that FSPL will maintain a 'Stable' outlook over the medium term on the back of the extensive experience of the promoter. The outlook may be revised to 'Positive' in case of improvement in the financial risk profile, coverage indicators and apt working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in the capital structure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	13.95	12.99	5.52
EBITDA	Rs. Cr.	1.24	0.86	0.40
PAT	Rs. Cr.	0.21	0.12	0.19
EBITDA Margin	(%)	8.92	6.60	7.19
PAT Margin	(%)	1.53	0.89	3.40
ROCE	(%)	10.18	9.71	12.05
Total Debt/Tangible Net Worth	Times	4.88	5.92	3.91
PBDIT/Interest	Times	1.72	1.64	4.91
Total Debt/PBDIT	Times	6.66	8.98	11.62
Gross Current Assets (Days)	Days	247	254	586

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments-<https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
21-Aug-2018	Cash Credit	Long Term	6.00	ACUITE B+ (Indicative)
10-Aug-2017	Cash Credit	Long Term	6.00	ACUITE B+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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