

Rating Rationale

Brickwork Ratings assigns ‘BWR A4+’ for the existing & proposed Bank Loan Facilities aggregating ₹ 8 Cr of Acara Bioherb Private Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the *existing and proposed* Bank Loan Facilities of ABPL (“ABPL” or “the company”):

Facility	Sanctioned Amount (₹ Cr)	Proposed Limits (₹ Cr)	Tenure	Rating
Pre shipment Credit (EPC)	3.00	2.50	Short Term	BWR A4 + (Pronounced BWR A Four Plus)
Post shipment Credit (FUBD)	2.00	1.50		
Pre-shipment credit in foreign currency (PCFC)	-	4.00		
Total		8.00	INR Eight Crores only	

BWR has principally relied upon the audited financial results of the company up to FY15, projected financials up to FY17, publicly available information and information/clarifications provided by the company.

The rating draws strength from the experience of the directors in the herbal cosmetic and cosmeceuticals industry and the global demand for the herbal products. These rating strengths are partially offset by ABPL’s limited track record of operations, intensely competitive industry and elongated working capital cycle with stretched receivables position.

Background

Acara Bioherb Private Ltd (ABPL) was incorporated in 2012 at Bangalore, Karnataka. The company is engaged in manufacturing and exports of an extensive range of Herbal Cosmetic Products such as hair Creams, hair color, hair conditioning creams, hair serum, skin creams, fragrances and herbal supplements, under the brand name ACARA.

The company’s products are manufactured on contract manufacturing basis, presently by Aero Pharma Private Ltd, Mumbai. ABPL’s products are exported to U.A.E and U.K. U.A.E is the major consumer of these herbal products.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management

ABPL is a family owned business and the directors are Mr. Hanumantha Kumar H R and Mr. Pawan Hanumantha Kumar. Mr. Hanumantha Kumar H.R has considerable experience in manufacturing and exports of herbal products. Mr. Pawan Hanumantha Kumar, his son has over 15 years' experience in marketing.

Financial Performance

ABPL's net sales increased from Rs.4.40 Cr in FY14 to Rs.7.79 Cr in FY15. Sale of hair color contributed around 60.73% of the revenue in FY15. ABPL reported Profit after tax (PAT) of Rs0.70 Cr in FY15 as compared to PAT of 0.68Cr in FY14.

Rating Sensitivity Factors

Going forward, the ability of the company to increase its scale of operations, diversify its export clientele and effectively manage its working capital requirements would be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.