

Brooks Laboratories Limited

November 11, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.80 (Reduced from 8.00)	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	1.00	CARE A4 (A Four)	Reaffirmed
Total Bank Facilities	6.80 (₹ Six Crore and Eighty Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Brooks Laboratories Limited (BLL) continue to remain constrained by small scale of operations along with operating losses, stretched liquidity position and highly regulated and competitive nature of industry. However, the ratings derive strength from experienced promoters coupled with established track record of operations and comfortable capital structure.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Sustained improvement in scale of operations with total operating income increasing to close to Rs.100 crore and continued profitable at the PBILDT and cash levels
- Maintaining the comfortable overall solvency position and efficient working capital management

Negative factors – Factors that could lead to negative rating action/downgrade:

- Continued losses at the PBILDT and cash level.
- Any major debt funded capex or increase in dependence on working capital borrowings resulting in significant deterioration of the capital structure

Detailed description of the key rating drivers

Key rating weaknesses

Small (although growing) scale of operations and operating losses.

The scale of operations of the company remains small and at similar level marked by revenue from operations of Rs. 77.21 Cr. in FY22 (refers to the period April 01 to March 31) against Rs. 77.26 crores in FY21 (refers to the period April 01 to March 31). However, the same increased by CAGR of ~6.74% on a year-on-year (y-o-y) basis during FY18-FY22. Company was incurring cash losses till FY21 due to loss making unit located at Vadodara, Gujrat which was transferred in Brooks Steriscience Limited (BSL) on slump exchange basis including assets and liabilities of the unit which was concluded in March 2021 subsequently BLL becomes profitable in FY22 and has reported GCA and PAT of Rs 2.15 crores and Rs 0.67 crores respectively. However, during current financial year company has booked revenue of Rs 14.99 crores and has incurred PBILDT loss and Net loss of Rs 3.99 crores & Rs 4.57 crores respectively in Q1FY23 since company is the process of launching new products and diversified their business in B2C segment which requires comparatively higher marketing cost whereas revenue is yet to be picked up resulting in operating losses. However, position is likely to improve going forward since revenue from newly introduced products is gradually picking up.

Highly regulated and competitive nature of industry

The pharmaceutical industry is a closely monitored and regulated industry and as such there are inherent risks and liabilities associated with the products and their manufacturing. Regular compliance with product and manufacturing quality standards of regulatory authorities is critical for selling products across various geographies. BLL is engaged in the manufacturing of pharmaceutical formulations. The industry is characterized by a high level of competition having presence of a large number of small and big players.

Key rating strengths

Experienced management

BLL is currently being managed by all the directors collectively. Mr Atul Ranchal, Mr Rajesh Mahajan, Mr Rajnish Kumar Bedi, Mr Deepak Mahajan and Mr. Manpreet Singh Naroo have an industry experience of around two decade each whereas Ms. Sonia Gupta, has an industry experience of around one and a half decade. Furthermore, directors are supported by team of well-versed professionals having rich experience in their respective fields.

Established track record of operations and reputed clientele

BLL has an industry presence of nearly two decades now, leading to established relationships with the customers as well as suppliers. The company is engaged in the manufacturing of pharmaceutical formulations and is supplying to various reputed

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd's publications?

players. BLL has floated a Joint Venture (JV) named Brooks Steriscience Ltd (BSL), with another India based pharmaceutical player, Steriscience Specialties Private Limited. BLL has transferred its Vadodara facility under the slump exchange to this JV in March 2021 and has received U.S. Food and Drug Administration (USFDA) approval for their Vadodara Plant. Turnaround of the Vadodara unit and requirement of funding support from BLL to this JV, in the future, will remain a monitorable. BLL has also floated another JV (with BLL's share at ~45%) named SteriBrooks Penems Pvt. Ltd again with Steriscience Specialties Private Limited for marketing the products of the JV Brooks Steriscience Ltd (BSL) in the export markets.

Comfortable capital structure

The capital structure of the company continued to remain at a comfortable level marked by debt to equity and overall gearing ratios of 0.02x and 0.09x, as on March 31, 2022, as compared to 0.02x and 0.13x respectively as at March 31,2021. Further, interest coverage has improved during FY22 to 3.16x as compared to 0.27x during FY21.

Liquidity: Stretched

The liquidity position of the company remains stretched as reflected by current ratio and quick ratio of 1.02x and 0.55x respectively as on March 31, 2022, as against 0.95x and 0.47x as on March 31,2021. The company had unencumbered cash & cash equivalent of Rs. 0.08 crore only as on March 31, 2022. Working capital utilisation of fund-based limits of Rs 5.80 crores also remains comparatively high marked by average utilisation of 86.46% during last 12 months ending September 2022.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Pharmaceutical](#)

About the company

The company was initially incorporated as Brooks Pharmaceuticals in 2000 and subsequently rechristened as BLL in 2002. BLL is engaged in the contract manufacturing of pharmaceutical formulations at its sole manufacturing facility located in Baddi (Himachal Pradesh). It is operating at a combined installed capacity of 2.30 crore units per annum for liquid injection vials, 13.82 crore units per annum for tablets, 2.01 crore units per annum for dry syrup, 5.76 crore units per annum for liquid injection ampoules, 2.30 crore units per annum for eye/ear drops and 5.19 crore units per annum for dry powder injection from Baddi Plant as on March 31, 2022. The products manufactured by the company find application in various therapeutic segments including antibacterial, antibiotics, antigestric, anti-malarial, life-saving drugs etc. BLL also supplies generic formulations on tender basis in states like Gujarat, Jammu & Kashmir, Mumbai and West Bengal. The company also engages in export sales to Yemen, Afghanistan etc. while some domestic sales are also being made under self-owned brand.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	77.26	77.21	14.99
PBILDT	0.83	2.11	-3.99
PAT	-15.59	0.67	-4.57
Overall gearing (times)	0.13	0.09	NA
Interest coverage (times)	0.27	3.16	NA

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.80	CARE BB-; Stable
Non-fund-based - ST-BG/LC		-	-	-	1.00	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - ST-BG/LC	ST	1.00	CARE A4	-	1)CARE A4 (06-Jan-22)	1)CARE A4 (25-Mar-21) 2)CARE A4 (30-Sep-20) 3)CARE D; ISSUER NOT COOPERATING* (25-Aug-20) 4)CARE A4; ISSUER NOT COOPERATING* (07-May-20)	-
2	Fund-based - LT-Cash Credit	LT	5.80	CARE BB-; Stable	-	1)CARE BB-; Stable (06-Jan-22)	1)CARE B; Stable (25-Mar-21) 2)CARE B; Stable (30-Sep-20) 3)CARE D; ISSUER NOT COOPERATING* (25-Aug-20) 4)CARE BB-; Stable; ISSUER NOT COOPERATING* (07-May-20)	-
3	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (06-Jan-22)	1)CARE B; Stable (25-Mar-21) 2)CARE B; Stable (30-Sep-20) 3)CARE D; ISSUER NOT COOPERATING* (25-Aug-20)	-

							4)CARE BB-; Stable; ISSUER NOT COOPERATING* (07-May-20)	
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*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Amit Jindal
Phone: 9873003949
E-mail: amit.jindal@careedge.in

Relationship contact

Name: Swati Agarwal
Phone: +91-11-4533 3200
E-mail: swati.agarwal@careedge.in

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