

## Brooks Laboratories Limited

November 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	7.80 (Enhanced from 5.80)	CARE BB-; Stable	Reaffirmed; Outlook revised from Positive
Short Term Bank Facilities	4.20 (Enhanced from 1.00)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation in ratings and revision in the outlook for the bank facilities of Brooks Laboratories Limited (BLL) takes into account moderate capital structure owing to high guaranteed debt of associate company, small scale of operations coupled with losses in Q1FY25 (Unaudited; refers to the period of April 01 to June 30). Further, the ratings assigned continue to remain constraint by highly regulated and competitive nature of industry.

However, the ratings derive strength from experienced promoters coupled with established track record of operations.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- 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

- 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

### Analytical approach: Standalone

#### Outlook: Stable

The "Stable" outlook reflects CARE Ratings' opinion that the company would continue to benefit from its experienced promoters coupled with established track record of operations and availability of confirmed order book

### Detailed description of key rating drivers:

#### Key weaknesses

##### Small scale of operations albeit improvement in profitability.

The scale of operations of the company continue to remain small, although improved by 44.53% during FY24 (Audited; refers to the period April 01 to March 31) to Rs. 80.32 crores as against Rs. 55.57 crores in FY23 (Audited; refers to the period April 01 to March 31). Further, the scale of operations of the company has remained almost stagnant over the period of 5 years between FY20 to FY24 and grew at CAGR of just 2.88%.

During FY24, company has booked profit amounting to Rs. 1.53 crores at net level and cash profit of Rs 3.30 crores as compared to losses amounting to Rs. 8.19 crores at net level and cash loss of Rs 6.47 crores in FY23. These losses during FY23 were primarily attributed to the higher value of inventory held at the beginning of FY23, as company anticipated a surge in the Covid wave. However, due to impact of vaccination shots and Covid control measures, company had to sell the material at lower margins. In terms of operational performance company has booked PBILDT of Rs. 4.05 crores in FY24 as compared to negative PBILDT of Rs. 5.78 crores during FY23. Further, in Q1FY25 company has booked revenue from operations of Rs. 18.00 crores with PBILDT of Rs 0.35 crores as against revenue of Rs. 15.70 crores in Q1FY24 with PBILDT of Rs 0.07 crores. Generally, first quarter of the financial year remains slow as compared to Q2-Q3 and therefore, company expect better performance in current financial year as well.

#### Moderate capital structure

The capital structure of the company continued to remain moderate and has deteriorated during FY24, as reflected by adjusted gearing including guaranteed debt stands at 1.02x as at March 31, 2024, as compared to 0.33x as at March 31, 2023. This is

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

majorly due to fresh bank facilities availed by associate entity BSL leading to guaranteed debt of Rs 65.00 crores as at March 31,2024, as compared to Rs 12.39 crores as at March 31,2023. Although, BLL don't have any term liabilities apart from lease liabilities of Rs 0.59 crores as at March 31,2024, and they are availing cash credit limit of Rs. 5.80 crores (Aug 2023 to May 2024) which was enhanced to Rs. 7.80 crores from June 2024. Wherein, utilisation remained at ~90% during last 12 months ending September 2024.

**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 strengths****Experienced management**

BLL is currently being managed by all the promoters/directors collectively. Promoter of the company Mr Atul Ranchal & Mr Rajesh Mahajan have an industry experience of around two decades each; and directors Mr. Jitendra Pratap Singh, Dr. Durga Shankar Maity, Mr. Bhushan Singh Rana also having experience of around than 2 decades. 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 players. BLL associate entity, Brooks Steriscience Limited (BSL) is a joint venture between BLL and Steriscience Specialties Private Limited (SSPL) having shareholding of 49% and 51% respectively. Further, BSL plant located in Vadodara has received U.S. Food and Drug Administration (USFDA) approval for their Vadodara Plant and turnaround of the Vadodara unit and requirement of funding support from BLL, in the future, will remain a key monitorable.

**Liquidity: Stretched**

The liquidity position of the company remains stretched as reflected by higher utilisation of working capital limits of around ~90% during last 12 months ending September 2024, despite of enhancement availed by company of Rs 5.20 crores. Further, in order to manage losses sustained during FY23 and to manage its working capital requirements, company had raised Rs 11.58 crores through right issue in June 2023 which was majorly used for repayment to trade payables leading to improvement in current ratio and quick ratio of 1.32x and 0.90x respectively as on March 31, 2024, as against 0.80x and 0.46x as on March 31,2023. The company had unencumbered cash & cash equivalent of Rs. 0.05 crore (PY: Rs. 0.02 crore) only as on March 31, 2024. Although, company currently doesn't have term liabilities, however, associate company BSL has guaranteed debt of Rs 65 crores (PY: Rs. 12.39 crore) having annual repayment of Rs. 4.67 crores for FY25.

**Assumptions/Covenants: Not Applicable****Environment, social, and governance (ESG) risks: Not Applicable****Applicable criteria**[Definition of Default](#)[Liquidity Analysis of Non-financial sector entities](#)[Rating Outlook and Rating Watch](#)[Manufacturing Companies](#)[Pharmaceuticals](#)[Financial Ratios – Non financial Sector](#)[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

Brooks Laboratories Limited (BLL) was incorporated in 2002 and is engaged in the contract manufacturing of pharmaceutical formulations at its sole manufacturing facility located in Baddi (Himachal Pradesh). The company has wide range of products which includes liquid injection vials, tablets, dry syrup, liquid injection ampoules, eye/ear drops, dry powder injection etc. The products manufactured by the company find its 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 Orisha, Rajasthan, Andra Pradesh and Kerela. 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, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total operating income	55.57	80.32	18.00
PBILDT	-5.78	4.05	0.35
PAT	-8.19	1.53	-0.21
Overall gearing (times)	0.12	0.08	NA
Interest coverage (times)	-7.54	4.79	2.19

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	7.80	CARE BB-; Stable
Non-fund-based - ST-BG/LC		-	-	-	4.20	CARE A4

**Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - ST-BG/LC	ST	4.20	CARE A4	-	1)CARE A4 (31-Oct-23)	1)CARE A4 (11-Nov-22)	1)CARE A4 (06-Jan-22)
2	Fund-based - LT-Cash Credit	LT	7.80	CARE BB-; Stable	-	1)CARE BB-; Positive (31-Oct-23)	1)CARE BB-; Stable (11-Nov-22)	1)CARE BB-; Stable (06-Jan-22)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (06-Jan-22)

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable****Annexure-4: Complexity level of instruments rated**

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

**Annexure-5: Lender details**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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**About us:**

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