Brooks Laboratories Limited
February 09, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	8.00	**CARE BBB ; Stable (Triple B; Outlook: Stable)**	**Assigned**
Short-term Bank Facilities	2.50	**CARE A3+ (A Three Plus)**	**Assigned**
Total Facilities	**10.50 (Rupees Ten crore and Fifty lakh only)**		

Details of instruments/facilities in Annexure – I

Detailed Rationale

The ratings assigned to the bank facilities of Brooks Laboratories Limited (BLL) derive strength from experienced directors & established track record of entity, healthy & improving profitability margins with comfortable solvency position and reputed clientele. The ratings further derive strength from its moderate operating cycle and healthy growth prospects of Indian Pharmaceutical Industry.

The ratings, however, are constrained by its moderate & fluctuating scale of operations, the company's exposure to regulatory risk, execution & stabilisation risk associated with new project, BLL's concentrated revenue stream and its presence in highly competitive industry

Going forward, the ability of the company to scale up its operations while maintaining its profitability margins and overall solvency position would remain the key rating sensitivities.

Detailed description of the key rating drivers

BLL got established in 2000 which has helped it in establishing strong business relationships with customers as-well-as suppliers. BLL is currently being managed by all the directors collectively who have an experience of more than one decade in this industry. The company's scale of operations has remained moderate marked by the total operating income (TOI) of Rs.81.57 crore in FY16 (refers to the period April 1 to March 31). Furthermore, TOI decreased from Rs.87.58 crore in FY15 to Rs.81.57 crore in FY16 on account of lesser quantity sold to its customers owing to lesser production during the year due to suspension of work on one of the production lines of injectables. The PBILDT margin improved from 10.53% in FY15 to 15.50% in FY16 mainly due to improvement in sales realization of products and decrease in selling expenses. Low interest and depreciation expenses led to improvement in PAT margin from 10.81% in FY15 to 13.04% in FY16.

Furthermore, the capital structure of the company remained comfortable with overall gearing ratio of 0.05x as on March 31, 2016. Also, low debt and healthy cash accruals led to a comfortable total debt to GCA at the end of FY16. The average operating cycle of the company stood moderate at 32 days for FY16.

The Indian Pharma industry would continue to experience strong growth, the generic opportunities in USA and growing emerging markets will drive the growth.

Despite being in operations for around one and a half decades, the company's scale of operations has remained moderate marked by Total Operating Income (TOI) of Rs.81.57 crore in FY16.

The customer base is concentrated with top-5 customers contributing ~ 38% of the total sales in FY16. However, the company is supplying to various reputed clients.

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[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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. There is also an execution and stabilisation risk associated with the upcoming project which pertains to setting up a new manufacturing unit in Gujarat for export of pharmaceutical formulations (life-saving drug). Also, the competitive pressure in the domestic formulation market has been rising steadily which restricts the pricing flexibility of the company.

Analytical Approach: Standalone

Applicable Criteria

CARE's Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for short term instruments

CARE's methodology for manufacturing companies

Financial ratios –Non-Financial Sector

CARE's methodology for Pharmaceutical sector

About the company

Brooks Laboratories Limited (BLL) was incorporated on January 23, 2002. Initially, the business operations were carried under a partnership firm named ''Brooks Pharmaceuticals (BP)"which was established in 2000 and was engaged in manufacturing of pharmaceutical formulations at a manufacturing facility at Mohali, Punjab. Consequently, BLL was incorporated in 2002 and the business operations of BP were taken over by BLL. The manufacturing facility was set up at Baddi, Himachal Pradesh, in 2006 (manufacturing discontinued at Mohali, Punjab plant in 2006). The company is currently being managed by Mr Atul Ranchal, Mr Rajesh Mahajan and other directors namely Dr Durga Sankar Maity, Mr Rajnish Kumar Bedi, Ms Sonia Gupta and Mr Deepak Mahajan.

The company undertakes manufacturing of pharmaceutical formulations at its manufacturing facility having an installed capacity of injections of 4.43 crore per annum, tablets of 14.75 crore per annum, dry syrup of 1.48 crore per annum, liquid ampoules of 2.95 crore per annum, liquid vials of1.77 crore per annum and eye/ear drops of 1.48 crore per annum.

BLL's manufacturing plant is WHO-GMP certified by the World Health Organisation (WHO). The company is also ISO 9001:2008 certified. The labs of the company are also complying with the GLP (Good Laboratory Practices) norms as per the State Drugs Controlling Authority of Himachal Pradesh. In addition to the above certifications, BLL has also acquired the required approval from State Drugs Controlling Authority, Baddi.

The products manufactured by the company find application in various therapeutic segments including antibacterial, anti-biotics, anti-gastric, anti-malarial, vitamins, etc. BLL undertakes contract manufacturing for reputed pharmaceuticals companies. BLL also supplies to government organization through tenders in states like Gujarat, Jammu & Kashmir, Mumbai and West Bengal. The company is setting up another manufacturing facility at Gujarat. The capex commenced in 2011 with total project costs of Rs.90.00 crore. The same was funded through proceeds from Initial Public Offer (IPO) in 2011 and internal accruals. As on December 20, 2016, full cost has been incurred on the project. Sterile area qualification is in process. The unit will be operational by February 2017.

In FY16 (based on audited results), BLL has achieved a total operating income (TOI) of Rs.81.57 crore with PAT of Rs.10.63 crore as against total operating income of Rs.87.58 crore with PAT of Rs.9.47 crore in FY15. In H1FY17 (Provisional), the company has achieved TOI of Rs.32.16 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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 credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

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
Non-fund-based - ST-BG/LC	-	-	-	2.50	CARE A3+
Fund-based - LT-Cash Credit	-	-	-	8.00	CARE BBB; Stable

Annexure-2: Rating History of last three years

		Current Ratings			Chronology of Rating history for past three years			
Sr. No.	**Name of the Instrument/Bank Facilities**	**Type**	**Amount Outstanding (Rs. crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2016-2017**	**Date(s) & Rating(s) assigned in 2015-2016**	**Date(s) & Rating(s) assigned in 2014-2015**	**Date(s) & Rating(s) assigned in 2013-2014**
1.	Non-fund-based - ST-BG/LC	ST	2.50	CARE A3+	NA	NA	NA	NA
2.	Fund-based - LT-Cash Credit	LT	8.00	CARE BBB; Stable	NA	NA	NA	NA

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