

Brooks Laboratories Ltd.: Weak Issue, Avoid IPO Note: Small Scale Operations, High P/E Rating*



Issue details

Price band (Rs)	Rs.90.00-100.00
IPO Opening Date	16/08/11
IPO Closing Date	18/08/11
Issue Size	Rs.63.00 Crore

Valuations & Recommendation

Brooks reported a net profit of Rs 5.2 crore in FY 2010 and revenue of Rs 45.1 crore as compared to a net profit of Rs 3 crore in the previous year on the revenue of Rs 45 crore. For the six months ended 30th September 2010, the company reported a net profit of Rs 3.2 crore on the revenue of Rs 25.1 crore.

The company has reported net profit of Rs.6.89 crore in FY11. On the expanded equity of Rs.16.19, EPS works out to Rs. 2.34. At the higher price band of Rs.100, P/E works out to 42.0, which is very high hence we recommend to avoid.

Highlights

- The company has small scale of operations having a single manufacturing facility and the highly competitive domestic contract manufacturing industry
- The company's major clients are Zydus, Cadila, Aristo Pharmaceuticals, Nectar Life sciences, Sanat Products, Hetero Healthcare, Medley Pharmaceuticals, Wockhardt, Parental Drugs and Alembic Ltd, among others
- ICRA has assigned grade 2 to the IPO
- There are no supply agreements for the raw materials required for manufacturing of the products.
- The name and logo of 'Brooks' are not registered trademarks in the name of the Company.
- The company proposes to setup new manufacturing unit at Panoli, Gujarat. However this project has not been appraised by any bank / financial institutions

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