

## 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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