

Hindustan Adhesives Limited

September 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	62.10	CARE BBB (RWN)	Placed on Rating Watch with Negative Implications
Short-term bank facilities	24.57	CARE A3+ (RWN)	Placed on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Hindustan Adhesives Limited (HAL) have been placed on "Rating Watch with Negative Implications" following the uncertainties related to the recent imposition of 50% tariff by the United State (US). HAL derives a significant portion of its revenue from exports, with the US being a key contributor, contributing ~35% of the total revenue in FY25 (refers to April 01 to March 31). The Rating Watch reflects the uncertainty surrounding the sustainability of current export volumes, *the extent of margin compression due to pricing renegotiations*, and the evolving stance of US trade policy. CARE Ratings Limited (CareEdge Ratings) will continue to monitor the developments and assess the impact on HAL's operational and financial performance, once more clarity emerges on the same.

Ratings also take cognisance of moderation in the topline in FY25 with stable profitability margin and moderate financial risk profile. Ratings continue to derive comfort from the experienced promoters, company's long operational track record and its long-standing relationship with reputed clients in export market. The ratings, however, continue to remain constrained by the presence of large organised and unorganised players in the packaging segment along with high fluctuations in the price of raw material.

CareEdge Ratings takes cognisance of sizeable capex announced by the company at group level towards expansion and adding new product lines, and its timely completion along with stabilisation of augmented capacities will be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations beyond ₹400.00 crore and improvement in profit before interest, lease rental, depreciation and taxation margin (PBILDT) above 11% on a sustained basis.
- Improvement in overall gearing below 1.25x on a sustained basis.

Negative factors

- Decline in scale of operations below ₹200.00 crore with substantial decline in operating margin leading to stretched liquidity on a sustained basis.
- Deterioration in capital structure with total debt to gross cash accruals (TDGCA) above 3.50x on a sustained basis.

Analytical approach: Consolidated

CareEdge Ratings has considered a consolidated approach view of HAL and its subsidiary due to common management, significant operational and financial linkages among the companies. The list of entity considered in consolidation are mentioned in **Annexure-6**.

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

Moderate financial risk profile and debt coverage indicator

The group's financial risk profile continues to remain moderate as marked by overall gearing of 1.19x as on March 31, 2025, against 0.93x as on March 31, 2024. The slight moderation in overall gearing is largely driven by increase in term loans due to ongoing debt-funded capex.

Further, increase in total debt has led to higher finance cost, resulting in debt coverage metrics remain moderate as marked by interest coverage of 5.56x on FY25 (PY: 6.62x) and TDGCA of 4.10x in FY25 (PY: 2.92x).

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Experienced promoters

HAL was established and promoted by Lalit Kumar Bagla in 1988 for manufacturing of bi-axially oriented polypropylene (BOPP), self-adhesive tapes, and polyolefin shrink films. The company is currently managed by Madhusudan Bagla (son of Lalit Kumar Bagla), having experience of over 30 years in the packaging industry. The management of the company is supported by qualified and experienced personnel. Promoters hold 68.58% shares in HAL as on March 31, 2025.

Long-standing relationship with reputed clients

HAL provides the packaging solution to various reputed clients which have been associated with the company from last 10-15 years, includes ITC Limited, Dabur India Limited, Nestle India Limited, Parle Agro Limited, Britannia Industries Limited, Asian Paints Ltd, and many more. Apart from repeat orders from existing client, commencement of new plant at Mundra, Gujarat has also supported the growth in the export revenue in the last few fiscals. The company has been able to add few overseas clients to its portfolio which includes Power pack LLC (a distributor based out of USA), Commercial FAMA S.A. (Spain).

Key weaknesses

Modest scale of operations with stable profit margin in FY25

In FY25, the scale of operations of the company declined by ~6.97% to ₹284.82 crore (PY: ₹306.17 crore) with some improvement in profitability margin as marked by increase in PBILDT margin by 62 bps to 12.01% (PY: 11.390%) and profit after tax (PAT) margin by 12 bps to 5.40% in FY25 (PY: 5.28%).

Q1FY26 (refers to April 01, 2025 to March 31, 2025): The company has reported the stagnant revenue as marked by total operating income (TOI) of ₹66.39 crore (Q1FY25: ₹64.06 crore) with PBILDT margin of 13.04% (H1FY25: 7.93%), which is expected to be impacted in the near mid-term due to high uncertainty related to the recent 50% tariff imposition by the US. The group's ability to diversify its export markets or pass on incremental costs to its customers will remain a key monitorable.

Competitive nature of Industry

Technological advancements have led to increasing demand for lightweight packing materials in the recent past because almost every product packed in retail saleable pack is further packed in corrugated boxes for transportation. These boxes are then sealed by carton sealing tapes, technically called BOPP self-adhesive tapes. The growing end-use industries such as fast-moving consumer goods (FMCG), automotive and electronics have led to rapid increase in demand for adhesive tapes in the last few years. With the presence of large number of unorganised players in the BOPP tape market, it poses a serious competition to HAL's future revenue visibility. HAL has ventured into exports with growing contribution in overall revenue mix to diffuse geographical concentration and geo-political risks to a certain extent.

Raw material price fluctuation risk

The company's basic raw materials is BOPP and granules, which are derivatives of crude oil and any fluctuation in its prices directly impacts the profitability of the company. HAL's gross margin compared to total sales for the company has remained similar at ~31.18% in FY19 to ~31.47% in FY23 except 24.41% in FY22 on account of company's inability to pass on increased input cost to the end consumer. However, a strategic shift towards manufacturing specialised products led to an improvement in the gross margin to 32.20% in FY24.

Sizeable debt-funded capex

In FY24, HAL has acquired the 100% shareholding of Bagla Technopack Private Limited (BTPL) increased from 49% in FY23. Further, the group plans to undertake a capital expenditure of ₹68.00 crore, with HAL investing ₹30.00 crore and BTPL investing ₹38.00 crore. HAL will focus on manufacturing tear tape, a narrow strip of adhesive-backed film used for easy opening of various packaging, including cigarette packs, confectionery, pharmaceuticals, and other consumer goods, at Howrah (West Bengal). Meanwhile, BTPL will produce multilayer co-extruded and bio-oriented barrier heat shrinkable films, known as "Barrier Films," at Mundra (Gujarat). The total capex of ₹68.00 crore will be funded by debt (~53%), equity (~43%), and internal accruals (~4%). The project debt has already been tied up. However, the timely completion of the capex without cost overruns will be a key monitorable factor.

Liquidity: Adequate

Liquidity position of the group remains adequate as characterised by sufficient cushion in accruals marked by expected cash accruals of ₹36.46 crore in FY26 against scheduled debt repayment of ₹9.88 crore. However, it may be impacted due to recent US tariffs. The company has free cash and bank balance of ₹1.75 crore as on August 31, 2025. However, the average working capital utilisation remains high at ~95% for the trailing 12 months ending August 2025.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & Petrochemicals	Commodity Chemicals

HAL is a part of Bagla Group. The company was incorporated in 1988 and promoted by Lalit Kumar Bagla and his son Madhusudan Bagla for manufacturing Bi-Axially Oriented Polypropylene (BOPP), self-adhesive tapes and Polyolefin Shrink Films (POF Films). The company commissioned its first manufacturing plant in Uttar Pradesh in October 1989 with an installed capacity of 10 million sq. metres. Currently, the company has two manufacturing units; one in Uttar Pradesh (Ghaziabad) and one in Gujarat (Mundra). Apart from HAL, the group has another company, Bagla Polifilms Limited (BPL), which started its operations in 1988.

Brief Financials (₹ crore) (Consolidated)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	306.17	284.82	66.39
PBILDT	34.86	34.22	8.66
PAT	16.16	15.39	3.75
Overall gearing (times)	0.93	1.19	NA
Interest coverage (times)	6.62	5.56	4.58

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

Status of non-cooperation with previous CRA: India Ratings has continued the ratings assigned to bank facilities of Hindustan Adhesives Limited to the 'issuer not -cooperating' category vide press release dated April 10, 2025, on account of its inability to carryout review in the absence of requisite information from the company.

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		-	-	-	46.60	CARE BBB (RWN)
Fund-based/Non-fund-based-Short Term		-	-	-	0.07	CARE A3+ (RWN)
Non-fund-based - ST-BG/LC		-	-	-	24.50	CARE A3+ (RWN)
Term Loan-Long Term		-	-	30 July 2025	15.50	CARE BBB (RWN)

LT: Long term; ST: Short term

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 2025-2026	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
1	Term Loan-Long Term	LT	15.50	CARE BBB (RWN)	-	1)CARE BBB; Stable (06-Dec-24)	1)CARE BBB; Stable (04-Dec-23)	1)CARE BBB; Stable (30-Nov-22)
2	Fund-based - LT-External Commercial Borrowings	LT	-	-	-	-	1)Withdrawn (04-Dec-23)	1)CARE BBB; Stable (30-Nov-22)
3	Fund-based - LT-Cash Credit	LT	46.60	CARE BBB (RWN)	-	1)CARE BBB; Stable (06-Dec-24)	1)CARE BBB; Stable (04-Dec-23)	1)CARE BBB; Stable (30-Nov-22)
4	Non-fund-based - ST-BG/LC	ST	24.50	CARE A3+ (RWN)	-	1)CARE A3+ (06-Dec-24)	1)CARE A3+ (04-Dec-23)	1)CARE A3+ (30-Nov-22)
5	Fund-based/Non-fund-based-Short Term	ST	0.07	CARE A3+ (RWN)	-	1)CARE A3+ (06-Dec-24)	1)CARE A3+ (04-Dec-23)	1)CARE A3+ (30-Nov-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	Fund-based/Non-fund-based-Short Term	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Term Loan-Long Term	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)**Annexure-6: List of entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Bagla Technopack Private Limited	Full	Wholly owned subsidiary

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

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