HP Adhesives Limited

September 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	37.96	CARE BBB; Stable / CARE A3+	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Re-affirmation in the ratings assigned to the bank facilities of the HP Adhesives Limited (HPAL) factors in the established track record of operations with extensive experience of the promoters in the adhesive industry which enabled the company to develop a wide product portfolio with end use across various industries. The ratings also factor in the steady growth in scale of operations with broadly consistent profitability margin albeit moderation in FY25 (refers to April 01, 2024 to March31, 2025), comfortable capital structure and debt coverage indicators, company's multiple stock keeping units (SKUs) supported by pan-India distribution network. The ratings strengths are partially tempered by its moderate scale of operations, working capital intensive nature of operations, susceptibility of profitability margins to volatility in the raw material prices and forex fluctuation risk.

CARE Ratings Ltd. (CareEdge Ratings) has withdrawn the rating(s) assigned to the aforementioned long term bank facilities of HPAL with immediate effect, as the company has repaid the term loan in full and there is no amount outstanding under the facility as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with total operating income (TOI) exceeding ₹300 crore along with improvement in the PBILDT margin above 11% on sustained basis
- Improvement in collection period, reaching below 50 days on a sustained basis

Negative factors

- Significant decline in scale of operations with TOI reaching below ₹200 crore on a sustained basis
- Deterioration in the profitability margins with PBILDT & PAT margins reaching below 6% and 4% respectively
- Deterioration in capital structure with overall gearing more than 1.2x on sustained basis
- Deterioration in the collection period exceeding 90 days with utilization of the working limit exceeding 90% on a sustained basis

Analytical approach: Consolidated

HPAL had incorporated a wholly owned subsidiary namely Unitybond Solutions Private Limited (USPL) on April 11, 2024. Basis this, CARE Ratings Limited (CareEdge Ratings) has changed its analytical approach from standalone to consolidated as both the companies are involved in same line of business. HPAL has control over the management and operations of the subsidiary with strong operational and financial synergies among them. Further details are provided in Annexure-6

Outlook: Stable

The stable outlook reflects CareEdge Ratings expectations that HPAL's scale of operations will continue to increase on a steady basis on the back of the end use of its product in varied industries with increase in the market penetration while maintaining its financial risk profile.

Detailed description of key rating drivers:

Key strengths

Established track record of operations with extensive experience of the promoters in the adhesive industry

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

HPAL was founded by Haresh Motwani and Anjana Motwani in 1980s and is currently managed by Anjana Motwani (Chairperson), Karan Haresh Motwani (Managing Director) and Nidhi Haresh Motwani (Executive Director). Over four decades of existence in the industry, the company has been able to create niche in the sealant & adhesive segment with its leading products like solvent cements and silicone sealant. HPAL has grown from a single product category to a multi-product portfolio of adhesives & sealants and currently has an installed capacity of 16800 metric tonnes per annum (MTPA). The promoters and second line of management are qualified and experienced which enabled them to achieve process excellence and strong marketing connects in the industry.

Wide Product Portfolio with varied applications

HPAL has also been continuously increasing its manufacturing capacities with a total current capacity of 16800 MTPA as on June 30, 2025 (as against 13500 MTPA as on March 31, 2024) and its product portfolio includes products like solvent cement, silicone sealants, contact adhesive, white glue/PVA, epoxy Putty and epoxy adhesives. The said products find application in varied industries like plumbing & sanitary works, drainage & water supply works, glass & glazing, automobile industry, furniture & wood working, PVC flooring etc. which enable the company to mitigate sector concentration risk.

Pan-India distribution network and presence in international markets

The company's manufacturing facility is located at Khalapur, Raigad (Maharashtra). The manufacturing facility has an import /export advantage owing to its proximity to Jawaharlal Nehru Port Trust (JNPT Port). HAPL has seven strategically located sales depots across India to service more than 1575 (PY:1250) distributors across India. HPAL also has an emerging presence in the export markets with its existence in more than 21 countries. Exports form 11.23% of the total revenue and key regions of exports include UAE, Iraq, Mexico, Qatar etc. Further, HPAL has been able to build market presence via its proprietary brands.

Above average profit margins despite moderation in FY25

The consolidated profit margins remained above average marked by return on capital employed stood at 14.13% in FY25 (PY:18.30%). The PBILDT margin stood at 10.93% in FY25 as against 13.40% in FY24. The moderation in the same was on account of increase in the employee cost incurred during the year led by higher recruitment undertaken to facilitate the revenue growth in the near to medium term. The PAT margin also moderated to 7.16% in FY25 from 8.68% in FY24 in line with moderation in the PBILDT margin. The PBILDT and PAT margins further moderated to 9.88% and 6.34% respectively in Q1FY26. Hence, ability of the group to improve the profit margins remain key monitorable.

Comfortable capital structure and debt coverage indicators

The capital structure of the group continues to be comfortable on the back of consistent cash accruals, no term debt obligation and minimal fund-based limits utilisation. The same is demonstrated by the overall gearing and total liabilities to tangible networth of 0.04x (PY:0.02x) and 0.23x (PY:0.17x) respectively as on March 31, 2025. The debt coverage indicators also stood comfortable as marked by interest coverage and total debt to PBILDT stood at 13.02x and 0.28x respectively in FY25 (PY:17.15x and 0.10x). The capital structure and debt coverage indicators expected to remain comfortable on the back of no debt funded capex planned in the near to medium terms.

Key weaknesses

Moderate scale of operations and profit margins

The overall scale of operations of the group remained moderate marked by total operating income (TOI) stood in the range of ₹122.30 crore to ₹254.68 crore during FY21 to FY25. In FY25 the TOI registered gradual growth of about 6% at ₹254.68 crore in FY25 as against ₹236.97 crore in FY24. The growth was mainly driven by increase in sales volume during the year. Further, solvent cement and silicon sealant remain the major revenue contributing products, in FY25 the said products contributed around 55% (PY:58%) and 18% (PY:15%) respectively. HAPL is further characterised by medium-scale capital base with a tangible networth of ₹183.73 crore as on March 31,2025 (PY: ₹ 168.69 crore). The company expects its revenue likely to grow at the similar level in the near to medium terms on the back of increase in production capacities along with marketing strength to widen its geographical reach.

Susceptibility to volatility in raw material prices and forex risk

The group is exposed to raw material price volatility as the key raw materials used in the manufacturing of HPAL's products are derivative of crude oil and chemicals. The price of chemicals and crude are affected by factors like global demand & production, geo-political factors and government regulations. Hence the prices tend to remain volatile due to time lag in passing on increase in raw material prices. HAPL is a net imported as it derives around 11% of revenue from exports and around 19% of the raw material requirement are imported. This exposes HAPL to forex fluctuations risk.

Working capital intensive nature of operations

The inventory period stood at 88 days in FY25 (PY: 86 days) due to higher amount of raw material and finished goods inventory maintained by the group to fulfil the regular demand of the diversified product categories across the customers. Further, the collection period stood at 56 days in FY25 (PY: 56 days) due to moderate credit period provided to the customers. The average creditor period stood moderate 31 days in FY25 (PY:32 days). On account of the same the working capital cycle stood 112 days in FY25 (PY: 111 days). Nevertheless, the working capital requirement is mainly funded by IPO proceeds and internal accrual leading to lower reliance on external funds.

Liquidity: Adequate

HPAL's liquidity position is adequate marked by unencumbered liquidity in form of cash and equivalents, minimal term loan obligation, consistent cash accruals and negligible fund-based utilisation. As on March 31,2025, HPAL had free cash and bank balance of ₹17.32 crore and investments in quoted mutual funds/bonds/debentures of ₹24.64 crore. In FY25, HPAL reported cash accruals of ₹24.06 crore (PY: ₹ 25.25 crore) and the same are expected to be at similar lines and to remain sufficiently cushioned against debt repayment obligations in projected years. The average fund based working capital utilization of its sanctioned facility of ₹28.75 crore was stood low at ~16% for past twelve months ending August 2025 which provides additional liquidity buffer. Further, the current ratio and quick ratio as on March 31, 2025 was 3.56x and 2.20x respectively (PY:4.72x and 2.92x). Cash flow from operating activities was positive of ₹17.50 crore in FY25 (PY: positive of ₹21.35 crore).

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
Withdrawal Policy
Short Term Instruments

About the company and industry

Industry classification

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

Incorporated in the year 1980, HP Adhesives Limited (HPAL) is involved in the manufacturing of solvent cement, silicone sealants, contact adhesive, white glue/PVA, epoxy Putty and epoxy adhesives. The company sells its products via a distribution network and under its own brands namely Strong Weld, HP, Strong Seal, Strong Tite and Strong Fix. The company's manufacturing facility is located at Narangi, Raigad (Maharashtra). The manufacturing facility has an import /export advantage owing to its proximity to Jawaharlal Nehru Port Trust (JNPT Port). HAPL has 7 strategically located sales depots to service more than 1575 (PY:1250) distributors across India.

Brief Financials (₹ crore) (Consolidated)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	236.97	254.68	66.10
PBILDT	31.76	27.82	6.53
PAT	20.57	18.24	4.19
Overall gearing (times)	0.02	0.04	NA
Interest coverage (times)	17.15	13.02	10.20

A: Audited UA: Unaudited; Note: these are latest available financial results

Brief Financials (₹ crore) (Standalone)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	236.97	252.50	66.13
PBILDT	31.76	26.81	6.64
PAT	20.57	17.84	4.22

Overall gearing (times)	0.02	0.04	NA
Interest coverage (times)	17.15	12.50	10.21

A: Audited; UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

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/Non-fund-based-LT/ST		-	-	-	31.25	CARE BBB; Stable / CARE A3+
Fund-based/Non-fund-based-LT/ST		-	-	-	6.71	CARE BBB; Stable / CARE A3+
Term Loan-Long Term		-	-	31/03/2025	0.00	Withdrawn

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	Fund-based/Non-fund-based-LT/ST	LT/ST	31.25	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (19-Sep-24)	1)CARE BBB; Stable / CARE A3+ (04-Oct-23)	1)CARE BBB-; Positive / CARE A3+ (15-Nov-22)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	6.71	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (19-Sep-24)	1)CARE BBB; Stable / CARE A3+ (04-Oct-23)	1)CARE BBB-; Positive / CARE A3+ (15-Nov-22)

3	Term Loan-Long Term	LT	-	-	-	1)CARE BBB; Stable (19-Sep-24)	1)CARE BBB; Stable (04-Oct-23)	1)CARE BBB-; Positive (15-Nov-22)

LT: Long term; ST: Short term; LT/ST: Long term/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/Non-fund-based-LT/ST	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender details

To 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	Unity Bond Solutions Private Limited	Full	HPAL has control over the management and operations of the subsidiary with strong operational and financial synergies among them.

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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