

HP Adhesives Limited

January 29, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	37.96	CARE BBB / CARE A3+ (RWN)	Placed on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed ratings assigned to bank facilities of HP Adhesives Limited (HPAL) at 'CARE BBB / CARE A3+' and placed ratings on 'Rating Watch with Negative Implications' following a fire incident at the company's solvent cement adhesives manufacturing facility in Khalapur, Raigad, Maharashtra, that occurred on January 17, 2026. CareEdge Ratings would continue to monitor the impact of the incident on revenue, profitability and cash flows and long-term impact, if any, of outcome from ongoing investigations. A review of the rating will be undertaken once greater clarity on the above matters emerge.

CareEdge Ratings believes this incident will likely have notable impact on HPAL's overall operations, as its impacted solvent cement adhesives manufacturing site (Unit I) contributes ~50% of the overall revenue. The balance was contributed by Unit II producing silicon adhesives and revenue from other products, such as synthetic rubber adhesives, PVC pipe lubricants, acrylic sealants, and ancillary products remained unaffected due to the incident. However, operations at both the units have been halted due to the said incident. Per management articulation, the company has insurance in place, which adequately covers the structural damage and inventory loss. However, the overall loss due to fire incident currently remains unclear.

As key mitigants, the management has planned to arrange a temporary location in the vicinity of the affected site to move the key manufacturing machinery from existing site to continue its production subject to approval from local authorities. HPAL has a free cash balance of ₹41 crore as on September 30, 2025, and unutilised working capital limits of ₹28.75 crore. However, considering no clarity on the overall damage at the facility regarding production and packaging lines, timely resumption of the solvent cement production and its overall impact on financial risk profile remains key credit monitorable.

Ratings continue to derive strength due to its 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. Ratings also factor in the steady growth in scale of operations with broadly consistent profitability margin despite 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. Ratings strengths are partially tempered by its moderate scale of operations, working capital intensive operations, profitability margins susceptible to volatility in the raw material prices and forex fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with total operating income (TOI) exceeding ₹300 crore and improvement in the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 11% on a 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 and profit after taxation (PAT) margins reaching below 6% and 4%, respectively.
- Deterioration in capital structure with overall gearing over 1.2x on a sustained basis.
- Deterioration in the collection period exceeding 90 days with utilisation of the working limit exceeding 90% on a sustained basis.

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

Analytical approach: Consolidated

CareEdge Ratings has considered the consolidated business and financial risk profiles of HPAL and its subsidiaries (refer to Annexure-6), as the entities are linked through a parent-subsidiary relationship.

Outlook: Not applicable

Detailed description of key rating drivers:**Key strengths****Established track record of operations with extensive experience of promoters in the adhesive industry**

HPAL was founded by Haresh Motwani and Anjana Motwani in 1980 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 and adhesive segment with its leading products, such as solvent cements and silicone sealant. HPAL has grown from a single product category to a multi-product portfolio of adhesives and 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 and its product portfolio includes products, such as solvent cement, silicone sealants, contact adhesive, white glue/PVA, epoxy Putty and epoxy adhesives. These products find application in varied industries, including plumbing and sanitary works, drainage and water supply works, glass and glazing, automobile industry, furniture and wood working, and PVC flooring among others, 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 Narangi, Raigad (Maharashtra), having an import /export advantage owing to its proximity to Jawaharlal Nehru Port Trust (JNPT Port). HPAL has seven strategically located sales depots across India to service over 1,575 (PY: 1,250) distributors across India. HPAL also has an emerging presence in the export markets with its existence in over 21 countries. Exports form 11.23% of the total revenue and key regions of exports include UAE, Iraq, Mexico, and Qatar among others. HPAL has been able to build market presence via its proprietary brands.

Above average profit margins despite moderation in FY25

The consolidated profit margins also stood above average marked by return on capital employed at 14.13% in FY25 (PY: 18.30%). The PBILDT margin stood at 10.93% in FY25 against 13.40% in FY24. The moderation in the same was considering increase in the employee cost incurred during the year led by higher recruitment undertaken to facilitate the revenue growth in the near 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 stood at 11.30% and 4.27%, respectively, in H1FY26. Hence, the group's ability to improve the profit margins remains 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. This is demonstrated by the overall gearing and total liabilities to tangible net worth 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). Overall gearing stood at 0.01x as on September 30, 2025 and interest coverage at 11.68x in H1FY26. 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 term.

Key weaknesses**Moderate scale of operations and profit margins**

The group's overall scale of operations remained moderate marked by TOI in the range of ₹122.30 crore to ₹254.68 crore from FY21 to FY25. In FY25, the TOI registered gradual growth of ~6% at ₹254.68 crore in FY25 against ₹236.97 crore in FY24. The growth was mainly driven by increase in sales volume during the year. Solvent cement and silicon sealant remain the major revenue contributing products, which contributed ~55% (PY: 58%) and 18% (PY: 15%), respectively, in FY25. TOI stood at ₹131.17 crore in H1FY26. HPAL is further characterised by medium-scale capital base with a tangible net worth of ₹183.73 crore as on March 31, 2025 (PY: ₹168.69 crore).

Susceptibility to raw material price volatility and forex risk

The group is exposed to raw material price volatility as the key raw materials used in manufacturing HPAL's products are derivative of crude oil and chemicals. Chemicals and crude prices are affected by factors, such as global demand and production, geo-political factors, and government regulations. Hence, prices tend to remain volatile due to time lag in passing on increase in raw

material prices. HAPL is a net importer, as it derives ~11% of revenue from exports and ~19% of the raw material requirement are imported, thereby exposing it to forex fluctuations risk.

Working capital intensive nature of operations

The group's overall operations remained working capital intensive as marked by gross current assets period of 203 days in FY25 (PY:172 days) considering higher inventory and moderate collection periods. The inventory period remained higher 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. 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), and hence the working capital cycle stood 112 days in FY25 (PY: 111 days). However, 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 September 30, 2025, HPAL had free liquidity including cash and bank balance and investment in mutual funds of ₹41 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 utilisation of its sanctioned facility of ₹28.75 crore was stood low at ~16% for past 12 months ending August 2025, which provides additional liquidity buffer. 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 remained at ₹17.50 crore in FY25 (PY: positive of ₹21.35 crore).

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

Applicable criteria

[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 and Petrochemicals	Commodity Chemicals

Incorporated in 1980, HPAL is involved in manufacturing 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, Strong Weld, HP, Strong Seal, Strong Tite, and Strong Fix. The company's manufacturing facility is at Narangi, Raigad (Maharashtra), having an import /export advantage owing to its proximity to JNPT Port. HAPL has seven strategically located sales depots to service over 1,575 (PY: 1,250) distributors across India.

Brief Financials (₹ crore) (Consolidated)	March 31, 2024 (A)	March 31, 2025 (A)	September 30, 2025 (UA)
Total operating income	236.97	254.68	131.17
PBILDT	31.76	27.82	14.83
Profit after tax (PAT)	20.57	18.24	5.60
Overall gearing (x)	0.02	0.04	0.01
Interest coverage (x)	17.15	13.02	11.68

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

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 / CARE A3+ (RWN)
Fund-based/Non-fund-based-LT/ST		-	-	-	6.71	CARE BBB / CARE A3+ (RWN)

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 / CARE A3+ (RWN)	1)CARE BBB; Stable / CARE A3+ (26-Sep-25)	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 / CARE A3+ (RWN)	1)CARE BBB; Stable / CARE A3+ (26-Sep-25)	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)Withdrawn (26-Sep-25)	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

*Sanctioned limits

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

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, proportionate or moderate	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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