

HP Adhesives Limited

October 09, 2026

Facilities/Instruments	Name of the Regulator ¹	Amount (₹ crore)	Rating ²	Rating Action
Long-term / Short-term bank facilities	RBI	37.96	CARE BBB; Stable / CARE A3+	Reaffirmed and removed from Rating Watch with Negative Implications; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has removed "Rating Watch with Negative Implications (RWN)" on bank facilities of HP Adhesives Limited (HPAL), reaffirmed ratings, and assigned a "Stable" outlook demonstrating the gradual recovery of operations following the fire incident reported at Unit I in Raigad (Maharashtra) as on January 17, 2026. This recovery is evidenced by increase in the total operating income (TOI) along with reduction in the operating and net loss in Q1FY27 (Q1 refers to April 01 to June 30) in Q4FY26 (Q4 refers to January 01 to March 31). Ratings also factored in the company's adequate liquidity position backed by healthy cash and cash equivalents as on June 30, 2026. The company has substantially restored the plant and machinery and replenished the inventory affected due to fire. As a temporary measure, the company has shifted its solvent cement operations to Unit II at Raigad (Maharashtra), enabling business continuity and mitigating the disruption arising from the incident, while Unit I continues to manufacture contact adhesives and Polyvinyl Acetate (PVA) adhesives. However, timely completion of the ongoing reconstruction of affected unit, with completion of the building expected by January 2027 remains a key credit monitorable.

Ratings continue to derive strength due to its established track record of operations with promoters' extensive experience in the adhesive industry, which enabled the company to develop a wide product portfolio with end use across industries and the company's multiple stock keeping units (SKUs) supported by pan-India distribution network. Ratings also continue to derive strength from comfortable capital structure, debt coverage indicators, and adequate liquidity position.

Ratings strengths are partially tempered by its moderate scale of operations, moderation in profitability margins, working capital intensive operations, profitability margins susceptible to volatility in raw material prices and forex fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with 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 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.

Analytical approach: Consolidated

CareEdge Ratings has taken a consolidated view of HPAL and its subsidiary (commonly referred to as 'Group'), namely Unitybond Solutions Private Limited (USPL), considering both companies are involved in same line of business. HPAL has control over management and operations of the subsidiary with strong operational and financial synergies among them. Entity consolidated is mentioned under Annexure-5.

¹SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

²Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Outlook: Stable

'Stable' outlook reflects CareEdge Ratings' expectations that HPAL's scale of operations will stabilise, considering recovery in operations post the fire incident and gradual increase in the production, achieving revenue at envisaged levels while maintaining its financial risk profile.

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 18,600 metric tonnes per annum (MTPA). 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 18,600 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 facilities are in Narangi, Raigad (Maharashtra), having an import/export advantage, owing to its proximity to the Jawaharlal Nehru Port Trust (JNPT). HPAL has seven strategically located sales depots across India servicing over 1,625 distributors (PY: 1,575). HPAL also has an emerging presence in export markets, with a presence in over 21 countries. Exports form 7.82% of total revenue, and key export regions include the United Arab Emirates (the UAE), Iraq, Mexico, and Qatar. HPAL has been able to build market presence via its proprietary brands.

Comfortable capital structure and moderated debt coverage indicators in Q1FY27

The group's capital structure continues to be comfortable, considering no term debt obligation and moderate utilisation of fund-based limits. This is demonstrated by the overall gearing and total outside liabilities to tangible net (TOL/TNW) worth of 0.02x and 0.24x, respectively, as on March 31, 2026 (PY: 0.04x and 0.23x). Debt coverage indicators also stood comfortable, as marked by interest coverage and total debt to PBILDT, which stood at 5.31x and 0.30x, respectively, in FY26 (PY: 13.02x and 0.28x). The moderation in the interest coverage ratio, considering significant decline in the PBILDT and slight increase in interest cost. However, the interest coverage remained below unity level in Q1FY27, due to operating loss incurred in this period, given the operations remaining impacted due to fire incident. Capital structure and debt coverage indicators are expected to moderate slightly, considering higher utilisation of fund-based limits to fund its working capital requirements in the near-to-medium term.

Key weaknesses**Moderate scale of operations**

The group's overall scale of operations remained moderate, marked by TOI in the range of ₹165.43 crore to ₹254.68 crore from FY22 to FY26. In FY26, the company's TOI witnessed a marginal decline of 1.79%, decreasing to ₹250.12 crore from ₹254.68 crore in FY25. This reduction was primarily considering lower revenue generated in Q4FY26, which was impacted due to disruption in the plant operations led by fire incident reported in January 2026. Solvent cement and silicone sealant remain the major revenue-contributing products, contributing ~55% (PY: 58%) and 18% (PY: 15%), respectively, in FY26. With gradual recovery in operations, TOI increased to ₹63.42 crore in Q1FY27 against ₹57.82 crore in Q4FY26. HPAL is further characterised by a medium-scale capital base with a TNW of ₹187.62 crore as on March 31, 2026 (PY: ₹184.13 crore). Scale of operations expected to remain at similar levels due to gradual recovery in plant operations supported by increase in product prices led by raw material price increase.

Moderation in profitability margins

HPAL's operating profitability exhibited a volatile trend with a PBILDT margin within the range of 6-13% in the last three years ended FY26. PBILDT margin moderated to 5.59% in FY26 from 10.93% in FY25, due to increase in the operational expenses in Q3FY26 and Q4FY26. The Q4FY26 performance was adversely affected due to fire incident in solvent cement production at Unit I in January 2026, due to which overall operations were shut for ~15-20 days, resulting in lower sales. The company incurred higher operating expenditure for restarting production, undertaking job work, and arranging additional leased space for manufacturing/packaging requirements. On account of the said reasons with higher interest and depreciation cost, PAT margin has also moderated to 2.79% in FY26 from 7.16% in FY25.

While revenue improved in Q1FY27 against Q4FY26, owing to recovery in production, profitability remained under pressure because of a sharp increase in raw-material (crude) prices amid US-Iran conflict and geopolitical disruptions, resulting in operating and net loss of ₹ 0.34 crore and ₹0.91 crore, respectively, in Q1FY27.

However, the company expects gradual recovery in profit margins in the near term, considering gradual normalcy in operations and price hike measure taken by the management to pass on the effect of the increased raw material prices. This remains a key credit monitorable.

Susceptibility to raw material price volatility and forex risk

The group is exposed to raw material price volatility as key raw materials used in manufacturing HPAL's products are derivatives of crude oil and chemicals. Chemicals and crude oil prices are affected by factors, such as global demand and production, geopolitical factors, and government regulations. Hence, prices tend to remain volatile due to the time lag in passing on increases in raw material prices. HPAL is a net importer, as it derives ~7.82% of revenue from exports and imports ~15.95% of its raw material requirements, exposing it to foreign exchange fluctuation risk.

Working capital intensive operations

The group's overall operations remained working capital intensive, as marked by the gross current assets (GCA) period of 211 days in FY26 (PY: 203 days), considering stable inventory and collection periods. The inventory period remained elevated at 88 days in FY26 (PY: 88 days), due to the higher level of raw material and finished goods inventory maintained by the group to fulfil the regular demand for diversified product categories across customers. The collection period stood at 57 days in FY26 (PY: 56 days), due to the moderate credit period provided to customers. Average creditor period increased to 39 days in FY26 (PY: 31 days), and hence, the working capital cycle stood at 106 days in FY26 (PY: 112 days). However, the working capital requirement is mainly funded by initial public offering (IPO) proceeds and internal accruals, leading to lower reliance on external funds. With increase in raw material prices, the company's ability to efficiently manage its working capital requirements remains critical.

Liquidity: Adequate

HPAL's liquidity position is adequate, marked by unencumbered liquidity in form of cash and equivalents, minimal term loan obligation, and lower fund-based utilisation. As on June 30, 2026, HPAL had free liquidity, including cash and bank balance and investments in mutual funds, of ₹28.04 crore. In FY26, HPAL reported cash accruals of ₹11.26 crore (PY: ₹24.06 crore), and this is expected to be at similar levels in projected years, which the cashflow with no long-term debt repayment obligations. Average fund-based working capital utilisation of its sanctioned facility of ₹28.75 crore stood low at 15.45% for 12 months ending June 2026, which provides an additional liquidity buffer. The current ratio and quick ratio as on March 31, 2026, were 3.52x and 2.34x, respectively (PY: 3.56x and 2.20x). Cash flow from operating activities remained positive at ₹4.17 crore in FY26 (PY: ₹17.50 crore).

Assumptions/Covenants: Not applicable

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](#)

[Consolidation & Combined Approach](#)

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 through 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. HPAL has seven strategically located sales depots to service over 1,625 distributors (PY: 1,575) across India.

Brief Financials (₹ crore) (Consolidated)	March 31, 2025 (A)	March 31, 2026 (A)	June 30, 2026 (UA)
Total operating income	254.68	250.12	63.42
PBILDT*	27.82	13.99	-0.34
Profit after tax (PAT)	18.24	6.98	-0.91
Overall gearing (x)	0.04	0.02	NA
Interest coverage (x)	13.02	5.31	NM

A: Audited; UA: Unaudited; NA: Not available; NM: Not meaningful; Note: These are latest available financial results.

*PBILDT: Profit before interest, lease rentals, depreciation, and tax

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

For complexity level of instruments rated refer to Annexure-1.

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:

A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	NA	-		-	-	31.25	CARE BBB; Stable / CARE A3+
Fund-based/Non-fund-based-LT/ST	RBI	NA	-		-	-	6.71	CARE BBB; Stable / CARE A3+

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 2026-2027	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST	31.25*	CARE BBB; Stable / CARE A3+	-	1)CARE BBB / CARE A3+ (RWN) (29-Jan-26) 2)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)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	6.71*	CARE BBB; Stable / CARE A3+	-	1)CARE BBB / CARE A3+ (RWN) (29-Jan-26) 2)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)
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)

LT: Long term; LT/ST: Long term/Short term

*Sanctioned limits

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Lender details**To view lender-wise details of bank facilities please [click here](#)

Annexure-5: 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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