April 08, 2025

Super Bond Adhesives Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term – Fund-based/Non-fund based	-	15.00	[ICRA]BBB (Stable)/[ICRA]A3+; reaffirmed
Long term/Short term – Unallocated limits	15.00	-	-
Total	**15.00**	**15.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the ratings factor in Super Bond Adhesives Private Limited's (SBAPL) extensive experience in adhesive manufacturing for over five decades and its diversified product profile with presence in hot-melt, solvent-based and water-based adhesives. The ratings also factor in a healthy financial risk profile, characterised by low gearing, strong debt coverage metrics and a comfortable liquidity position. ICRA also notes the diversified customer base across various industries, such as automobiles, leather, footwear, home and furnishing, etc. with the top 10 customers contributing to ~16% of the revenues in FY2024 and around ~15% of the 9M FY2025 revenues.

The ratings, however, remain constrained by the company's moderate scale of operations with the margins being vulnerable to key raw material prices. Further, the company faces competition from the large players in the segment. The ratings also factor in the working capital-intensive nature of operations.

The Stable outlook on the rating reflects ICRA's expectation that SBAPL is likely to sustain its operating metrics while maintaining its debt protection indicators.

Key rating drivers and their description

Credit strengths

Extensive experience in manufacturing of adhesives – SBAPL's promoters have extensive experience in the adhesives business for over five decades with the company starting its operations in 1974. Over the years, the promoters have established strong relationships with its clients, which has helped the company get repeat business. The company has more than 100 products in three major product segments – water-based adhesives, rubber-based adhesives and hot-melt adhesives.

Diversified customer base – SBAPL caters to a diversified customer base across a wide range of industries, such as automobile, leather, footwear, home and furnishing, etc. with the top 10 customers contributing to ~16% of the revenues in FY2024 and around ~15% of the 9M FY2025 revenues.

Healthy financial risk profile – The financial risk profile is healthy with a comfortable capital structure, reflected in a TOL/TNW of 0.1 times as on March 31, 2024. SBAPL does not have any external long-term loan, and the working capital utilisation remains low. The liquidity position is comfortable, and the debt coverage metrics remain strong with interest coverage of 28.6 times in FY2024.

Credit challenges

Moderate scale of operations with margins vulnerable to volatility in raw material prices – SBAPL's overall scale of operations remains moderate, with revenues of ~Rs. 261 crore in FY2024 and ~Rs. 260 crore in 11M FY2025. Moreover, the company's profitability remains vulnerable to the volatility in raw material prices and its inability to completely pass on the increase to its customers.

Competition from domestic players – The adhesives business in India is highly competitive and fragmented, with the presence of numerous small and large players, such as Pidilite Industries Limited, Nikhil Adhesives Limited, H.B. Fuller India Adhesives Pvt. Ltd., Jyoti Resins and Adhesives Limited, Henkel Adhesives Technologies India Pvt. Ltd. etc. This adversely impacts the pricing flexibility for SBAPL. However, repeat orders from the existing clients as well as growing demand from the hot-melt adhesives segment gives the company business stability. The profitability moderated to ~13.7% in 11M FY2025 from 18% in FY2024 owing to increased competition that impacted the realisations.

Working capital-intensive nature of business – The working capital intensity is high with NWC/OI of 26.1% in FY2024 owing to the high receivables. The debtor days and inventory days were around 78 days and 47 days, respectively, in FY2024. The working capital intensity is expected to remain at similar levels, going forward.

Liquidity position: Adequate

The company's liquidity position remains adequate with expected healthy cash flows from operations against nil repayment obligations as the company does not have any external term debt. Further, the company has healthy cushion in working capital facilities with no utilisation in the last 12 months ended December 2024. The company has capex plans of ~Rs. 12 crore in FY2025,~Rs. 12 crore in FY2026 and Rs. 12-13 crore in FY2027, which are expected to be funded from internal accruals.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company demonstrates a significant improvement in its scale of operations while maintaining the profitability and a healthy liquidity position.

Negative factors – Pressure on the ratings could arise if there is a sustained decline in revenue and profitability, or a stretch in the working capital cycle, or a large debt-funded capex, which will weaken the credit profile. The ratings may be downgraded if the interest coverage is less than 3.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemical
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Super Bond Adhesives Private Limited (SBAPL) is into manufacturing adhesives. SBAPL started its operations in 1974 as a partnership firm and was incorporated as a private limited entity in 1994. The company had only one manufacturing unit till 1999 when its second unit was opened. At present, it has three manufacturing units with the third unit starting operations in 2018.

Key financial indicators (Audited)

Super Bond Adhesives	FY2023	FY2024
Operating income	236.6	260.9
PAT	22.2	32.0
OPBDIT/OI	14.7%	18.0%
PAT/OI	9.4%	12.3%
Total outside liabilities/Tangible net worth (times)	0.4	0.1
Total debt/OPBDIT (times)	0.3	0.0
Interest coverage (times)	11.6	28.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	Apr 08, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based/Non-fund based limits	Long term/ Short term	15.00	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-	-	-	-	-	-
Unallocated limits	Long term/ Short term	-	-	-	-	29-Apr-2024	[ICRA]BBB (Stable)/ [ICRA]A3+				

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term – Fund-based/Non-fund based	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Fund-based/Non-fund based limits**	NA	NA	NA	15.00	[ICRA]BBB (Stable)/ [ICRA]A3+

Source: Company

[*Please click here to view details of lender-wise facilities rated by ICRA*]

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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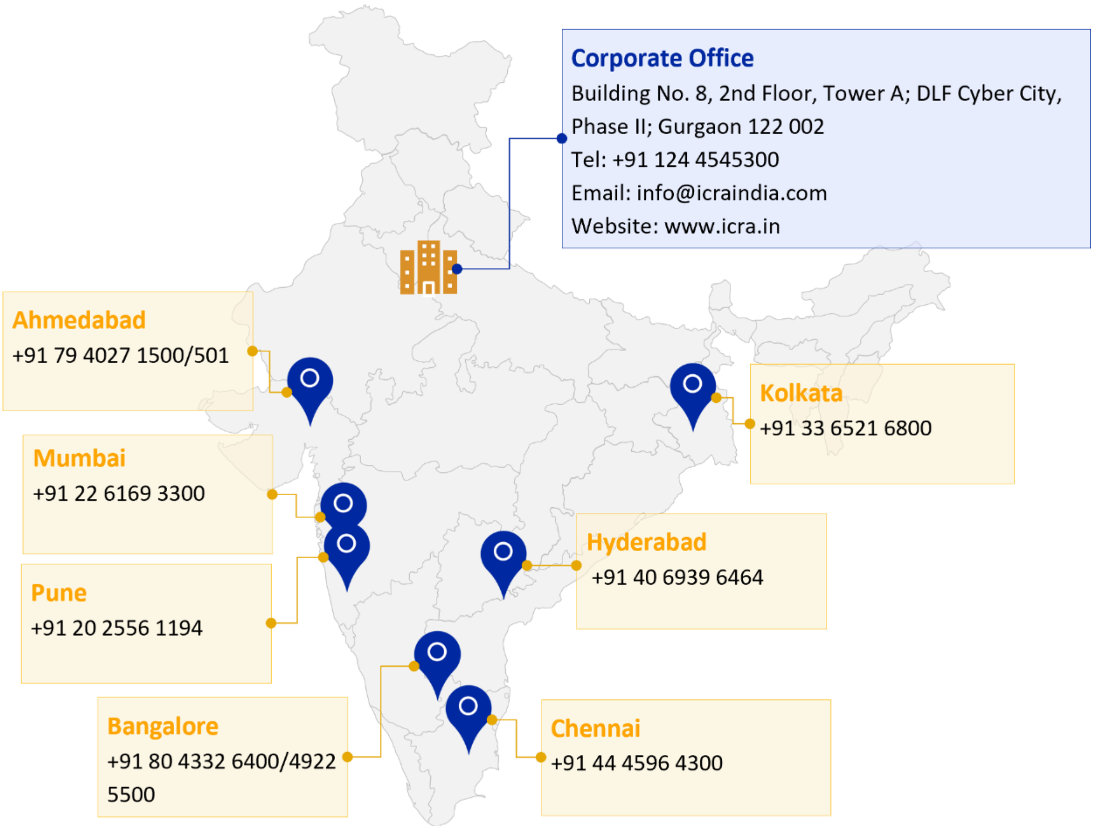

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