April 29, 2024

Super Bond Adhesives Private Limited: [ICRA]BBB(Stable)/[ICRA]A3+ assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term/Short term – Unallocated limits	15.00	[ICRA]BBB(Stable)/[ICRA]A3+; assigned
Total	**15.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned ratings factor in Super Bond Adhesives Private Limited's (SBAPL) extensive experience in adhesive manufacturing for nearly 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 automobile, leather, footwear, home and furnishing, etc with the top 10 customers contributing to less than 15% of the revenues in the last three years.

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 metrics. Further, the addition of incremental capacity will support the revenue growth.

Key rating drivers and their description

Credit strengths

Extensive experience in manufacturing adhesives - SBAPL's promoters have extensive experience in the adhesives business for nearly 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 in getting 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 less than 15% of the revenues in the last three years.

Healthy financial risk profile – – The financial risk profile is healthy with a comfortable capital structure, reflected in the TOL/TNW of 0.2 times as on December 31,2023. SBAPL does not have any external long-term loans and the working capital utilisation remains low. The liquidity position is comfortable, and the debt coverage metrics remain strong with interest coverage of 13.6 times in FY2023 and 52.1 times in 9M 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.237 crore in FY2023 and Rs.194 crore in 9M FY2024. 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.

Working capital intensive nature of business – The working capital intensity is high with NWC/OI of 29.5% in 9M FY2024 owing to the high receivables. The debtor days and inventory days were around 84 days and 54 days, respectively, in 9M 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 in FY2025 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 low average utilisation in the last 12 months ended December 2023. The company has capex plans of Rs. 15 crore in FY2025 and Rs. 20 crore over FY2026 and FY2027, which are likely 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, along with 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 Rating Methodology - Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Super Bond Adhesives Private Limited (SBAPL) manufactures 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)

Standalone	FY2022	FY2023	9M FY2024*
Operating income	187.6	236.6	194.3
PAT	4.4	22.2	25.2
OPBDIT/OI	5.8%	14.5%	18.7%
PAT/OI	2.3%	9.4%	13.0%
Total outside liabilities/Tangible net worth (times)	1.0	0.4	0.2
Total debt/OPBDIT (times)	2.0	0.4	0.0
Interest coverage (times)	4.2	13.6	52.1

*Source: Company, ICRA Research; * Provisional numbers; 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 (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Apr 01, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					April 29, 2024	-	-	-
1	**Unallocated Limits**	Long term/Short term	15.00	--	**[ICRA]BBB (Stable)/[ICRA]A3+**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term/Short term – Unallocated limits	Not Applicable

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	**Long term/Short term – Unallocated 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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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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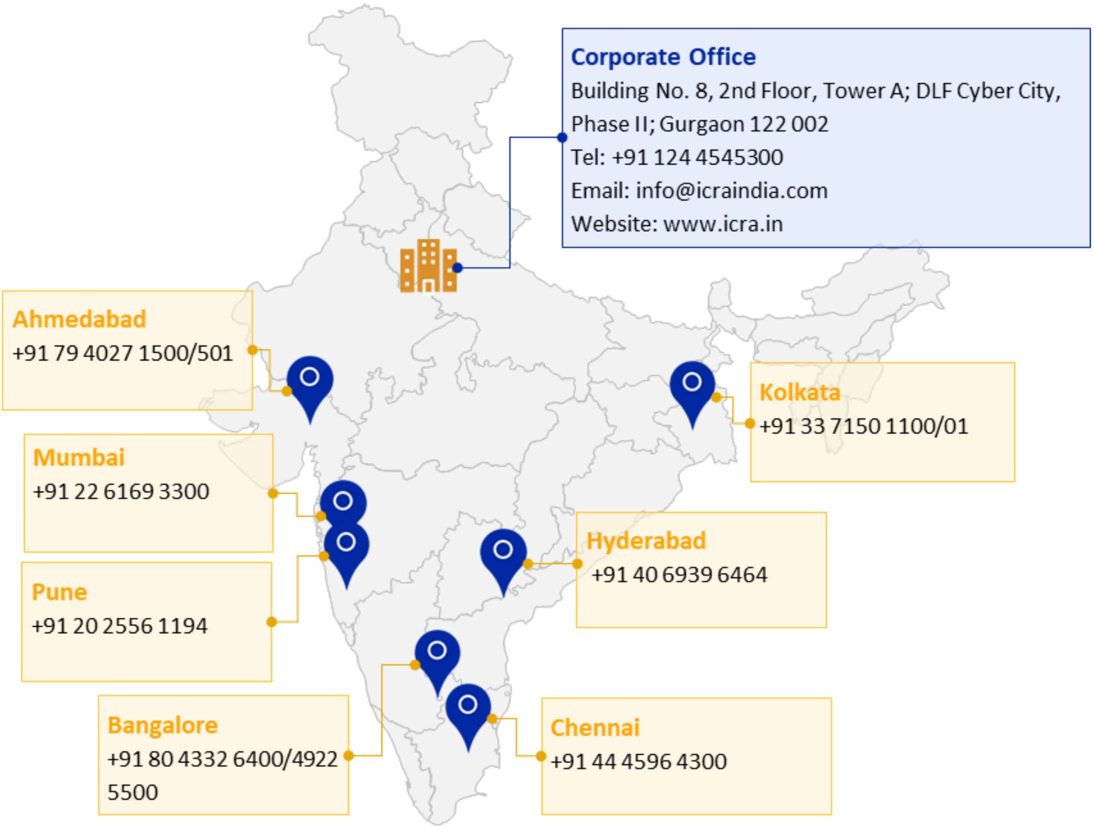

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