Bhagwati Products Limited

May 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	85.46	CARE BBB+; Positive; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	125.00	CARE BBB+; Positive / CARE A2; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

Bhagwati Products Limited (BPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on BPL's bank facilities will now be denoted as **CARE BBB+; Positive/CARE A2; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The assigned ratings derive strength from the investment by Huaqin Technology, a global player in mobile phones Research and Development (R&D) and design via Foreign Direct Investment (FDI) route acquiring 49% stake in BPL and revenue visibility from new orders which is expected to result in substantial growth in the scale of operations along with incentives under the Production Linked Incentive (PLI) Scheme. The ratings also take comfort from the improvement in scale of operations during H1FY25 (refers to April 01 to September 30) with the addition of Vivo smartphones' manufacturing plant in Noida, experienced promoters and management team of BPL, comfortable capital structure and adequate liquidity position. The ratings, however, continue to remain constrained by the continued reliance on third-party suppliers for their majority of raw material requirements and fragmented and competitive nature of industry.

Analytical approach: Standalone

Outlook: Positive

Detailed description of key rating drivers:

At the time of last rating on January 09, 2025, the following were the rating strengths and weaknesses.

Key strengths

Investment by Huaqin Group, China

In September 2024, BPL received FDI approval for a capital investment of Rs 514 crore from HaiQin Telecom Hong Kong Limited, an investment arm of Huaqin Technology, which acquired a 49% stake in the company. Huaqin Technology, a global leader in mobile phone R&D and design, specializes in developing and manufacturing mobile phones, tablets, and electronics, providing comprehensive product development, and Original Design Manufacturing (ODM) services to global tech companies.

As part of its expansion strategy, BPL acquired a mobile manufacturing plant in Greater Noida for approximately Rs 270 crore. Previously operated by VIVO, the facility has a production capacity of more than one million mobile phones per month and currently manufactures high-end mobile phones for major brands like OPPO and VIVO. This investment positions the company to take advantage of India's PLI (Production Linked Incentive) schemes for smartphones, strengthening its manufacturing capabilities under the government's 'Make in India' initiative. This investment has enabled BPL to secure new orders from smartphone brands like OPPO and VIVO, who are localizing production in India to reduce reliance on imports and align with the government's push for increased domestic manufacturing.

Experienced promoters and management team

The promoters of BPL, Mr. Rajesh Agarwal, Mr. Rahul Sharma, Mr. Sumeet Kumar and Mr. Vikas Jain, have background in engineering, IT and telecommunications, having demonstrated entrepreneurial experience in the past. Mr. Rohan Agarwal, son of Mr. Rajesh Agarwal has been appointed as the Chairman of BPL. The management of BPL is supported by a team of experienced & qualified professionals who are involved in day-to-day operations of the company.

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

Comfortable financial risk profile

The company's overall gearing remained low at 0.47x as of March 31, 2024, compared to 0.04x in the previous year. This increase was primarily due to an increase in unsecured loans from the promoters. The company's debt coverage ratios also remained healthy, with a PBILDT interest coverage ratio of 2.79x and a total debt to gross cash accruals ratio of 2.63x for FY24 (refers to April 01 to March 31). However, total debt might increase in medium term due to significant credit line requirements to support the operations at the newly acquired Noida plant. Though the investment of Rs 514 crore from Huaqin Technologies provides comfort and stability to the company's gearing ratio, the ability of the company to leverage this investment and improve its scale of operations and debt coverage indicators remain a key monitorable.

Improvement in scale of operations and a diversified customer base

Driven by the investment by Huaqin Technologies along with enhancement in smartphones capacity with the acquisition of Vivo's Noida plant and the subsequent receipt of orders from Vivo and Oppo Smartphones, the topline of the company has improved significantly in H1FY25 and stood at Rs 2,376 crore (up from Rs 655 crore in FY24). Previously, BPL derived most of its revenue from its top 5 customers, with heavy reliance on a single customer, Micromax, which exposed the company to customer concentration risk. However, the company has shifted focus beyond mobile phones for Micromax and expanded into other segments, attracting new customers such as Oppo, TTE Technology Private Limited, and Acer through the sale of LED TVs, laptops, and air conditioners. Going forward, BPL will primarily manufacture mobile phones for Vivo and Oppo, but the additional capacity allows flexibility to produce mobile phones for other brands as well.

Key weaknesses

Reliance on third-party suppliers for majority of products / services

BPL relies on third-party suppliers for all of its raw materials, including SKDs, LED panels, spares, and parts, which exposes the company to risks related to timely product availability. The majority of these materials are sourced from suppliers based in China, Hong Kong, and Taiwan. BPL has entered into agreements with Original Equipment Manufacturers (OEMs) to meet its raw material requirements. Since Q4FY20, the company has also engaged in contract manufacturing for some of its customers, procuring raw materials directly from suppliers nominated by them. To manage its cost exposure, BPL secures its margins by fixing component pricing and providing quotes to its customers, thereby insulating itself from fluctuations in raw material prices.

Fragmented and competitive nature of industry

India is a major market for mobile phones, but the industry is highly competitive, with both domestic and international players vying for market share. The market is price-sensitive and value-driven, leading to intense competition and aggressive pricing strategies, including bundled offers and discounts. While these initiatives help companies capture market share, they have put significant pressure on profitability margins for both manufacturers and traders. Further, there has been consistent underachievement in expected profitability owing to intense competition and BPL's ability to ramp up operations to meet the requirements of the PLI (Production Linked Incentive) scheme and claim subsidies will remain a key monitorable.

Liquidity: Adequate

BPL has an adequate liquidity position supported by healthy cash accruals against which it has long-term debt repayment obligation of Rs 58.54 crore in FY25 including repayments of USLs from Micromax informatics Limited and Bhagwati Enterprise. The company has fund-based limits which are sparingly utilized with average month end utilization of ~30% during the trailing 12 months ended November 30, 2024. The company has no major debt funded capex plans going forward. The operating cycle of the company stood comfortable at 15 days and the current ratio stood near unity at 0.98x as on March 31, 2024, due to high credit period allowed by its suppliers.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Policy in respect of non-cooperation by issuers
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
Consumer Discretionary	Consumer Durables	Consumer Durables	Consumer Electronics

Bhagwati Products Limited (BPL) was incorporated in October 2002 as 'Bhagwati Cookies & Wafers Limited' for manufacturing of bakery products. Later in March 2003, the name of the company was changed to the present one. BPL is engaged in manufacturing and assembly of telecom devices and electronic items including mobile phones, TVs, Tablets and its accessories. The company has also diversified into various other products viz. Lithium-Ion Battery, PCBA, LED TV Panel, AC etc. In September 2024, the company received a significant investment of Rs 514 crore from Huaqin Technology, which acquired a 49% stake in BPL.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	934.76	655.62	2376.89
PBILDT	7.26	11.53	40.05
PAT	1.78	0.94	39.75
Overall gearing (times)	0.04	0.17	-
Interest coverage (times)	3.01	2.79	5.20

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 - LT-Cash Credit		-	-	-	72.97	CARE BBB+; Positive; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	125.00	CARE BBB+; Positive / CARE A2; ISSUER NOT COOPERATING*
Term Loan-Long Term		-	-	Aug 26	12.49	CARE BBB+; Positive; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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	125.00	CARE BBB+; Positive / CARE A2; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Positive / CARE A2 (09-Jan-25)	1)CARE BBB; Stable / CARE A3+ (26-Mar-24) 2)CARE BBB; Stable / CARE A3+ (05-Apr-23)	-
2	Term Loan-Long Term	LT	12.49	CARE BBB+; Positive; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Positive (09-Jan-25)	1)CARE BBB; Stable (26-Mar-24) 2)CARE BBB; Stable (05-Apr-23)	-
3	Fund-based - LT-Cash Credit	LT	72.97	CARE BBB+; Positive; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Positive (09-Jan-25)	1)CARE BBB; Stable (26-Mar-24) 2)CARE BBB; Stable (05-Apr-23)	-

*Issuer did not cooperate; based on best available information.
LT: Long 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 - LT-Cash Credit	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE 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.

Contact us

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About us:

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