

Jaina Marketing & Associates

Instrument	Amount In Crore	Rating Action As on March 2016
Fund Based Facilities	200.0	[ICRA]A- (Revised) (Stable Outlook)
Non-Fund Based Facilities	700.0	[ICRA]A2+ (Revised)

ICRA has revised the long term rating assigned to the Rs. 200.0 crore fund based limits of Jaina Marketing & Associates (JMA) from **[ICRA]A** (pronounced ICRA A) to **[ICRA]A-** (pronounced ICRA A minus)[†]. Further, outlook on the rating is 'Stable'. ICRA has also revised the short term rating assigned to the Rs. 700.0 crore non-fund based limits of JMA from **[ICRA]A1** (pronounced ICRA A one) to **[ICRA]A2+** (pronounced ICRA A two plus).

While revising the rating, ICRA has taken a consolidated view of Jaina Marketing & Associates (JMA) and Jaina Mobile India Private Limited (JM IPL), given the strong operational, financial and management linkages among the two entities. In the rationale, "Jaina" refers to the consolidated figures of both the entities mentioned above.

The revision of Jaina's ratings takes into account increased pressures on Karbonn mobiles profitability during 9M FY2016 due to increased competitive intensity in the Indian handset industry leading to decline in its volumes and Average Selling prices (ASP). Further, while the sales of Panasonic mobiles have steadily grown during this period, its profitability too has been under pressure due to significant price drops on handsets to clear the inventory and considerable investments being made towards branding and marketing of the brand in the initial years. ICRA notes that Jaina has an arrangement with Panasonic mobiles which allows it to use the "Panasonic" brand name over a 10 year period. The phones are entirely being developed, sourced, marketed, distributed and branded by the Jaina group. While revising the ratings, ICRA has also taken note of Jaina's increase working capital intensity in the current year mainly due to the rise in receivables. The ratings continue to be constrained by the increased custom duty on mobiles in FY2016, exposure to foreign exchange risks given the group's sole reliance on imports for its procurement of handsets/ Semi Knocked Down (SKD) units and importance to continuously adapt to the rapidly changing customer preferences. The ratings favorably factor in Jaina's experienced promoters, its established "Karbonn" brand in the Indian mobile handset industry and its comfortable debt coverage indicators. The established brand name of "Karbonn Mobiles" is backed by continuous investments being made in promoting the brand and growing its nation-wide distribution and after sales service network. The ratings also favorably factor in the commencement of partial operations in January 2016 in Jaina's two Joint Ventures (JV) setting up handset assembly facilities in Noida, U.P. and Bawal, Haryana. The benefits of these investments are expected to accrue from the first year itself owing to the significant custom duty differential between import of SKD components as compared to finished mobiles. The ratings continue to factor in the favorable growth opportunities in the Indian mobile market owing to large handset replacement market and further scope of wireless penetration in rural areas. Going forward, the company's ability to grow the market share of Karbonn and Panasonic mobiles by keeping pace with changing consumer preferences and technology, improve its profitability while maintaining capital structure and reducing working capital intensity would be the key rating sensitivities. Further, the extent of capital expenditure/ investments and its impact on company's capital structure and debt coverage indicators will be other key rating monitorable.

About the Company

Jaina Marketing & Associates is a partnership concern established in 2000 and is engaged in the business of import, export and distribution of cellular phones and other electronic items, with a strong distribution network and expertise in supply chain management across India. It has been associated with recognized international brands like Samsung, Philips, Siemens, Airtel, Panasonic, Canon, Motorola, HTC etc. in the past. Currently, Jaina Marketing is a leading national distributor of mobile phones with pan India presence, having pioneered distribution skills in telecommunications & electronics industry in the last 15 years.

[†] For complete rating definition please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications



In 2009, the Jaina group (including the other group company named, Jaina Mobile India Private Limited) launched mobiles in India, under its own brand name "KARBONN", wherein it has entered into product development agreement with manufacturers in China and Taiwan. This venture is a 50:50 joint venture with a Bangalore based company called United Telelinks Limited (UTL). Jaina Group takes care of the distribution for North and West India, and UTL looks after the distribution in South and East India. The entire process chain except the manufacturing, which would include marketing, brand management, supply chain network, after sales service is being taken care by the Jaina Group/ UTL Group.

Recent Results: In FY14, JMA reported a net profit of Rs. 135.71 crore on a turnover of Rs. 2457.00 crore. Further, as per the provisional numbers for FY15, JMA reported a profit after tax (PAT) of Rs. 71.89 crore on a turnover of Rs. 2284.22 crore.

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