

### JSK Marketing Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	48.00	SMERA BBB/Stable (Assigned)
Proposed	78.00	SMERA BBB/Stable (Assigned)
Letter of credit	12.00	SMERA A3+ (Assigned)
Proposed	47.00	SMERA A3+ (Assigned)

SMERA has assigned ratings of '**SMERA BBB**' (read as **SMERA triple B**) and '**SMERA A3+**' (read as **SMERA A three plus**) to the Rs.185.00 crore bank facilities of JSK Marketing Private Limited (JSK Marketing). The outlook is '**Stable**'.

The ratings derive comfort from the experienced management, established marketing and distribution channels and diversified business profile. The ratings also draw support from the increasing profit margins and scale of operations. However, the ratings are constrained by the highly competitive industry, its working capital intensive operations and moderate financial risk profile.

JSK Marketing was incorporated in 1985 as Kwik Appliances Private Limited and renamed JSK Marketing Private Limited in 2006. Promoted by Mr Jiwarajka and family and headed by Mr. Kunal Jiwarajka (Managing Director), the company is engaged in the distribution of FMCG products (batteries, shoes, torches to name a few) for the past five decades. It has an established distribution network for sale of Nippo products and is the sole distributor in the western and northern regions of India. The company operates out of 23 warehouses across 16 states and is registered as a Platinum Seller Program (PSP) with Amazon to sell products under the category: shoes, sports apparels and luggage. The EBITDA margins increased from 3.99 per cent in FY2014 to 6.83 per cent in FY2016 on account of increase in revenue from goods sold via Amazon India. The revenues have grown at a CAGR of 15 per cent from FY2012-13 to FY2015-16. As per FY2015-16 financials, the company registered revenue of Rs.347.56 crore as against Rs.213.03 crore in FY2012-13.

JSK Marketing operates in a highly competitive and fragmented industry. Amazon India faces threat of customer acquisition from other portals like Flipkart, Snapdeal, ebay among others. The operations of the company are working capital intensive with GCA of 129 days in FY2015-16 which can be attributed to the high inventory holding requirements for its e-commerce business. These working capital requirements have also led to the company's moderate capital structure and debt protection metrics. The gearing of the company stood at 1.26 times as on March 31, 2016 as compared to 0.98 times as on March 31, 2015. The TOL/TNW stood at 1.86 times as on March 31, 2016 as compared to 1.66 times as on March 31, 2015. SMERA believes that the company's ability to manage its working capital cycle and infuse a healthy mix of own funds and external debt in a timely manner to augment its expected increase in scale of operations would remain a key rating sensitivity factor.

#### Rating Sensitivity Factors

- Ramping up scale of operations while maintaining the capital structure
- Efficient working capital management
- Changes in the procurement policies of Amazon India

## Outlook-Stable

SMERA believes that JSK Marketing will maintain a stable outlook over the medium term on account of its experienced management and diversified business profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and accruals while maintaining its capital structure and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of significant elongation in the working capital cycle or if the company registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

## Criteria applied to arrive at the ratings

- Trading Entities

## About the Company

The Mumbai-based JSK Marketing, incorporated in 2006 is the sole distributor of Nippo products in western and northern India. The company distributes a range of products including batteries, shoes, sports apparels, luggage via Amazon India and is also a platinum seller. The company reported profit after tax (PAT) of Rs.9.55 crore on operating income of Rs.347.56 crore for FY2015-16 as compared to PAT of Rs.2.93 crore on operating income of Rs.270.71 for FY2014-15.

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## ABOUT SMERA

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