

Nokia, HCL arm in retail joint venture

Chaitali Chakravarty & Joji Thomas Philip NEW DELHI

THE world's largest handset maker Nokia Corporation has entered into a JV with HCL Infosystems subsidiary to sell handsets and services directly to consumers in India.

The 51:49 JV will set up flagship Nokia stores, Nokia Music stores and also sell Nokia's one lakh plus Vertu handset and consumer services Ovi.

Currently, Nokia products in India are sold through individual franchisees but the company has now decided to take advantage of the FDI guidelines introduced in 2006 that allows foreign companies to invest up to 51% in a retail company in India provided it sells products under a single brand only.

"Depending on the needs of the different consumer segments, Nokia proposes to import new handsets, particularly those not manufactured in India, along with Nokia branded accessories such as bluetooth headsets, car charger, charger, ear phones, head phones, memory card etc, which are not manufactured in India and undertake retail trading of the same through the single brand retail stores," the company said in its application to the Foreign Investment promotion Board (FIPB), seeking approval for the JV. The FIPB is the government body that clears all major foreign investments in India.

In the same application, Nokia Corporation has said that the proposed JV will sell products and services under three brands: Nokia, Vertu and Ovi.

As per an industry executive familiar

with Nokia's application, this will flout "the single brand" guideline and not create any problems for Nokia as Indian regulations allow a retail company with a foreign partner to sell more than one foreign brand, provided they are manufactured by the same company.

Government officials said FIPB will consider Nokia's application in its meeting on April 20.

FDI through single brand retail has been allowed in India from February 2006 and since then leading overseas labels such as Marks & Spencer's, Louis Vuitton, Armani, Calvin Klein, French Connection and Jimmy Choo have set up stores here with their respective Indian partners.

Globally, Nokia sells luxury handsets under the Vertu brand while Ovi is the company's umbrella concept for consumer internet services such as e-mail, chat, downloads, music, navigation & maps, entertainment and games, among others.

Vertu handsets cost between Rs 1-8 lakh and is made from materials such as space age ceramics, 18-carat gold, ceramic sapphire crystal and high quality stainless steel. Nokia, in its application, has told FIPB that Vertu handsets will be sold through single brand retail trading stores and added that Ovi services would be sold through both single brand retail or directly through the internet.

HCL has been Nokia's sole distributor in India for over a decade now. But, in 2006, Nokia reworked its distribution agreement with HCL Infosystems under which the latter continued to remain the sole distributor and marketing partner of the Finnish company in India until 2011, but its operations extended to only half of the country.

In the remaining 50% of the geographical area, Nokia directly distributes handsets to the regional distributors and franchisees, as per the 2006 agreement. Nokia is the largest player in the handset space in India and commands well over 50% market share despite the presence of about 20 other companies here.

Nokia has already invested over Rs 800 crore in its manufacturing plant in Chennai and is currently spending an additional Rs 300 crore to expand this facility.

