



SMERA RATINGS LIMITED

Jumps Auto Industries Limited (Jumps)

*Rating
Rationale*

June 05, 2015

Facilities	Amount (Rs. crore)	Ratings
Term Loan	18.57	SMERA BB+/Stable (Assigned)
Cash Credit	2.80	SMERA BB+/Stable (Assigned)
Post Shipment Credit	3.00	SMERA A4+ (Assigned)

SMERA has assigned a long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and a short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.24.37 crore bank facilities of Jumps Auto Industries Limited (Jumps). The outlook is '**Stable**'. The rating draws comfort from the company's experienced management, healthy financial risk profile and its established relations with customers. However, the ratings are constrained by the company's moderate scale of operations in a highly competitive segment of the auto ancillary industry. The rating notes that the company is susceptible to volatility in raw material prices and cyclicity in the auto industry.

Jumps, incorporated in 1999, is a Gurgaon-based company engaged in the manufacture of starter motors, alternators and related sub-assemblies and electrical components that find application in the auto industry. The company is headed by Mr. Joginder Pal Malhotra, Chairman and Mr. Sanjay Malhotra, Managing Director, possess a collective experience of seven years in the auto components industry. Jumps caters to original equipment manufacturers (OEMs), Tier I suppliers and the aftermarket and rakes in over 90 per cent of revenues from exports.

The company's healthy financial risk profile is reflected in its debt-to-equity ratio of 0.98 times and interest coverage ratio of 5.67 times as on March 31, 2014.

Jumps has moderate scale of operations with revenues of Rs.32.21 crore in FY2013-14 (refers to financial year, April 01 to March 31). Jumps is exposed to geographical concentration risk with ~40 per cent of revenue from its operations in UK & USA in FY2013-14. The company's profit margins are susceptible to volatility in raw material prices which constitute ~72 per cent in total cost of sales.

Recent Acquisition

Jumps, through its wholly owned German subsidiary Bhavya Jumps GmbH, acquired 100 per cent stake in Honaso Kunststofftechnik GmbH & Co KG (Honasco), for Euro 3 million (~Rs.24.00 crore) in Q1CY2015. The deal was funded through a term loan of Euro 2.4 million (~Rs.18.57 crore) and promoter contribution of Euro 0.60 million (~Rs.5.43 crore).

Honasco, a limited liability partnership concern, manufactures injection moulded plastic parts and is a Tier II supplier for the auto industry. The firm mainly sells its products in Germany.

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On a consolidated basis, Honasco, reported profit after tax (PAT) of Euro 0.12 million (~Rs.1.01 crore) on operating income of Euro 23.64 million (~Rs.191.21 crore) for CY2014, as compared with a loss of Euro 1.53 million (~Rs.11.93 crore) on operating income of Euro 28.35 million (~Rs.220.17 crore) in the previous year.

The firm's net worth stood at Euro 3.07 million (~Rs.23.66 crore) as on December 31, 2014, as compared with Euro 0.61 million (~Rs.5.16 crore) a year earlier. The debt-to-equity ratio stands at ~1.86 times as on December 31 2014. The operating performance of Honasco (consolidated) improved in Q1CY2015, with a PAT of Euro 0.10 million (~Rs.0.72 crore) (provisional) on an operating income of Euro 5.27 million (~Rs.36.99 crore). However, stabilization and sustained improvement in Honasco's operational performance and subsequent dividend pay-outs to Jumps remains a key rating sensitivity.

Outlook: Stable

SMERA believes the company will maintain its business risk profile over the medium term backed by its experienced management. The outlook may be revised to 'Positive' in case the company reports significantly higher-than-expected revenues and profitability while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenues and profitability, deterioration in the financial risk profile on account of higher than expected debt-funded capex or working capital borrowings.

About the Company

Jumps, incorporated in 1999, became a public limited company in 2004. The company is a manufacturer and exporter of auto electric components for commercial vehicles, tractors and stationary engines. It caters to original equipment manufacturers (OEMs), Tier I suppliers and the aftermarket. The company's product range includes starter motors, alternators, solenoid switches, and armatures to name a few.

Jumps reported profit after tax (PAT) of Rs.1.53 crore on operating income of Rs.32.21 crore for FY2013-14, as compared with PAT of Rs.0.33 crore on an operating income of Rs.25.65 crore in the previous year. It achieved revenue of Rs.34.09 crore (provisional) during FY2014-15. The company's net worth stood at Rs.8.26 crore as on March 31, 2014, as compared with Rs.6.84 crore a year earlier.

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