

Jumps Auto Industries Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Term Loan	17.50 (reduced from Rs. 18.57 crore)	SMERA BB+/Stable (Reaffirmed)
Cash Credit	3.87 (enhanced from Rs. 2.80 crore)	SMERA BB+/Stable (Reaffirmed)
Post Shipment Credit	3.00	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the long term rating of **'SMERA BB+' (read as SMERA double B plus)** and **'SMERA A4+' (read as SMERA A four plus)** on the Rs.24.37crore bank facilities of Jumps Auto Industries Limited (Jumps). The outlook is **'Stable'**.

For arriving at the rating, SMERA has combined the financial and business risk profiles of Jumps Auto Industries Limited (Jumps) and its wholly owned German subsidiary, viz. Bhavya Jumps GmbH collectively referred to as the 'Jumps group'. Bhavya Jumps GmbH acquired 100 per cent stake in Honasco Kunststofftechnik GmbH & Co KG (Honasco) in Q1CY2015.

The ratings continue to draw comfort from the experienced management, healthy financial risk profile and 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 ratings also note the susceptible to volatility in raw material prices and cyclicity in the auto industry.

Update

The Jumps group reported operating income of Rs.180.63 crore for CY2015 (refers to calendar year, January 01 to December 31) as against Rs.207.13 crore in the previous year, registering a decline of ~13 per cent due to slowdown in demand. Further, the operating margin has marginally declined to 2.10 per cent in CY2015 vis-à-vis 2.26 per cent in the previous year. The company's profit margins are susceptible to volatility in raw material prices which constitute ~58 per cent of cost of sales.

The group benefits from its experienced management. The promoters, Mr. Joginder Pal Malhotra and Chairman and Mr. Sanjay Malhotra, collectively possess more than four decades of experience in the automobile industry. It caters to original equipment manufacturers (OEMs), Tier I suppliers and the aftermarket and rakes in over 90 per cent of revenues from exports.

The group's financial risk profile continues to remain healthy marked by gearing of 0.92 times as on December 31, 2015 and interest coverage of 3.48 times for CY2015.

Jumps is exposed to geographical concentration risk with ~33 per cent of revenue coming from its operations in UK & USA in FY2014-15.

Honasco, reported loss of Euro 0.17 million (1.28 crore) on operating income of Euro 19.65 million (~Rs.145.48 crore) for CY2015 as compared to Profit after tax (PAT) of Euro 0.09 million (~Rs. 0.68 crore) on operating income of Euro 23.64 million (~Rs.174.92 crore) in the previous year.

The operating performance of Honasco (consolidated) improved in Q1&Q2CY2016, with PAT of Euro 0.01 million (~Rs.0.09 crore) (provisional) on operating income of Euro 9.36 million (~Rs. 69.33

crore). However, stabilisation and sustained improvement in Honasco's operational performance and subsequent dividend pay-outs to Jumps remains a key rating sensitivity.

Jumps (standalone) reported profit after tax (PAT) of Rs.0.81 crore on operating income of Rs.35.15 crore for FY2014-15, as compared with PAT of Rs.1.53 crore on operating income of Rs.32.21 crore in the previous year. Further, the company reported profit before tax of Rs.0.30 crore on operating income of Rs.34.72 crore for FY2015-16 (provisional).

Rating Sensitivity Factors

- Scaling up revenue while improving profitability
- Effective working capital management
- Subsequent dividend pay-outs by Bhavya to Jumps

Criteria applied to arrive at the ratings

- Manufacturing Entities

Outlook-Stable

SMERA believes that the company will continue to maintain its credit risk profile and a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of increase in scale of operations on a sustainable basis and improvement in profitability with prudent working capital management and sustained financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected margins and higher working capital requirement.

About the Company

The Gurgaon-based Jumps, incorporated in 1999 was converted into a public limited company in 2004. The company is engaged in the manufacture and export 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 product range includes starter motors, alternators, solenoid switches, and armatures to name a few. The company is promoted by Mr. Joginder Pal Malhotra and Mr. Sanjay Malhotra.

Jumps, through its wholly owned German subsidiary viz. Bhavya Jumps GmbH, acquired 100 per cent stake in Honasco Kunststofftechnik GmbH & Co KG (Honasco) in Q1CY2015. Honasco, a limited liability partnership concern, manufactures injection moulded plastic parts and is a Tier II supplier for the auto industry. The firm sells its products mainly in Germany.

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
05 June, 2015	Cash Credit	18.57	SMERA BB+ (Assigned)	-	Stable
	Term Loan	2.80	SMERA BB+ (Assigned)	-	Stable
	Post Shipment Credit	3.00	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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