
Indian auto parts companies may post mixed results for Q2

Monday, 19 Oct, 2009

Reuters reported that India's auto parts firms may report mixed earnings in July to September 2009 as persisting export weakness partly offset a domestic market recovery.

Angel Broking in a report earlier this month said that firms with sizeable exports exposure may post slack export volumes following the decline in demand from most of the developed countries due to the overall economic slowdown.

It said that "Broadly the sector is expected to deliver mixed bag earnings owing to exaggerated losses by ancillary companies for their exposure in overseas markets."

A poll showed that Motherson Sumi and Amtek Auto are likely to report drop in quarterly profits, while Bharat Forge may report a sharp rise. It said that "Though global recession had affected the Indian auto components industry, it is now slowly coming back on track."

It further added that "There has been an increase in production schedules at auto component firms post March quarter following two stimulus packages and substantial improvement in the volumes of auto companies."

Analysts said that Bharat Forge is expected to see higher profits, mainly on account of reduced FOREX losses due to a one time FOREX loss of INR 87.5 crore a year ago.

An analyst said that "But if you compare their profits excluding this exceptional loss then adjusted profit is expected to fall due to weaker sales."

Motherson Sumi Systems Ltd is likely to see net sales soar but profits will fall due to certain restructuring costs related to the acquisition of Visiocorp earlier this year.

Mr Vaishali Jajoo a analyst at Angel Broking said that "The acquisition will have an impact on their margins. They are doing a lot of restructuring of overseas plants. That restructuring cost will be spread over the next two to three quarters."

(Sourced from Reuters)

For more news visit at www.steelguru.com