

Sony, Panasonic debt ratings cut on TV losses

Isabel Reynolds, Reuters

Japan's Sony and Panasonic both had their debt ratings downgraded on Friday by Moody's Investors Service, which cited concerns about continued losses in their TV divisions, two weeks ahead of their earnings announcements.

Sony will find it hard to meet its target of pulling its TV division back into profit in the next two years amid harsh competition and the strong yen, despite pulling out of an LCD panel joint venture with Samsung Electronics, Moody's said.

It said Panasonic's financial profile had deteriorated since it bought out its two major consolidated subsidiaries, Sanyo Electric and Panasonic Electric Works, last April.

Sony's rating was cut to Baa1 from A3 and Panasonic's to A2 from A1, with the outlook negative for both.

Sony has said it expects to make a loss of 175 billion yen (\$2.27 billion) on TVs in the year to March but aims to halve that loss next year and make a profit on them in the year after that, after nine straight years in the red.

Sony Ericsson, the company's phone joint venture, also posted an unexpected loss this week, casting a shadow over Sony's plan to take full control of the business next month in a bid to better compete with Apple Inc and Samsung.

Unless a significant improvement in Sony's financial profile seems likely in the year starting on April 1 its ratings could be reviewed for action in a relatively short time, Moody's said.

Panasonic's net debt rose to about 550 billion yen in the year ended last March 31 from about 100 billion yen the previous year, Moody's said.

It said Panasonic was unlikely to restore its financial profile soon due to losses on TVs, lower earnings from semiconductors and weak earnings at Sanyo.

Both Panasonic and Sony are expected to post a slump in earnings for the October-December quarter, due to the strong yen, poor consumer sentiment in Europe and the effects on their operations of flooding in Thailand.

Sony will report on February 2 and Panasonic on February 3. Shares in Sony have fallen about 49 percent since the beginning of the financial year in April, while Panasonic has lost about 38 percent.

Panasonic is also widely expected to fall short of its full-year operating profit target of 130 billion yen for the year to March. Sony slashed its forecast by 90 percent to 20 billion yen in November for the same period.

Sony, Panasonic debt ratings cut on TV losses

Published on Electronic Component News (<http://www.ecnmag.com>)

(\$1 = 77.0700 Japanese yen)

(Additional reporting by Nobuhiro Kubo and James Topham; Editing by Michael Watson)

Posted by Jason Lomberg, Technical Editor

Source URL (retrieved on 04/25/2014 - 4:55am):

<http://www.ecnmag.com/news/2012/01/sony-panasonic-debt-ratings-cut-tv-losses>