

Strikes Dent Hyundai Motor's 3Q Profit

Youkyung Lee, AP Business Writer

SEOUL, South Korea (AP) — Hyundai Motor Co. suffered a fall in third-quarter profit from the previous quarter after strikes dented vehicle production, but its stock jumped Thursday after the carmaker said annual output would exceed forecasts.

South Korea's largest automaker estimated that its global vehicle production in the final three months of this year would reach 1.2 million vehicles, including 540,000 vehicles at factories in South Korea. That would put annual production at 4.38 million vehicles for 2012, higher than its 4.29 million target.

The increase covers a gap created after costly walkouts by workers at factories in South Korea reduced output over the summer. Shares of the maker of the Avante and Sonata closed 3.9 percent higher.

"Hyundai is set to recover its lost output during the third quarter with increased capacity in China, Brazil and the United States as well as in South Korea. It couldn't sell more cars because its production couldn't catch up demand in the third quarter," said Kim Yoon-ki, an analyst at Mirae Asset Securities.

Hyundai's confident forecast in part comes from its strong performance in China, where its Japanese rivals have lost sales due to fierce anti-Japan sentiment stemming from a territorial dispute over East China Sea islands.

Chief Financial Officer Lee Won-hee said during a conference call that Hyundai raised its 2012 sales estimate for China from 790,000 vehicles to between 820,000 and 830,000.

Hyundai's net profit fell 15 percent from the April-June quarter to 2.16 trillion won (\$1.96 billion). It was Hyundai's first quarter-on-quarter drop in profit a year. The result, which matched forecasts, was still a 13 percent rise over a year earlier.

Operating profit fell 18 percent from the second quarter to 2.05 trillion won on revenue of 19.65 trillion won.

Hyundai blamed reduced output and lower demand in the South Korean market for the quarter-to-quarter drop in earnings.

The company's labor union in South Korea staged partial strikes in July and August, demanding increased wages and an end to overnight shifts.

Hyundai estimated the labor union's refusal to work some regular and overnight shifts resulted in lost output of 82,000 vehicles worth \$1.5 billion. The company and the union agreed on a deal last month that reduced working hours and eliminated overnight shifts.

Strikes Dent Hyundai Motor's 3Q Profit

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

Despite reduced sales at home, Hyundai said its overall car sales between January and September rose 8 percent over a year earlier to 3.18 million vehicles, thanks to higher sales in U.S. and Europe.

Operating profit during the nine months rose 15 percent over a year earlier to 6.84 trillion won and its net profit expanded 17 percent to 7.16 trillion won.

Source URL (retrieved on 02/26/2015 - 8:27pm):

http://www.impomag.com/news/2012/10/strikes-dent-hyundai-motors-3q-profit?qt-most_popular=0&qt-digital_editions=0