

S&P downgrades Panasonic one notch to 'A'

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Fair goers stand in front of a wall with Panasonic 3D monitors during the IFA consumer electronic fair in Berlin, September 2011. Ratings agency Standard & Poor's said it had downgraded Japan's Panasonic one notch to "A" with a negative outlook, citing pressure on its digital products such as flat panel TVs.

Ratings agency Standard & Poor's on Wednesday said it had downgraded Japan's Panasonic one notch to "A" with a negative outlook, citing pressure on its digital products such as flat panel TVs.

The rating, which S&P said it could be lowered again in the future, is the sixth-highest on the agency's scale of 22.

"Strong pressure on the competitiveness of Panasonic's core digital products business is likely to delay its financial recovery," the agency said.

"Standard & Poor's believes Panasonic's competitive position in core

digital products such as flat panel TVs is under strong pressure from global competitors," it added.

The agency said that Panasonic's move to take full ownership of Sanyo Electric and Panasonic Electric Works along with large net losses as a result of business reorganisation since 2009 have weakened its financial position.

The downgrade came after Panasonic said Monday it expected a loss of \$5.3 billion this year as a strong yen and one-off charges reversed previous expectations for a profit.

The forecast came as Panasonic also scrambles to turn around its loss-making television business amid fierce cost competition.

"Massive price erosion and intense competition will make it tough for Panasonic to differentiate its products enough to re-establish strong earnings in its consumer electronics business," S&P warned.

Panasonic has announced plans to stop production at two of its Japanese TV panel factories -- one making plasma display panels and the other LCD panels -- this fiscal year, leaving it with only one plasma panel plant and one LCD plant in Japan.

"Panasonic's 'vertical integration' model, which made full use of its technological advantages to enhance product competitiveness while skillfully controlling production costs, was one of the company's key strengths," Standard & Poor's said.

"However, rapid commoditisation and the sustained strength of the yen reduce the effectiveness of this strategy with those products."

[Panasonic](#) on Monday said it had revised down its full-year operating

profit to 130 billion yen from 270 billion yen, while it now expects sales of 8.3 trillion yen with to 8.7 trillion yen.

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