

Egypt Ghabbour Auto Q1 net income plunges

Contributed by Egypt News
Wednesday, 20 May 2009

Egyptian Ghabbour Auto reported that it posted a 91.5 percent decline in net income for the first quarter of 2009 to 7.2 million Egyptian pounds due partly to declining sales

It added that the drop was also due to strategic decisions to liquidate high-COGS goods, absorb higher procurement costs as Egypt's currency weakened, and to curtail production leading to under-recovered overheads of 15 million pounds.

"Management took decisive action starting in the third quarter of last year to address the challenges presented by a sudden slowdown in sales across Egypt's automotive industry," Ghabbour's Chief Executive Officer Raouf Ghabbour said in a statement.

"As a consequence, we have refrained from pushing new units into an already over-stocked market, given incentives and support to our distribution network, and worked diligently to reduce costs throughout our operations," he added.

Ghabbour, Egypt's largest listed auto maker and assembler, said that sales fell 41.8 percent to 642 million pounds in the quarter, and gross profit margin dipped 3.8 percentage points year-on-year to 13.3 percent.

Passenger car revenue dropped 51.6 percent to 366.7 million pounds, while commercial vehicle revenue fell 37.6 percent to 120.9 million pounds. Motorcycle and three-wheeler revenue, however, grew 24.1 percent to 122.5 million pounds.

The company said last month that passenger car sales should be flat in 2009, and that gains in March added to an improvement in sales it reported for the first two weeks of February after a drop-off in the fourth quarter of 2008 due to the Global Financial Crisis .

It has also said that a plan to offer affordable taxis to drivers under a government plan to modernise the country's taxi fleet should balance out any declines.

