SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1996.

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM __________ TO___________.

Commission File No. 0-23538

MOTORCAR PARTS & ACCESSORIES, INC.
(Exact name of registrant as specified in its charter)

NEW YORK	11-2153962
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2727 MARICOPA STREET, TORRANCE, CALIFORNIA	90503
(Address of principal executive offices)	Zip Code

Registrant's telephone number, including area code: (310) 212-7910

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

There were 4,866,000 shares of Common Stock outstanding at November 7, 1996.

MOTORCAR PARTS & ACCESSORIES

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

MOTORCAR PARTS & ACCESSORIES, INC.
BALANCE SHEETS

A S S E T S	September 30, 1996	March 31, 1996
	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 1,389,000	$ 164,000
Short-term investments	0	8,336,000
Accounts receivable - net of allowance for doubtful accounts	21,806,000	17,264,000
Inventory	31,299,000	28,551,000
Prepaid expenses and other current assets	665,000	637,000
Deferred income tax asset	251,000	226,000
Total current assets	55,410,000	55,178,000
Long-term investments	3,353,000	2,393,000
Plant and equipment - net	3,118,000	2,469,000
Other assets	164,000	149,000
T O T A L	$62,045,000	$60,189,000
L I A B I L I T I E S		
Current liabilities:		
Current portion of capital lease obligations	$ 804,000	$ 554,000
Accounts payable and accrued expenses	7,291,000	8,855,000
Income taxes payable	1,543,000	1,331,000
Due to affiliate	182,000	184,000
Total current liabilities	9,820,000	10,924,000
Long-term debt	14,646,000	14,541,000
Capitalized lease obligations - less current portion	674,000	594,000
Deferred income tax liability	99,000	99,000
T O T A L	25,239,000	$26,158,000
SHAREHOLDERS' EQUITY		
Preferred stock; par value $.01 per share, 5,000,000 shares authorized; none issued		
Common stock; par value $.01 per share, 20,000,000 shares authorized; 4,866,000 shares issued and outstanding at September 30, 1996 and 4,819,750 issued and outstanding at March 31, 1996	49,000	48,000
Additional paid-in capital	28,774,000	28,431,000
Retained earnings	7,983,000	5,552,000
Total shareholders' equity	36,806,000	34,031,000
T O T A L	$62,045,000	$60,189,000

The accompanying notes to financial statements are an integral part hereof.

MOTORCAR PARTS & ACCESSORIES, INC.

Statements of Operations
(Unaudited)

	For the Six Months Ended September 30,		For the Three Months Ended September 30,	
	1996	1995	1996	1995
Income:				
Net Sales	$39,740,000	$27,329,000	$21,365,000	$15,697,000
Operating expenses:				
Cost of goods sold	31,830,000	21,719,000	17,117,000	12,540,000
Selling expenses	1,051,000	875,000	511,000	461,000
General and administrative expenses	2,375,000	2,002,000	1,181,000	1,079,000
Total operating expenses	35,256,000	16,127,000	18,809,000	9,185,000
Operating income	4,484,000	2,733,000	2,556,000	1,617,000
Interest expense - net of interest income	465,000	458,000	254,000	234,000
Income before income taxes	4,019,000	2,275,000	2,302,000	1,383,000
Provision for income taxes	1,588,000	915,000	908,000	549,000
Net income	$ 2,431,000	$ 1,360,000	$ 1,394,000	$ 834,000
Weighted average common shares outstanding	4,993,000	3,351,000	5,002,000	3,384,000
Net income per common share	$ 0.49	$ 0.41	$ 0.28	$ 0.25

The accompanying notes to financial statements are an integral part hereof.

MOTORCAR PARTS & ACCESSORIES, INC.

Statements of Cash Flows (Unaudited)

	For the Six Months Ended September 30,	
	1996	1995
Cash flows from operating activities:		
Net income	$ 2,431,000	$ 1,360,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	282,000	185,000
(Increase) decrease:		
Accounts receivable	(4,542,000)	(3,626,000)
Inventory	(2,748,000)	(3,226,000)
Prepaid expenses and other assets	(28,000)	(116,000)
Other assets	(40,000)	(10,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,564,000)	1,083,000
Income taxes payable	212,000	348,000
Due to related parties	(2,000)	105,000
Net cash (used in) operating activities	(5,999,000)	(3,897,000)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(297,000)	(172,000)
Sale of Investments	7,376,000	382,000
Net cash provided by (used in) investing activities	7,079,000	210,000
Cash flows from financing activities:		
Net increase in line of credit	105,000	3,803,000
Proceeds from exercised options	344,000	32,000

Payments on capital lease obligation	(304,000)	(98,000)
Net cash provided by financing activities	145,000	3,737,000
NET INCREASE (DECREASE) IN CASH	1,225,000	50,000
Cash - beginning of period	164,000	611,000
CASH - END OF PERIOD	$ 1,389,000	$ 661,000
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 595,000	$ 483,000
Income taxes	1,401,000	518,000
Non-cash investing and financing activities:		
Property acquired under capital lease	304,000	131,000

The accompanying notes to financial statements are an integral part hereof.

MOTORCAR PARTS & ACCESSORIES, INC.

Notes to Financial Statements (Unaudited)

(NOTE A) - THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES:

Motorcar Parts & Accessories, Inc. (the "Company"), remanufactures and distributes alternators and starters and assembles and distributes spark plug wire sets for the automotive after-market industry (replacement parts sold for use on vehicles after initial purchase). The Company's alternators and starters are produced principally for use in imported cars. The spark plug wire sets are produced for use in imported as well as domestic cars. These automotive parts are sold to automotive retail chains and warehouse distributors throughout the United States.

[1] CASH EQUIVALENTS:

The Company considers all highly liquid short-term investments with a maturity of three months or less to be cash equivalents.

[2] INVESTMENTS:

The Company's marketable securities are classified as available for sale and reported at fair value which approximates amortized cost. Any unrealized gains or losses are classified as a separate component of shareholders' equity.

[3] ACCOUNTS RECEIVABLE - ALLOWANCE:

The Company protects itself from losses due to uncollectible accounts receivable through the purchase of credit insurance except for receivables due from a limited number of accounts due from leading automotive parts retailers, which exceed the insurance coverage and certain small balances. Beginning in fiscal year 1996 an allowance for estimated uncollectible accounts receivable is provided.

[4] INVENTORY:

Inventory is stated at the lower of cost or market, cost being determined by the average cost method.

[5] REVENUE RECOGNITION:

The Company recognizes sales when products are shipped. The Company obtains used alternator and starter units, commonly known as cores, from its customers as trade-ins. Cores are an essential material need for remanufacturing operations. Beginning with the quarter ended June 30, 1996, the Company implemented a new accounting presentation with respect to its reporting of sales. In the past, net sales were reduced to reflect deductions for cores returned for credit and cost of goods sold was reduced by the cost of the cores returned. Under the new presentation, net sales will be reported on a gross basis, that is core returns from customers will not be deducted in order to reach net sales, but rather will be included in cost of goods sold. The six and three months ended September 30, 1995 was restated to show this change. Formerly, the six and three months ended September 30, 1995 showed net sales of $18,860,000 and $10,802,000 and cost of goods sold of $13,250,000 and $7,645,000, respectively.

MOTORCAR PARTS & ACCESSORIES, INC.

Notes to Financial Statements (Unaudited)

(NOTE B)- INVENTORY:

Inventory is comprised of the following:

	September 30, 1996	March 31, 1996
Raw materials	$16,757,000	17,568,000
Work-in-process	2,714,000	3,466,000
Finished goods	11,828,000	7,517,000
T o t a l	$31,299,000	$28,551,000

(NOTE C) - RELATED PARTIES:

The Company conducts business with MVR Products Co. PTE, Ltd. ("MVR"). MVR operates a shipping warehouse which conducts business with Unijoh Sdn, Bhd ("Unijoh"). Unijoh operates a remanufacturing facility similar to the Company. MVR's warehouse is located in Singapore and Unijoh's factory is located in Malaysia. Two shareholders/officers/directors of the Company own 70% of both MVR and Unijoh, with the remaining 30% owned by an unrelated third party. All of the cores processed by Unijoh are produced for the Company on a contract remanufacturing basis. The cores and other raw materials used in production by Unijoh are supplied by the Company and are included in the Company's inventory. Inventory owned by the Company and held by MVR and Unijoh was $641,000 as at September 30, 1996. The Company incurred costs of approximately $906,000 and $536,000 from the affiliates for the six and three months ended September 30, 1996. The amount due to affiliate as at September 30, 1996 and March 31, 1996 was due to MVR.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere herein.

Results of Operations

	Six Months Ended September 30, 1996	1995	Three Months Ended September 30, 1996	1995
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	80.1	79.5	80.1	79.9
Gross profit	19.9	20.5	19.9	20.1
Selling expenses	2.6	3.2	2.4	2.9
General & administrative expenses	6.0	7.3	5.5	6.9
Operating income	11.3	10.0	12.0	10.3
Interest expense - net	1.2	1.7	1.2	1.5
Income before income taxes ...	10.1	8.3	10.8	8.8
Provision for income taxes ...	4.0	3.3	4.3	3.5
Net Income	6.1%	5.0%	6.5%	5.3%

Beginning with the quarter ended June 30, 1996, the Company implemented a new accounting presentation with respect to its reporting of sales. In the past, the Company deducted the value of all cores returned from its customers in order to reach net sales. Under the new presentation, revenues are reported on a gross basis, that is core returns from customers are not deducted in order to reach net sales, but rather are included in cost of goods sold. The six and three month periods ended September 30, 1995 have been restated to reflect this new presentation. The Company believes that this new presentation provides a truer depiction of actual sales and cost of goods sold. In addition, it reflects a more proper relationship between sales and inventory.

Net sales for the six months ended September 30, 1996 increased $12,411,000 or 45.4%, from $27,329,000 to $39,740,000 over the six months ended September 30, 1995. Net sales for the three months ended September 30, 1996 increased $5,668,000 or 36.1%, from $15,697,000 to $21,365,000 over the three months ended September 30, 1995. The increase in net sales is attributable to the general growth of business with existing customers, including the occurrence of update orders with certain customers, which increase the number of SKUs that these customers offer in their stores. In addition, the Company believes that the continued aging of the import vehicle fleet also contributed to its increased sales. The Company also continued the expansion of its product line to include remanufactured alternators and starters for domestic car and light trucks, sales of which generated revenues of approximately $750,000 and $350,000 for the six and three months ended September 30, 1996, respectively. The number of units shipped to all customers was approximately

677,000 units during the recent six-month period and approximately 466,000 units during the same period a year earlier, representing an increase of approximately 45.3%.

Cost of goods sold for the six months ended September 30, 1996 increased $10,111,000 or 46.6%, from $21,719,000 to $31,830,000 over the six months ended September 30, 1995. Cost of goods sold for the three months ended September 30, 1996 increased $4,577,000 or 36.5%, from $12,540,000 to $17,117,000 over the three months ended September 30, 1995. The increases are primarily attributable to additional costs in connection with increased production. Cost of goods sold as a percentage of net sales increased over the six-month periods from 79.5% to 80.1% and over the three-month periods from 79.9% to 80.1%. While the increases in cost of goods sold are minimal over the periods, they can be primarily attributable to the pricing pressures that the Company experienced during the first four months of calendar 1996.

Selling expenses for the six months ended September 30, 1996 increased $176,000 or 20.1%, from $875,000 to $1,051,000 over the six months ended September 30, 1995. Selling expenses for the three months ended September 30, 1996 increased $50,000 or 10.8%, from $461,000 to $511,000 over the three months ended September 30, 1995. Selling expenses as a percentage of net sales decreased to 2.6% for the six months ended September 30, 1996 from 3.2% for the same period a year earlier and 2.4% for the three months ended September 30, 1996 from 2.9% for the same period one year earlier. These decreases in selling expenses as a percentage of net sales represent the continued leveraging of these costs over the Company's increased net sales. The increases in selling expenses in general are attributable to increased advertising allowances given to customers as well as the expansion of the Company's sales department.

General and administrative expenses for the six months ended September 30, 1996 increased $373,000 or 18.6% from $2,002,000 to $2,375,000 over the six months ended September 30, 1995. General and administrative expenses for the three months ended September 30, 1996 increased $102,000 or 9.5% from $1,079,000 to $1,181,000 over the three months ended September 30, 1995. As a percentage of net sales these expenses decreased over the six-month periods from 7.3% to 6.0% and over the three-month periods from 6.9% to 5.5%. These decreases represent the continued leveraging of these costs over the Company's increased net sales. Approximately 52.3% of the increase over the six month periods was the result of costs incurred under the Company's incentive bonus plan adopted in August 1995. The balance of the increase was primarily attributable to increased insurance coverages and professional fees.

Interest expense net of interest income was $465,000 for the six-months ended September 30, 1996 and $254,000 for the three months ended September 30, 1996. This represents an increase of $7,000 or 1.5% and $20,000 or 8.5%, respectively, over the comparable periods a year earlier. Interest expense is comprised principally of interest paid on the Company's revolving credit facility. The balance of interest expense is from loans on the Company's capital leases. Interest income of $132,000 for the six months ended September 30, 1996 and $38,000 for the three months ended September 30, 1996 was derived from investments principally from the Company's second public offering in November 1995.

Liquidity and Capital Resources

The Company's operations have been financed principally from cash flow from operations, the net proceeds of the Company's public offerings in March 1994 and November 1995 and borrowings under a revolving credit facility. As of September 30, 1996, the Company's working capital was $45,590,000.

Net cash used in operating activities during the first six months of fiscal 1997 and 1996 was $5,999,000 and $3,897,000, respectively. The increase was primarily due to an increase in accounts receivable of $4,542,000, an increase in inventory of $2,748,000 and a decrease in accounts payable and accrued expenses of $1,564,000. The increase in accounts receivable was primarily attributable to the increased sales of the Company during the six months ended September 30, 1996, and the increase in inventory was partially attributable to the addition of approximately $1,340,000 of inventory for the Company's recent entry into the business of remanufacturing domestic alternators and starters, which growth in inventory for this new business may be expected to continue for the foreseeable future. In connection with the Company's expansion into this business, the Company expects to incur other expenses over the foreseeable future, including costs of additional production and warehousing facilities, equipment and personnel.

Net cash from investing activities during the six months ended September 30, 1996 and 1995 was $7,079,000 and $210,000 respectively. During the six months ended September 30, 1996 the Company used $7,376,000 of investments to fund its operating and financing activities.

Net cash provided by financing activities was $145,000 and $3,737,000 for the first six months of fiscal 1997 and 1996, respectively. During the six months ended September 30, 1996 the Company realized $344,000 from the proceeds of exercised stock options.

The Company has a credit agreement with Wells Fargo Bank, National Association (the "Bank") that provides for a revolving credit facility in an aggregate principal amount not exceeding $15,000,000, which credit facility is secured by a lien on substantially all of the assets of the Company. The credit facility provides for an interest rate on borrowings at the lower of the Bank's prime rate and LIBOR plus 1.75%. Under the terms of the credit facility and included in the maximum amount thereunder, the Bank will issue letters of credit and banker's acceptances for the account of the Company in an aggregate amount not exceeding $2,500,000. At November 11, 1996, the outstanding balance on the credit facility was approximately $14,700,000.

The Company's accounts receivable as of September 30, 1996 was $21,806,000. This represents an increase of $4,542,000 over accounts receivable on March 31, 1996. In addition, there are times when the Company extends payments terms with certain customers in order to help them finance an increase in the number of SKUs carried by that customer and for other purposes. The Company insures collection of certain of its accounts receivable through an insurance policy with an independent credit company at an annual premium of approximately $70,000. The Company's policy

generally has been to issue credit to new customers only after they have been included under the coverage of its accounts receivable insurance policy.

The Company's inventory as of September 30, 1996 was $31,299,000, an increase of $1,094,000 or 3.6% over June 30, 1996 and an increase of $2,748,000 or 9.6% over March 31, 1996. The increase includes the addition of approximately $1,340,000 of inventory over the last six months for the Company's recent entry into the business of remanufacturing domestic alternators and starters and, to a lesser extent, the Company's addition of new SKUs to its product line thus increasing the quantity of cores and finished goods needed to supply its customers.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

The annual meeting of shareholders of the Registrant was held on August 22, 1996 for the purpose of (i) electing five directors to serve until the next annual meeting of shareholders and until their respective successors are elected and qualified, (ii) approving an amendment to the Registrant's Certificate of Incorporation to increase the number of authorized shares of Common Stock from 10,000,000 to 20,000,000 shares, (iii) approving an amendment to the Registrant's 1994 Stock Option Plan to increase the number of shares of Common Stock for which options may be granted from 450,000 to 720,000 shares, and (iv) ratifying the appointment of the Registrant's independent certified public accountant for the fiscal year ending March 31, 1997. Proxies for the meeting were solicited pursuant to Regulation 14A of the Securities Exchange Act of 1934 and there was no solicitation in opposition.

The following directors were elected by the following vote:

	VOTES	
	FOR	AGAINST
Mel Marks	4,122,335	4,850
Richard Marks	4,121,835	5,350
Murray Rosenzweig	4,121,835	5,350
Mel Moskowitz	4,121,835	5,350
Selwyn Joffe	4,121,835	5,350

The proposal to amend the Certificate of Incorporation to increase the number of authorized shares of Common Stock was approved by the following vote:

FOR	AGAINST	NON VOTES/ABSTENTIONS

4,075,795	32,510	6,880

The proposal to amend the 1994 Stock Option Plan to increase the number of shares of Common Stock for which options may be granted was approved by the following vote:

FOR	AGAINST	NON VOTES/ABSTENTIONS
3,166,730	272,597	12,044

The proposal to ratify the appointment of the independent certified public accountant for the fiscal year ending March 31, 1997 was approved by the following vote:

FOR	AGAINST	NON VOTES/ABSTENTIONS
4,113,545	5,150	8,490

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

27.1 Financial Data Schedule.

(b) Reports on Form 8-K

The Company has not filed any reports on Form 8-K during the quarterly period ended September 30, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOTORCAR PARTS & ACCESSORIES, INC.

Dated: November 12, 1996

By: /S/ PETER BROMBERG
Peter Bromberg
Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
27.1	Financial Data Schedule

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