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SORL Auto Parts, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) And our first question comes from Albert Lee with Maxim Group.

Albert Lee – Maxim Group

Hi. The first question is the 25.5% gross margin you guys put up in Q4, I believe, is by far the highest we've seen at least in the past few years, so given some of these cost saving initiatives you have in place on the manufacturing side, and I guess, partially offset by higher fuel and transportation cost, what level of gross margin do you guys view as sustainable here in 2008?

Xiao Ping Zhang

[Response in Mandarin – translation below]

Richard Cai

Actually, 25.6% is very exciting, and we think that in 2008, what we have targeted is to have steady growth and fast growth. At the same time we are targeting to improve our gross margins. We think that 25.6% is a little bit higher, but we are targeted at a level that's from 23% to 24%.

Albert Lee – Maxim Group

23% to 24% is more normalized.

Richard Cai

Yeah, normalized. But that was normally much more than the 22% at the beginning of this year.

Albert Lee – Maxim Group

Okay. I got you. Lastly you mentioned of your relationship with this large Indian OEM and how it's helping you guys initiate new relationships, the markets; I believe you also signed out with another large Indian OEM recently as well, but given comparisons being made, China with India, can you talk about how meaningful the contributor India could become for you guys – I know it is marginal in 2007, but are we talking about the contribution being much more meaningful in 2008?

Valentine Ding

[Mandarin Translation of Question]

Xiao Ping Zhang

[Response in Mandarin – translation below]

Richard Cai

Yes. We can say is that we will achieve much better performance in 2008. First, we can see that forward sales to India OEM markets increased a lot in the first quarter this year; second we can see that our content per vehicle actually increased, and also we provide much more products to the markets, and therefore we expect that our sales to India market will have a steady increase in 2008 and 2009.

Albert Lee – Maxim Group

Okay. You seeing a ramping in orders from this particular OEM; and did you mention that this first quarter or the first quarter of 2007 grew nicely – you talking about Q1 of 2008, the current quarter, you're seeing steady increases out of the same OEM as well?

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