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Bel Fuse Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) And our first question comes from the line of Johnny Brown from Stephens Inc. Please proceed with your question.

Johnny Brown – Stephens Inc

Thank you. Hi, Dan. Hi, Colin. I was wondering about just in terms of the general economic slowdown. It seems like it could be two sides of the same coin here. Obviously, on one side, you don't want your revenues to come down or the growth revenues to slow down too much. But at the same time, it seems like it could free up some complicity and lower your pressure to pay so much overtime. Wonder if you could talk about how you see that impacting your margins going forward?

Dan Bernstein

I think Colin can go through the margins. But I think psychologically for us going forward from this point, if we do schedule overtime because of the new laws and regulation, it went from 1.5 to 2x. So, we believe that we have passed over the overtime to the customer. What we are also trying to do is look at areas where the overtime, you don't have to pay an overtime rate. So, hopefully, I don't think when it get there in the next quarter or two but hopefully within six months. If we have to increase our production, we can do without overtime. Colin, from the margin standpoint?

Colin Dunn

Yes, we had been spending in premium labor costs. I do – we'll be back up. First, we have to work some overtime. If you are not working some overtime, you are not going to have any workers' to start with. So, part of the balancing act we have to go through is to try and turn, which I think we got now is what's the minimum amount of overtime we can work and keep the workers' particularly in the areas where our factories are right now. And that's more important also in areas where the workers' are housed in dormitories, the migrant workers' and they don't have to go home. So, one other things we are trying to look at going forward is to try and find input production to areas where more in local villages where the non-migrant workers' – instead the workers' aren't housed in dormitories where they do go home and may be they live in small farms also. So, they are more keen to go home. So, we won't have this issue with basically mandatory overtime to keep the workers' – mandatory overtime will have fun not the workers'. So, the total what has been costing us was fairly close to \$0.20 a quarter in labor premiums over the last few quarters. Now, we don't, we don't – that's not going to go away completely. But we hope we without reductions to overtime which basically came

into play affective late in the third quarter, where we are now only working half a day on Saturday for example. That we might be able to get that in, that premium down in half going forward.

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