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Ingersoll-Rand Company Limited Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions)

Bruce Fisher

Shawn, hello.

Operator

Yes, sir.

Herb Henkel

Shawn.

Operator

Yes, are you able to hear me now?

Bruce Fisher

If you both will bear with us, I mean, I am sure we will be able to find our operator.

Operator

I'm not sure why they are not able to hear me. (Operator instructions)

Herb Henkel

Having done this for 10 years, it is always exciting to have something new happen.

Operator

All right. We will take our first question from David Raso of the Isi Group.

David Raso – Isi Group

Hi, this is David Raso. Can you hear me?

Bruce Fisher

(inaudible). Please bear with us while we try to find him.

Operator

Mr. Raso, I can hear you. It doesn't sound like the speakers can.

David Raso – Isi Group

Yes, maybe the audience can hear us, but not the company.

Operator

Yes, it sounds like that is what is occurring. All right everyone; please stand by while we try to resolve this issue. It'll be just a moment. And again ladies and gentlemen, we apologize for the temporary interruption in today's conference. We are looking into the issue. We apologize for the delay.

All right, ladies and gentlemen, the speakers have been reconnected. Again our first question comes from David Raso of the Isi Group.

David Raso – Isi Group

Thank you very much. Question on Trane and its profitability, I am looking at the fourth-quarter on a pro forma where you had decremental margins, even if I exclude the ongoing amortization costs, and of course include all the savings, the decremental margins are up 50% and if you exclude the cost savings it actually lost money. And then I look at the '09 guidance you gave for housing starts, non-resi, the fund together is not terribly different than we saw in the fourth-quarter for Trane revenue. How should we be thinking about the profitability for '09 in Trane relative to what we just saw in the fourth quarter?

Herb Henkel

David, I think that Trane, we have said this a few times before, the Trane, particularly the Trane commercial group, Trane Residential to some degree had the biggest impact of the lingering material inflation. If you look at the bridge on Trane commercial they are significantly upside down with regard to material inflation relative to direct material productivity. That is largely due to steel, due to the nonferrous metals. So in the fourth-quarter, we saw a significant amount of commodities still coming out of copper valued at \$3.35 a pound. So the biggest single change that we will see between years is deflation in the commodities that the Trane uses.

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