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Baldor Electric Co. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) And we'll pause for a moment to assemble our queue. And we will take our first question from John Franzreb with Sidoti & Company.

John Franzreb – Sidoti & Company

Good morning, guys.

John McFarland

Good morning, John.

John Franzreb – Sidoti & Company

My first question is regarding raw materials. You said it was up on a year-over-year basis, but you kind of anticipate low raw material costs in the second half of the year. Can you kind of update us on where that flow-through currently stands? Do you expect any kind of raw material benefit to flow through into the second quarter?

John McFarland

We expect – we don't expect to be penalized in the second quarter on raw materials like we were in the first quarter. We do expect – on an incremental basis, I mean we are not anticipating any gigantic drops in raw material cost, but we do anticipate some improvement in the second quarter, a little more again in the third quarter, and probably a little more again in the fourth.

John Franzreb – Sidoti & Company

Okay. Care to put a number to how much of a kind of savings we can expect from that?

John McFarland

No.

John Franzreb – Sidoti & Company

Okay.

John McFarland

You'll always try every call, though.

John Franzreb – Sidoti & Company

John, you mentioned the Chinese operations doing extremely well. Could you give a little bit more color on what kind of motors you are providing to the Chinese market and what's driving that?

John McFarland

Yes. Our primary focus in China today is manufacturing large gearboxes for the mining industry and for the aggregate business. And our order books are strong in that product line and then in that plant. The first quarter was not a particularly great quarter for the whole region, but it was pretty good for the plant. And we think that the second quarter will be good as well.

As I mentioned, the March incoming order rate was second highest in history and I noticed this morning when I came in that we had gotten a nice order yesterday for products on that plant. We are – we did enlarge the plant last year so that we would be able to begin producing some motors in China and the motors we produce there now are special adjustable speed motors. We anticipate adding production later this year of some hermetic motors. These are motors used by – in the HVAC and refrigeration business.

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