

INGERSOLL RAND CO LTD  
Form 10-Q  
May 08, 2009  
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**UNITED STATES**  
**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 March 31, 2009

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-16831

**INGERSOLL-RAND COMPANY LIMITED**

*(Exact name of registrant as specified in its charter)*

**Bermuda**  
*(State or other jurisdiction of  
incorporation or organization)*

**75-2993910**  
*(I.R.S. Employer  
Identification No.)*

**Clarendon House**

**2 Church Street**

**Hamilton HM 11, Bermuda**

*(Address of principal executive offices)*

**(441) 295-2838**

*(Registrant's telephone number, including area code)*

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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  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

The number of Class A common shares outstanding as of April 30, 2009 was 319,097,397.

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**INGERSOLL-RAND COMPANY LIMITED**

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**Table of Contents****PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****INGERSOLL-RAND COMPANY LIMITED****CONDENSED CONSOLIDATED INCOME STATEMENT****(Unaudited)**

<i>In millions, except per share amounts</i>	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Net revenues	\$ 2,932.9	\$ 2,163.3
Cost of goods sold	(2,206.4)	(1,540.9)
Selling and administrative expenses	(676.6)	(375.4)
Operating income	49.9	247.0
Interest expense	(67.4)	(27.5)
Other, net	12.5	43.2
Earnings (loss) before income taxes	(5.0)	262.7
Benefit (provision) for income taxes	(10.5)	(47.2)
Continuing operations	(15.5)	215.5
Discontinued operations, net of tax	(6.3)	(30.1)
Net earnings (loss)	(21.8)	185.4
Less: Net earnings attributable to noncontrolling interests	(4.9)	(3.8)
Net earnings (loss) attributable to Ingersoll-Rand Company Limited	\$ (26.7)	\$ 181.6
<b>Amounts attributable to Ingersoll-Rand Company Limited common shareholders:</b>		
Continuing operations	\$ (20.4)	\$ 211.7
Discontinued operations	(6.3)	(30.1)
Net earnings (loss)	\$ (26.7)	\$ 181.6
<b>Earnings (loss) per share attributable to Ingersoll-Rand Company Limited common shareholders:</b>		
<b>Basic:</b>		
Continuing operations	\$ (0.06)	\$ 0.77
Discontinued operations	(0.02)	(0.11)
Net earnings (loss)	\$ (0.08)	\$ 0.66
<b>Diluted:</b>		
Continuing operations	\$ (0.06)	\$ 0.77
Discontinued operations	(0.02)	(0.11)
Net earnings (loss)	\$ (0.08)	\$ 0.66
<b>Weighted-average shares outstanding</b>		
Basic	320.5	273.8

Diluted	320.5	276.3
<b>Dividends per common share</b>	\$ 0.18	\$ 0.18

*See accompanying notes to condensed consolidated financial statements.*

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**INGERSOLL-RAND COMPANY LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEET**

(Unaudited)

<i>In millions</i>	March 31, 2009	December 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 493.6	\$ 550.2
Accounts and notes receivable, net	2,291.1	2,512.1
Inventories	1,559.5	1,615.1
Other current assets	672.1	722.3
<b>Total current assets</b>	<b>5,016.3</b>	<b>5,399.7</b>
Property, plant and equipment, net	1,936.4	1,968.5
Goodwill	6,543.3	6,620.1
Intangible assets, net	5,160.9	5,214.1
Other noncurrent assets	1,699.7	1,722.1
<b>Total assets</b>	<b>\$ 20,356.6</b>	<b>\$ 20,924.5</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 933.4	\$ 1,046.5
Accrued compensation and benefits	401.7	508.8
Accrued expenses and other current liabilities	1,591.3	1,605.7
Short-term borrowings and current maturities of long-term debt	1,702.7	2,350.4
<b>Total current liabilities</b>	<b>4,629.1</b>	<b>5,511.4</b>
Long-term debt	3,449.1	2,773.7
Postemployment and other benefit liabilities	1,860.5	1,865.5
Deferred income taxes	2,126.6	2,184.8
Other noncurrent liabilities	1,792.6	1,827.0
<b>Total liabilities</b>	<b>13,857.9</b>	<b>14,162.4</b>
Shareholders' equity:		
Ingersoll-Rand Company Limited shareholders' equity:		
Class A common shares	319.1	318.8
Capital in excess of par value	2,266.9	2,246.0
Retained earnings	4,401.7	4,547.4
Accumulated other comprehensive income (loss)	(587.8)	(450.8)
<b>Total Ingersoll-Rand Company Limited shareholders' equity</b>	<b>6,399.9</b>	<b>6,661.4</b>
Noncontrolling interests	98.8	100.7
<b>Total shareholders' equity</b>	<b>6,498.7</b>	<b>6,762.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 20,356.6</b>	<b>\$ 20,924.5</b>

*See accompanying notes to condensed consolidated financial statements.*



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<i>In millions</i>	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net earnings (loss)	\$ (21.8)	\$ 185.4
(Income) loss from discontinued operations, net of tax	6.3	30.1
Adjustments to arrive at net cash provided by (used in) operating activities:		
Depreciation and amortization	102.5	38.1
Stock settled share-based compensation	22.2	14.0
Changes in other assets and liabilities, net	(21.5)	(944.0)
Other, net	(35.7)	7.3
Net cash provided by (used in) continuing operating activities	52.0	(669.1)
Net cash provided by (used in) discontinued operating activities	(11.1)	(11.0)
<b>Cash flows from investing activities:</b>		
Capital expenditures	(58.9)	(37.4)
Acquisitions, net of cash acquired		(30.3)
Proceeds from sale of property, plant and equipment	8.7	2.1
Proceeds from business dispositions, net of cash		8.5
Other, net	(0.1)	5.1
Net cash provided by (used in) continuing investing activities	(50.3)	(52.0)
<b>Cash flows from financing activities:</b>		
Proceeds from bridge loan	196.0	
Commercial paper program (net)	(165.2)	
Increase in short-term borrowings	6.5	7.2
Payments of long-term debt	(7.6)	(0.8)
Net change in debt	29.7	6.4
Dividends paid to common shareholders	(57.4)	(49.1)
Acquisitions of noncontrolling interests, net of cash acquired	(1.5)	
Proceeds from exercise of stock options	0.6	4.2
Other, net	(2.2)	20.2
Net cash provided by (used in) continuing financing activities	(30.8)	(18.3)
Effect of exchange rate changes on cash and cash equivalents	(16.4)	83.4
Net increase (decrease) in cash and cash equivalents	(56.6)	(667.0)
Cash and cash equivalents - beginning of period	550.2	4,735.3
Cash and cash equivalents - end of period	\$ 493.6	\$ 4,068.3

*See accompanying notes to condensed consolidated financial statements.*





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**INGERSOLL-RAND COMPANY LIMITED**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1 Description of Company**

Ingersoll-Rand Company Limited (IR-Limited), a Bermuda company, and its consolidated subsidiaries (the Company) is a diversified, global company that provides products, services and solutions to enhance the quality and comfort of air in homes and buildings, transport and protect food and perishables, secure homes and commercial properties, and increase industrial productivity and efficiency. The Company's business segments consist of Air Conditioning Systems and Services, Climate Control Technologies, Industrial Technologies and Security Technologies, each with strong brands and leading positions within their respective markets. The Company generates revenue and cash primarily through the design, manufacture, sale and service of a diverse portfolio of industrial and commercial products that include well-recognized, premium brand names such as Club Car®, Hussmann®, Ingersoll-Rand®, Schlage®, Thermo King® and Trane®.

*Reorganization*

On March 5, 2009, the Company's board of directors approved a reorganization of the Company from Bermuda to Ireland (the Reorganization). The first step in this proposed reorganization was the establishment of IR-Limited's tax residency in Ireland, which occurred in March 2009. To complete the reorganization, IR-Limited shareholders will be asked to vote in favor of the reorganization at a special meeting of the shareholders on June 3, 2009. If all applicable conditions are satisfied, including approval by IR-Limited's shareholders and the Supreme Court of Bermuda, it is expected that Ingersoll-Rand plc, an Irish incorporated company (IR-Ireland), will replace IR-Limited as the Company's ultimate parent by means of a court-approved arrangement. The Company expects the incorporation in Ireland will take place within two to four weeks of the date that the shareholders approve the reorganization.

**Note 2 Basis of Presentation**

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which include normal recurring adjustments, necessary to present fairly the consolidated unaudited results for the interim periods presented.

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Ingersoll-Rand Company Limited Annual Report on Form 10-K for the year ended December 31, 2008. Certain reclassifications of amounts reported in prior years have been made to conform to the 2009 classification.

On January 1, 2009, the Company adopted SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements* an amendment of ARB No. 51. SFAS 160 clarifies that a noncontrolling interest in a subsidiary represents an ownership interest that should be reported as equity in the consolidated financial statements. In addition, the statement requires expanded income statement presentation that clearly identifies and distinguishes between the interests of the Company and the interests of the noncontrolling owners of the subsidiary.

As a result, noncontrolling interests of \$98.8 and \$100.7 million are now included as a component of Shareholders' equity in the Condensed Consolidated Balance Sheet as of March 31, 2009 and December 31, 2008, respectively. The earnings attributable to noncontrolling interests of \$4.9 million and \$3.8

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million are now presented as an adjustment from Net earnings (loss) used to arrive at Net earnings (loss) attributable to Ingersoll-Rand Company Limited in the Condensed Consolidated Income Statement for the three months ended March 31, 2009 and 2008, respectively. Prior to the adoption of SFAS 160, earnings associated with noncontrolling interests were reported as a component of Other, net.

As discussed in Note 3, the Company acquired Trane Inc. (Trane) at the close of business on June 5, 2008 (the Acquisition Date). The results of operations of Trane have been included in the condensed consolidated statement of operations and cash flows for the three months ended March 31, 2009. No amounts have been included for the three months ended March 31, 2008.

**Note 3 Acquisition of Trane Inc.**

At the close of business on June 5, 2008, the Company completed its acquisition of 100% of the outstanding common shares of Trane. Trane, formerly American Standard Companies Inc., provides systems and services that enhance the quality and comfort of the air in homes and buildings around the world. Trane's systems and services have leading positions in premium commercial, residential, institutional and industrial markets, a reputation for reliability, high quality and product innovation and a powerful distribution network.

The Company paid a combination of (i) 0.23 of an IR-Limited Class A common share and (ii) \$36.50 in cash, without interest, for each outstanding share of Trane common stock. The total cost of the acquisition was approximately \$9.6 billion, including change in control payments and direct costs of the transaction. The Company financed the cash portion of the acquisition with a combination of cash on hand, commercial paper and a 364-day senior unsecured bridge loan facility.

The components of the purchase price were as follows:

<i>In billions</i>	
Cash consideration	\$ 7.3
Stock consideration (Issuance of 45.4 million IR-Limited Class A common shares)	2.0
Estimated fair value of Trane stock options converted to 7.4 million IR-Limited stock options	0.2
Transaction costs	0.1
<b>Total</b>	<b>\$ 9.6</b>

The following unaudited pro forma information for the three months ended March 31, 2008 assumes the acquisition of Trane occurred as of the beginning of the respective period presented:

<i>In millions</i>	<b>March 31, 2008</b>
Net revenues	\$ 3,871.8
Earnings from continuing operations attributable to Ingersoll-Rand Company Limited common shareholders	136.3

The unaudited pro forma financial information for the three months ended March 31, 2008 include \$100.1 million of non-recurring purchase accounting charges associated with the fair value allocation of purchase price to backlog, inventory and in-process research and development costs.

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In addition, for the three months ended March 31, 2008, the Company included \$60.7 million as an increase to interest expense associated with the borrowings to fund (a) the cash portion of the purchase price and (b) the out-of-pocket transaction costs associated with the acquisition.

The unaudited pro forma information does not purport to be indicative of the results that actually would have been achieved had the operations been combined during the period presented, nor is it intended to be a projection of future results or trends.

**Note 4 Restructuring Activities**

Restructuring charges recorded during the three months ended March 31, 2009 were as follows:

<i>In millions</i>	<b>Cost of goods sold</b>	<b>Selling and administrative</b>	<b>Total</b>
Air Conditioning Systems and Services	\$	\$ 0.4	\$ 0.4
Climate Control Technologies	(0.9)		