

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

BAYOU STEEL CORP

CIK: **807877** | IRS No.: **721125783** | State of Incorporation: **DE** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **001-09982** | Film No.: **94541146**
SIC: **3312** Steel works, blast furnaces & rolling mills (coke ovens)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
 SECURITIES EXCHANGE ACT OF 1934
 For the quarterly period ended June 30, 1994
 OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
 SECURITIES EXCHANGE ACT OF 1934

Commission File Number 33-22603

BAYOU STEEL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

72-1125783
(I.R.S. Employer
Identification No.)

River Road, P.O. Box 5000, LaPlace, Louisiana 70069
(Address of principal executive offices)
(Zip Code)

(504) 652-4900
(Registrant's telephone number, including area code)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class Shares Outstanding at June 30, 1994

Class A Common Stock, \$.01 par value	10,613,380
Class B Common Stock, \$.01 par value	2,271,127
Class C Common Stock, \$.01 par value	100

	12,884,607
	=====

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BAYOU STEEL CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

BAYOU STEEL CORPORATION
BALANCE SHEETS
ASSETS

<TABLE>
<CAPTION>

	(Unaudited) June 30, 1994 -----	(Audited) September 30, 1993 -----
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 1,929,010	\$ 517,900
Trade receivables, net of allowance of \$686,518 and \$542,725, respectively	20,126,589	18,350,338
Other receivables	321,149	326,569
Inventories	60,556,793	48,486,408
Prepaid expenses	502,472	222,277
	-----	-----
Total current assets	83,436,013	67,903,492
	-----	-----
PROPERTY, PLANT AND EQUIPMENT:		
Land and improvements	4,134,962	4,124,002
Machinery and equipment	75,250,917	72,954,682
Plant and office buildings	12,663,242	12,663,242
Construction in progress	2,641,625	3,302,603
Less-Accumulated depreciation	(27,313,683)	(23,785,622)
	-----	-----
Net property, plant and equipment	67,377,063	69,258,907
	-----	-----
OTHER ASSETS	3,537,758	1,117,788
	-----	-----
Total assets	\$154,350,834	\$138,280,187
	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

BAYOU STEEL CORPORATION
BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	(Unaudited) June 30,	(Audited) September 30,
--	-------------------------	----------------------------

	1994	1993
<S>	<C>	<C>
CURRENT LIABILITIES:		
Accounts payable	\$ 13,238,347	\$ 17,671,923
Accrued liabilities	7,308,453	4,560,249
Current maturities of long-term debt	337,804	9,282,156
Borrowings under line of credit	--	4,000,000
	-----	-----
Total current liabilities	20,884,604	35,514,328
	-----	-----
LONG-TERM DEBT:		
Senior secured notes	75,000,000	39,900,000
Notes payable	847,037	1,634,625
	-----	-----
Total long-term debt	75,847,037	41,534,625
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value -		
Class A	106,134	106,134
Class B	22,711	22,711
Class C	1	1
	-----	-----
Total common stock	128,846	128,846
Paid-in capital	44,890,554	44,890,554
Retained earnings	12,599,793	16,211,834
	-----	-----
Total stockholders' equity	57,619,193	61,231,234
	-----	-----
Total liabilities & stockholders' equity	\$154,350,834	\$138,280,187
	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

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BAYOU STEEL CORPORATION
STATEMENTS OF INCOME (LOSS)
(Unaudited)

<TABLE>
<CAPTION>

Third Quarter Ended		Nine Months Ended	
June 30,		June 30,	
1994	1993	1994	1993
-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>
NET SALES	\$ 44,876,997	\$ 34,485,273	\$119,088,293	\$ 99,725,980
COST OF SALES	39,711,252	33,740,020	108,127,312	93,305,959
GROSS PROFIT	5,165,745	745,253	10,960,981	6,420,021
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	963,370	963,068	2,842,346	3,073,123
NON-PRODUCTION STRIKE EXPENSES	157,489	1,833,536	794,734	2,561,901
OPERATING INCOME	4,044,886	(2,051,351)	7,323,901	784,997
OTHER INCOME (EXPENSE)				
Interest expense	(1,948,874)	(2,077,801)	(5,769,009)	(6,274,431)
Interest income	47,273	50,515	198,656	135,508
Miscellaneous	172,839	895	102,627	(74,232)
	(1,728,762)	(2,026,391)	(5,467,726)	(6,213,155)
INCOME (LOSS) BEFORE TAXES & EXTRAORDINARY ITEMS	2,316,124	(4,077,742)	1,856,175	(5,428,158)
PROVISION FOR INCOME TAXES	--	--	--	--
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	2,316,124	(4,077,742)	1,856,175	(5,428,158)
EXTRAORDINARY GAIN (LOSS), NET OF APPLICABLE INCOME TAX	--	--	(5,468,216)	755,788
NET INCOME (LOSS)	\$ 2,316,124	\$ (4,077,742)	\$ (3,612,041)	\$ (4,672,370)
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	12,884,607	12,884,607	12,884,607	12,884,607
INCOME (LOSS) PER COMMON SHARE:				
Income (loss) before extraordinary items	\$.18	\$ (.32)	\$.14	\$ (.42)
Extraordinary gain (loss)	--	--	(.42)	.06
Income (loss) per common share	\$.18	\$ (.32)	\$ (.28)	\$ (.36)

</TABLE>

The accompanying notes are an integral part of these financial statements.

BAYOU STEEL CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

	Nine Months Ended June 30,	
	1994	1993
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)	\$ (3,612,041)	\$ (4,672,370)
Extraordinary loss (gain)	5,468,216	(755,788)
Depreciation and amortization	3,922,753	3,492,314
Provision for losses on accounts receivable	183,793	283,324
Changes in working capital:		
(Increase) in receivables	(1,954,624)	(3,023,364)
(Increase) decrease in inventories	(12,070,383)	6,283,613
(Increase) in prepaid expenses	(280,195)	(279,589)
(Decrease) in accounts payable	(4,433,576)	(2,285,034)
Increase in accrued liabilities	2,748,204	1,832,810
	(10,027,853)	875,916
CASH FLOWS FROM INVESTING ACTIVITIES:		
Addition of property, plant and equipment	(1,646,217)	(2,274,741)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments under line of credit	(4,000,000)	--
Payments of long-term debt	(49,631,938)	(3,950,825)
Proceeds from issuance of long-term debt	75,000,000	256,296
Refinancing cost	(8,282,882)	--
	13,085,180	(3,694,529)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,411,110	(5,093,354)
CASH AND CASH EQUIVALENTS, beginning balance	517,900	11,149,702

CASH AND CASH EQUIVALENTS, ending balance	\$ 1,929,010 =====	\$ 6,056,348 =====
--	-----------------------	-----------------------

</TABLE>

The accompanying notes are an integral part of these financial statements.

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BAYOU STEEL CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 1994
(Unaudited)

1) BASIS OF PRESENTATION

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. Although Bayou Steel Corporation (the Company) believes that disclosures made are adequate to ensure that information presented is not misleading, it is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report, Form 10-K, filed with the SEC on December 13, 1993 under File Number 33-22603.

In the opinion of the Company, the accompanying unaudited financial statements present fairly the Company's financial position as of June 30, 1994 and September 30, 1993 and the results of its operations for the nine-month periods ended June 30, 1994 and 1993 and the cash flow statements for the nine-month periods ended June 30, 1994 and 1993.

The results of operations for the nine-month periods ended June 30, 1994 and 1993 are not necessarily indicative of the results for the full year.

2) INVENTORIES

Inventories as of June 30, 1994 and September 30, 1993 consisted of the following:

	(Unaudited) June 30, 1994 -----	(Audited) September 30, 1993 -----
Scrap steel	\$ 5,101,716	\$ 3,187,963

Billets	2,770,185	3,918,223
Finished product	36,886,966	25,242,294
LIFO adjustments	(1,487,839)	(324,303)
	-----	-----
	\$ 43,271,028	\$ 32,024,177
Mill rolls, operating supplies and other	17,285,765	16,462,231
	-----	-----
	\$ 60,556,793	\$ 48,486,408
	=====	=====

The inventory valuations are based on LIFO estimates of year-end levels and prices. The actual LIFO inventories will not be known until year-end quantities and indices are determined.

Shapes, billets, scrap steel, and certain production supplies are pledged as collateral against the Company's line of credit.

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3) PROPERTY, PLANT AND EQUIPMENT

Betterments, improvements, and additions on property, plant and equipment are capitalized at cost. Interest during construction of significant additions is capitalized. Interest of \$46,000 and \$82,000 was capitalized during the nine-month periods ended June 30, 1994 and 1993, respectively. Interest of \$115,000 was capitalized during the fiscal year ended September 30, 1993.

4) OTHER ASSETS

Other assets consist of costs associated with the issuance of the 10.25% First Mortgage Notes (the "10.25% Notes") and the Company's revolving line of credit (see Notes 5 and 6) which are being amortized over the lives of the related debt. The Company wrote off \$953,000 of other assets related to the 14.75% Senior Secured Notes (the "14.75% Notes") and capitalized \$3,279,000 of deferred financing costs related to the 10.25% Notes. Amortization expense was \$389,000 and \$372,000 for the nine-month periods ended June 30, 1994 and 1993. Amortization expense was \$458,000 for the fiscal year ended September 30, 1993.

5) LONG-TERM DEBT

On March 3, 1994, the Company issued \$75 million of the 10.25% Notes. The proceeds were used to redeem and defease the 14.75% Notes and to repay the borrowings under the new revolving line of credit. The remaining proceeds will be used to implement a two year capital expenditure program directed toward cost reduction and general working capital purposes. For more information on the refinancing of debt, please refer to the Company's latest annual report, Form 10-K, filed with the SEC on December 13, 1993 under File

6) SHORT-TERM DEBT

On November 23, 1993, the Company entered into an amendment and restatement of its revolving line of credit agreement. The terms of the amended and restated agreement call for available borrowings up to \$30 million including outstanding letters of credit. The agreement is secured by inventory and accounts receivable at interest rates of prime plus 1% or LIBOR plus 2%. There were no outstanding borrowings under the line of credit as of June 30, 1994.

7) TAXES

As of September 30, 1993, for tax purposes, the Company had net operating loss carryforwards ("NOLs") of approximately \$310.5 million and \$284.5 million available to offset against regular tax and alternative minimum tax, respectively. Due to the fact that book and tax losses were generated in 1993, 1992 and 1991, there was no provision for income taxes in any of these years.

The NOLs will expire in varying amounts through fiscal 2008. A substantial portion of the available NOLs, approximately \$200 million, expires by fiscal 2000. In addition, the Company has \$30.2 million of future tax benefits attributable to its tax benefit lease which expires in 1996 and which may, to the extent of taxable income in the year such tax benefit is produced, be utilized prior to the NOLs. Even though management believes the Company will be profitable in the future and will be able to utilize a portion of the NOLs, management does not believe that it is likely that all of the NOLs will be utilized. In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"), which was adopted beginning October 1, 1993. FAS

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109 requires, among other things, recognition of future tax benefits, subject to a valuation allowance based on the likelihood of realizing such benefits. Deferred tax assets of approximately \$118 million (NOLs and other temporary timing differences multiplied by the federal income tax rate) and deferred tax liabilities of approximately \$8 million were recorded upon adoption of FAS 109 in the first quarter of fiscal 1994. However, in recording these deferred assets, FAS 109 requires the Company to determine whether it is "more likely than not" that the Company will realize such benefits and that all negative and positive evidence be considered (with more weight given to evidence that is "objective and verifiable") in making the determination. FAS 109 indicates that "forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years"; therefore, the Company has determined that it is required by the provisions of FAS 109 to establish a valuation allowance for all of the recorded net deferred tax assets. In view of the fact that this

determination is based primarily on historical losses with no regard for the impact of proposed capital expenditures and business plans, future favorable adjustments to the valuation allowance may be required if and when circumstances change and the Company returns to profitability. Adoption of FAS 109 will have no material adverse impact on income for financial reporting or tax purposes.

8) MISCELLANEOUS

Miscellaneous for the nine-month periods ended June 30, 1994 and 1993 included the following:

	June 1994 -----	June 1993 -----
Discounts earned	\$ 199,697	\$ 94,585
Provision for bad debts	(183,793)	(283,324)
Other	86,723	114,507
	-----	-----
	\$ 102,627	\$ (74,232)
	=====	=====

9) COMMON STOCKHOLDERS' EQUITY

Common stock as of June 30, 1994 and 1993 consisted of:

	Class A -----	Class B -----	Class C -----
Authorized	24,271,127	4,302,347	100
Outstanding, at end of quarter	10,613,380	2,271,127	100
Average outstanding for quarter	10,613,380	2,271,127	100

10) COMMITMENTS AND CONTINGENCIES

Strike

On March 21, 1993, the United Steelworkers of America Local 9121 (the "Union") initiated a strike against the Company. Negotiations on a new contract have continued, but differences have thus far precluded an agreement. The Company cannot predict the impact that a new collective bargaining contract will have on the Company's results. However, the Company believes its last

contract proposal or a new contract will not have any adverse material effect upon the Company's results. The Company cannot predict the impact that workers returning under a new contract may have upon results, although it could

disrupt operations and result in additional costs for a time.

In connection with the strike, the Union filed unfair labor practice charges against the Company with the New Orleans regional office of the National Labor Relations Board ("NLRB"), which included 22 specific allegations. In late January 1994, the Regional Director of the NLRB informed the Company that it had sufficient grounds to issue a complaint against the Company and order a trial with respect to eight of these allegations. In order to avoid a lengthy and expensive trial on these issues, the Company agreed to negotiate a settlement agreement with the NLRB. The settlement agreement does not contain an admission by the Company that it engaged in any unfair labor practices. The settlement agreement required the Company to post a notice stating that it will not engage in any of the actions specified in the eight allegations. The other 14 allegations were to be dismissed. The Union did not sign the settlement agreement. The NLRB unilaterally approved the settlement agreement with respect to the eight allegations and dismissed the 14 other allegations. The Union has appealed the dismissal of the 14 other allegations. The approval of the settlement agreement will not become effective until completion of the appeals process relating to the dismissal of such allegations. However, even if the appeal were successful and a trial were ordered, the Company does not believe that the ultimate outcome would have a material affect on the Company's operations.

Environmental and Safety

The Company is subject to various federal, state and local laws and regulations concerning the discharge of contaminants which may be emitted into the air, discharged into waterways, and the disposal of solid and/or hazardous wastes such as electric arc furnace dust. In addition, in the event of a release of a hazardous substance generated by the Company, the Company could be potentially responsible for the remediation of contamination associated with such a release. In the past, the Company's operations in some respects have not met all of the applicable standards promulgated pursuant to such laws and regulations. At this time, the Company believes that it is in compliance in all material respects with applicable environmental requirements and that the cost of such continuing compliance will not have a material adverse effect on the Company's competitive position, operations or financial condition, or cause a material increase in currently anticipated capital expenditures. The Company currently has no mandated expenditures to address previously contaminated sites and does not anticipate any infrequent or non-recurring clean-up expenditures. Also, the Company is not designated as a Potential Responsible Party ("PRP") under the Superfund legislation.

In August 1993, the Union announced a corporate campaign against the Company. The corporate campaign is designed to bring pressure on the Company from individuals and institutions with financial and other interest in the Company. Due to the many allegations made by members of the Union as part of its announced corporate campaign against the Company, the Louisiana Department of Environmental Quality requested that the Environmental Protection Agency conduct a multi-media review of the Company's environmental practices. The field review was completed at the end of the third quarter of fiscal 1994.

The Company expects a report on the findings in several months. The Company knows of no environmental issues that would require any material adjustment in its environmental estimates.

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In furtherance of its harassment campaign, the Union has filed numerous claims with the Occupational Safety and Health Administration (OSHA) apparently utilizing some of the striking union members who have not been in the plant in nearly 1-1/2 years. As a result, OSHA recently initiated a field and documentation review of the Company's practices. Bayou has objected and will present its position to a magistrate within the next week to stop OSHA from utilizing this unreliable complaint. The Company is unaware of any area where it is not in substantial compliance.

Other

There are various claims and legal proceedings arising in the ordinary course of business pending against or involving the Company wherein monetary damages are sought. It is management's opinion that the Company's liability, if any, under such claims or proceedings would not materially affect its results of operations, liquidity, financial position or ability to comply with its debt covenants.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATION

RESULTS OF OPERATION

The Company's results for the third quarter of fiscal 1994 were mainly affected by four factors. First, conversion cost, the cost to convert scrap metal into shapes, decreased approximately \$23 per ton compared to the third fiscal quarter of last year. Second, the metal margin, the spread between the selling price of the Company's products and the cost of scrap metal, was \$22 per ton higher than the same period of last year. During the third quarter of fiscal 1994, shape selling prices improved slightly, while the cost of scrap metal decreased by approximately \$5 per ton compared to the second quarter of fiscal 1994, resulting in improved margins. Third, strike-related expenses, compared to the third quarter of last year, are \$1.7 million lower. Fourth, shape shipments were 14.4% higher than the prior year quarter. As a result, the Company posted a net income of \$2.3 million which represents a swing in earnings of \$6.4 million compared to the third quarter of fiscal 1993.

The Company's results for the first nine months of fiscal 1994 were impacted by the same factors affecting the third quarter's results. First, the conversion cost for these comparable periods decreased by 10%. Second, the

metal margin was \$6 per ton higher in the first nine months of fiscal 1994 compared to the same period of fiscal 1993 as shape price increases finally caught up with the scrap increases in the first quarter of 1994. Third, strike-related expenses are significantly lower, compared to the first nine months of fiscal 1993. Fourth, shape shipments increased by 8.5%. Consequently, the Company posted an income of \$1.9 million before the extraordinary loss of \$5.5 million due to refinancing; this represents a \$7.3 million improvement in earnings compared to the same prior fiscal year period.

The extraordinary loss was caused by the early redemption and defeasance of the 14.75% Senior Secured Notes (the "14.75% Notes"). The loss includes prepayment penalties, interest during the defeasance period, and the write-off of the unamortized portion of deferred financing cost. This debt was replaced with \$75 million of 10.25% First Mortgage Notes (the "10.25% Notes") which are due in 2001.

The following table sets forth shipment and sales data for the periods indicated.

	Third Quarter Ended		Nine Months Ended	
	June 30,		June 30,	
	1994	1993	1994	1993
	-----	-----	-----	-----
Net Sales (in thousands)	\$ 44,877	\$ 34,485	\$119,088	\$ 99,726
Shape Shipment Tons	120,715	105,541	328,605	302,780
Shape Selling Price Per Ton	\$ 342	\$ 297	\$ 335	\$ 297
Billet Shipment Tons	13,543	13,132	32,800	39,114
Billet Selling Price Per Ton	\$ 226	\$ 210	\$ 225	\$ 206

A. Sales

Net sales increased by 30% in the third quarter of fiscal 1994 compared to the third quarter of fiscal 1993. Net sales increased by 19% in the first nine months of fiscal 1994 compared to the same period of fiscal 1993. The increase in both periods was primarily due to higher selling prices and shipment volume for shape products.

Shapes - Shape shipment tons increased in the third quarter and the first nine months of fiscal 1994 by 14.4% and 8.5%, respectively, compared to the same periods of fiscal 1993. The increases are attributable to an improving economy and the Company's improved product mix and availability. Export shipments decreased in the third quarter and the first nine months of fiscal 1994 compared to the same periods of fiscal 1993, but this decrease was replaced with domestic shipments which have higher margins. In the third quarter of fiscal 1993, domestic sales were affected by the lack of availability and mix of product resulting from a reduced production schedule caused by the strike. However, the strong export shipments in the third quarter of fiscal 1993 were able to offset the lost domestic sales. Backlog of orders at June 30,

1994 continues to be strong. In the fourth quarter of fiscal 1994, the availability of outgoing transportation, particularly rail, has been very limited; this could adversely affect shipments.

Shape prices increased by 15.2% and 12.8% in the third quarter and first nine months of fiscal 1994 compared to the same periods of fiscal 1993. These higher prices were primarily in response to sharp increases in scrap costs. However, shape selling price increases offset these scrap price increases by the end of the second fiscal quarter resulting in increased margin in the third quarter compared to the same period of fiscal 1993. Also, during the third quarter of fiscal 1994 the Company, due to strong market demand, was able to reduce competitive allowances compared to the same period of fiscal 1993. In the third quarter of fiscal 1993, the shape prices were affected by export shipments which carry a lower selling price than domestic shipments due to duties and freight. In response to rising raw material prices, the Company announced a price increase effective on July 11, 1994 of \$10 per ton. It is uncertain that this price increase will be accepted in the market.

Billets - Shipments of billets, the Company's semi-finished product, remained relatively stable in the third quarter of fiscal 1994 and decreased 6,314 tons in the first nine months of fiscal 1994 compared to the same periods of fiscal 1993. More billets were required by the Rolling Mill due to higher shape production levels; this resulted in less billets being available for sale. The overall selling price of billets increased in the third quarter and the first nine months of fiscal 1994 compared to the same periods of fiscal 1993 by 7.6% and 9.2%, respectively, due to increasing raw material costs. However, the average billet metal margin for the third fiscal quarter and the first nine months of fiscal 1994 compared to the same periods of fiscal 1993 were \$7 and \$13 per ton lower, respectively. Since billet prices for a major billet customer are related to prior month's scrap prices, the Company expects margins to improve once scrap prices stabilize or decrease.

B. Cost of Sales

The major component of cost of sales is scrap. In the third quarter and first nine months of fiscal 1994, average steel scrap cost was approximately \$23 and \$33 per ton higher than the average steel scrap cost for the same periods of fiscal 1993. Scrap prices appear to have bottomed out by the end of the third quarter of fiscal 1994 and are expected to increase significantly in the fourth quarter of fiscal 1994.

Another significant portion of cost of sales is conversion costs, which include labor, energy, maintenance materials and supplies used to convert raw materials into billets and billets into shapes. Conversion cost per ton in the third quarter and first nine months of fiscal 1994 decreased by \$23 and \$14 per ton, respectively, compared to the same periods of fiscal 1993. Productivity improvements above pre-strike levels contributed to this decrease in per unit

costs. The decrease in conversion cost was due to the reduced per ton fixed costs resulting from increased production and productivity in the third quarter and first nine months of fiscal 1994 compared to the same periods of fiscal 1993. Variable cost per ton also decreased in the third quarter and first nine months of fiscal 1994 compared to the same periods of fiscal 1993 due to more efficient consumption of supplies. Conversion cost per ton in 1993 were abnormally high due to the strike. Resuming normal operations reduced these per unit cost significantly.

The current work force is well trained and performing at a high skill level. The Melt Shop established a one furnace production record in April and again in May and operated at 105% of pre-strike productivity levels in the third quarter of fiscal 1994. The Rolling Mill for the third quarter of fiscal 1994 operated at 107% of pre-strike levels. Labor cost per ton in the first nine months of fiscal 1994 has decreased by \$9 per ton and man-hours per ton has decreased 8% compared to the same period in fiscal 1993. The Company's goal is to further reduce labor cost per ton through increased shipments, productivity, reduction of overtime, and implementation of its proposed labor agreement.

Late in the third quarter of fiscal 1994, the Company began a planned shutdown for major maintenance for the Melt Shop and the Rolling Mill. The shutdown was completed in July within the planned time constraints. The Company expects a reduction in production in the beginning of the fourth quarter of fiscal year 1994 due to the shutdown. In addition, minor start-up problems in the idle equipment have resulted in some production delays which will result in higher production cost. Costs related to the shutdown work have been accrued over the past 18 months.

C. Selling, General and Administrative Expense

Selling, general and administrative expenses remained relatively stable for the third quarter and decreased 7.5% for the first nine months of fiscal 1994 compared to the same periods of fiscal 1993. The decrease in the first nine months of fiscal 1994 compared to the same period of fiscal 1993 was due to reductions in collection expenses and consulting fees.

D. Non-Production Strike Expenses

Strike-related expenses decreased by \$1.7 million and \$1.8 million for the third quarter and the first nine months of fiscal 1994, respectively, compared to the same periods of fiscal 1993. Given the same level of strike-related activity, the Company expects that future strike-related costs will not exceed \$100,000 per month. These expenses are primarily incurred for legal and security services.

E. Other Income (Expense)

Interest expense decreased in the first nine months of fiscal 1994

compared to the same period of fiscal 1993 due to the Company purchasing \$11.1 million of its 14.75% Notes in fiscal 1993. The Company accrued interest on the remainder of the 14.75% Notes in the first six months of fiscal 1994 at a rate of 14.75% and accrued interest at a rate of 10.25% on the 10.25% Notes in the third quarter of fiscal 1994. Interest expense for the comparable third quarters were approximately the same. Interest income remained relatively the same in the third quarter of fiscal 1994 and increased in the first nine months of fiscal 1994 compared to the same periods of fiscal 1993 due to investing excess cash from the \$75 million 10.25% Notes issued. Miscellaneous income increased in the third quarter and the first nine months of fiscal 1994

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compared to the same periods of fiscal 1993 due to an increase in vendor discounts and a favorable experience on the provision for bad debts.

F. Net Income/Loss

The net income of \$2.3 million for the third quarter of fiscal 1994 represents a favorable swing of \$6.4 million compared to the same period of fiscal 1993. This was due to four main reasons. First, conversion cost decreased approximately \$23 per ton. Second, the metal margin was \$22 per ton higher than the third quarter of fiscal 1993. Third, strike-related expenses were significantly lower. Fourth, shape shipments were 14.4% higher.

The income of \$1.9 million before extraordinary loss for the first nine months of fiscal 1994 represents a favorable swing of \$7.3 million compared to the same period of fiscal 1993.

LIQUIDITY AND CAPITAL RESOURCES

The Company has increased its cash position by \$1.4 million to \$1.9 million as of June 30, 1994.

In March, 1994, the Company issued \$75 million of the 10.25% Notes (the "Offering"). The proceeds of the Offering were used for the defeasance and to redeem the \$48.9 million of outstanding 14.75% Notes, to repay the then outstanding loans under the Company's revolving credit facility ("Credit Facility"), and for working capital purposes.

Working capital increased by \$30.2 million to \$62.6 million in the first nine months of fiscal 1994. The increase was due to the increase in cash from the Offering, replenishment of inventory, reductions of accounts payable and the repayment of the short-term debt under the Credit Facility.

In the first nine months of fiscal 1994, cash flow from operations decreased by \$10.0 million. The decrease was due to a \$12 million increase in inventory. The Company has rebuilt its inventories, which were depleted due to lower production in the early phases of the strike. Inventories were reduced by \$1.4 million in June 1994 because of a two-week planned shutdown

which began late in the third quarter of fiscal 1994. Shape inventories were reduced, but the reduction was partially offset by the increase in scrap inventories in anticipation of rising scrap cost. The Company intends to reduce its scrap and shape inventory levels over the next several months to more normal levels. This should provide \$2 to \$4 million in cash. The Company plans to spend \$3 million in the beginning of the fourth quarter of fiscal 1994 for the planned shutdown. Also, accounts payable decreased by \$4 million due to actively taking attractive vendor discounts and paying vendors that were previously paid slowly due to the cash position. These decreases were partially offset by increases in accrued liabilities.

Capital expenditures amounted to \$1.6 million in the first nine months of fiscal 1994. These expenditures were used for minor upgrades to the plant and major maintenance projects. The Company intends to spend \$8.6 million of the funds from the Offering for a two-year capital improvements program directed towards cost reduction. Most of the commitments have been finalized during this quarter.

Cash from financing activities of \$13.1 million in the first nine months of fiscal 1994 was due to the Offering. The 10.25% Notes are due in 2001 and require semi-annual interest payments only until 2001.

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On November 23, 1993, the Company entered into an amendment and restatement of the Credit Facility, which is a three-year line of credit that permits loans to be made to the Company thereunder, on a secured basis, of up to \$30 million. As of June 30, 1994, there were no borrowings under the Credit Facility. Interest rates under the Credit Facility are prime plus 1% or LIBOR plus 2% at the Company's option. The Company's Credit Facility contains certain covenants, such as the Interest Expense Coverage Ratio, which become more restrictive over time. Under the Credit Facility, the Interest Expense Coverage Ratio for the quarter ending September 30, 1994 is 1.25 to 1.00 and becomes increasingly more restrictive for the quarters thereafter. For the quarter ended June 30, 1994, the Company's Interest Expense Coverage Ratio is 2.92 to 1.00. In the event of a default under the Credit Facility, the Company would not be permitted to borrow under the Credit Facility and the lenders thereunder may accelerate payment of all amounts then outstanding and terminate their commitments. In such an event, the Company would seek a waiver of the covenant from its lenders under the Credit Facility or otherwise renegotiate the terms of the Credit Facility. The Company believes that current cash balances, internally generated funds, the Credit Facility and additional purchase money mortgages will provide adequate funds for the Company's operating requirements.

There are no financial obligations with respect to post-employment or post-retirement benefits.

OTHER COMMENTS

A. Environmental and Safety

In August 1993, the Union announced a corporate campaign against the Company. The corporate campaign is designed to bring pressure on the Company from individuals and institutions with financial and other interest in the Company. Due to the many allegations made by members of the Union as part of its announced corporate campaign against the Company, the Louisiana Department of Environmental Quality requested that the Environmental Protection Agency conduct a multi-media review of the Company's environmental practices. The field review was completed at the end of the third quarter of fiscal 1994. The Company expects a report on the findings in several months. The Company knows of no environmental issues that would require any material adjustment in its environmental estimates.

In furtherance of its harassment campaign, the Union has filed numerous claims with the Occupational Safety and Health Administration (OSHA) apparently utilizing some of the striking union members who have not been in the plant in nearly 1-1/2 years. As a result, OSHA recently initiated a field and documentation review of the Company's practices. Bayou has objected and will present its position to a magistrate within the next week to stop OSHA from utilizing this unreliable complaint. The Company is unaware of any area where it is not in substantial compliance.

B. Strike

Negotiations on a new labor contract have continued, but differences have thus far precluded an agreement. The Company believes its last contract proposal or a new contract will not have any adverse material effect upon the Company's results. The Company cannot predict the impact that workers returning under a new contract may have upon results, although it could disrupt operations and result in additional costs for a time.

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PART II - OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following is an index of the exhibits included in this report on Form 10-Q.

13.10 - Quarterly Report for the first fiscal quarter ended December 31, 1993.

Quarterly Report for the second fiscal quarter ended March 31, 1994.

(b) Reports on Form 8-K

None were filed during the second and third quarters of fiscal year 1994.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BAYOU STEEL CORPORATION

By /s/ Richard J. Gonzalez
Richard J. Gonzalez
Vice President, Treasurer and
Chief Financial Officer

Date: August 2, 1994

BAYOU STEEL CORPORATION

To Our Stockholders:

The net loss of \$973,000 in the first quarter of fiscal 1994 was due to a decline in margins and, to a lesser extent, the non-production expenses related to the ongoing labor disruption by the United Steelworkers of America, Local 9121, which began on March 21, 1993.

BUSINESS REVIEW

Shape shipments of 103,168 for the December quarter were 11.5% above last year. The increase is due to an improving economy and improved product mix and availability.

Despite the labor disruption, productivity in the first quarter of fiscal 1994 was 98% and 108% of the prior year comparable quarter in the melt shop and rolling mill, respectively. Out of pocket strike expenses have decreased sharply and are expected to be less than \$100,000 per month going forward. The Company's conversion costs - the cost of converting scrap metal into finished product - decreased by \$6 per ton in the December quarter compared to the prior year quarter. Labor cost per ton has decreased but is still higher than competitive levels. The Company intends to address this problem through its latest labor contract proposal and by continuing to make operational improvements.

In the first quarter of fiscal 1994, overall steel scrap cost was \$40 per ton higher than average steel scrap cost for the prior year quarter. While the Company was able to increase shape prices several times during the most recent fiscal quarter, the shape price increases lagged the increases in scrap prices. This resulted in lower margins. However, by the end of the December quarter, shape prices did improve relative to the first two months of the quarter.

FINANCIAL CONDITION

On March 3, 1994, the Company issued \$75 million of 10.25% First Mortgage Notes. The proceeds were used to redeem the 14.75% Senior Notes and to repay the borrowings under the new credit line. The remaining proceeds will be used to implement a capital expenditure program directed toward cost reduction. In addition, cash flow should improve since no principal payments are required for seven years. The Company also recently entered into a three-year line of credit that permits loans on a secured basis of up to \$30 million at attractive interest rates.

OUTLOOK

Continued improvement in operating results is expected as the year develops. This is a direct result of our continuing cost reduction efforts and improving margins due to a strengthening economy. Extreme weather conditions in some major market areas and the mix of products available for shipment may affect second quarter shipments. However, favorable operating earnings can be expected in the March quarter.

Sincerely,

HOWARD M. MEYERS
President and
Chief Executive Officer

JERRY M. PITTS
Executive Vice President
and Chief Operating Officer

April 15, 1994

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BAYOU STEEL CORPORATION

Balance Sheets

<TABLE>

<CAPTION>

	(Unaudited) December 31, 1993	(Audited) September 30, 1993
	-----	-----
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 3,073,937	\$ 517,900
Trade receivables	14,096,150	18,350,338
Other receivables	451,635	326,569
Inventories	53,930,823	48,486,408
Prepaid expenses	802,908	222,277
	-----	-----
Total current assets	72,355,453	67,903,492
	-----	-----
PROPERTY, PLANT AND EQUIPMENT:		
Land and improvements	4,124,002	4,124,002
Machinery and equipment	73,139,509	72,954,682
Plant and office building	12,663,242	12,663,242
Construction in progress	3,531,274	3,302,603
Less-Accumulated depreciation	(24,949,331)	(23,785,622)
	-----	-----
Net property, plant and equipment	68,508,696	69,258,907
	-----	-----
OTHER ASSETS:		
	1,546,357	1,117,788
	-----	-----
Total assets	\$142,410,506	\$138,280,187

<CAPTION>

	(Unaudited) December 31, 1993	(Audited) September 30, 1993
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 19,167,924	\$ 17,671,923
Accrued liabilities	6,840,346	4,560,249
Current maturities of long-term debt	9,249,068	9,282,156
Borrowings under line of credit	5,900,000	4,000,000
Total current liabilities	41,157,338	35,514,328
LONG-TERM DEBT:		
Senior secured notes	39,900,000	39,900,000
Notes payable	1,094,865	1,634,625
Total long-term debt	40,994,865	41,534,625
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value -		
Class A	106,134	106,134
Class B	22,711	22,711
Class C	1	1
Total common stock	128,846	128,846
Paid-in capital	44,890,554	44,890,554
Retained earnings	15,238,903	16,211,834
Total stockholders' equity	60,258,303	61,231,234
Total liabilities & stockholders' equity	\$142,410,506	\$138,280,187

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BAYOU STEEL CORPORATION
Statements of Income (Loss) (Unaudited)

<CAPTION>

	First Quarter Ended 1993	December 31, 1992
<S>	<C>	<C>
NET SALES	\$ 36,778,489	\$ 31,832,929
COST OF SALES	34,558,324	28,198,559
GROSS PROFIT	2,220,165	3,634,370

SG&A EXPENSES	889,849	1,080,693
NON-PRODUCTION STRIKE EXPENSES	399,181	-
	-----	-----
OPERATING INCOME (LOSS)	931,135	2,553,677
	-----	-----
OTHER EXPENSES	(1,904,066)	(2,206,976)
	-----	-----
INCOME (LOSS) BEFORE EXTRAORDINARY GAIN	(972,931)	346,701
EXTRAORDINARY GAIN	-	755,788
	-----	-----
NET INCOME (LOSS)	\$ (972,931)	\$ 1,102,489
	=====	=====
INCOME (LOSS) PER COMMON SHARE:		
Income (loss) before extraordinary gain	\$ (.08)	\$.03
Extraordinary gain	-	.06
	-----	-----
Income (loss) per common share	\$ (.08)	\$.09
	=====	=====
- - - - -		
SHAPE SHIPMENT TONS	103,168	92,487
	=====	=====
BILLET SHIPMENT TONS	13,375	18,488
	=====	=====

The quarterly cost of goods sold calculations are based on LIFO estimates. The actual cost will not be known until year-end inventory quantities and indices are determined.

Statements of Cash Flows (Unaudited)
<CAPTION>

	Three-Months Ended December 31,	
	1993	1992
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (972,931)	\$ 1,102,489
Extraordinary gain	-	(755,788)
Depreciation and amortization	1,250,086	1,277,926
Provision for losses on accounts receivable	112,369	90,080
Changes in working capital	1,767,806	(5,190,138)
	-----	-----
Net cash provided by operations	2,157,330	(3,475,431)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES	(413,498)	(1,186,777)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES	812,205	(3,786,725)
	-----	-----
NET INCREASE (DECREASE) IN CASH	2,556,037	(8,448,933)
	-----	-----
CASH, beginning balance	517,900	11,149,702

CASH, ending balance

\$ 3,073,937
=====

\$ 2,700,769
=====

For additional information contact: Vice President, Treasurer and Chief
Financial Officer, Bayou Steel Corporation, P.O. Box 5000, LaPlace, Louisiana 70069,
1-504-652-4900

</TABLE>

BAYOU STEEL CORPORATION

To Our Stockholders:

We are pleased with your Company's consistent improvement over the last four quarters. Your Company reported a net income of \$513,000 before an extraordinary loss for the second quarter of fiscal 1994. This represents a favorable swing of \$2.2 million compared to the same period of fiscal 1993. This was due to three main reasons. First, the metal margin was \$7 per ton higher than the second quarter of fiscal 1993. Second, conversion cost decreased approximately 11% per ton. Third, strike-related expenses are significantly lower.

BUSINESS REVIEW

Shape shipments were flat in the second quarter compared to the prior year quarter due to inclement weather which delayed shipments. However, net sales increased by 12% due primarily to an increase of 13.5% in shape selling prices.

The higher prices were primarily in response to sharp increases in scrap costs. The overall price increases only partially offset the scrap increases for the first quarter of fiscal 1994 as shape price increases lagged behind scrap price increases. However, by the second fiscal quarter shape selling price increases offset the scrap price increases resulting in increased margin compared to the same period of fiscal 1993.

The decreases in conversion cost were due to the reduced per ton fixed costs resulting from increased production and productivity. The melt shop established a one furnace production record in March. The rolling mill for the second quarter operated at 112% of pre-strike levels.

FINANCIAL CONDITION

Bayou Steel's financial position continues to be strong. Stockholders' equity is \$55.3 million. Net working capital, after the Company issued the \$75 million of the 10.25% First Mortgage Notes, was \$59.7 million with a current ratio of 4 to 1.

The extraordinary loss of \$5.5 million was caused by the early extinguishment of the 14.75% Senior Secured Notes. The loss includes prepayment penalties, interest during the defeasance period, and the write-off of the unamortized portion of deferred financing cost.

OUTLOOK

We are optimistic about the remainder of the fiscal year. The improving economy and product availability continues to keep shipments and backlog high. Our work force is well trained and performing at a very high skill level while displaying the motivation necessary to meet the operational challenges. In April, the melt shop again set monthly and daily production records. The rolling mill productivity continues to be better than pre-strike levels. We will continue our efforts to improve conversion cost and productivity.

Sincerely,

Howard M. Meyers
President and
Executive Officer

Jerry M. Pitts
Executive Vice President Chief
and Chief Operating Officer

April 30, 1994

BAYOU STEEL CORPORATION

Balance Sheets (in thousands)

<TABLE>

<CAPTION>

	(Unaudited) March 31, 1994	(Audited) September 30, 1993
	-----	-----
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 3,854	\$ 518
Trade receivables	15,883	18,350
Other receivables	633	327
Inventories	58,473	48,486
Prepaid expenses	554	222
	-----	-----
Total current assets	79,397	67,903
	-----	-----
PROPERTY, PLANT AND EQUIPMENT:		
Land and improvements	4,135	4,124
Machinery and equipment	73,186	72,955
Plant and office building	12,663	12,663

Construction in progress	3,976	3,303
Less-Accumulated depreciation	(26,126)	(23,786)
	-----	-----
Net property, plant and equipment	67,834	69,259
	-----	-----
OTHER ASSETS:	3,697	1,118
	-----	-----
Total assets	\$ 150,928	\$ 138,280
	=====	=====

<CAPTION>

(Unaudited)
March 31,
1994

(Audited)
September 30,
1993

<S>

<C>

<C>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 13,393	\$ 17,672
Accrued liabilities	5,964	4,560
Current maturities of long-term debt	335	9,282
Borrowings under line of credit	--	4,000
	-----	-----
Total current liabilities	19,692	35,514
	-----	-----

LONG-TERM DEBT:

Senior secured notes	75,000	39,900
Notes payable	933	1,635
	-----	-----
Total long-term debt	75,933	41,535
	-----	-----

STOCKHOLDERS' EQUITY:

Common stock, \$.01 par value -		
Class A	106	106
Class B	23	23
Class C	--	--
	-----	-----
Total common stock	129	129
	-----	-----
Paid-in capital	44,891	44,891
	-----	-----
Retained earnings	10,283	16,211
	-----	-----
Total stockholders' equity	55,303	61,231
	-----	-----
Total liabilities & stockholders' equity	\$ 150,928	\$ 138,280
	=====	=====

BAYOU STEEL CORPORATION

Statements of Income (Loss) (Unaudited; in thousands, except per share data)
<CAPTION>

	Second Quarter Ended March 31,		Six Months Ended March 31,	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
NET SALES	\$ 37,433	\$ 33,408	\$ 74,211	\$ 65,241
COST OF SALES	33,858	31,368	68,416	59,566
GROSS PROFIT	3,575	2,040	5,795	5,675
SG&A EXPENSES	989	1,029	1,879	2,110
NON-PRODUCTION STRIKE EXPENSES	238	728	637	728
OPERATING INCOME	2,348	283	3,279	2,837
OTHER EXPENSES	(1,835)	(1,980)	(3,739)	(4,187)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	513	(1,697)	(460)	(1,350)
EXTRAORDINARY GAIN (LOSS)	(5,468)	--	(5,468)	755
NET INCOME (LOSS)	\$ (4,955)	\$ (1,697)	\$ (5,928)	\$ (595)
INCOME (LOSS) PER COMMON SHARE:				
Income (loss) before extraordinary gain	\$.04	\$ (.13)	\$ (.04)	\$ (.11)
Extraordinary gain (loss)	(.42)	--	(.42)	.06
Income (loss) per common share	\$ (.38)	\$ (.13)	\$ (.46)	\$ (.05)
SHAPE SHIPMENT TONS	104,722	104,752	207,890	197,239
BILLET SHIPMENT TONS	5,882	7,494	19,257	25,982

The quarterly cost of goods sold calculations are based on LIFO estimates.

The actual cost will not be known until year-end inventory quantities and indices are determined.

Statements of Cash Flows (Unaudited; in thousands)
<CAPTION>

	Six Months Ended March 31, 1994	1993
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (5,928)	\$ (595)
Extraordinary loss (gain)	5,468	(755)
Depreciation and amortization	2,572	2,455
Provision for losses on accounts receivable	219	185
Changes in working capital	(11,251)	(1,650)
	-----	-----
Net cash (used in) operations	(8,920)	(360)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES	(916)	(2,139)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES	13,172	(3,597)
	-----	-----
NET INCREASE (DECREASE) IN CASH	3,336	(6,096)
CASH, beginning balance	518	11,150
	-----	-----
CASH, ending balance	\$ 3,854	\$ 5,054
	=====	=====

For additional information contact: Vice President, Treasurer and Chief
Financial Officer, Bayou Steel Corporation, P.O. Box 5000, LaPlace, Louisiana
70069, 1-504-652-4900

</TABLE>