

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**  
SEC Accession No. **0000899243-96-001503**

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FILER

**GAMMA BIOLOGICALS INC**

CIK: **317890** | IRS No.: **741668436** | State of Incorpor.: **TX** | Fiscal Year End: **0331**  
Type: **10-Q** | Act: **34** | File No.: **001-10538** | Film No.: **96665487**  
SIC: **2835** In vitro & in vivo diagnostic substances

Business Address  
3700 MANGUM RD  
HOUSTON TX 77092  
7136818481

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

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 1-10538

GAMMA BIOLOGICALS, INC.

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

Texas

74-1668436

-----  
(State or other jurisdiction of  
incorporation or organization)

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

3700 Mangum Road, Houston, Texas

77092

-----  
(Address of principal executive offices) (Zip code)

(713) 681-8481

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

At November 13, 1996: 4,602,802 shares

PART I. FINANCIAL INFORMATION  
GAMMA BIOLOGICALS, INC.  
Consolidated Balance Sheets

<TABLE>  
<CAPTION>

	SEPTEMBER 30, 1996	MARCH 31, 1996
	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents .....	\$ 3,696,069	\$ 3,724,379
Short-term investments .....	100,000	100,000
Receivables - net of allowance for doubtful .....		
accounts of \$175,384 and \$156,839, respectively .....	3,236,310	3,696,880
Inventories .....	3,714,517	3,240,360
Prepaid expenses .....	376,963	369,380
Deferred taxes .....	121,300	110,900
	-----	-----
Total current assets .....	11,245,159	11,241,899
PROPERTY - at cost, net of accumulated	-----	-----

depreciation and amortization of \$5,823,978 and \$5,684,907, respectively .....	5,746,347	5,178,063
CASH VALUE OF LIFE INSURANCE .....	1,859,665	1,729,774
EXCESS OF COST OVER NET ASSETS ACQUIRED-NET .....	139,397	
OTHER ASSETS .....	250,684	275,964
TOTAL .....	<u>\$ 19,241,252</u>	<u>\$ 18,425,700</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term obligations.....	\$ 115,314	\$ 96,588
Accounts payable - trade .....	643,888	487,681
Dividends payable .....	115,071	113,796
Accrued salaries and other expenses .....	278,781	244,852
Total current liabilities .....	<u>1,153,054</u>	<u>942,917</u>
LONG-TERM OBLIGATIONS .....	<u>410,943</u>	<u>353,097</u>
DEFERRED TAXES .....	<u>336,002</u>	<u>277,600</u>
SHAREHOLDERS' EQUITY .....	<u>17,341,253</u>	<u>16,852,086</u>
TOTAL .....	<u>\$ 19,241,252</u>	<u>\$ 18,425,700</u>

</TABLE>

See notes to unaudited consolidated financial statements.

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GAMMA BIOLOGICALS, INC.  
Statements of Consolidated Income  
(Unaudited)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
NET SALES .....	\$ 4,176,869	\$ 4,331,561	\$ 8,388,905	\$ 8,419,798
COST OF SALES .....	<u>1,731,526</u>	<u>1,920,354</u>	<u>3,716,118</u>	<u>3,837,027</u>
GROSS MARGIN .....	<u>2,445,343</u>	<u>2,411,207</u>	<u>4,672,787</u>	<u>4,582,771</u>
OPERATING EXPENSES:				
Selling .....	888,145	871,105	1,751,511	1,729,696
General and administrative .....	552,063	585,949	1,085,292	1,133,465
Shipping and warehouse .....	184,186	243,968	353,004	472,482
Research and development .....	365,734	328,715	695,650	628,957
Total operating expense .....	<u>1,990,128</u>	<u>2,029,737</u>	<u>3,885,457</u>	<u>3,964,600</u>
OPERATING INCOME .....	<u>455,215</u>	<u>381,470</u>	<u>787,330</u>	<u>618,171</u>
OTHER INCOME (EXPENSE):				
Interest income .....	53,788	67,931	101,594	136,875
Interest expense .....	(10,700)	(17,661)	(22,112)	(32,050)
Other - net .....	3,417	(1,456)	(562)	22,279
Other income - net .....	<u>46,505</u>	<u>48,814</u>	<u>78,920</u>	<u>127,104</u>
INCOME BEFORE INCOME TAXES .....	501,720	430,284	866,250	745,275
INCOME TAXES .....	<u>169,400</u>	<u>126,700</u>	<u>313,500</u>	<u>221,200</u>
NET INCOME .....	<u>\$ 332,320</u>	<u>\$ 303,584</u>	<u>\$ 552,750</u>	<u>\$ 524,075</u>
Weighted average number of common and common equivalent shares outstanding .....	<u>4,574,656</u>	<u>4,597,956</u>	<u>4,574,058</u>	<u>4,597,511</u>
Net income per common and common equivalent share .....	\$ .07	\$ .07	\$ .12	\$ .11

</TABLE>

See notes to unaudited consolidated financial statements.

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GAMMA BIOLOGICALS, INC.  
 Statements of Consolidated Changes in Shareholders' Equity  
 (Unaudited)

<TABLE>  
<CAPTION>

	SIX MONTHS ENDED SEPTEMBER 30, -----			
	1996 ----		1995 ----	
	SHARES -----	AMOUNT -----	SHARES -----	AMOUNT -----
<S>	<C>	<C>	<C>	<C>
COMMON STOCK				
Balance, beginning of period .....	4,711,365	\$ 471,136	4,700,303	\$ 470,030
Acquisition of wholly-owned subsidiary .....	50,000	5,000		
Exercise of stock options .....	1,000	100	3,000	300
	-----	-----	-----	-----
Balance, end of period .....	4,762,365	476,236	4,703,303	470,330
	-----	-----	-----	-----
CAPITAL IN EXCESS OF PAR				
Balance, beginning of period .....		13,512,836		13,482,615
Acquisition of wholly-owned subsidiary .....		157,500		
Exercise of stock options .....		2,710		8,130
		-----		-----
Balance, end of period .....		13,673,046		13,490,745
		-----		-----
RETAINED EARNINGS				
Balance, beginning of period .....		3,988,022		3,619,289
Net income .....		552,750		524,075
Dividends declared .....		(228,893)		(227,171)
		-----		-----
Balance, end of period .....		4,311,879		3,916,193
		-----		-----
TREASURY STOCK .....	(159,563)	(1,119,908)	(159,169)	(1,118,258)
	-----	-----	-----	-----
TOTAL SHAREHOLDERS' EQUITY .....	4,602,802	\$17,341,253	4,544,134	\$16,759,010
	=====	=====	=====	=====

</TABLE>

See notes to unaudited consolidated financial statements.

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GAMMA BIOLOGICALS, INC.  
 Statements of Consolidated Cash Flows  
 (Unaudited)

	SIX MONTHS ENDED SEPTEMBER 30, -----	
	1996 ----	1995 ----
	[INCREASE (DECREASE) IN CASH]	
Cash flows from operating activities:		
Cash received from customers .....	\$ 9,048,041	\$ 8,975,066
Interest received .....	103,792	74,517
Cash paid to suppliers and employees .....	(7,754,624)	(7,849,923)
Interest paid .....	(22,112)	(32,050)
Income taxes paid .....	(243,000)	(200,000)
	-----	-----
Net cash provided by operating activities .	1,132,097	967,610
	-----	-----
Cash flows from investing activities:		
Property additions .....	(895,738)	(965,075)
Increase in cash value of life insurance ..	(129,891)	(95,867)
Purchase of investments .....		(955,449)
Proceeds from investments .....	2,343	1,030,868
Investment in subsidiary .....	142,659	
Proceeds from sale of equipment .....	49	8,595
	-----	-----
Net cash used in investing activities .....	(880,578)	(976,928)

Cash flows from financing activities:		
Payments on long-term obligations .....	(55,022)	(108,873)
Exercise of stock options .....	2,811	8,430
Dividends paid .....	(227,618)	(227,133)
	-----	-----
Net cash used in financing activities .....	(279,829)	(327,576)
	-----	-----
Net decrease in cash .....	(28,310)	(336,894)
	-----	-----
Cash and cash equivalents at beginning of period .....	3,724,379	1,795,854
	-----	-----
Cash and cash equivalents at end of period ..	\$ 3,696,069	\$ 1,458,960
	=====	=====

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GAMMA BIOLOGICALS, INC.  
Statements of Consolidated Cash Flows  
(Unaudited)

Reconciliation of Net Income to  
Net Cash Provided by Operating Activities

	SIX MONTHS ENDED SEPTEMBER 30, -----	
	1996	1995
	----	----
Net Income	\$ 552,750	\$ 524,075
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation .....	359,717	319,013
Loss on sale of fixed assets .....	2,863	102
Decrease in accounts receivable .....	608,359	584,768
(Gain) loss on sale of investments .....	2,198	(93,226)
Increase in inventory .....	(548,645)	(290,227)
Decrease in prepaid expenses .....	(7,583)	76,361
Decrease in other assets .....	25,281	36,839
Increase (decrease) in accounts payable ..	160,934	(147,739)
Decrease in accrued salaries and other expenses .....	(23,777)	(42,356)
	-----	-----
Net Cash Provided by Operating Activities .....	\$1,132,097	\$ 967,610
	=====	=====

Supplemental Schedule of Non-Cash Investing and Financing Activities:

In March 1996, the company outsourced the assembly of plastic droppers and SegmentSamplers (TM). As a result, inventory of component parts totaling \$282,886 was transferred to outside vendors and a corresponding receivable due from the vendors was recorded. This receivable is being reduced as assembled parts are delivered, with the cost of components deducted from the vendors' selling price. During the six months ended September 30, 1996 additional inventory valued at \$101,000 was transferred to outside vendors and the outstanding receivable balance at September 30, 1996 was \$110,424.

The company purchased 100% of the outstanding shares of Gamma Biologicals, B.V. effective September 30, 1996, for 50,000 shares of common stock. In conjunction with the acquisition, assets of \$336,000 (including \$143,000 cash) were received and liabilities of \$313,000 were assumed.

See notes to unaudited consolidated financial statements.

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GAMMA BIOLOGICALS, INC.  
Notes to Consolidated Financial Statements  
(Unaudited)

1. Reconciliation of statutory rate with effective United States income tax rate:

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Statutory rate .....	34.0%	34.0%	34.0%	34.0%
Increase (decrease) resulting from:				
Exempt export earnings .....	(2.3)	(3.8)	(2.7)	(4.4)
Life insurance premiums .....	.5	.8	.6	.9
Valuation of temporary differences .....	.9	(2.2)	3.5	(1.5)
Other-net .....	.7	.7	.8	.8
Effective tax rate .....	33.8%	29.5%	36.2%	29.8%

</TABLE>

The provision for deferred income taxes is based on the liability method prescribed by SFAS No. 109. A deferred income tax liability or asset is recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in net taxable or deductible amounts in future years. Significant components of the company's deferred tax assets (liabilities) are as follows:

<TABLE>  
<CAPTION>

	SEPTEMBER 30, 1996	MARCH 31, 1996
<S>	<C>	<C>
Allowance for bad debts .....	\$ 59,600	\$ 53,300
Inventory costs capitalized .....	61,700	57,600
Net current deferred tax asset .....	121,300	110,900
Difference between book and tax basis of property, plant and equipment .....	(310,400)	(253,000)
Other .....	(25,602)	(24,600)
Net noncurrent deferred tax liability .....	(336,002)	(277,600)
Net deferred tax liability .....	\$ (214,702)	\$ (166,700)

</TABLE>

2. Net income per common and common equivalent share is computed using weighted average number of shares and dilutive equivalent shares outstanding during each period. The weighted average number of shares for the three month period ended September 30, was 4,574,656 in 1996 and 4,597,956 in 1995; for the six month period then ended, 4,574,058 in 1996 and 4,597,511 in 1995.

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3. Inventories are valued at the lower of cost or market value, based on the cost method summarized below:

	SEPTEMBER 30, 1996	MARCH 31, 1996
First-in, first out:		
Finished products .....	\$ 1,837,131	\$ 1,387,826
Products in process .....	406,791	499,579
	2,243,922	1,887,405
Specific identification:		
Raw material .....	760,314	737,717
	760,314	737,717
Average:		
Supplies .....	710,281	615,238
Total .....	\$ 3,714,517	\$ 3,240,360

4. INVESTMENTS

In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", the company classified its investments in debt securities as "held to maturity", since the company has the positive intent and ability to hold its investments in debt securities to maturity. These investments are reported at amortized cost. Investments in debt securities are summarized as follows:

<TABLE>

<CAPTION>

TYPE	CLASSIFICATION	FAIR VALUE	UNREALIZED GAIN (LOSS)	CARRYING VALUE
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Six months ended September 30, 1996				
Debt securities:				
Certificates of Deposit - due 3/10/97	Held to maturity	\$ 100,000		\$ 100,000
Total debt securities		100,000		100,000
Total investments		\$ 100,000		\$ 100,000

Six months ended September 30, 1995

Debt securities:

U.S. Government:

Federal Natl Mtg Assn - due 11/29/95	Held to maturity	\$ 990,400	\$ 4,083	\$ 986,317
Treasury Notes - due 3/31/96	Held to maturity	997,500	854	996,646
Certificates of Deposit - due 3/11/96	Held to maturity	100,000		100,000
Total debt securities		2,087,900	4,937	2,082,963
Total investments		\$ 2,087,900	\$ 4,937	\$ 2,082,963

</TABLE>

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5. In the opinion of management, the unaudited consolidated condensed financial statements for Gamma Biologicals, Inc. (the "company") include all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the financial position of the company as of September 30, 1996, the results of operations of the three and six month periods ended September 30, 1996 and 1995 and cash flows for the six month periods ended September 30, 1996 and 1995. Although management believes the disclosures in these financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The results of operations for the period ended September 30, 1996 are not necessarily indicative of the results to be expected for the full year.

#### 6. LONG-TERM OBLIGATIONS

Long-term obligations consist of:

<TABLE>

<CAPTION>

	SEPTEMBER 30, 1996	MARCH 31, 1996
	-----	-----
<S>	<C>	<C>
Mortgage note, due monthly through 2000	\$ 391,865	\$ 430,422
Note payable-foreign, due semiannually through 2000	131,594	
Other obligations	2,798	19,263
Total long-term obligations		526,257
Less current portion		115,314
Total long-term obligations		\$ 410,943
		\$ 353,097

</TABLE>

The mortgage note bears interest at the bank's base rate, but not less than 7% nor more than 13%. At September 30, 1996, the note bore interest at 9.25%. The mortgage note is collateralized by a first lien on the company's land and building. The foreign note payable bears interest at 7%.

#### 7. SALES BY GEOGRAPHIC AREA

The company operates within one dominant segment - the manufacture and sale of blood bank and diagnostic products - and has no customer which accounts for 10% or more of its total sales. During the three and six month periods ended September 30, 1996 and 1995, the company operated in one geographic area, the United States, from which it sold to numerous countries. Subsequent to the September 30, 1996 acquisition of Gamma Biologicals, B.V., the company will operate in two geographic areas, the United States and Europe.

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
	1996 ----	1995 ----	1996 ----	1995 ----
<S>	<C>	<C>	<C>	<C>
Net sales to unaffiliated customers:				
United States	\$2,841,918	\$3,146,710	\$5,919,396	\$6,137,258
Europe	368,436	383,644	757,591	771,468
Pacific Region	390,967	326,714	708,208	607,810
Mexico, Central and South America	401,917	247,795	642,406	406,744
Middle East	123,768	159,615	265,975	368,186
Other	49,863	67,083	95,329	128,332
	-----	-----	-----	-----
Total	\$4,176,869	\$4,331,561	\$8,388,905	\$8,419,798
	=====	=====	=====	=====

</TABLE>

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#### 8. ACQUISITION OF WHOLLY-OWNED SUBSIDIARY

Effective September 30, 1996, the company acquired 100% of the outstanding shares of its distributor in the Netherlands, Gamma Biologicals, B.V. Consideration for the acquisition was 50,000 shares of Gamma common stock, valued at \$3.25 per share, the market price on the effective date. The acquisition has been accounted for using the purchase method of accounting, and accordingly, the purchase price has been allocated to the assets purchased and the liabilities assumed based upon the fair values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired was \$139,397 and has been recorded as goodwill, which will be amortized over five years.

On the basis of a pro forma consolidation of the results of operations as if the acquisition had taken place at April 1, 1995 rather than at September 30, 1996, consolidated net sales for the six month periods ending September 30, 1996 and 1995 would have been approximately \$8,740,000 and \$8,710,000. Consolidated income and earnings per share would have been \$596,000 and \$.13 for 1996 and \$558,000 and \$.12 for 1995. Such pro forma amounts are not necessarily indicative of what the actual consolidated results of operations might have been if the acquisition had been effective at April 1, 1995.

Gamma Biologicals, B.V. was formed in November 1993 to market Gamma products and certain noncompeting product lines in the Netherlands. Subsequent to the acquisition, the subsidiary will continue to sell directly in the Benelux area, as well as serve as a European distribution center and manufacturing site for the ReACT test system.

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#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### RESULTS OF OPERATIONS

##### THREE MONTHS ENDED SEPTEMBER 30, 1996

Revenues decreased 3.6% for the three months ended September 30, 1996 compared with the same period in 1995. Domestic sales fell 9.6% due primarily to the shortage of human-source raw material for certain rare reagents and the backorder of one third-party product. Our supplier introduced an improved version of this product late in the second quarter; this should eliminate the supply shortages and FDA recalls experienced over the past twelve months. Internationally, with exclusive distributorships established in every country in Central and South America, sales continue to strengthen in this region,



increasing 62% compared to the same period last year. Export sales rose 13% overall in the current period.

Gross margin as a percentage of sales rose to 58.5% in the current period due to the conversion of source material for additional high-volume products to clone-based raw materials grown in our in-house clone lab. This conversion continues to improve manufacturing efficiencies in both reagent manufacturing and the clone lab as more products are converted.

Selling and general and administrative expenses remained relatively constant with the prior period. Shipping and warehouse expenses fell 25% compared with the same period in 1995. Relocation of the shipping department to new facilities that fully utilize the bar coding system implemented last year has significantly improved accuracy and control. Future periods should experience further efficiencies due to the completion in September of a computer software upgrade that further streamlined the order fulfillment process.

Research and development expenses increased 11% in 1996 after a 27% increase in 1995, due to costs associated with ReACT alpha testing and Olympus reagent field studies.

Interest income declined due to a reduction in the amount of funds invested and a change in the investment mix in the current period. Interest expense decreased due to normal debt retirement.

The provision for income taxes rose 34% due to higher taxable income in the current period.

In March 1995, the Financial Accounting Standards Board("FASB") issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed Of", which sets forth guidance as to when to recognize an impairment of long-lived assets, including goodwill, and how to measure such an impairment. The company adopted SFAS No. 121 on April 1, 1996. The adoption of SFAS No. 121 did not have a material effect on the company's results of operations or financial position.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation", which permits, but does not require, a fair-value-based method for accounting for employee stock option plans which results in compensation expense being recognized in the results of operations when stock options are granted. The company adopted SFAS No. 123 on April 1, 1996. We plan to continue the use of our current intrinsic-value-based method of accounting for such plans where no compensation expense is recognized. However, as required by SFAS No. 123, we will provide pro forma disclosure of net income and earnings per share, if significantly different from reported amounts, in the notes to the annual financial statements as if the fair-value-based method had been applied. The company has not granted any stock-based compensation instruments in the three and six month periods ended September 30, 1996.

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SIX MONTHS ENDED SEPTEMBER 30, 1996

-----  
Net income for the six months ended September 30, 1996 rose 5.5% over the prior period. A 2% increase in gross margin on relatively flat revenues coupled with a 2% reduction in operating expenses as outlined above for the three month period ended September 30, 1996 has resulted in a 16% increase in pretax earnings to date which was partially offset by a 42% increase in income taxes.

LIQUIDITY AND CAPITAL RESOURCES

-----  
Net cash flows increased approximately \$309,000 during the six month period ended September 30, 1996 compared with the same period in 1995. Operating cash flows improved by nearly \$164,000, due primarily to the reduction of the receivable resulting from outsourcing the assembly of plastic droppers and SegmentSamplers. Management believes that operating cash flows will be sufficient to meet future operating needs.

With the completion of improvements to the shipping area in May 1996 and the computer system upgrade implementation in September 1996, capital expenditures have begun to slow, decreasing \$70,000 from the same period last year. Further domestic expenditures are planned during the last half of fiscal 1997 to streamline the packaging function and add capacity to the monoclonal laboratory. Cash from investing activities also improved by \$143,000 due to the acquisition of 100% of the outstanding shares of its distributor in the Netherlands (see

Note 8).

The new subsidiary, Gamma Biologicals, B.V. will move its operations to a larger facility in the Amsterdam area in the third quarter. The additional square footage will allow the subsidiary to begin European distribution activities and ReACT manufacturing during the fourth quarter of fiscal 1997. We expect that capital expenditures for leasehold improvements and equipment will not exceed \$100,000 during the next six months.

The company recently requested proposals from several medical equipment manufacturers for the development of a completely automated version of the ReACT system. Although the cost to develop such a system cannot yet be estimated, the development process will take at least 12 months. We submitted a 510K application to the FDA in October 1996 for approval to market a semi-automated ReACT system, and expect to begin selling this system internationally before fiscal year-end.

The company's existing capital resources, consisting of \$3,800,000 in cash and short-term investments and a \$1,500,000 revolving credit line, should be sufficient to support planned product development and capital improvements during the next 12 months.

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PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits, Part II

(27) Article 5 Financial Data Schedule

(b) Reports on Form 8-K - None

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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 in its behalf by the undersigned thereunto duly authorized.

GAMMA BIOLOGICALS, INC.

November 13, 1996

By: /s/ David E. Hatcher  
-----  
David E. Hatcher  
President  
(Chief Executive Officer)

November 13, 1996

By: /s/ Margaret J. O'Bannion  
-----  
Margaret J. O'Bannion  
Vice President - Finance  
(Chief Financial Officer)

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<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF CONSOLIDATED INCOME AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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<SALES>	8,388,905
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