

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

ECHLIN INC

CIK: **31348** | IRS No.: **060330448** | State of Incorporation: **CT** | Fiscal Year End: **0831**
Type: **10-Q** | Act: **34** | File No.: **001-04651** | Film No.: **94522098**
SIC: **3714** Motor vehicle parts & accessories

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BRANFORD CT 06405

Business Address
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BRANFORD CT 06405
2034815751

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 February 28, 1994

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 no. 1-4651

ECHLIN INC.

(Exact name of registrant as specified in its charter)

Connecticut

06-0330448

(State of incorporation)

(I.R.S. employer
identification no.)

100 Double Beach Road
Branford, Connecticut

06405

(Address of principal executive offices)

(Zip code)

(203) 481-5751

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last
report.)

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 X NO

(APPLICABLE ONLY TO CORPORATE ISSUERS)

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

Title of class -----	Outstanding at March 31, 1994 -----
Common stock, \$1 par value	59,050,427

ECHLIN INC.

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PART I: FINANCIAL INFORMATION

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ECHLIN INC.
 CONSOLIDATED BALANCE SHEETS
 (In thousands, except share and per share data)

<CAPTION>

	February 28, 1994	August 31, 1993
	----- (unaudited)	----- (A)
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 31,720	\$ 28,572
Accounts receivable, less-allowance for doubtful accounts of \$4,301 and \$4,299	219,576	201,177
Inventories, at lower of cost (first-in, first-out) or market:		
Raw materials and component parts	155,415	137,646
Work in process	68,239	47,985
Finished goods	341,043	302,459
	-----	-----
Total inventories	564,697	488,090
Other current assets	25,254	21,006
	-----	-----
Total current assets	841,247	738,845
	-----	-----
Property, plant and equipment, at cost	773,666	671,741
Accumulated depreciation	(363,050)	(342,360)
	-----	-----
Property, plant and equipment, net	410,616	329,381
	-----	-----
Marketable securities	110,228	90,002
	-----	-----
Other assets	89,214	105,033
	-----	-----
Total assets	\$1,451,305	\$1,263,261
	=====	=====

</TABLE>

<TABLE>

LIABILITIES AND SHAREHOLDERS' EQUITY

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Current liabilities:		
Notes payable to banks	\$ 7,464	\$ 3,034
Current portion of long-term debt	2,315	3,658
Accounts payable, trade	137,425	135,569
Accrued taxes on income	46,040	64,053
Accrued liabilities	163,267	150,542
	-----	-----
Total current liabilities	356,511	356,856
	-----	-----
Long-term debt	312,585	157,540
	-----	-----
Deferred income taxes	37,234	35,043
	-----	-----
Shareholders' equity:		
Preferred stock, without par value:		
Authorized 1,000,000 shares, issued none	-	-
Common stock, \$1 par value:		
Authorized 150,000,000 shares, issued 59,306,781 and 59,105,321	59,307	59,105
Capital in excess of par value	328,818	325,865
Retained earnings	399,764	371,963
Foreign currency translation adjustment	(39,919)	(40,116)
Treasury stock, at cost, 270,264 shares	(2,995)	(2,995)
	-----	-----
Total shareholders' equity	744,975	713,822
	-----	-----
Total liabilities and shareholders' equity	\$1,451,305	\$1,263,261
	=====	=====

</TABLE>

See notes to consolidated financial statements.

(A) The balance sheet at August 31, 1993 has been derived from the audited financial statements at that date.

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<TABLE>

ECHLIN INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share data)

<CAPTION>

Three Months Ended February 28,		Six Months Ended February 28,	
----- 1994 -----	1993 -----	----- 1994 -----	1993 -----
<C>	<C>	<C>	<C>

<S>

Net sales	\$497,153	\$441,546	\$996,417	\$903,874
Cost of goods sold	354,511	316,513	708,675	645,374
	-----	-----	-----	-----
Gross profit on sales	142,642	125,033	287,742	258,500
Selling and administrative expenses	107,823	98,731	215,889	201,549
	-----	-----	-----	-----
Income from operations	34,819	26,302	71,853	56,951
	-----	-----	-----	-----
Interest expense	5,306	5,300	9,841	10,271
Interest income	2,481	2,805	5,401	5,731
	-----	-----	-----	-----
Interest expense, net	2,825	2,495	4,440	4,540
	-----	-----	-----	-----
Income before taxes	31,994	23,807	67,413	52,411
Provision for taxes	10,238	7,487	21,572	16,984
	-----	-----	-----	-----
Income before cumulative effect of accounting change	21,756	16,320	45,841	35,427
Cumulative effect of accounting change	-	-	2,583	-
	-----	-----	-----	-----
Net income	\$ 21,756	\$ 16,320	\$ 48,424	\$ 35,427
	=====	=====	=====	=====
Average shares outstanding	58,999	58,478	58,938	58,386
	=====	=====	=====	=====
Per share data:				
Income before accounting change	\$0.37	\$0.28	\$0.78	\$0.61
Cumulative effect of accounting change	-	-	0.04	-
	-----	-----	-----	-----
Net income	\$0.37	\$0.28	\$0.82	\$0.61
	=====	=====	=====	=====
Cash dividends	\$0.175	\$0.175	\$0.35	\$0.35
	=====	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

<TABLE>

ECHLIN INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

<CAPTION>

	Six Months Ended February 28,	
	1994	1993
	----	----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$48,424	\$35,427
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,227	29,766
Cumulative effect of accounting change	(2,583)	-
Changes in assets and liabilities, excluding acquisitions' balance sheets:		
Accounts receivable	(15,245)	(6,510)
Inventories	(47,410)	(31,632)
Other current assets	(3,728)	(7,695)
Accounts payable	(965)	(8,678)
Taxes on income	(12,086)	7,510
Accrued liabilities	5,762	(11,867)
Other	3,362	9,575
	-----	-----
Cash provided by operating activities	8,758	15,896
	-----	-----
Cash flows from financing activities:		
Long-term and short-term borrowings	216,187	136,105
Long-term and short-term repayments	(62,431)	(90,316)
Proceeds from common stock issuances	3,155	4,949
Dividends paid	(20,623)	(20,157)
	-----	-----
Cash provided by financing activities	136,288	30,581
	-----	-----
Cash flows from investing activities:		
Capital expenditures, net	(31,199)	(17,761)
Purchases of marketable securities	(20,226)	(9,270)
Net assets of businesses acquired	(90,467)	(1,886)
	-----	-----
Cash used for investing activities	(141,892)	(28,917)
	-----	-----
Impact of changes in foreign currency		

translation on cash	(6)	(8,235)
	-----	-----
Increase in cash and cash equivalents	3,148	9,325
Cash and cash equivalents at beginning of period	28,572	29,832
	-----	-----
Cash and cash equivalents at end of period	\$31,720	\$39,157
	=====	=====

</TABLE>

See notes to consolidated financial statements.

ECHLIN INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1.

- -----

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement have been included. Operating results for the six month period ended February 28, 1994 are not necessarily indicative of the results that may be expected for the year ending August 31, 1994. For further information, refer to the consolidated financial statements and footnotes thereto included in the company's Annual Report on Form 10-K for the year ended August 31, 1993.

NOTE 2.

- -----

Fiscal 1993 results have been restated for the Frictiontech Inc. pooling of interests transaction which occurred in June 1993.

NOTE 3.

- -----

During February 1994, Echlin acquired Neelon Casting Ltd. ("Neelon"), located in Canada, for approximately \$22,900,000. Neelon is a producer of automotive disc brake rotor castings for the replacement and original equipment markets. The acquisition was accounted for by the purchase method.

Effective October 1, 1993, the company purchased the Hydraulic Brake and Clutch Division of FAG Kugelfischer, located in Germany, for approximately \$75,000,000. In addition, if this division exceeds certain net income thresholds during the first five years subsequent to the acquisition date, the purchase price will be increased by not more than \$14,000,000. The acquisition was accounted for by the purchase method.

NOTE 4.

- -----

During the first quarter of fiscal 1994, the company adopted the provisions of Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes." FAS 109 changes the accounting for income taxes from the deferred to an asset and liability method. The cumulative effect of adopting this accounting change was a \$2,583,000 increase in net income.

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ECHLIN INC.
MANAGEMENT'S FINANCIAL ANALYSIS

Results of Operations:

- -----

For the three and six months ended February 28, 1994, net sales increased 12.6 percent and 10.2 percent, respectively, over the corresponding periods of a year ago. Net sales of comparable operations rose 4.0 and 3.6 percent for the three and six month periods, respectively, due to the impact of price increases, introduction of new products, and unit volume gains. Domestic comparable operations were up 3.6 percent for the quarter and 6.0 percent for the six months with the largest improvements reported by our automotive brake and heavy duty groups. During the second quarter, foreign comparable operations improved 4.8 percent, while they were 1.9 percent below last year for the six months. Only our German and Brazilian operations reported results below those of a year ago.

For the second quarter, the percentage of gross profit to sales increased to 28.7 percent from 28.3 percent last year while the six month percentage increased to 28.9 percent from 28.6 percent. These favorable trends are primarily attributable to unit volume gains, ongoing cost reductions, and continued improvements in operational efficiencies and employee productivity.

Although selling and administrative expenses increased \$9,092,000 and

\$14,340,000 for the three and six month periods, respectively, these expenses declined as a percentage of sales. For the second quarter they declined to 21.7 percent from 22.4 percent a year ago, while for the six month period expenses as a percentage of sales edged downward to 21.7 percent from 22.3 percent. The dollar increase for both periods was primarily due to expense levels for current year acquisitions.

Net interest expense for the three month period increased \$330,000, while for the six month period it declined \$100,000 as compared to the prior year. Average debt levels increased during the quarter due to funds required to acquire new businesses.

Net income for the six months ended February 28, 1994 included income of \$2,583,000, which represented the cumulative effect of adopting the provisions of FAS 109, "Accounting for Income Taxes," during the first quarter.

Liquidity and Sources of Capital:

During the first six months of fiscal 1994, cash provided by operations was \$8,758,000 vs. \$15,896,000 a year ago. The increase in net income was offset by larger cash outflows for working capital items. Accounts receivable were higher due to increased sales levels while inventories were up in anticipation of higher sales forecasted for the remainder of the fiscal year. Higher outflows for taxes were a result of the company's higher earnings.

ECHLIN INC.

MANAGEMENT'S FINANCIAL ANALYSIS (cont.'d)

Debt levels, net of acquisition debt assumed, increased \$153,756,000 from year end primarily due to funds required to acquire new businesses. Total debt to total capital was 30 percent, up from 28 percent a year ago and 19 percent at August 31, 1993.

Net capital expenditures, which were \$13,438,000 above last year, represent outlays for new product development and manufacturing improvements.

During March 1994, Echlin's Board of Directors increased the regular quarterly dividend to 19 cents per share, payable April 18, 1994 to shareholders of record on April 5, 1994. This increase represents a 9

percent increase over the previous rate of 17.5 cents per share.

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ECHLIN INC.
PART II: OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

During the quarter ended February 28, 1994, the company did not file any reports on Form 8-K.

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SIGNATURES

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.

Echlin Inc.

Date: April 11, 1994

/s/ Richard A. Wisot

Richard A. Wisot
Vice President and
Controller

Date: April 11, 1994

/s/ Jon P. Leckerling

Jon P. Leckerling
Vice President, General

