SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

UNIVERSAL CORP /VA/	Mailing Address	Business Address
CIK:**102037**| IRS No.: **540414210** | State of Incorp.:**VA** | Fiscal Year End: **0630** Type: **10-Q** | Act: **34** | File No.: **001-00652** | Film No.: **95535992** SIC: **5150** Farm product raw materials	*PO BOX 25099* *RICHMOND VA 23260*	*P O BOX 25099* *1501 N HAMILTON ST* *RICHMOND VA 23230* *8043599311*

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 Period Ended March 31, 1995

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 1-652

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

State or other jurisdiction of incorporation or organization - VIRGINIA

I.R.S. Employer Identification Number - 54-0414210

Address of principal executive offices - 1501 NORTH HAMILTON STREET
RICHMOND, VIRGINIA 23230

Registrant's telephone number, including area code - (804) 359-9311

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

Common Stock, No par value - 35,025,135 shares outstanding as of May 8, 1995

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNIVERSAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
THREE AND NINE MONTHS ENDED MARCH 31, 1995 AND 1994

	THREE MONTHS		NINE MONTHS	
	1995	1994	1995	1994
SALES AND OTHER OPERATING REVENUES	$974,862	$752,587	$2,594,631	$2,306,900
Costs and expenses				
Cost of goods sold	867,762	668,942	2,277,285	1,993,225
Selling, general and administrative	73,363	61,317	224,631	206,647
Interest	17,992	14,809	48,063	45,021
	959,117	745,068	2,549,979	2,244,893
INCOME BEFORE INCOME TAXES AND OTHER ITEMS	15,745	7,519	44,652	62,007
Income taxes	6,138	259	16,437	17,745
Minority interests	983	262	1,145	566
INCOME FROM CONSOLIDATED OPERATIONS	8,624	6,998	27,070	43,696
Equity in net income of unconsolidated affiliates	1,680	2,345	4,051	4,316
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	10,304	9,343	31,121	48,012
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE				(29,406)
NET INCOME	$10,304	$9,343	$31,121	$18,606
PER COMMON SHARE				
Income before cumulative effect of change in accounting principle	$.29	$.26	$.89	$1.35
Cumulative effect of change in accounting principle				(.83)
Net income	$.29	$.26	$.89	$.52
RETAINED EARNINGS - BEGINNING OF PERIOD			$317,344	$341,523
Net income			31,121	18,606
Cash dividends declared ($.74-1995; $.70-1994)			(25,918)	(24,944)
RETAINED EARNINGS - END OF PERIOD			$322,547	$335,185
AVERAGE COMMON SHARES OUTSTANDING			35,009,358	35,631,878

UNIVERSAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

March 31, June 30,

	1995	1994
ASSETS		
CURRENT		
Cash and cash equivalents	$64,365	$164,520
Accounts and notes receivable	406,774	368,989
Accounts receivable - unconsolidated affiliates	33,225	28,113
Inventories at lower of cost or market:		
Tobacco	472,639	436,033
Lumber and building products	114,274	83,441
Agri-products	66,602	60,132
Other	14,299	8,753
Prepaid income taxes	6,806	10,095
Deferred income taxes	5,566	5,530
Other current assets	21,220	20,423
Total current assets	1,205,770	1,186,029
REAL ESTATE, PLANT AND EQUIPMENT - AT COST		
Land	32,266	22,607
Buildings	191,086	166,111
Machinery and equipment	365,557	350,426
	588,909	539,144
Less accumulated depreciation	294,056	269,955
	294,853	269,189
OTHER ASSETS		
Goodwill	127,185	124,286
Other intangibles	23,253	27,089
Investments in unconsolidated affiliates	40,902	26,298
Deferred income taxes	9,916	3,494
Other noncurrent assets	34,803	30,658
	236,059	211,825
	$1,736,682	$1,667,043

UNIVERSAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 1995	June 30, 1994
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Notes payable and overdrafts	$540,343	$531,209
Accounts payable	206,504	199,280
Accounts payable - unconsolidated affiliates	35,427	34,810
Customer advances and deposits	91,151	51,671
Accrued compensation	12,788	13,366
Provision for restructuring	7,000	15,500
Income taxes payable	8,931	6,217
Current portion long-term obligations	30,072	15,947
Total current liabilities	932,216	868,000

LONG - TERM OBLIGATIONS	285,325	298,117
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	48,027	48,969
OTHER LONG - TERM LIABILITIES	54,073	57,156
DEFERRED INCOME TAXES	22,447	12,361
MINORITY INTERESTS	5,673	4,966
SHAREHOLDERS' EQUITY		
Preferred stock $100 par, 8% cumulative, authorized 75,000 shares, issued and outstanding 4 shares		
Additional preferred stock, no par value, authorized 5,000,000 shares, none issued or outstanding		
Common stock, no par value, authorized 50,000,000 shares, issued and outstanding 35,025,135 shares (35,001,185 at June 30, 1994)	75,707	75,287
Retained earnings	322,547	317,344
Foreign currency translation adjustments	(9,333)	(15,157)
Total shareholders' equity	388,921	377,474
	$1,736,682	$1,667,043

UNIVERSAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED MARCH 31, 1995 AND 1994

	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$31,121	$18,606
Adjustments to reconcile net income to net cash provided by operating activities	33,300	44,000
Cumulative effect of change in accounting principle		29,406
Changes in operating assets and liabilities net of effects from purchase of businesses	(63,976)	(219,032)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	445	(127,020)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(18,900)	(19,000)
Purchase of businesses (net of cash acquired)	(60,800)	(15,200)
Other	1,500	
NET CASH USED IN INVESTING ACTIVITIES	(78,200)	(34,200)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance (repayment) of short-term debt - net	(3,800)	122,600
Repayment of short-term debt classified as long-term June 30,1993		(100,000)

Issuance of long-term debt	6,800	115,000
Issuance (purchase) of common stock	200	(600)
Dividends paid	(25,600)	(24,200)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(22,400)	112,800
Net decrease in cash and cash equivalents	(100,155)	(48,420)
Cash and cash equivalents at beginning of period	164,520	119,693
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$64,365	$71,273

UNIVERSAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1995

All figures contained herein are unaudited and stated in thousands of dollars

1) The Company's operating segments of domestic and foreign tobacco, lumber and building products and agri-products are seasonal by nature. Therefore, the results of operations for the nine month period ended March 31, 1995 are not necessarily indicative of results to be expected for the year ending June 30, 1995. All adjustments necessary to fairly state the results for such period have been included and were of a normal recurring nature.

2) The Company provides guarantees for seasonal pre-export crop financing for some of its subsidiaries and unconsolidated affiliates. In addition, certain subsidiaries provide guarantees that ensure that Common Market subsidies and value-added taxes will be repaid if the crops are not exported or if the subsidies are not properly distributed to Common Market farmers. At March 31, 1995, total exposure under guarantees issued for banking facilities of unconsolidated affiliates was $21 million. Other contingent liabilities approximate $105 million and relate principally to Common Market guarantees. The Company considers the possibility of loss on any of these guarantees to be remote.

3) Last year's effective tax rate in the quarter was reduced by refunds from filing amended U.S. tax returns. The nine-month rate last year also included benefits realized from reversing prior years' taxes on foreign earnings deemed permanently reinvested.

4) The Company recognized in June 1994 a pre-tax restructuring charge of $17.5 million related to the consolidation of tobacco operations and a reduction in the number of employees. The charge included $16 million for the expected costs of severance payments related to approximately 700 employees throughout the Company. As of March 31, 1995, payments of $10.5 million, primarily for severance and related costs of approximately 560 employees, had been recorded as a reduction of the restructuring provision.

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

Liquidity and Capital Resources

Working capital at March 31, 1995, declined to $274 million, a 14% drop from the level as of June 30, 1994. The decrease was primarily due to financing a lumber and building product acquisition with short-term borrowings. The acquired company had current assets of $39 million, non current assets of $36 million and total liabilities of $23 million. Generally, the March 31 consolidated balance sheet reflects lower working capital requirements for U.S. operations. At the same point in time Western European requirements are up due to purchasing and processing of the current crop. The combination of expansion and contraction of working capital needs in the different geographic regions mitigates the overall fluctuations in the balances of current assets and current liabilities from those at June 30.

In July 1994, the Brazilian government implemented a new monetary policy. Subsequently, the U.S. dollar declined in value relative to the real, the new Brazilian currency. Since July 1, the purchasing power of the U.S. dollar in Brazil declined as the average monthly inflation rate of about 2.5% has been compounded by the strengthening of the real from parity at July 1 to a high point of U.S. $1 equivalent to .834 real. Unless the real devalues at a rate at least equal to the Brazilian inflation rate, there will be increased dollar costs. To date the increased costs of the tobacco crop being delivered, due to the stronger real and inflation will be somewhat alleviated by increased sales prices. The prospects for timely devaluation of the real are not strong. The overall potential earnings impact of Brazilian currency movements cannot be determined at this time due to the affect of future exchange and inflation rates and negotiation of final sales prices with customers on the remainder of the 1995 crop.

The Company's liquidity position at March 31, 1995, remains strong. In the current year the Company has been implementing the restructuring plan announced in June 1994. Through March 31, 1995 the financial statements reflect payments of approximately $10.5 million made for severance and other costs related to the restructuring provision made last year. The Company's capital expenditures continue to be less than the depreciation of existing assets. The Statement of Cash Flows includes the net cash outlay for the aforementioned European lumber acquisition. The acquisition will strengthen the Company's overall competitive position in the European market.

Results of Operations

'Sales and Other Operating Revenues' increased $222 million and $288 million in the quarter and nine-month period, respectively. Tobacco sales increased $178 million in the quarter. The balance of the increase in the quarter was due to an increase primarily in lumber and building products revenues, $18 million of which resulted from the inclusion of acquired operations. Agri-product revenues were up slightly in both the quarter and nine-month period. The nine-month period for fiscal year 1994 included approximately $33 million of revenues related to coffee trading activity which was discontinued late last year. A significant portion of the coffee revenue decline was offset by increased revenues from other trading activities.

Gross profits were up by $23 million to $107 million in the quarter, but were flat year-to-date at approximately $317 million. Nine-month tobacco results for fiscal year 1994 included $10.5 million of inventory writedowns compared to $6.6 million in the current year. In the quarter the comparative writedown amounts were $5.1 million in 1994 and $3.9 million in

1995. The writedowns in 1995 were primarily related to dark air-cured operations. Gross profits on sales of oriental tobaccos improved in both the quarter and nine-month period. Despite the improvements in the quarter, year-to-date profits were down due to reduced tobacco gross profits resulting from a significant decline in margins on Brazilian 1994 and old crop sales experienced in the first six months of the year. Sales of old crop tobacco, that had been written down in the prior fiscal year, were nominally profitable and had the effect of reducing the overall profit margins reported. Margins on current crop sales were lower, despite benefits from restructuring, because of reduced overall volumes and continued pressure from customers on pricing. For the nine-month period, the volume of U.S. flue-cured and burley tobacco bought was up, while processing volumes were comparable with last year. Domestic gross profits were up in the quarter but down year-to-date due to a shift in processing mix to lower margin business. Lumber and building products gross profits improved in the quarter almost $9 million, the majority of which was generated by new outlets. Agri-product gross profits were up slightly in the quarter and nine-month period due to improvements in trading activities as well as comparative improvements realized from having discontinued coffee activities which reported before tax losses of $1.6 million in the prior year's nine-month period.

'Selling, general and administrative expenses' increased $12 million in the quarter and $18 million on a year-to-date basis. The fiscal 1995 year-to-date amounts included a $3.8 million provision against customer obligations related to Eastern Europe. In addition, approximately $4 million and $8 million of expenses were included in the quarter and year-to-date period resulting from the inclusion of the aforementioned lumber company acquisition. 'Interest expense' reflects the higher rates in the current year.

'Income Taxes' in the prior year's quarter were reduced by refunds from filing amended U.S. tax returns. The nine-month tax rate last year also included $2.1 million of benefits realized from reversing prior years' taxes on foreign earnings deemed permanently reinvested. The Company's consolidated income tax rate is affected by a number of factors; including, but not limited to: the mix of domestic and foreign earnings; subsidiary local tax rates; the Company's policy regarding repatriation of foreign earnings; and its ability to utilize foreign tax credits. Historically the Company has been able to credit foreign taxes paid against U.S. taxes on foreign earnings. Due to shifts in the mix of earnings and increases in foreign effective tax rates, the utilization of foreign tax credits may be limited in years subsequent to fiscal 1995. The limitation would have the effect of increasing the Company's consolidated tax rate. However, the Company through the implementation of a number of tax planning strategies is taking steps to minimize the potential impact in the future.

Fiscal year 1995 earnings before the effect of accounting changes are not expected to match 1994's reported results. The restructuring program begun in fiscal 1994 will be completed before the end of fiscal 1995. The Company is currently reviewing a number of areas that may give rise to additional restructuring charges in the fourth quarter of fiscal 1995. The improved worldwide tobacco supply and demand relationship has led to favorable marketing conditions for next year's crops. In Brazil, 1995 crop prices are up and the crop appears to be selling well, while in Africa the markets have just opened. In the U.S., customer indications for the next year's crops exceed those of fiscal 1995. It is too early to forecast the full effects of the improved supply and demand relationship, but the significant oversupply which adversely affected results over the last two years has been corrected.

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.

Date: May 8, 1995

UNIVERSAL CORPORATION
(Registrant)

/ s / Hartwell H. Roper
Hartwell H. Roper, Vice President and
Chief Financial Officer

/ s / William J. Coronado
William J. Coronado, Controller
(Principal Accounting Officer)

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