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

INGERSOLL RAND CO

CIK:**50485**| IRS No.: **135156640** | State of Incorp.:**NJ** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-00985** | Film No.: **95536094**
SIC: **3560** General industrial machinery & equipment

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200 CHESTNUT RIDGE ROAD
WOODCLIFF LAKE NJ 07675

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly 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 1-985

INGERSOLL-RAND COMPANY
Exact name of registrant as specified in its charter

New Jersey	13-5156640
State of incorporation	I.R.S. Employer Identification No.
Woodcliff Lake, New Jersey	07675
Address of principal executive offices	Zip Code

(201) 573-0123
Telephone number of principal executive offices

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 . . .

The number of shares of common stock outstanding as of April 28, 1995 was 105,628,901.

INGERSOLL-RAND COMPANY

FORM 10-Q

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PART I. FINANCIAL INFORMATION

INGERSOLL-RAND COMPANY

CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands)

ASSETS

	MARCH 31, 1995	DECEMBER 31, 1994
Current assets:		
Cash and cash equivalents	$ 245,178	$ 207,023
Marketable securities	4,540	4,231
Accounts and notes receivable, net of allowance for doubtful accounts	986,027	949,392
Inventories	755,820	679,308
Prepaid expenses and deferred taxes	169,063	162,933
Total current assets	2,160,628	2,002,887
Investments and advances:		
Dresser-Rand Company	75,102	90,705
Partially-owned equity companies	193,751	173,871
	268,853	264,576
Property, plant and equipment, at cost	1,873,575	1,818,564
Less - accumulated depreciation	892,937	859,273

Net property, plant and equipment	980,638	959,291
Intangible assets, net	130,356	124,487
Deferred income taxes	72,616	74,480
Other assets	185,522	171,200
Total assets	$3,798,613	$3,596,921
LIABILITIES AND EQUITY		
Current liabilities:		
Loans payable	$ 214,357	$ 117,249
Accounts payable and accruals	930,834	922,828
Total current liabilities	1,145,191	1,040,077
Long-term debt	318,226	315,850
Postemployment liabilities	519,294	518,297
Ingersoll-Dresser Pump Company minority interest	159,589	154,069
Other liabilities	51,604	37,286
Shareowners' equity:		
Common stock	218,529	218,338
Other shareowners' equity	1,386,180	1,313,004
Total shareowners' equity	1,604,709	1,531,342
Total liabilities and equity	$3,798,613	$3,596,921

See accompanying notes to condensed consolidated financial statements.

INGERSOLL-RAND COMPANY

CONDENSED CONSOLIDATED INCOME STATEMENT
(in thousands except per share figures)

	Three Months Ended March 31,	
	1995	1994
NET SALES	$1,185,585	$1,010,308

Cost of goods sold	893,111	775,924
Administrative, selling and service engineering expenses	203,277	174,257
Operating income	89,197	60,127
Interest expense	(8,964)	(11,871)
Other income (expense), net	(5,996)	(2,153)
Dresser-Rand income	300	5,700
Ingersoll-Dresser Pump Company minority interest	(2,245)	184
Earnings before income taxes	72,292	51,987
Provision for income taxes	26,025	18,975
Net earnings	$ 46,267	$ 33,012
Average number of common shares outstanding	105,566	105,402
Net earnings per common share	$ 0.44	$ 0.31
Dividends per common share	$0.185	$0.175

See accompanying notes to condensed consolidated financial statements.

INGERSOLL-RAND COMPANY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Three Months Ended March 31, 1995	1994
Cash flows from operating activities:		
Net earnings	$ 46,267	$ 33,012
Adjustments to arrive at net cash provided by operating activities:		
Depreciation and amortization	36,700	31,811
Net equity earnings, net of dividends	(5,623)	(5,846)
Minority interests in earnings	2,534	17
Deferred income taxes	1,889	6,943
Other noncash items	(11,098)	99
Changes in other assets and liabilities, net	(76,110)	(57,396)
Net cash (used in) provided by operating activities	(5,441)	8,640
Cash flows from investing activities:		
Capital expenditures	(43,915)	(36,204)
Proceeds from sales of property, plant and equipment	1,986	2,268
Acquisitions, net of cash	(17,262)	--
(Increase) decrease in marketable securities	(148)	796
Net cash advances from equity companies	21,610	9,717
Net cash used in investing activities	(37,729)	(23,423)
Cash flows from financing activities:		
Increase in short-term borrowings	85,856	27,990
Proceeds from long-term debt	2,015	1,769
Payments of long-term debt	(1,169)	(1,035)
Net change in debt	86,702	28,724
Dividends paid	(19,534)	(18,453)
Other	950	2,284
Net cash provided by financing activities	68,118	12,555
Effect of exchange rate changes on cash and cash equivalents	13,207	1,641
Net increase (decrease) in cash and cash equivalents	38,155	(587)
Cash and cash equivalents - beginning of period	207,023	227,993
Cash and cash equivalents - end of period	$245,178	$227,406

See accompanying notes to condensed consolidated financial statements.

INGERSOLL-RAND COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the consolidated unaudited financial position and results of operations for the three months ended March 31, 1995 and 1994.

Note 2 - Inventories of appropriate domestic manufactured standard products are valued on the last-in, first-out (LIFO) method and all other inventories are valued using the first-in, first-out (FIFO) method. The composition of inventories for the balance sheets presented were as follows (in thousands):

	March 31, 1995	December 31, 1994
Raw materials and supplies	$ 139,167	$ 117,613
Work-in-process	317,690	293,023
Finished goods	462,602	429,655
	919,459	840,291
Less - LIFO reserve	163,639	160,983
Total	$ 755,820	$ 679,308

Work-in-process inventories are stated after deducting customer progress payments of $25,422,000 at March 31, 1995 and $27,242,000 at December 31, 1994.

Note 3 - The company's investment in the Dresser-Rand partnership at March 31, 1995 and December 31, 1994 was $165,724,000 and $160,832,000, respectively. The company owed Dresser-Rand $90,622,000 at March 31, 1995 and $70,127,000 at December 31, 1994.

Net sales of Dresser-Rand were $204.4 million for the three months ended March 31, 1995 and $310.3 million for the three months ended March 31, 1994; and gross profit was $41.2

million and $49.1 million, respectively. Dresser-Rand's net income for the three months ended March 31, 1995 was $0.6 million, as compared to $11.6 million for the three months ended March 31, 1994.

INGERSOLL-RAND COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Note 3 - Continued:

The summarized financial position of Dresser-Rand was as follows (in thousands):

	March 31, 1995	December 31, 1994
Current assets	$ 433,774	$ 440,539
Property, plant and equipment, net	199,878	197,797
Other assets and investments	18,998	18,445
	652,650	656,781
Deduct:		
Current liabilities	321,706	295,048
Noncurrent liabilities	196,086	188,937
	517,792	483,985
Net partners' equity and advances	$ 134,858	$ 172,796

Note 4 - On April 10, 1995, the company and Clark Equipment Company

(Clark) announced an agreement for the company to acquire Clark in a cash merger transaction for $86 per outstanding share of Clark common stock. During the first quarter, the company had purchased 274,200 shares of Clark's outstanding stock for approximately $15 million.

INGERSOLL-RAND COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

First quarter 1995 net sales totalled $1.2 billion, 17.3 percent higher than the amount reported for the first three months of 1994. Operating income for the first quarter totalled $89.2 million and represents a significant increase over the $60.1 million reported for the comparable 1994 quarter.

The company reported net earnings of $46.3 million, or 44 cents per common share, for the first quarter of 1995. Net earnings for the first three months of 1994, totalled $33.0 million, or 31 cents per common share.

The ratio of cost of goods sold to sales for the first quarter of 1995 reflects a marked improvement over 1994's first quarter ratio primarily due to the benefits of higher production rates during the two periods. The ratio of administrative, selling and service engineering expenses to sales during the first three months of the year reflects a slight improvement over last year's ratio, the result of the company's continued efforts from cost-containment programs and increased sales.

There were no LIFO (last-in, first-out) inventory liquidations during the first quarters of 1995 and 1994.

Other income (expense), net, aggregated $6.0 million of net expense for the three months ended March 31, 1995. This represents a $3.8 million unfavorable change from the $2.2 million of net expense reported for the first quarter of 1994. The principal reasons for this change are losses from foreign exchange activity (i.e. $7.3 million in the current quarter versus $1.1 million in the comparable 1994 quarter), somewhat offset by an increase in equity earnings from partially-owned affiliated companies.

The company's pretax profits from its 49 percent interest in Dresser-Rand Company (a partnership between Dresser Industries, Inc. and the company) totalled $300,000 for the first quarter of 1995, compared to $5.7 million for the three months ended March 31, 1994. The reduction in earnings is attributed to substantially lower sales by Dresser-Rand for the first quarter of 1995 when compared to the prior year.

Ingersoll-Dresser Pump Company (IDP) is a partnership between the company and Dresser in which the company owns the majority interest. The IDP minority interest represents Dresser's interest in the operating results of IDP. The first quarter of 1995 reflects a charge to the company of $2.2 million, which indicates that this joint venture generated net income at the partnership level of approximately $4.6 million during the first three months of 1995. During the first quarter of 1994, the company recorded a benefit to pretax earnings of approximately $184,000, which indicated that IDP produced a net loss at the partnership level of approximately $375,000 in the comparable 1994 period.

Interest expense for the first three months of the year decreased by $2.9 million from the $11.9 million incurred during the first quarter of 1994. This decrease is the composite result of lower outstanding debt and benefits from the company's continuing asset management programs.

The company's effective tax rates were 36.0 percent and 36.5 percent for the three months ended March 31, 1995 and 1994, respectively. These rates represent the company's forecast of its effective tax position for each year. The company's effective tax rate differs from the statutory rate of 35 percent mainly due to state income taxes and some foreign earnings being taxed at higher rates. The effective tax rate for the full year 1994 was 36.0 percent.

The results for the first quarter of the year benefitted from the combination of business improvements in virtually all of the company's domestic markets including auto, construction and general industrial and a continued emphasis on cost-containment programs throughout the company. International business has generally reflected a reasonably strong increase during the first quarter of 1995 when compared to the first three months of last year. Incoming orders totalled $1,387.6 million and represents an increase of 22.0 percent over the 1994 first quarter total of $1,137.4 million. The Door Hardware Group was the only operation within the company which failed to report meaningful increases in first quarter bookings levels when compared to the first quarter of 1994. The company's backlog of orders at March 31, 1995, believed by it to be firm, was approximately $1.3 billion, which reflects an increase of $300 million over the December 31, 1994 balance. The company estimates that approximately 90 percent of the backlog will be shipped during the next twelve months.

INGERSOLL-RAND COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS
(continued)

Liquidity and Capital Resources

The company's financial position at March 31, 1995 did not change materially from December 31, 1994. In the first three months of 1995, working capital increased by approximately $52.6 million to $1,015.4 million at March 31, 1995 from December 31, 1994's balance of $962.8 million. The current ratio at March 31, 1995 was 1.9 to 1, which equalled the ratio at December 31, 1994.

The company's cash and cash equivalents increased by $38.2 million during the first three months of 1995 to $245.2 million from $207.0 million at December 31, 1994. Cash flows used in operating activities for the first quarter of 1995 totalled $5.4 million, investing activities used $37.7 million and financing activities provided $68.1 million. Exchange rates during the first quarter of 1995 increased cash and cash equivalents by $13.2 million.

Marketable securities totalled $4.5 million at March 31, 1995, $0.3 million more than the balance at December 31, 1994. The increase is due to a slight increase in marketable securities and an increase due to currency fluctuations.

Receivables totalled $986.0 million at March 31, 1995, which represents a $36.6 million increase from the $949.4 million reported at December 31, 1994. This increase is the net effect of a strong selling period towards the end of the first quarter and the effect of foreign currency translation offset by aggressive collection efforts during the first three months of 1995.

Inventories totalled $755.8 million at March 31, 1995, approximately $77 million higher than the December 31, 1994 level. The activity during the first quarter of 1995 represents the net effect of the normal first quarter build of domestic inventories, and higher international inventories due to the weakening of the U.S. dollar.

Long-term debt, including current maturities, at the end of the first quarter, totalled $322.0 million, which was approximately $2.0 million higher than the year-end balance.

The company's March 31, 1995 debt-to-capital ratio was 25/75, which reflects an increase from the 22/78 ratio at December 31, 1994.

During the first three months of 1995, foreign currency translation adjustments resulted in a net increase of approximately $44 million in shareowners' equity, caused by the weakening of the U.S. dollar against other currencies. Currency changes in Japan, Germany, France, United Kingdom, Netherlands, Singapore and Spain accounted for virtually all of this change. The translation of accounts receivable and inventories were the principal balance sheet items affected by the currency fluctuations since year-end.

Environmental Matters

Environmental matters at March 31, 1995 remain substantially unchanged from December 31, 1994. The company has been identified as a potentially responsible party in environmental proceedings brought under both the federal Superfund law and state remediation laws, involving 28 sites within the United States. For all sites, there are other potentially responsible parties and in most instances, the company's involvement is minimal. Although there is a possibility that a responsible party might have to bear more than its proportional share of site clean-up costs if other responsible parties fail to make contributions, the company has not yet had, and to date there is no indication that it will have, to bear more than its proportional share of clean-up costs at any site. The company also is engaged in site investigations and remedial activities to address environmental cleanup from past operations at current and former manufacturing facilities. Although uncertainties regarding environmental technology, state and federal regulations and individual site information make estimating the liability difficult, management believes that the total liability for the cost of environmental remediation will not have a material effect on the financial condition, results of operations, liquidity or cash flows of the company. It should be noted that when the company estimates its liability for environmental matters, such estimates are based on current technologies and the company does not discount its liability or assume any insurance recoveries.

Clark Equipment Company Acquisition

On March 28, 1995, the company announced that it had made a proposal to acquire Clark Equipment Company (Clark) in a cash merger transaction, valued at approximately $1.3 billion (or between $75 and $77 per Clark share). On April 10, 1995, the company's board of directors announced a merger agreement between the two companies pursuant to which the company would make a tender offer for all of Clark's outstanding common stock at $86 per share for an aggregate purchase price of approximately $1.5 billion (including related expenses). On May 4, 1995, the tender offer for the Clark shares

was extended to the close of business on May 12, 1995 in order to allow additional time to complete the Justice Department's review of the transaction. The company has been engaged in discussions with the Justice Department and is committed to satisfactorily resolving the antitrust concerns.

As of March 31, 1995 the company had purchased 274,200 shares of Clark's outstanding stock for approximately $15 million, which is included in the "other assets" category on the balance sheet and in acquisitions on the cash flow statement.

Review of Business Segments

The Standard Machinery Segment reported sales of $398.8 million for the first three months of 1995, an increase of 24.9 percent from last year's first quarter. The segment's operating income for the quarter totalled $35.3 million and represents a 54.1-percent increase over the $22.9 million reported for 1994's first quarter. The increase in sales is attributed to a double-digit improvement in both the domestic and international businesses. The Air Compressor and Construction and Mining groups reported marked improvements in their operating income margins, the result of improved operations in virtually all of their markets.

Engineered Equipment Segment's sales for the first quarter of 1995 totalled $232.4 million, up 14.2 percent from the $203.5 million reported for the first three months of 1994. The segment reported operating income of $7.6 million for the first three months of 1995. This represents a significant improvement over the $1.8 million operating loss that the segment reported for last year's first quarter. Sales from Ingersoll-Dresser Pump Company for the first quarter of 1995 exceeded last year's comparable quarter by approximately 10 percent and operating income improved significantly over the prior year's level.

Process Systems Group's sales and operating income during the first three months of 1995 also reflected significant improvement over the related amounts reported for the first quarter of 1994, as their pulp and paper markets continue to improve.

The Bearings, Locks and Tools Segment reported sales of $554.4 million for the first quarter of 1995, which is 13.7 percent above last year's first quarter total of $487.6 million. Operating income totalled $55.2 million, which was 16.5 percent higher than the $47.4 million of operating income reported by the segment for the first three months of 1994.

An increase in demand for automotive-related products and for general industrial products caused higher sales and operating income in the Bearings and Components Group when compared to last year's first quarter.

Door Hardware Group's sales and operating performance were somewhat below last year's strong first quarter results, primarily due to the negative effect of higher interest rates on the housing industry.

The Production Equipment Group's sales and operating income increased by double digits over their prior year levels, based on the continued strength in both their domestic and international markets.

INGERSOLL-RAND COMPANY

COMPUTATIONS OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE
(in thousands except per share figures)

	Three Months Ended March 31, 1995	1994
PRIMARY EARNINGS PER SHARE (NOTE 1):		
Net earnings applicable to common stock	$ 46,267	$ 33,012
Average number of common shares outstanding	105,566	105,402
PRIMARY EARNINGS PER SHARE	$0.44	$ 0.31
FULLY DILUTED EARNINGS PER SHARE (NOTE 2):(*)		
Net earnings for the period	$ 46,267	$ 33,012
Adjusted shares:		
Average number of common shares outstanding	105,566	105,402
Number of common shares issuable assuming exercise under incentive stock plans	385	453
Average number of outstanding shares, as adjusted for fully diluted earnings per share calculations	105,951	105,855
FULLY DILUTED EARNINGS PER SHARE	$0.44	$ 0.31

(*) This calculation is presented in accordance with the Securities Exchange Act of 1934, although it is not required disclosure under APB Opinion No. 15.

See accompanying notes to computations of primary and fully diluted earnings per share.

INGERSOLL-RAND COMPANY

NOTES TO COMPUTATIONS OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE

Note 1 - Shares issuable under outstanding stock plans, applying the "Treasury Stock" method, have been excluded from the computation of primary earnings per share since such shares were less than 1% of common shares outstanding.

2 - Net earnings per share of common stock computed on a fully diluted basis are based on the average number of common shares outstanding during each year after adjustment for individual securities which may be dilutive. Securities entering into consideration in making this calculation are common shares issuable under employee stock plans. Employee stock options outstanding are included in the calculation of fully diluted earnings per share by applying the "Treasury Stock" method quarterly. Such calculations are made using the higher of the average month-end market prices or the market price at the end of the quarter, in order to reflect the maximum potential dilution.

INGERSOLL-RAND COMPANY

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.

INGERSOLL-RAND COMPANY
(Registrant)

Date May 10, 1995

/S/ T.F. McBride
T.F. McBride, Senior Vice
President & Chief Financial Officer

Principal Financial Officer

Date May 10, 1995

/S/ R.A. Spohn
R.A. Spohn, Controller -
Accounting and Reporting

Principal Accounting Officer

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