FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

SEQUA CORP /DE/

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Type: **10-Q** | Act: **34** | File No.: **001-00804** | Film No.: **96664117**
SIC: **3724** Aircraft engines & engine parts

Business Address
200 PARK AVE
NEW YORK NY 10166
2129865500

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 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 1-804

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

Delaware	13-188-5030
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Indentification No.)
200 Park Avenue, New York, New York	10166
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212)986-5500

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 ___

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

Class	Outstanding at November 1, 1996
Class A Common Stock, no par value	6,568,941
Class B Common Stock, no par value	3,330,780

<TABLE>

PART I - FINANCIAL INFORMATION
SEQUA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(Thousands of dollars except per share data)
(Unaudited)

<CAPTION>

	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
SALES	$1,078,285	$1,038,085	$367,723	$353,288
COSTS AND EXPENSES				
Cost of sales	870,171	838,555	297,734	288,328
Selling, general and administrative	177,789	168,015	62,807	51,332
	1,047,960	1,006,570	360,541	339,660
OPERATING INCOME	30,325	31,515	7,182	13,628
OTHER INCOME (EXPENSE)				
Interest expense	(39,305)	(39,870)	(12,922)	(13,221)
Interest income	3,130	3,113	1,173	1,486
Other, net	10,161	3,710	7,716	3,437
INCOME (LOSS) BEFORE INCOME TAXES	4,311	(1,532)	3,149	5,330
Income tax provision	(6,600)	(4,500)	(300)	(3,400)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(2,289)	(6,032)	2,849	1,930
Extraordinary loss on early retirement of debt, net of applicable income taxes	(369)	-	(369)	-
NET INCOME (LOSS)	(2,658)	(6,032)	2,480	1,930
Preferred dividend requirements	(2,346)	(2,373)	(763)	(791)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	$ (5,004)	$ (8,405)	$ 1,717	$ 1,139
EARNINGS (LOSS) PER SHARE				
Income (loss) before extraordinary item	$ (.47)	$ (.85)	$ .21	$ .12
Extraordinary loss on early retirement of debt	(.04)	-	(.04)	-
Net income (loss)	$ (.51)	$ (.85)	$ .17	$ .12
DIVIDENDS DECLARED PER SHARE				
Preferred	$ 3.75	$ 3.75	$ 1.25	$ 1.25

<FN>

The accompanying notes are an integral part of the financial statements.
</TABLE>

<TABLE>

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

SUMMARY BUSINESS SEGMENT DATA (in millions)

<CAPTION>

	Sales Year to Date		Operating Income (Loss) Year to Date	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Aerospace	$ 581.8	$ 589.8	$ (3.6)	$ (7.3)
Machinery & Metal Coatings	259.7	214.0	19.9	24.5
Specialty Chemicals	166.1	180.8	27.6	29.5
Other Products	70.7	53.5	8.2	5.7
Corporate	-	-	(21.8)	(20.9)
TOTAL	$1,078.3	$1,038.1	$ 30.3	$ 31.5

</TABLE>

<TABLE>
<CAPTION>

	Sales Third Quarter		Operating Income (Loss) Third Quarter	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Aerospace	$198.2	$192.4	$ (4.8)	$ (0.4)
Machinery & Metal Coatings	93.5	84.4	8.3	9.1
Specialty Chemicals	52.4	60.0	8.3	10.4
Other Products	23.6	16.5	2.6	1.5
Corporate	-	-	(7.2)	(7.0)
TOTAL	$367.7	$353.3	$ 7.2	$ 13.6

</TABLE>

Sales

Overall sales increased 4% for both the nine-month and three-month periods. After excluding the sales generated by units divested in 1995, sales increased 13% for the nine months and 10% for the three months of 1996. For each period, approximately 20% of the proforma increase was attributable to sales generated by metal coatings and automotive products units acquired in the second half of 1995.

Sales of the Aerospace segment declined 1% for the nine months, and advanced 3% for the third quarter. After excluding from 1995 the sales of Kollsman, which was sold in December 1995, segment sales increased 14% for both 1996 periods, with the two remaining units contributing to the increases. At the Gas Turbine unit, both repair revenues and OEM sales advanced. Sales of Gas Turbine locations primarily engaged in jet engine component repair advanced 14% in the nine months and 15% in the third quarter, with strong demand from both commercial and military customers. Similarly, sales to the original equipment makers rose 13% in the nine months and 22% in the third quarter. The favorable trend in repair volume continued in October. ARC propulsion sales increased in both periods, as advances in air bag component sales, revenues from two new military programs, and increased sales of a small liquid rocket motor more than offset reduced sales of Trident D-5 and ATACM motors.

Sales of the Machinery and Metal Coatings segment increased 21% for the nine months and 11% for the third quarter of 1996, with all units ahead in both periods. Sales of the metal coatings division advanced in both periods, primarily through the addition of three coil coating lines acquired in the third quarter of 1995. Although demand from the building products market has been strong in 1996, the unit continues to be unfavorably affected by the late-1995 decision of a major container customer to bring a large portion of its metal coating work in house. Can machinery sales were solidly ahead in both periods. For the nine months, continued strong demand for can decorating equipment and six-to-eight color upgrade kits and favorable market response to a recently introduced line of bodymakers fueled the increase. In the third quarter, the increase was primarily driven by increased sales of bodymakers, six-to-eight color decorators, and spare parts. Fourth quarter sales are expected to continue to be strong, although comparison with the same period of 1995 is likely to be unfavorable, since shipments were unusually heavy in late 1995. Total 1996 sales for this unit, are currently expected to be 20-25% ahead of 1995. Sales of auxiliary press equipment increased in both periods, as solid improvements in sales of flying pasters more than offset reduced sales of dryers and other equipment.

Sales (con't)

Sales of the Specialty Chemicals segment declined 8% for the nine months and 13% for the third quarter. For the nine months, a decline at the overseas unit was partially offset by a small increase at the domestic operation. In the third quarter, both units reported lower sales. The year-to-date decline at the overseas unit primarily reflects three factors: the mid-1995 disposition of a manufacturing facility; lower sales of TAED products; and reduced sales at the chemical distribution units, while the third quarter decline primarily reflects the latter factors. This sales pattern is anticipated to continue through at least the fourth quarter of 1996. At the domestic unit, the year-to-date sales increase reflects improvement in specialty polymers, partially offset by small declines in textile and graphic chemicals and by lower export sales. The decline in the third quarter sales reflects reductions in textile chemicals and specialty polymers, as well as lower sales to the export market, partially offset by improved paper chemical sales.

Sales of the Other Products segment increased 32% in the nine months and 44% in the third quarter. After excluding the sales contributed by the Italian automobile cigarette lighter line acquired in December 1995, sales advanced approximately 20% in the nine months and 30% in the third quarter of 1996. For both periods, the automotive products unit and the can lid unit recorded strong increases, while revenues from the real estate unit were down. The automotive products unit benefitted from the addition of the Italian lighter line, increases in its electronics products area, and higher domestic power outlet, lighter and aftermarket sales. Sales of the can lid unit increased sharply in both periods, as export sales more than tripled from 1995 levels, and domestic sales advanced sharply. Can lid sales are expected to continue to show strong growth in the fourth quarter. The real estate unit recorded lower revenues in both periods primarily due to the July 1996 sale of its largest property, an office building in Clayton, Missouri.

Operating Income

Operating income declined 4% in the nine months of 1996 and 47% in the third quarter. The declines were due to two factors: the high level of expense related to the Company's litigation with the Pratt & Whitney unit of United Technologies (UTC) (See Part II, Item 1 - Legal Proceedings, for further details); and the absence of profits of the Kollsman unit, which was divested in December 1995.

Operating Income (con't)

The Aerospace segment registered small losses in both 1996 periods. Operating results for this segment were dramatically influenced by two significant events: litigation with UTC, and the December 1995 disposition of the Kollsman unit. Expenses related to the UTC litigation amounted to approximately $26.7 million in the nine months and $13.0 million in the third quarter of 1996, up from expenses of approximately $1.7 million in each of the comparable 1995 periods. Kollsman generated $11.4 million of operating income in the nine months and $4.2 million in the third quarter of 1995. Lastly, the 1995 nine-month period included a $7.3 million downsizing charge recorded by Chromalloy Gas Turbine. On an operating basis - - after excluding the effect of litigation expense and the downsizing charge from the appropriate periods, Chromalloy's repair units recorded significant improvement in profitability and the OEM units incurred reduced losses in both 1996 periods. The second business unit in the Aerospace segment, ARC Propulsion, registered solid advances in operating income in both periods. These improvements reflect the benefits of increased sales and lower bid and proposal costs.

Operating income in the Machinery and Metal Coatings segment declined 19% in the nine months and 8% in the third quarter of 1996. The can machinery unit was ahead for both periods while the metal coatings unit declined. The auxiliary press equipment unit operated at a loss for both periods. For both periods, results of the metal coatings unit reflect lower average coating line utilization, increased costs related to the recently acquired facilities, and lower container sales. The can machinery unit recorded profit advances in both periods, primarily related to higher sales. At the overseas auxiliary press equipment unit, losses were higher for the nine months, as the benefits of higher sales were offset by lower pricing, higher warranty costs and severance provisions, and the write-off of the remaining goodwill related to this unit. In the third quarter, this operation benefitted from higher sales and improved operating efficiencies. These benefits were offset by the goodwill write-off, and higher warranty and bad debt expenses. For the full year, a loss is anticipated for this unit.

Operating income in the Specialty Chemicals segment declined 6% for the nine months and 20% for the third quarter. Profits at the overseas unit were down in both periods, while the domestic unit posted improvements in both periods. Results of the overseas unit were unfavorably affected by lower sales of TAED,

Operating Income (con't)

reduced margins and weaker profits at the chemical distribution units. The year to date comparison was also affected by the absence of profits from the unit divested in mid-1995. At the domestic unit, profit advances in both 1996 periods primarily reflect a favorable sales mix shift and improved margins. The nine-month results also benefitted from the favorable settlement of a lawsuit.

Operating income in the Other Products segment increased for both periods, as improvements at the automotive products and can lid operations more than offset declines at the real estate unit. Improvements at the automotive products unit reflect increased domestic sales and the late-1995 addition of the Italian lighter manufacturing line. The can lid unit recorded profits in both 1996 periods and losses in both 1995 periods. The improvements were primarily attributable to sharply higher sales levels, a trend that is expected to continue in the fourth quarter of 1996. Profits of the real estate operation declined in both periods primarily due to lower revenues.

Other, Net

The increase in Other, net in both 1996 periods is primarily attributable to the $8.7 million gain recorded in the third quarter of 1996 on the sale of the Company's office building in Clayton, Missouri. See Note 2 to the Consolidated Financial Statements for details of the income and expense items included in Other, net.

Income Tax Provision

The Company revises its effective tax rate quarterly to reflect the best current estimate of its annual effective tax rate. The effective tax rates for the nine-month periods of 1996 and 1995 were based upon estimated annual pre-tax foreign earnings and estimated annual pre-tax domestic losses adjusted for goodwill amortization. The effective rates also reflect the effect of a provision for state income and franchise taxes, the favorable tax treatment of earnings of the Company's foreign sales corporation and the establishment of a valuation allowance to reduce the tax benefit for losses of the Company's French subsidiaries. Separate domestic and foreign estimated annual effective tax rates were determined and applied separately to actual domestic losses and actual foreign earnings. The tax provision for the third quarters of 1996 and 1995 represent the difference between the year-to-date tax provisions recorded as of September 30, 1996 and 1995 and the amounts reported for the six month periods of 1996 and 1995.

Liquidity

During the first quarter of 1996, the Company extended its revolving credit agreement (the "revolver") one year to March 31, 1998. Under the terms of the amended revolver, the maximum amount of credit available under the facility was reduced from $150.0 million to $125.0 million at the Company's request and the facility fee was reduced from an annual rate of 0.5% to 0.375% of the maximum amount available under the credit line. Management anticipates that cash flow from operations, proceeds from the divestiture of assets, the $107.2 million of credit available at October 23, 1996 under the revolving credit agreement, the $45.0 million of available financing under the Receivables Purchase Agreement, plus the $88.1 million of cash and cash equivalents on hand at September 30, 1996 will be more than sufficient to fund the Company's operations for the foreseeable future.

Backlog

The businesses of Sequa for which backlogs are significant are the Turbine Airfoils, Caval Tool and Castings units of Gas Turbine, and the ARC Propulsion operations of the Aerospace segment, and the Can Machinery and MEG operations of the Machinery and Metal Coatings segment. The aggregate dollar amount of backlog in these segments at September 30, 1996 was $370.7 million ($330.4 million at December 31, 1995). There is no seasonal variation in the Company's backlog.

Environmental Matters

The Company's environmental department, under senior management direction, manages all activities related to the Company's involvement in environmental clean-up. This department establishes the projected range of expenditures for individual sites with respect to which the Company may be considered a potentially responsible party under applicable federal or state law. These projected expenditures, which are reviewed periodically, include: remedial investigation and feasibility studies; outside legal, consulting and remediation project management fees; the projected cost of remediation activities; site closure and post-remediation monitoring costs. The assessments take into account currently available facts, existing technology, presently enacted laws, past expenditures, and other potentially responsible parties and their probable level of involvement. Outside technical, scientific and legal consulting services are used to support management's assessments of costs at significant individual sites.

Environmental Matters (con't)

It is the Company's policy to accrue environmental remediation costs for identified sites when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The potential exposure for such costs is estimated to range from $15 million to $43 million. At September 30, 1996, the Company's balance sheet includes accruals for remediation costs of $36.1 million. These accruals are at undiscounted amounts and are primarily included in accrued expenses and other noncurrent liabilities. While the possibility of recovery of some of the costs from insurance companies exists, the Company does not recognize these recoveries in its financial statements until they are realized. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures.

With respect to all known environmental liabilities, it is currently estimated that the Company will spend in the range of $6 million to $10 million during each of the following several years. Actual remedial expenditures for the first nine months of 1996 were approximately $8.5 million.

<TABLE>

SEQUA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Amounts in thousands)

ASSETS

<CAPTION>

	(Unaudited) September 30, 1996	December 31, 1995
<S>	<C>	<C>

CURRENT ASSETS		
Cash and cash equivalents	$ 88,059	$ 62,667
Trade receivables (less allowances of $12,046 and $12,045)	252,258	255,342
Unbilled receivables (less allowances of $2,394 and $1,616)	19,493	23,602
Inventories	223,603	242,126
Other current assets	20,646	37,476
Total current assets	604,059	621,213
INVESTMENTS		
Net assets of discontinued operations	138,283	144,891
Other investments	17,189	15,891
	155,472	160,782
PROPERTY, PLANT AND EQUIPMENT, NET	459,003	496,588
OTHER ASSETS		
Excess of cost over net assets of companies acquired	310,714	320,214
Deferred charges and other	21,047	23,181
	331,761	343,395
TOTAL ASSETS	$1,550,295	$1,621,978

<FN>
The accompanying notes are an integral part of the financial statements.
</TABLE>

<TABLE>

SEQUA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Amounts in thousands, except share data)

LIABILITIES AND SHAREHOLDERS' EQUITY

<CAPTION>

<S>	<C> (Unaudited) September 30, 1996	<C> December 31, 1995
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 2,743	$ 16,316
Accounts payable	102,467	123,529
Taxes on income	37,176	38,422
Accrued expenses	177,271	146,388
Total current liabilities	319,657	324,655

NONCURRENT LIABILITIES		
Long-term debt	535,049	563,245
Deferred taxes on income	3,285	3,521
Other noncurrent liabilities	123,523	153,962
	661,857	720,728
SHAREHOLDERS' EQUITY		
Preferred stock--$1 par value, 1,825,000 shares authorized, 797,000 shares of $5 cumulative convertible stock issued in 1996 and 1995 (involuntary liquidation value--$25,393 at September 30, 1996)	797	797
Class A common stock--no par value, 25,000,000 shares authorized, 7,188,000 shares issued in 1996 and 1995 stated at	7,188	7,188
Class B common stock--no par value, 5,000,000 shares authorized, 3,727,000 shares issued in 1996 and 1995 stated at	3,727	3,727
Capital in excess of par value	286,430	287,204
Cumulative translation adjustment	120	2,333
Retained earnings	355,286	360,290
	653,548	661,539
Less: Cost of treasury stock	84,767	84,944
Total shareholders' equity	568,781	576,595
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,550,295	$1,621,978

<FN>
The accompanying notes are an integral part of the financial statements.
</TABLE>

<TABLE>

SEQUA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 1995 AND PERIOD ENDED SEPTEMBER 30, 1996
(Amounts in thousands, except per share data)

<CAPTION>

	Preferred Stock	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Cum. Trans. Adj.	Retained Earnings	Treasury Stock
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1994	$ 797	$7,188	$3,727	$287,204	$ (1,899)	$354,676	$ (85,202)
Net income	-	-	-	-	-	8,779	-
Amortization of restricted stock grant	-	-	-	-	-	-	258
Foreign currency translation adjustment	-	-	-	-	4,906	-	-
Sale of foreign subsidiary	-	-	-	-	(674)	-	-
Cash dividends:							
Preferred - $5.00 per share	-	-	-	-	-	(3,165)	-
Balance at December 31, 1995	$ 797	$7,188	$3,727	$287,204	$ 2,333	$360,290	$ (84,944)
Net Loss	-	-	-	-	-	(2,658)	-
Purchase treasury stock	-	-	-	-	-	-	(1,680)
Stock grants forfeited	-	-	-	307	-	-	(401)
Stock options exercised	-	-	-	(1,081)	-	-	2,084
Amortization of restricted stock grant	-	-	-	-	-	-	174
Foreign currency translation adjustment	-	-	-	-	(2,213)	-	-
Cash dividends:							
Preferred - $3.75 per share	-	-	-	-	-	(2,346)	-
Balance at September 30, 1996	$ 797	$7,188	$3,727	$286,430	$ 120	$355,286	$ (84,767)

<FN>
The accompanying notes are an integral part of the financial statements
</TABLE>

<TABLE>
SEQUA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands)
(Unaudited)
<CAPTION>

	For the Nine Months Ended September 30, 1996	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (loss) before income taxes	$ 4,311	$ (1,532)
Adjustments to reconcile income (loss) to net cash provided by operating activities:		
Depreciation and amortization	68,858	73,390
Gain on sale of assets, net	(9,024)	(6,660)
Provision for losses on receivables	2,914	2,327
Equity in (income) losses of unconsolidated joint ventures	(2,168)	1,364
Other items not requiring cash	78	193
Changes in operating assets and liabilities, net of businesses sold and purchased:		
Receivables	2,282	10,793
Inventories	17,211	(12,198)
Other current assets	15,862	(6,404)
Accounts payable and accrued expenses	11,518	11,184
Other noncurrent liabilities	(20,102)	(9,122)
Net cash provided by continuing operations before income taxes	91,740	63,335
Net cash provided by discontinued operations before income taxes	4,108	5,277
Income taxes paid, net	(8,475)	(7,935)
Net cash provided by operating activities	87,373	60,677
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(34,726)	(42,410)
Businesses purchased	-	(39,655)
Business sold	-	7,222
Sale of property, plant and equipment	14,231	8,585
Other investing activities	1,887	1,268
Net cash used for investing activities	(18,608)	(64,990)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	629	2,617
Payments of debt	(15,766)	(7,789)
Early retirement of debt	(26,048)	-

Dividends paid	(2,346)	(2,373)
Purchase of treasury stock	(1,680)	-
Proceeds from sale of accounts receivable	-	25,000
Proceeds from exercise of stock options	1,003	-
Net cash (used for) provided by financing activities	(44,208)	17,455
Effect of exchange rate changes on cash and cash equivalents	835	(1,133)
Net increase in cash and cash equivalents	25,392	12,009
Cash and cash equivalents at beginning of period	62,667	18,655
Cash and cash equivalents at end of period	$ 88,059	$ 30,664

<FN>
The accompanying notes are an integral part of the financial statements.
</TABLE>

SEQUA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The consolidated financial statements of Sequa Corporation (the "Company") include the accounts of all majority-owned subsidiaries including those of Sequa Receivables Corp. ("SRC"), a special purpose corporation formed for the sale of eligible receivables. Under the terms of the receivables purchase agreement, SRC's assets will be available to satisfy its obligations to its creditors, which have security interests in certain of SRC's assets, prior to any distribution to the Company. At September 30, 1996 and December 31, 1995, SRC had no obligations outstanding to its creditors. All material accounts and transactions between the Company's consolidated subsidiaries have been eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to fairly present the Company's results for the interim periods presented. Except for a $7.3 million charge recorded by Chromalloy Gas Turbine during the second quarter of 1995 for severance and plant closings, such adjustments consisted of normal recurring items. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K. The results of operations for the nine months ended September 30, 1996 are not necessarily indicative of the results to be expected for the full year.

<TABLE>
NOTE 2 - OTHER, NET

Other, net includes the following income (expense) items:

<CAPTION>

(Thousands of Dollars)
(Unaudited)

	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Gain on sale of office building	$ 8,657	$ -	$8,657	$ -
Settlement with counterparty to interest-rate derivative transactions	3,000	-	-	-
Equity in income (losses) of unconsolidated joint ventures	2,168	(1,364)	(109)	(934)
Amortization of capitalized debt costs	(1,609)	(1,609)	(537)	(537)
Gain on sale of investment	-	2,664	-	-
Gain on sale of chemicals plant	-	1,711	-	1,711
Gain on sale of land	-	1,701	-	1,701
Dividend income	-	2,080	-	2,080
Other	(2,055)	(1,473)	(295)	(584)
	$10,161	$ 3,710	$7,716	$3,437

</TABLE>

NOTE 3 - EARNINGS (LOSS) PER SHARE

Primary earnings (loss) per common share in 1996 and 1995 were computed by dividing net earnings (loss), after deducting dividend requirements on cumulative convertible preferred stock, by the weighted average number of shares of common stock outstanding during the periods. These computations were based on 9,872,000 and 9,881,000 shares for the nine and three month periods in 1996, respectively, and 9,867,000 shares for the nine and three month periods of 1995.

Fully diluted earnings (loss) per common share calculations for the assumed conversion of the cumulative convertible preferred stock were anti-dilutive in both the nine-month and three-month periods of 1996 and 1995.

<TABLE>

NOTE 4 - INVENTORIES

The inventory amounts at September 30, 1996 and December 31, 1995 were as follows:

<CAPTION>

	(Thousands of Dollars)	
	(Unaudited) September 30, 1996	December 31, 1995
<S>	<C>	<C>
Finished Goods	$ 60,650	$ 66,273
Work in process	78,514	72,600
Raw materials	87,129	106,627
Long-term contract costs	7,261	9,600
Progress payments	(9,951)	(12,974)
	$223,603	$242,126

</TABLE>

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

Sequa is involved in a number of claims, lawsuits and proceedings (environmental and otherwise) which arose in the ordinary course of business. Other litigation is pending against the Company involving allegations that are not routine and include, in certain cases, compensatory and punitive damage claims. Included in this other class of litigation is an arbitration proceeding that was formally commenced in 1992 to resolve a dispute between the Egyptian Air Force and Chromalloy Gas Turbine Corporation, a subsidiary of Sequa. In 1994, the arbitral tribunal issued a net award of $16.3 million plus interest in favor of Chromalloy Gas Turbine. At December 30, 1995, the Company's Consolidated Balance Sheet included net assets of approximately $17.5 million (primarily in Other current assets) related to this issue. Chromalloy Gas Turbine has filed a petition in the US District Court for the District of Columbia to confirm and enforce the award. The government of Egypt has succeeded in a challenge to this award in the Court of Appeal of Cairo. Notwithstanding that Egyptian court decision, the U.S. District Court recently granted Chromalloy Gas Turbine's enforcement petition. In September 1996, Chromalloy Gas Turbine Corporation received $13.9 million from the Defense Security Assistance Agency on behalf of the Egyptian Air Force. Chromalloy Gas Turbine Corporation is currently in negotiations with the Egyptian Air Force regarding payment of the remainder due pursuant to the arbitration award.

On July 11, 1995, United Technologies Corporation, through its Pratt & Whitney division, commenced an action against Chromalloy Gas Turbine Corporation in the United States District Court for the District of Delaware. The complaint seeks unspecified monetary damages (including treble and punitive damages with respect to certain claims) and injunctive relief based upon alleged breaches of certain license agreements, alleged infringement of patents and misuse of other Pratt & Whitney intellectual and intangible property. This lawsuit is in its preliminary stage and, accordingly, management cannot make an evaluation of the likely outcome at this time. Management intends to vigorously defend against all claims, which it regards as substantially lacking in merit. In this connection, on August 30, 1995, Chromalloy Gas Turbine filed its answer denying the significant allegations in such complaint, and included numerous affirmative defenses and a counterclaim against United Technologies. Since the filing of its answer, Chromalloy Gas Turbine has added additional counterclaims against United Technologies.

On August 29, 1995, Chromalloy Gas Turbine Corporation commenced an action against United Technologies Corporation in the District Court, 131st Judicial District, of Bexar County, Texas. This is a suit to recover monetary damages (including treble damages) and for injunctive relief based upon Chromalloy Gas Turbine's claims that United Technologies has violated the Texas Free Enterprise and Antitrust Act. On October 2, 1995, United Technologies filed its answer denying the material allegations of the petition and raising certain affirmative defenses. On December 28, 1995, United Technologies filed counterclaims in this action seeking monetary damages and injunctive relief. Both parties have amended their pleadings during the course of discovery. In October 1996, United Technologies filed its sixth amended counterclaim. United Technologies' counterclaim no longer seeks monetary damages. The trial commenced on August 26, 1996 and is presently anticipated to conclude within the next month. Chromalloy Gas Turbine's claims focus on allegedly illegal, exclusionary and monopolistic activities with respect to key segments of commerce in repairs for Pratt & Whitney commercial jet engines. While management cannot predict the outcome of this litigation at this time, in management's opinion, a successful outcome, including the possible award of injunctive and monetary relief to restore competition in areas of commerce now alleged to have been unlawfully foreclosed and restrained, could be favorable to the Company.

Related to the above lawsuits, Chromalloy Gas Turbine's divisions compete for turbine engine repair business with a number of other major companies, including the original equipment manufacturers (OEM). Such OEM's generally have obligations (contractual and otherwise) to approve vendors to manufacture components for their engines and/or perform repair services on their engines and components. Chromalloy Gas Turbine has a number of such approvals, including licensing agreements, which allow it to manufacture and repair certain components of flight engines. The loss of approval by one of the major OEMs to manufacture or repair components for such OEM's engines could have an adverse effect on Chromalloy Gas Turbine, although management believes it has certain actions available to it to mitigate the adverse effect.

The ultimate legal and financial liability of the Company in respect to all claims, lawsuits and proceedings referred to above cannot be estimated with any certainty. However, in the opinion of management, based on its examination of such matters, its experience to date and discussions with counsel, the ultimate outcome of these contingencies, net of liabilities already accrued in the Company's Consolidated Balance Sheet, is not expected to have a material adverse effect on the Company's

consolidated financial position, although the resolution in any reporting period of one or more of these matters could have a significant impact on the Company's results of operations for that period.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(A) Exhibits

10.1 Consent (dated as of August 1, 1996) to make restricted payments pursuant to the Amended and Restated Credit Agreement, dated as of December 14, 1993, filed herewith.

11.1 Schedule showing calculations of Primary and Fully Diluted Loss Per Share for the nine-month and three-month periods ended September 30, 1996 and 1995.

27.1 Financial Data Schedule, filed herewith.

(B) Reports on Form 8-K

No report on Form 8-K was filed during the three-month period ended September 30, 1996.

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.

SEQUA CORPORATION

BY:/S/ WILLIAM P. KSIAZEK

William P. Ksiazek
Vice President and Controller

November 14, 1996

<TABLE>

EXHIBIT 11

SEQUA CORPORATION
CALCULATION OF PRIMARY AND FULLY DILUTED LOSSES PER SHARE

<CAPTION>

	(Unaudited) For the Nine Months Ended September 30, 1996	1995
<S>	<C>	<C>
PRIMARY		
Loss		
Loss before extraordinary item	$ (2,289)	$ (6,032)
Preferred stock dividend requirements	(2,346)	(2,373)
Loss applicable to common stock before extraordinary item	(4,635)	(8,405)
Extraordinary loss on early retirement of debt	(369)	-
Net loss applicable to common stock	$ (5,004)	$ (8,405)
Shares		
Weighted average common shares outstanding	9,872	9,867
Primary loss per common share		
Loss before extraordinary item	$ (.47)	$ (.85)
Extraordinary loss on early retirement of debt	(.04)	-
Net loss	$ (.51)	$ (.85)
* FULLY DILUTED		
Loss		
Loss before extraordinary item	$ (2,289)	$ (6,032)
Extraordinary loss on early retirement of debt	(369)	-
Net loss	$ (2,658)	$ (6,032)
Shares		
Fully diluted common and equivalent shares	10,679	10,705
Fully diluted loss per common share		
Loss before extraordinary item	$ (.21)	$ (.56)

Extraordinary loss on early retirement of debt	(.04)	-
Net loss	$ (.25)	$ (.56)

SHARES

Weighted average common shares outstanding	9,872	9,867
Preferred stock assumed to be converted	807	838
Fully diluted common and equivalent shares	10,679	10,705

<FN>
(*)The 1996 and 1995 fully diluted losses per share calculations are anti-dilutive; therefore, fully diluted losses per share have not been presented in the Consolidated Statement of Income.
/TABLE

<TABLE>

EXHIBIT 11

SEQUA CORPORATION
CALCULATION OF PRIMARY AND FULLY DILUTED LOSSES PER SHARE

<CAPTION>

	(Unaudited) For the Three Months Ended September 30,	
	1996	1995
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PRIMARY		
Earnings		
Net income before extraordinary item	$ 2,849	$ 1,930
Preferred stock dividend requirements	(763)	(791)
Net income applicable to common stock before extraordinary item	2,086	1,139
Extraordinary loss on early retirement of debt	(369)	-
Net income applicable to common stock	$ 1,717	$ 1,139
Shares		
Weighted average common shares outstanding	9,881	9,867
Primary earnings (loss) per common share		

Income before extraordinary item	$ .21	$ .12
Extraordinary loss on early retirement of debt	(.04)	-
Net income	$ .17	$ .12

* FULLY DILUTED

Earnings		
Net income before extraordinary item	$ 2,849	$ 1,930
Extraordinary loss on early retirement of debt	(369)	-
Net income	$ 2,480	$ 1,930
Shares		
Fully diluted common and equivalent shares	10,688	10,705
Fully diluted income (loss) per common share		
Income before extraordinary item	$ .27	$ .18
Extraordinary loss on early retirement of debt	(.04)	-
Net income	$ .23	$ .18

SHARES

Weighted average common shares outstanding	9,881	9,867
Preferred stock assumed to be converted	807	838
Fully diluted common and equivalent shares	10,688	10,705

<FN>

* The 1996 and 1995 fully diluted losses per share calculations are anti-dilutive; therefore, fully diluted losses per share have not been presented in the Consolidated Statement of Income.

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August 1, 1996

Sequa Corporation
200 Park Avenue
New York, NY 10166

Attention: Jenny S. Kade,
Assistant Treasurer

Re: Consent to Make Restricted Payment

Reference is made to the Amended and Restated Credit Agreement dated as of December 14, 1993, among Sequa Corporation (the "Borrower"), The Bank of New York, as Administrative Agent, The Bank of New York, The Bank of Nova Scotia and Chemical Bank, as Managing Agents, Bank of America, NT&SA, Chase Manhattan Bank, N.A. and The Nippon Credit Bank, Ltd., as Co-Agents, and the Banks listed on the signature pages thereof (as amended from time to time, the "Credit Agreement") (capitalized terms used and not defined herein shall have the meanings ascribed thereto in the Credit Agreement).

The Required Banks hereby consent to the making of a Restricted Payment by the Borrower for the purpose of repurchasing shares of its Capital Securities (the "Repurchased Stock"), notwithstanding Section 4.06 of the Credit Agreement; provided, that (i) such Restricted Payment shall not exceed ten million Dollars ($10,000,000) and (ii) no Default or Event of Default shall have occurred and be continuing at the time such Restricted Payment is made or at the time the Borrower becomes obligated to make such Restricted Payment, and no Default or Event of Default shall result from the making of such Restricted Payment or the purchase of the Repurchased Stock by the Borrower.

This consent shall become effective as of the date hereof on the first date upon which this consent has been executed by the Required Banks.

This consent may be executed in any number of counterparts and on separate counterparts, each of which shall be deemed to be an original and shall be binding upon the parties, their successors and assigns.

THE BANK OF NEW YORK

By____

Name:
Title:

THE BANK OF NOVA SCOTIA

By____
Name:
Title:

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

By____
Name:
Title:

THE CHASE MANHATTAN BANK

By____
Name:
Title:

THE NIPPON CREDIT BANK, LTD.

By____
Name:
Title:

BANK BRUSSELS LAMBERT, NEW YORK BRANCH

By____

Name:
Title:

By_____________________________________
Name:
Title: