

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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GENCORP INC

CIK: **40888** | IRS No.: **340244000** | State of Incorporation: **OH** | Fiscal Year End: **1130**
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SIC: **3760** Guided missiles & space vehicles & parts

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended May 31, 1995 Commission File Number 1-1520

GenCorp Inc.

(Exact name of registrant as specified in its charter)

Ohio

34-0244000

(State of Incorporation)

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

175 Ghent Road Fairlawn, Ohio 44333-3300

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (216) 869-4200

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

At June 30, 1995, there were 32,786,351 outstanding shares of GenCorp Inc.'s Common Stock, par value \$.10.

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PART I. FINANCIAL INFORMATION

GenCorp Inc.
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Dollars in millions, except per share data)<TABLE>
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	Unaudited Three Months Ended		Unaudited Six Months Ended	
	May 31, 1995	May 31, 1994	May 31, 1995	May 31, 1994
NET SALES	\$ 461.9	\$ 467.7	\$ 890.0	\$ 869.4
<S>	<C>	<C>	<C>	<C>
COSTS AND EXPENSES				
Cost of products sold	383.0	387.5	749.7	742.5
Selling, general and administrative	45.7	46.0	89.1	90.9
Interest expense	9.2	7.9	17.9	15.2
Other (income) and expense, net	(3.2)	2.6	(5.5)	2.4
	434.7	444.0	851.2	851.0
INCOME BEFORE INCOME TAXES	27.2	23.7	38.8	18.4
Provision for income taxes	10.9	9.5	15.5	7.4
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	16.3	14.2	23.3	11.0
Cumulative effect of accounting changes (Note B)	-	-	-	(212.7)
NET INCOME (LOSS)	\$ 16.3	\$ 14.2	\$ 23.3	\$ (201.7)
EARNINGS (LOSS) PER SHARE OF COMMON STOCK (NOTE C)				
Primary:				
Before cumulative effect of accounting changes	\$.50	\$.45	\$.72	\$.35
Cumulative effect of accounting changes (Note B)	-	-	-	(6.71)

Earnings (Loss) Per Share	\$.50	\$.45	\$.72	\$ (6.36)
Fully Diluted:				
Before cumulative effect of accounting changes	\$.45	\$.40	\$.66	\$.35
Cumulative effect of accounting changes (Note B)	-	-	-	(6.71)
Earnings (Loss) Per Share	\$.45	\$.40	\$.66	\$ (6.36)
Average number of shares of common stock outstanding (in thousands)				
Primary	32,532	31,730	32,396	31,730
Fully diluted	39,691	38,889	39,555	38,889
Cash dividends paid per share of common stock	\$.15	\$.15	\$.30	\$.30

The accompanying notes to the unaudited interim condensed consolidated financial statements are an integral part of these statements.

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GenCorp Inc.
CONDENSED CONSOLIDATED BALANCE SHEET
(Dollars in millions)

	Unaudited May 31, 1995	Audited November 30, 1994
CURRENT ASSETS:		
<S>	<C>	<C>
Cash and equivalents	\$ 20.1	\$ 22.4
Marketable securities	7.8	7.3
Accounts receivable (Note D)	232.1	190.1
Inventories (Note E)	158.1	158.1
Prepaid expenses	41.3	42.9
TOTAL CURRENT ASSETS	459.4	420.8
Recoverable from U.S. government and third parties for environmental remediation	123.5	125.0
Deferred income taxes	160.1	158.1
Prepaid pension	105.7	102.2
Investments and other assets	72.8	83.1
Property, plant and equipment:		
At cost	1,307.2	1,294.4
Accumulated depreciation	(758.0)	(728.4)
Net property, plant and equipment	549.2	566.0
TOTAL ASSETS	\$ 1,470.7	\$ 1,455.2
CURRENT LIABILITIES:		
Notes payable	\$ 11.8	\$ 6.9
Accounts payable - trade	96.0	103.7
Income taxes	28.6	19.0
Other current liabilities	208.0	237.7
TOTAL CURRENT LIABILITIES	344.4	367.3

Long-term debt (Notes D and F)	411.2	377.6
Postretirement benefits other than pensions	375.1	373.5
Environmental reserves	249.6	255.3
Other long-term liabilities	68.5	88.4
Contingencies (Note G)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Preference stock - (none outstanding)	-	-
Common stock - \$.10 par value; 32.4 million shares outstanding	3.3	3.2
Other capital	11.8	4.9
Retained earnings (deficit)	(2.4)	(16.0)
Currency translation adjustment	9.2	1.0
	-----	-----
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	21.9	(6.9)
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	\$ 1,470.7	\$ 1,455.2
	=====	=====

</TABLE>

The accompanying notes to the unaudited interim condensed consolidated financial statements are an integral part of these statements.

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GenCorp Inc.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in millions)

<TABLE>
<CAPTION>

	Unaudited Six Months Ended	
	May 31,	
	1995	1994
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
<S>	<C>	<C>
Net income (loss)	\$ 23.3	\$ (201.7)
Cumulative effect of accounting changes	-	212.7
Depreciation and amortization	38.0	38.4
Decrease (Increase) in working capital	(75.0)	22.3
Increase in deferred income taxes	(2.0)	(6.6)
Other - net	(10.0)	(1.5)
	-----	-----
NET CASH (USED IN) OR PROVIDED FROM OPERATING ACTIVITIES	(25.7)	63.6
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(25.3)	(26.1)
Investments and other - net	4.8	6.8
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(20.5)	(19.3)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net short-term debt incurred (paid)	4.9	(12.5)
Long-term debt incurred	165.1	160.0
Long-term debt paid	(131.6)	(170.3)
Dividends	(9.7)	(9.5)
Other equity transactions	15.2	(1.5)
	-----	-----
NET CASH PROVIDED FROM OR (USED IN) FINANCING ACTIVITIES	43.9	(33.8)
	-----	-----

NET (DECREASE) OR INCREASE IN CASH AND EQUIVALENTS	(2.3)	10.5
Cash and equivalents at beginning of year	22.4	15.8
	-----	-----
Cash and equivalents at end of period	\$ 20.1	\$ 26.3
	=====	=====

</TABLE>

Cash paid during the period for interest was \$18 million and \$15 million for the six months ended May 31, 1995 and 1994, respectively. Cash paid during the period for income taxes was \$5 million and \$19 million for the six months ended May 31, 1995 and 1994, respectively.

The accompanying notes to the unaudited interim condensed consolidated financial statements are an integral part of these statements.

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GenCorp Inc.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

Note A - Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These interim statements should be read in conjunction with the financial statements and notes thereto included or incorporated by reference in the GenCorp Inc. (Company) Annual Report on Form 10-K for the fiscal year ended November 30, 1994.

All normal recurring accruals and adjustments considered necessary for a fair presentation of the unaudited results for the six months ended May 31, 1995 and 1994, have been reflected. The results of operations for the six months ended May 31, 1995, are not necessarily indicative, if annualized, of those to be expected for the full fiscal year.

Certain reclassifications have been made to conform prior year's data to the current presentation.

Note B - Accounting Changes

Effective December 1, 1993, the Company adopted the provisions of Statements of Financial Accounting Standards SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106), SFAS No. 109 "Accounting for Income Taxes" (SFAS 109) and SFAS No. 112 "Employers' Accounting for Postemployment Benefits" (SFAS 112).

SFAS 106 requires that the expected cost of providing postretirement health care and life insurance benefits be charged to expense during the years that the employees render service. Prior to 1994, the Company expensed the cost of these benefits for continuing operations as they were paid. Upon implementation of the standard, the Company elected immediate recognition of the transition obligation by taking a one-time charge against earnings.

SFAS 109 requires the use of the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of SFAS 109, income tax expense was determined using the deferred tax method required by Accounting Principles Board Opinion No. 11 - "Accounting For Income Taxes" (APB 11).

SFAS 112 requires the use of the accrual method of accounting for benefits payable to employees that leave the Company other than by reason of retirement. Implementation of this standard had an immaterial impact as most of these benefits were accounted for in accordance with SFAS 112 prior to December 1, 1993.

Note B - Accounting Changes (continued)

The table below shows the components of the cumulative effect of the above three accounting changes:

<TABLE>
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(Millions, except per-share data)	Amount	Per Share
<S>	<C>	<C>
Other postretirement benefits, net of \$130.6 in taxes	\$ (195.9)	\$ (6.18)
Income taxes	(16.5)	(.52)
Postemployment benefits, net of \$.1 in taxes	(.3)	(.01)
Total	\$ (212.7)	\$ (6.71)

</TABLE>

Note C - Net Income Per Share of Common Stock

Primary earnings per share of common stock are calculated by dividing net income by the weighted average number of common shares outstanding adjusted for the inclusion of stock options. For fully diluted earnings per share, net income and shares outstanding have also been adjusted as if the Company's \$115,000,000 8% Convertible Subordinated Debentures Due August 1, 2002 had been converted. (See Note F for further information regarding the debentures.)

Note D - Accounts Receivable

In June 1994, the Company extended its receivable financing program through December 1994. Under the agreement, new receivables were sold as collections reduced previously sold receivables. Accounts receivable as shown in the Company's Consolidated Balance Sheet are net of \$60 million for 1994 representing the interests in receivables sold under this agreement. When this program expired on December 31, 1994, the Company used its existing borrowing capacity to repurchase outstanding receivables previously sold under this agreement.

Note E - Inventories

Inventories are stated at the lower of cost or market value. A portion of the inventories is priced by use of the last-in, first-out (LIFO) method using various dollar value pools. Interim LIFO determinations may involve management's judgments of expected year-end inventory levels. Components of inventory are as follows:

<TABLE>
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	May 31, 1995	November 30, 1994
<S>	<C>	<C>
Raw materials and supplies	\$ 57.4	\$ 51.4
Work-in-process	14.3	14.4
Finished products	62.7	67.0
Approximate replacement cost of LIFO inventories	134.4	132.8
Reserves, primarily LIFO	(42.6)	(42.4)
Long-term contracts at average cost	180.4	206.0
Progress payments	(114.1)	(138.3)
	\$ 158.1	\$ 158.1

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Note F - Long-term Debt and Credit Lines

In April 1992, the Company converted all previously outstanding revolving loans into a three-year \$450 million unsecured revolving credit facility (Facility). In March 1995, banks with commitments totaling \$445 million extended the maturity date of the Facility until April 1997, which is the last extension available under the Facility. As of May 31, 1995, unused revolving lines of credit totaled \$165 million. The Company pays commitment fees of 3/8 of one percent on the unused balance. Interest rates are variable, primarily based on LIBOR, and are currently at an average rate of 7.18 percent.

The Facility contains various debt restrictions and provisions relating to net worth and interest coverage ratios. The Company is required to maintain consolidated net worth of not less than \$243 million, excluding the impact of the new accounting standards and the unusual items recorded in the fourth quarter of 1994 pursuant to an amendment to the Facility. Excluding the impact of these items, the Company had net worth of \$293 million at May 31, 1995 and was in compliance with the amended agreement.

The Company had interest rate swap agreements covering a notional amount of \$75 million, which expired in June 1995. The semi-annual settlement rates for these agreements were calculated as a spread between a fixed annual rate of 9.54 percent and the six-month floating LIBOR rate.

The \$115,000,000 8% Convertible Subordinated Debentures Due August 1, 2002 (Debentures) are redeemable at the option of the Company, in whole or in part, at any time on or after August 10, 1996. The Debentures are convertible at any time prior to maturity, unless previously redeemed, into shares of common stock at a conversion price of \$16.065 per share (equivalent to a conversion rate of approximately 62.247 shares of Common Stock per \$1,000 principal amount of Debentures) subject to adjustment in certain circumstances. The market value of the Debentures was \$124 million at May 31, 1995.

At May 31, 1995, the Company had unsecured, uncommitted lines of credit with several banks for short-term borrowings aggregating \$41 million, of which \$9 million was outstanding. Borrowings under such lines generally bear interest at money market rates and are payable on demand. The Company also had outstanding letters of credit totaling \$29 million at May 31, 1995.

Note G - Contingencies and Uncertainties

Environmental Matters

Sacramento, California

In June 1989, the United States District Court for the Eastern District of California approved entry of a Partial Consent Decree (Decree) which partially settled environmental litigation initiated against Aerojet and its inactive subsidiary, Cordova Chemical Company, by the State of California and the United States Environmental Protection Agency (EPA) as a result of the release of chemicals at Aerojet's Sacramento, California facility prior to 1980.

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Note G - Contingencies and Uncertainties (continued)

The Decree requires Aerojet to conduct a Remedial Investigation/Feasibility Study (RI/FS) of the Sacramento site and prepare an RI/FS report on specific environmental conditions present at the site and alternatives available to remedy such conditions. The Decree does not require Aerojet to perform final remedial measures at the site. Additionally, Aerojet is required to pay for certain costs associated with ongoing government oversight of Aerojet's compliance with the Decree.

In September 1993, Aerojet reached a settlement with the United States government on its claim to recover a portion of environmental remediation costs incurred after June 1989. Aerojet recovered approximately \$18 million under this settlement for costs incurred from July 1989 through November 1992. The settlement also provides that 65 percent of covered costs incurred after November 1992, net of insurance recoveries, will be added to the pricing of government contracts. As a part of the settlement, Aerojet agreed to release its claim under the "Superfund" law against the United States in federal district court for recovery of costs covered by the settlement.

Aerojet has substantially completed its site characterization efforts under the Decree to determine the nature and extent of contamination at the Sacramento facility and has identified the remediation technologies that will likely be deployed to remedy such contamination. During the fourth quarter of 1994, Aerojet completed its estimate of remediation costs at its Sacramento facility and based on currently available facts, existing technology and presently enacted laws and regulations, recorded a net \$68 million charge. These remediation costs are principally for design, construction and enhancement of groundwater and soil treatment facilities, ongoing project management and regulatory oversight, and are expected to be incurred over a period of approximately 20 years. This estimate will be subject to changes as work progresses and additional experience is gained.

At May 31, 1995, Aerojet had a reserve of \$208 million for costs to complete the RI/FS and remediate the site and has recognized \$122 million for probable future recoveries under existing settlement agreements with the United States government.

Legal proceedings to obtain reimbursements of environmental costs from insurers are continuing; however, Aerojet presently cannot estimate the recovery that may be obtained under any policy.

Lawrence, Massachusetts

The Company has completed a study of remediation alternatives for its closed Lawrence, Massachusetts facility, which was contaminated with PCBs and other contaminants, and has begun site remediation and off-site disposal of debris. The Company has a reserve of \$31 million for the decontamination and the long-term operating and maintenance costs of this site. The reserve represents the Company's best estimate for the remaining remediation cost. The study indicated that the future remediation cost could range as high as \$56 million depending on the results of future testing and the ultimate remediation alternatives undertaken at the site. The time frame for remediation is currently estimated to range from 5 to 9 years.

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Note G - Contingencies and Uncertainties (continued)

Muskegon, Michigan

Aerojet and its two inactive Cordova Chemical subsidiaries (Cordova) have been involved in litigation regarding a former Cordova facility in Muskegon, Michigan where the EPA has conducted an RI/FS under the Superfund law. The United States District Court for the Western District of Michigan previously ruled that Aerojet and Cordova were liable under the superfund law with a former owner/operator of the facility for remediation at the site. Separately, the State of Michigan Court of Claims previously ruled that the State of Michigan is obligated to indemnify Cordova for remediation costs which it incurs at the site.

These rulings have been appealed to the Sixth Circuit United States Court of Appeals and the Michigan Court of Appeals, respectively. Aerojet and Cordova expect to prevail on these appeals. On a related matter, in May 1993 the EPA terminated, without resolution, two orders issued in 1990 and 1991 to Cordova and other parties to perform site and groundwater remediation.

The EPA has awarded a bid to construct and operate a groundwater treatment system for one year. Final remediation costs for groundwater and soils cannot presently be determined but could range from \$50 million to \$100 million, depending on the remediation methods ultimately required. Furthermore, the

Company believes that most of the remediation costs will be paid by the former owner/operator and that its \$14 million reserve will be adequate to cover the Company's costs and expenses associated with this matter. Included in investments and other assets is \$9 million to be recovered from insurance companies.

Toledo, Ohio

In 1992, the Company signed a Consent Decree with the State of Ohio relative to the remediation of PCBs at its formerly owned Toledo, Ohio facility. A remediation plan for the removal of the PCBs under the Consent Decree was approved by the State in May 1994. Site remediation is expected to be completed in 1995. The Company is in negotiations with the State of Ohio regarding potential responsibility for cleaning an adjacent tributary. The Company believes that its established reserves of \$2 million will be adequate to cover all future costs and expenses associated with these matters.

San Gabriel Valley Basin, California

Aerojet, through its Azusa facility, is one of a number of potentially responsible parties (PRPs) in the portion of the San Gabriel Valley Superfund Site known as the Baldwin Park Operable Unit (BPOU). Regulatory action is proceeding on two tracks: regional groundwater remediation, under the direct control of the EPA, and site specific investigation and cleanup supervised by the California Regional Water Quality Control Board (Regional Board) under delegation from the EPA.

Aerojet's investigation concluded that the principal groundwater contamination is upgradient of Aerojet's property and that low concentrations of contaminants are present in the soils of Aerojet's presently and historically owned properties. The EPA contends that Aerojet is one of the four largest sources of groundwater contamination at BPOU of the sixteen companies that the EPA identified as PRPs in January 1995. Aerojet contests the EPA's position regarding the source of contamination and the number of PRPs held responsible.

The EPA issued a Record of Decision (ROD) on March 31, 1994 for a groundwater remediation plan for the BPOU, estimated to cost \$47 million in non-recurring costs and \$4 to \$5 million in annual operating expense. Aerojet and other PRPs are participating in an effort by the San Gabriel Basin Water Quality Authority, EPA and water supply organizations to develop an alternative "consensus" plan in which certain water supply entities would integrate the EPA

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Note G - Contingencies and Uncertainties (continued)

remedial requirements into a water supply project. If implemented, the consensus plan will provide federal funding and funding from water supply entities receiving benefit from the project, thus reducing the portion of costs to be borne by the PRPs. Negotiations with the EPA, water supply organizations and other PRPs concerning the consensus plan are expected to continue through 1995 and into early 1996.

Aerojet's San Gabriel Valley cost exposure cannot be estimated at this time. However, management believes, on the basis of presently available information, that resolution of this matter will not materially affect the consolidated financial condition of the Company. Among the factors considered by management are: the number of other viable PRPs in the BPOU; the potential for cost sharing with water supply interests; Aerojet's site-specific investigation; and the fact that, to date, Aerojet's San Gabriel Valley costs are being recovered from the government in the pricing of Aerojet's contracts. Additionally, Aerojet has filed suit against its insurers for recovery of such costs.

Other Sites

The Company is also currently involved, together with other companies, in 21 other Superfund sites on the National Priority List under the federal Comprehensive Environmental Response, Compensation, and Liability Act (Superfund) and 15 other non-Superfund sites. In many instances, the Company's

liability and its proportionate share of costs has not been determined largely due to uncertainties as to the nature and extent of site conditions, the Company's involvement and potential recoveries from insurance and other sources. While government agencies frequently claim potentially responsible parties are jointly and severally liable at such sites, in the Company's experience, interim and final allocations of liability costs are generally made based on relative contributions of waste.

Such other Superfund sites include Stringfellow (California); Organic Chemical (Michigan); Summit National (Ohio); Hardage/Criner (Oklahoma); Industrial Excess (Ohio); and Solvent Recovery Service of New England (Connecticut). Other non-Superfund sites include Westbury (New York); Four County Landfill (Indiana); and Delta Chemical (Pennsylvania). The Company's final allocated share of investigation and remediation costs at a number of these sites has not yet been determined. Based on the Company's previous experience, its allocated share has frequently been minimal, in many instances less than 1 percent. The Company has reserves of approximately \$19 million as of May 31, 1995 which it believes are sufficient to cover its best estimate of its share of the environmental remediation costs at these other sites.

Environmental Summary

In regard to the sites discussed above, management believes, on the basis of presently available information, that resolution of these matters will not materially affect the consolidated financial condition of the Company. The effect of resolution of these matters on results of operations cannot be predicted due to the uncertainty concerning both the amount and timing of future expenditures and future results of operations.

Other Legal Matters

The Company and its subsidiaries are subject to various legal actions, governmental investigations, and proceedings relating to a wide range of matters in addition to those discussed above. In the opinion of management, after reviewing the information which is currently available with respect to such matters and consulting with the Company's counsel, any liability which may ultimately be incurred with respect to these additional matters will not materially affect the consolidated financial condition of the Company. The effect of resolution of these matters on results of operations cannot be predicted because any such effect depends on both future results of operations and the amount and timing of the resolution of such matters.

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

Material Changes in Financial Condition

Cash flow used in operating activities for the first six months of fiscal 1995 was \$25.7 million as compared to cash flow provided from operating activities of \$63.6 million for the first six months of 1994. The increases in cash flow used in operating activities and cash provided from financing activities were primarily due to the required repurchase of \$60 million of receivables previously sold under the Company's receivable-backed commercial paper program which expired on December 31, 1994 (See Note D). The Company has elected not to enter into a new receivable financing program at this time.

At May 31, 1995, GenCorp's total debt was \$423 million, an increase of \$6.5 million compared to the second quarter of 1994. This change resulted from an increase of \$60 million in debt to repurchase previously sold accounts receivable (See Note D) offset by repayments of \$53.5 million. Interest expense in the quarter increased to \$9.2 million from \$7.9 million in the comparable period last year due to higher interest rates during the second quarter of 1995.

Material Changes in Results of Operations

The Company's net sales in the second quarter of 1995 declined slightly to \$461.9 million from \$467.7 million in the second quarter of 1994. Sales growth in the automotive and polymer products business segments was offset by lower

sales at Aerojet, the aerospace and defense business segment.

Segment operating profit increased slightly to \$37.4 million in the second quarter of 1995, in comparison to \$37.3 million in the 1994 second quarter. The automotive and aerospace and defense business segments recorded operating profit gains for the quarter, while the polymer products business segment experienced a decline in operating profit.

Net income for the second quarter of fiscal year 1995 was \$16.3 million amounting to \$0.50 per share compared to \$14.2 million or \$0.45 per share in the second quarter of 1994. On a fully diluted basis, earnings per share for the second quarter of 1995 were \$0.45 per share compared to \$0.40 per share in the second quarter of 1994.

The Company is encouraged by continued improved results at Aerojet indicating that the business base is now stabilizing due to an improved business climate and significant program developments over the past six months. The automotive businesses continue to make internal productivity and quality improvements to help offset customer pricing pressures and increased raw material costs. In the polymer products business segment, the issue of raw material costs, which is being aggressively addressed through internal performance improvement measures, continues to be an issue of concern especially in light of a somewhat weaker demand for some of its products.

Net sales for the automotive business segment in the second quarter of 1995 were \$177.3 million, 15 percent higher than the comparable 1994 second quarter. Increased sales from the Vehicle Sealing Division, including sales from HENNIGES, the Company's German original equipment automotive supplier, led growth for the quarter.

Segment operating profit for the automotive businesses increased to \$14.1 million in the second quarter of 1995, up 3 percent from the second quarter of 1994, despite consolidation of operating losses at HENNIGES. Operating performance at HENNIGES improved during the second quarter, a trend that is expected to continue throughout the year.

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During the 1995 second quarter, the Reinforced Plastics Division was awarded its first sheet molded compound business with Toyota. Several new awards were also received in the quarter by the Vibration Control Division from General Motors for the production of trailing links and from Ford for the production of advanced fluid bushings.

Net sales for the polymer products business segment in the second quarter of 1995 were \$163.4 million, 8 percent higher than the second quarter of 1994. The sales improvement was led by the Specialty Polymers and Designed Plastics Divisions.

Segment operating profit for the polymer products businesses was \$15.7 million, a decline of \$1 million from the second quarter of 1994. The decline was due primarily to the raw material price increases and weaker demand for some products.

During the 1995 second quarter, the Specialty Polymers Division grew due to strong market growth in the paper and carpeting industry. Also, Penn Racquet Sports Division introduced its new Pro Penn racquetball and complementary gloves and began manufacturing the Ektelon racquetball and the Prince Corporation private label tennis ball for distribution in Europe and the Far East. The Wallcovering Division has developed new opportunities for increased wallcovering exports and during the second quarter initial shipments of commercial wallcovering were exported to Brazil and China. Production began at the Designed Plastics Division on its new wide multi-stage roto gravure printer/embosser which will provide additional manufacturing capabilities to meet market demand.

Negotiations continue regarding the sale of the Newcomerstown, Ohio Rigid Plastics Plant. This divestiture would allow the Plastic Films Division to focus on the growth of its woodgrain laminate and flexible films operations.

Improvement during the second half of the year for the automotive and polymer products business segments will continue to be influenced by the U.S.

economy, the strength of domestic vehicle build production and raw material cost pressures.

Net sales for Aerojet in the second quarter of 1995 were \$121.2 million compared to \$162.1 million in the 1994 second quarter. Sales in the second quarter of 1994 included revenues from Aerojet's ordnance business, which was divested in May 1994, and the Advanced Solid Rocket Motor program, which was cancelled by Congress.

Aerojet's segment operating profit for the second quarter of 1995 was \$7.6 million compared to \$6.9 million in the second quarter of 1994. A better contract mix contributed to the increase.

During the second quarter, Aerojet received funding approval for the Sense and Destroy Armor (SADARM) program. The segment is also strongly positioned for a major role in the new Space Based Infrared (SBIR) surveillance program, the follow-on to the Defense Support Program (DSP).

As recently announced, the Company has presently discontinued its efforts to divest Aerojet. Aerojet's role will be to create increased value through enhanced operational performance focused on cost reduction, profit margin expansion and cash generation.

In May, the Company divested the Westward Look Resort in Tucson, Arizona. The resort was the last major asset remaining from GenCorp's discontinued RKO operations. The sale of this non-core business supports the Company's strategy of focusing on key commercial businesses where it holds leading market positions.

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For the six months ended May 31, 1995, the Company's net sales were \$890.0 million, an increase of \$20.6 million over the same period for 1994. Net other income and expense improved from an expense of \$2.4 million in 1994 to income of \$5.5 million in 1995 due primarily to the gain on the sale of Westward Look and of other miscellaneous assets in 1995 and the absence of costs associated with the corporate restructuring which occurred in the first half of 1994. Net income for the six months ended May 31, 1995 was \$23.3 million or \$0.72 per share as compared to \$11.0 million or \$0.35 per share for the same period in 1994 before the charge for the cumulative effect of adopting new accounting standards. Fully diluted earnings per share for the first six months of 1995 were \$0.66 per share.

Environmental Matters

GenCorp's policy is to conduct its businesses with due regard for the preservation and protection of the environment. The Company devotes a significant amount of resources and management attention to environmental matters and actively manages its ongoing processes to comply with extensive environmental laws and regulations. The Company is involved in the remediation of environmental conditions which resulted from previously accepted manufacturing and disposal practices that date back to the 1950's and 1960's from operating certain of its own plants. In addition, the Company has been designated a potentially responsible party, with other companies, at sites undergoing investigation and remediation.

The nature of environmental investigation and cleanup activities often makes it difficult to determine the timing and amount of any estimated future costs that may be required for remedial measures. However, the Company reviews these matters and accrues for costs associated with the remediation of environmental pollution when it becomes probable that a liability has been incurred and its proportionate share of the amount can be reasonably estimated. The Company recognizes amounts recoverable from third parties when the collection of such amounts becomes probable. The Company's Consolidated Balance Sheet at May 31, 1995 reflects accruals of \$273 million for remediation costs and amounts recoverable of \$131 million from third parties for such costs.

The effect of resolution of environmental matters on results of operations cannot be predicted due to the uncertainty concerning both the amount and timing of future expenditures and future results of operations. However, management believes, on the basis of presently available information, that

resolution of these matters will not materially affect the consolidated financial condition of the Company. The Company will continue its efforts to mitigate past and future costs through pursuit of claims for insurance coverage and continued investigation of new remediation alternatives and associated technologies.

For additional discussion of environmental matters, refer to Note G - Contingencies and Uncertainties beginning on page 8.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Information concerning legal proceedings relating to environmental matters at Aerojet's Sacramento, California facility and at other environmental sites which appears in Note G beginning on page 8 of this report is incorporated herein by reference.

The Company and its subsidiaries are subject to various legal actions, governmental investigations, and proceedings relating to a wide range of matters in addition to those discussed above and in Part I of this report. In the opinion of management, after reviewing such matters and consulting with the Company's counsel, any liability which may ultimately be incurred with respect to these additional matters will not materially affect the consolidated financial position of the Company.

Item 5. Other Information

Effective May 12, 1995, William K. Hall, President and Chief Executive Officer of Eagle Industries, Inc., was elected a director of the Company, bringing the number of directors to ten.

Effective May 16, 1995, Sam Hughes was named President of the Company's Reinforced Plastics Division and elected a Vice President of the Company.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

<TABLE>
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Table Item No.	Exhibit Description	Exhibit Number
<S>	<C>	<C>
11	Statement re computation of per share earnings	11
27	Financial Data Schedule (Filed for EDGAR only)	27

</TABLE>

b) Reports on Form 8-K

There have been no reports on Form 8-K filed during the quarter ended May 31, 1995.

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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.

GENCORP INC.

Date July 12, 1995

By /s/ D.M. Steuert

D. M. Steuert, Senior Vice President
and Chief Financial Officer

Date July 12, 1995

By /s/ C.R. Ennis

C. R. Ennis, Senior Vice President,
Law & Environmental Affairs;
General Counsel

GenCorp Inc.
COMPUTATION OF EARNINGS PER COMMON SHARE

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	Unaudited Three Months Ended		Unaudited Six Months Ended	
	May 31, 1995 -----	May 31, 1994 -----	May 31, 1995 -----	May 31, 1994 -----
Earnings (Dollars in Millions) -----				
<S>	<C>	<C>	<C>	<C>
Income Before Cumulative Effect of Accounting Changes	\$ 16.3	\$ 14.2	\$ 23.3	\$ 11.0
Cumulative Effect of Accounting Changes	-	-	-	(212.7)
Net Income (Loss) for Primary Earnings Per Share	16.3	14.2	23.3	(201.7)
Tax Affected Interest Expense Applicable to 8% Convertible Subordinated Debentures	1.4	1.4	2.8	2.8
Net Income (Loss) for Fully Diluted Earnings Per Share	\$ 17.7 =====	\$ 15.6 =====	\$ 26.1 =====	\$ (198.9) =====
Shares (In Thousands) -----				
Weighted Average Number of Common Shares Outstanding for Primary Earnings Per Share	32,532	31,730	32,396	31,730
Assuming Conversion of 8% Convertible Subordinated Debentures	7,159	7,159	7,159	7,159
Weighted Average Number of Common Shares Outstanding for Fully Diluted Earnings Per Share	39,691 =====	38,889 =====	39,555 =====	38,889 =====
Earnings Per Share -----				
Income Before Cumulative Effect of Accounting Changes	\$.50	\$.45	\$.72	\$.35
Cumulative Effect of Accounting Changes	-	-	-	(6.71)
Net Income (Loss) for Primary Earnings Per Share	\$.50 =====	\$.45 =====	\$.72 =====	\$ (6.36) =====
Fully Diluted Earnings Per Share	\$.45 =====	\$.40 =====	\$.66 =====	\$ (6.36) =====

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