

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-01-11** | Period of Report: **1994-11-30**  
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### FILER

#### **ECHLIN INC**

CIK: **31348** | IRS No.: **060330448** | State of Incorporation: **CT** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **001-04651** | Film No.: **95501031**  
SIC: **3714** Motor vehicle parts & accessories

Mailing Address  
*100 DOUBLE BEACH ROAD  
BRANFORD CT 06405*

Business Address  
*100 DOUBLE BEACH RD  
BRANFORD CT 06405  
2034815751*

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended November 30, 1994  
-----

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file no. 1-4651  
-----

ECHLIN INC.

-----  
(Exact name of registrant as specified in its charter)

Connecticut

06-0330448

-----  
(State of incorporation)

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

100 Double Beach Road  
Branford, Connecticut

06405

-----  
(Address of principal executive offices)

-----  
(Zip code)

(203) 481-5751

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

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

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act  
of 1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to  
such filing requirements for the past 90 days. YES X NO

-----                      -----

(APPLICABLE ONLY TO CORPORATE ISSUERS)

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

Title of class -----	Outstanding at December 31, 1994 -----
Common stock, \$1 par value	59,458,615

<TABLE>

ECHLIN INC.

INDEX

<CAPTION>

PART I. FINANCIAL INFORMATION -----	Page -----
<S>	<C>
Item 1. Financial Statements	
Consolidated balance sheets--November 30, 1994 and August 31, 1994.	3
Consolidated statements of income--Three months ended November 30, 1994 and 1993.	4
Consolidated statements of cash flows--Three months ended November 30, 1994 and 1993.	5
Notes to consolidated financial statements-- November 30, 1994.	6
Item 2. Management's Financial Analysis	7

PART II. OTHER INFORMATION  
-----

Item 4. Submission of Matters to a Vote of Security Holders	8
Item 6. Exhibits and Reports on Form 8-K	8
SIGNATURES -----	9

</TABLE>

## PART I: FINANCIAL INFORMATION

&lt;TABLE&gt;

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

&lt;CAPTION&gt;

	November 30, 1994	August 31, 1994
	----- (unaudited)	----- (A)
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 54,509	\$ 53,816
Accounts receivable, less-allowance for doubtful accounts of \$6,439 and \$5,691	295,412	277,682
Inventories, at lower of cost (first-in, first-out) or market:		
Raw materials and component parts	153,023	143,766
Work in process	75,048	67,771
Finished goods	379,617	347,031
	-----	-----
Total inventories	607,688	558,568
Other current assets	29,377	22,777
	-----	-----
Total current assets	986,986	912,843
	-----	-----
Property, plant and equipment, at cost	858,388	830,660
Accumulated depreciation	(407,321)	(386,494)
	-----	-----
Property, plant and equipment, net	451,067	444,166
	-----	-----
Marketable securities	112,606	115,549
	-----	-----
Other assets	102,109	104,848
	-----	-----
Total assets	\$1,652,768	\$1,577,406
	=====	=====

&lt;/TABLE&gt;

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&lt;CAPTION&gt;

## LIABILITIES AND SHAREHOLDERS' EQUITY

&lt;S&gt;

&lt;C&gt;

&lt;C&gt;

Current liabilities:		
Notes payable to banks	\$ 4,611	\$ 8,712
Current portion of long-term debt	2,108	2,285
Accounts payable, trade	164,223	168,175
Accrued taxes on income	48,754	43,439
Accrued liabilities	199,729	202,684
	-----	-----
Total current liabilities	419,425	425,295
	-----	-----
Long-term debt	342,317	297,307
	-----	-----
Deferred income taxes	56,211	55,833
	-----	-----
Shareholders' equity:		
Preferred stock, without par value:		
Authorized 1,000,000 shares, issued none	-	-
Common stock, \$1 par value:		
Authorized 150,000,000 shares,		
issued 59,621,449 and 59,354,461	59,621	59,354
Capital in excess of par value	329,899	329,521
Retained earnings	476,119	452,550
Foreign currency translation adjustment	(27,829)	(39,459)
Treasury stock, at cost, 270,264 shares	(2,995)	(2,995)
	-----	-----
Total shareholders' equity	834,815	798,971
	-----	-----
Total liabilities and shareholders' equity	\$1,652,768	\$1,577,406
	=====	=====

</TABLE>

See notes to consolidated financial statements.

(A) The balance sheet at August 31, 1994 has been derived from the audited financial statements at that date.

<TABLE>

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

<CAPTION>

Three Months Ended  
November 30,  
-----

	1994	1993
	-----	-----
<S>	<C>	<C>
Net sales	\$600,615	\$499,264
Cost of goods sold	424,556	354,164
	-----	-----
Gross profit on sales	176,059	145,100
Selling and administrative expenses	126,298	108,066
	-----	-----
Income from operations	49,761	37,034
	-----	-----
Interest expense	(6,545)	(4,535)
Interest income	3,543	2,920
	-----	-----
Interest expense, net	(3,002)	(1,615)
	-----	-----
Income before taxes	46,759	35,419
Provision for taxes	14,963	11,334
	-----	-----
Income before cumulative effect of accounting change	31,796	24,085
Cumulative effect of accounting change	-	2,583
	-----	-----
Net income	\$31,796	\$ 26,668
	=====	=====
Average shares outstanding	59,321	58,881
	=====	=====
Per share data:		
Income before accounting change	\$0.54	\$0.41
Cumulative effect of accounting change	-	0.04
	-----	-----
Net income	\$0.54	\$0.45
	=====	=====
Cash dividends per share	\$0.19	\$0.175
	=====	=====

</TABLE>

See notes to consolidated financial statements.

<TABLE>

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

<CAPTION>

	Three Months Ended November 30,	
	1994	1993
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$31,796	\$26,668
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,732	16,180
Cumulative effect of change in accounting	-	(2,583)
Changes in assets and liabilities, excluding acquisitions' balance sheets:		
Accounts receivable	(11,803)	(2,659)
Inventories	(40,780)	(24,595)
Other current assets	(5,499)	(3,064)
Accounts payable	(7,353)	(4,172)
Taxes on income	6,737	(7,387)
Accrued liabilities	(7,317)	8,698
Other	338	5,910
	-----	-----
Cash (used for) provided by operating activities	(15,149)	12,996
	-----	-----
Cash flows from financing activities:		
Long-term and short-term borrowings	80,949	125,654
Long-term and short-term repayments	(41,698)	(43,597)
Proceeds from common stock issuances	635	1,781
Dividends paid	(11,266)	(10,300)
	-----	-----
Cash provided by financing activities	28,620	73,538
	-----	-----
Cash flows from investing activities:		
Capital expenditures, net	(17,892)	(14,365)
Purchases of marketable securities	2,943	(1,702)
Net assets of businesses acquired	(393)	(54,847)
	-----	-----
Cash used for investing activities	(15,342)	(70,914)
	-----	-----
Impact of changes in foreign currency translation on cash	2,564	(323)
	-----	-----
Increase in cash and cash equivalents	693	15,297
Cash and cash equivalents at beginning of period	53,816	28,572
	-----	-----

Cash and cash equivalents at end of period	\$54,509	\$43,869
	=====	=====

</TABLE>

See notes to consolidated financial statements.

ECHLIN INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. General:

- -----

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement have been included. Operating results for the three-month period ended November 30, 1994 are not necessarily indicative of the results that may be expected for the year ending August 31, 1995. For further information, refer to the consolidated financial statements and footnotes thereto included in the company's Annual Report on Form 10-K for the year ended August 31, 1994.

NOTE 2. Business Combinations:

- -----

During October, 1994 the company acquired the outstanding common stock of the Theodore Bargman Company, an Indiana based manufacturer of lighting products, electrical connectors and hardware for recreational vehicles and mobile homes, by issuing 217,428 shares of Echlin Inc. common stock. The transaction has been accounted for as a pooling of interests and as a result the financial statements for the three months ended November 30, 1994 include Bargman's results of operations. Since the acquisition did not have a material impact on the company, prior years' results have not been restated.

NOTE 3. Subsequent Event:

- -----

During December, 1994 the company purchased the common stock of Preferred Technical Group International, Inc. (PTG), based in Rochester Hills, Michigan, for approximately \$190 million. PTG manufactures coupled hose assemblies for motor vehicle brake, power steering, air conditioning and



heating systems, and extruded plastic for automobile, truck and industrial applications. The acquisition was accounted for by the purchase method.

6

ECHLIN INC.  
MANAGEMENT'S FINANCIAL ANALYSIS

Results of Operations:

Net sales for the first three months of fiscal 1995 increased \$101,351,000 or 20.3 percent as compared to the same period a year ago. This growth is largely attributable to higher unit volume and the impact of recent acquisitions. Domestic comparable operations net sales increased 7.5 percent while foreign comparable operations increased 20.1 percent. These favorable results primarily relate to unit volume growth as the demand for replacement parts continues to be strong in most markets. Our automotive brake and international businesses provided the strongest improvements this quarter. The results were also positively impacted by the weakening of the U.S. dollar in relation to the British pound and German mark.

The percentage of gross profit to sales for the quarter increased to 29.3 percent from 29.1 percent due primarily to higher domestic production levels.

Selling and administrative expenses increased \$18,232,000 or 16.9 percent over the prior year. Expenses as a percentage of sales declined favorably to 21.0 percent from 21.6 percent a year ago. The dollar increase is attributable to the higher sales volume and expense levels generated by acquisitions.

Net interest expense increased \$1,387,000 over the previous year primarily due to higher average interest rates and debt levels.

Net income for the quarter ended November 30, 1993 included income of \$2,583,000, which represented the cumulative effect of adopting the provisions of FAS 109, "Accounting for Income Taxes."

Liquidity and Sources of Capital:

During the first three months of fiscal 1995, operations used \$15,149,000 of cash vs. the prior year when operations provided \$12,996,000 of cash. This year, the increase in net income was offset by larger cash outflows reflecting changes in working capital items, primarily accounts receivable and inventory. Accounts

receivable were higher due to the growth in sales. Inventory levels are being increased in anticipation of higher demand for our products during the second half of the fiscal year.

The debt level at November 30, 1994 increased \$40,732,000 from year-end primarily due to working capital requirements and funding of current-year capital expenditures. Total debt as a percentage of total capital was 29 percent at November 30, 1994 as compared to 28 percent at August 31, 1994.

7

ECHLIN INC.  
PART II: OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

-----  
The Annual Meeting of Shareowners was held on December 15, 1994, for the purpose of electing twelve Directors of the company, approving the Echlin Inc. Performance Unit Plan, and approving the designation of Price Waterhouse LLP as independent accountants for fiscal 1995. All of the company's nominees for directors as listed in the proxy statement were elected. The vote for each nominee was as follows:

<TABLE>

<CAPTION>

	Shares voting "For" -----	Shares "Withheld" -----
<S>	<C>	<C>
D. Allan Bromley	51,675,653	501,506
John F. Creamer, Jr.	51,618,151	559,008
Milton P. DeVane	51,601,831	575,328
John E. Echlin, Jr.	51,704,993	472,166
C. Scott Greer	51,628,480	548,679
John F. Gustafson	51,695,305	481,854
Donald C. Jensen	51,701,088	476,071
Trevor O. Jones	51,623,031	554,128
Frederick J. Mancheski	51,622,349	554,810
Phillip S. Myers	51,614,919	562,240
Frank R. O'Keefe	51,682,007	495,152
Jerome G. Rivard	51,624,718	552,441

</TABLE>

The proposal for the approval of the Echlin Inc. Performance Unit Plan was adopted. The proposal received 48,417,880 "For" votes, 2,483,842 "Against" votes and 1,077,171 abstentions.

The proposal for the approval of Price Waterhouse LLP was adopted. The proposal received 52,077,721 "For" votes, 36,494 "Against" votes and 62,944 abstentions.

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

-----  
During the quarter ended November 30, 1994 the company did not file any reports on Form 8-K. On January 3, 1995 the company did file a Form 8-K concerning the acquisition of Preferred Technical Group International, Inc.

8

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Echlin Inc.

Date: January 11, 1995

/s/ Richard A. Wisot

-----  
Richard A. Wisot  
Vice President and  
Controller

Date: January 11, 1995

/s/ Jon P. Leckerling

-----  
Jon P. Leckerling  
Vice President, General



<TABLE> <S> <C>

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This schedule contains financial information extracted from the company's SEC Form 10-Q for the quarterly period ended November 30, 1994 and is qualified in its entirety by reference to such financial statements.

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