

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-12** | Period of Report: **1993-11-28**  
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FILER

**AMCAST INDUSTRIAL CORP**

CIK: **27425** | IRS No.: **310258080** | State of Incorporation: **OH** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **001-09967** | Film No.: **94501134**  
SIC: **3320** Iron & steel foundries

Business Address  
7887 WASHINGTON VILLAGE  
DR  
KETERING OH 45459  
5132987000

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

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

For the quarter ended November 28, 1993  
 -----Commission File Number 0-947  
 -----A M C A S T I N D U S T R I A L C O R P O R A T I O N  
 -----

(Exact name of registrant as specified in its charter)

Ohio  
 -----31-0258080  
 -----

(State of Incorporation)

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

7887 Washington Village Drive, Dayton, Ohio  
 -----45459  
 -----

(Address of principal executive offices)

(Zip Code)

(Area Code 513) 291-7000  
 -----

(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 and 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X  
 -----No  
 -----

Number of Common Shares outstanding, no par value, as of November 28, 1993 -  
 8,396,519 shares.

## I N D E X

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## PART I - FINANCIAL INFORMATION

AMCAST INDUSTRIAL CORPORATION  
CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL CONDITION  
(dollars in thousands)

&lt;CAPTION&gt;

ASSETS	November 28 1993	August 31 1993
-----	-----	-----
<S>	(unaudited)	(audited)
	<C>	<C>
Current Assets		
Cash	\$ 361	\$ 2,251
Accounts receivable	40,001	33,764
Inventories:		
Finished products	19,041	18,008
Work-in-process	9,817	10,099
Raw materials and supplies	7,072	6,465
	-----	-----
	35,930	34,572
Other current assets	4,492	4,326
	-----	-----
Total current assets	80,784	74,913
Property, Plant and Equipment	136,237	134,621
Less allowances for depreciation	(67,392)	(64,412)
	-----	-----
	68,845	70,209
Net Assets of Discontinued Operation	21,000	19,980
Other Assets	11,127	11,435
	-----	-----
	\$181,756	\$176,537
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
-----		
Current Liabilities		
Accounts payable	\$ 18,074	\$ 18,050
Current portion of notes payable	6,017	4,356
Accrued expenses, compensation and related items and other current liabilities	16,781	16,410
	-----	-----
Total current liabilities	40,872	38,816
Long-Term Debt--Less Current Portion	16,991	17,929
Deferred Income Taxes	2,394	1,897
Deferred Liabilities	20,749	18,975
Shareholders' Equity		
Preferred shares, without par value:		
Authorized--1,000,000 shares		
Issued--None		
Common shares, at stated value:		
Authorized--15,000,000 shares		
Issued--8,397,522 shares		
(8,383,342 at August 31, 1993)	8,398	8,383
Capital in excess of stated value	62,150	62,047
Retained earnings	30,225	28,577
Less cost of 1,003 shares		
(3,863 at August 31, 1993)		
in treasury	(23)	(87)
	-----	-----
	100,750	98,920
	-----	-----
	\$181,756	\$176,537
	=====	=====

<FN>

See notes to consolidated condensed financial statements.

</TABLE>

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<TABLE>

AMCAST INDUSTRIAL CORPORATION  
 CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
 AND RETAINED EARNINGS  
 (dollars in thousands except per share amounts)  
 (unaudited)

<CAPTION>

	Three Months Ended	
	November 28 1993	November 29 1992
<S> Consolidated Condensed Statements of Operations	<C>	<C>
Net sales	\$60,328	\$53,074
Cost of sales	47,693	41,408
Gross profit	12,635	11,666
Selling, general and administrative expenses	7,973	7,552
Interest expense	436	345
Other income	(2)	(73)
	8,407	7,824
Income before income taxes	4,228	3,842
Income taxes	1,543	1,383
Income before cumulative effect of a change in accounting principle	2,685	2,459
Cumulative effect of change in accounting for postretirement benefits other than pensions, net of taxes		(3,942)
Net Income	\$ 2,685	\$ (1,483)
Consolidated Condensed Statements of Retained Earnings		
Beginning retained earnings	\$28,577	\$24,695
Net income	2,685	(1,483)
Less dividends	(1,008)	(998)
Other	(29)	(156)

Ending Retained Earnings

-----  
\$30,225  
=====

-----  
\$22,058  
=====

Per Share Information

Income per share:

Before change in accounting

\$ .32

\$ .30

Cumulative effect of change in accounting

(.47)

Net income per share

-----  
\$ .32  
=====

-----  
\$ (.17)  
=====

Dividends declared per share

\$ .12  
=====

\$ .12  
=====

Dividends paid per share

\$ .12  
=====

\$ .12  
=====

<FN>

See notes to consolidated condensed financial statements.

</TABLE>

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<TABLE>

AMCAST INDUSTRIAL CORPORATION  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(dollars in thousands)  
(unaudited)

<CAPTION>

Three Months Ended

November 28  
1993

November 29  
1992

<S>

Operating Activities:

Net income (loss)

\$ 2,685

\$ (1,483)

Depreciation and amortization

3,265

2,967

Cumulative effect of change in  
accounting principle

6,159

Deferred liabilities

2,271

(2,711)

Other

25

-----  
8,246

-----  
4,932

Changes in assets and liabilities:

- Receivables

(6,237)

(2,502)

- Inventories

(1,358)

(3,244)

- Prepaid expenses

(166)

(298)

- Prepaid pension costs	167	147
- Other assets	(69)	(371)
- Accounts payable	24	(3,918)
- Accrued liabilities	371	1,623
	-----	-----
Net Cash Provided (Used) By Operating Activities	978	(3,631)
Investing Activities:		
Discontinued operation	(1,020)	584
Additions to plant and equipment, net	(1,716)	(3,209)
	-----	-----
Net Cash Used By Investing Activities	(2,736)	(2,625)
Financing Activities:		
Additions to long-term debt	2,000	8,500
Proceeds from exercise of stock options	182	212
Reduction in long-term debt	(2,938)	(4,465)
Short-term borrowings and current portion of notes payable	1,661	3,500
Dividends	(1,008)	(998)
Other	(29)	(166)
	-----	-----
Net Cash (Used) Provided By Financing Activities	(132)	6,583
	-----	-----
Net Change In Cash	(1,890)	327
Cash at Beginning of Period	2,251	3,140
	-----	-----
Cash at End of Period	\$ 361	\$ 3,467
	=====	=====

<FN>

See notes to consolidated condensed financial statements.

</TABLE>

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AMCAST INDUSTRIAL CORPORATION  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(dollars in thousands except share amounts)  
(unaudited)

Note A - Preparation of Financial Statements  
-----

The consolidated condensed financial statements include the accounts of the Amcast Industrial Corporation and subsidiaries (the "Company"). Intercompany transactions have been eliminated. All adjustments, consisting of only normally recurring accruals, necessary for a fair presentation have been included. Prior year amounts have been restated due to the adoption of the Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions".

Note B - Accounts Receivable

-----

Accounts receivable are stated net of allowances for doubtful accounts of \$185 at November 28, 1993 and \$172 at August 31, 1993.

Note C - Inventories

-----

Certain inventories are presented net of the appropriate LIFO reserve.

Note D - Other Assets

-----

The major components are:

<TABLE>  
<CAPTION>

	November 28 1993	August 31 1993
	-----	-----
<S>	<C>	<C>
Properties held for sale	\$ 553	\$ 579
Technical and product programs	2,013	2,200
Goodwill	2,839	2,860
Prepaid pension costs	432	599
Other assets and deferred charges	5,290	5,197
	-----	-----
	\$11,127	\$11,435
	=====	=====

</TABLE>

Note E - Deferred Liabilities

-----

Deferred liabilities include the noncurrent portion of retirement, compensation, medical benefits, and estimated future payouts under the Company's self-insured workers' compensation program. These liabilities primarily relate to the Company's provisions for restructuring operations, a discontinued operation and postretirement benefits. Significant related noncurrent liabilities at November 28, 1993 and August 31, 1993 respectively, were: medical - \$3,000 and \$3,100; workers' compensation - \$900 and \$1,000; disposition of operations - \$5,600 and \$5,600; postretirement benefits other than pensions were \$6,200 and \$6,200. These accruals are not deductible for income tax purposes until paid and are accounted for as temporary differences in the Company's tax provision.

Note F - Long-Term Debt

-----



The following table summarizes the Company's borrowings:

<TABLE>  
<CAPTION>

	November 28 1993	August 31 1993
	-----	-----
<S>	<C>	<C>
Senior notes	\$13,821	\$14,696
Industrial revenue bonds	7,187	7,589
Lines of credit -- note payable	2,000	
	-----	-----
Total Obligations	23,008	22,285
Less current portion of notes payable	6,017	4,356
	-----	-----
	\$16,991	\$17,929
	=====	=====

</TABLE>

Note G - Income Taxes

- -----

The estimated effective tax rates are 36.5% and 36.0% for the first quarters of 1994 and 1993, respectively.

Note H - Net Income Per Share

- -----

For the first quarter of 1994 and 1993, the weighted average number of common shares used to calculate income per share was 8,389,570 and 8,311,011, respectively.

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<TABLE>

PART I - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

- -----

Results by Business Segment (unaudited)

- -----

(dollars in thousands)

<CAPTION>

Three Months Ended	
November 28	November 29
1993	1992
-----	-----

<S>	<C>	<C>
Net Sales		
-----		
Flow Control Products	\$25,861	\$25,066
Engineered Components	34,467	28,008
	-----	-----
	\$60,328	\$53,074
	=====	=====
Income Before Taxes		
-----		
Flow Control Products	\$ 4,106	\$ 3,040
Engineered Components	2,045	2,280
Corporate Expense	(1,487)	(1,133)
Interest Expense	(436)	(345)
	-----	-----
	\$ 4,228	\$ 3,842
	=====	=====

</TABLE>

Net sales of \$60.3 million in the current quarter ended November 28, 1993 increased 13.7% from the prior year first quarter. Flow Control Products' sales increased slightly to \$25.9 million. Engineered Components' sales rose 23.1% to \$34.5 million primarily due to a strong demand for aluminum wheels.

Gross profit for the first quarter of fiscal 1994 and 1993 was \$12.6 million and \$11.7 million, respectively. The increase in gross profit was primarily attributable to the increase in sales. Gross profit as a percent of sales for the first quarter of 1994 was 20.9% compared to 22.0% in 1993. This decrease is primarily due to additional fixed costs of underutilized new plants.

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#### AMCAST INDUSTRIAL CORPORATION

#### PART I - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED

Selling, general and administrative expenses for the first quarter of \$8.0 million, were 5.6% higher than the first quarter 1993. The increase was primarily related to higher expenditures in support of new product development.

In the current quarter, interest expense was \$.4 million, compared to \$.3 million in the first quarter of fiscal 1993. No interest was capitalized in the current quarter. In the first quarter of 1993, interest totaling \$.2 million was capitalized as part of the start-up cost for two new facilities.

Flow Control Products operating income in the first quarter of \$4.1 million was higher by 35.1% from the prior comparable period as a result of improved margins for plumbing products and lower administrative expenses. Engineered Components' operating income of \$2.0 million decreased 10.3% when compared to the first quarter of 1993 due to underutilization of new plants and increased

sales of lower margin products.

#### Capital Resources and Liquidity

-----

In the current quarter, net cash provided by operations was \$1.0 million compared to cash used by operations of \$3.6 million for the first three months of fiscal 1993. In 1994, cash provided by net income, depreciation and amortization was partially offset by an increase in working capital of \$7.4 million. In the prior year, cash provided by net income, depreciation and amortization was more than offset by an \$8.3 million increase in working capital.

Capital expenditures were \$1.7 million and \$3.2 million for the three-month period of fiscal 1994 and 1993, respectively. At November 28, 1993, the Company had \$2.6 million of commitments for additional capital expenditures primarily for the Engineered Components segment.

Long-term debt was 14.4% of total capital at November 28, 1993 and 15.3% at August 31, 1993. The decrease during the period is due to lower debt levels and increased retained earnings.

The Company may borrow up to \$40 million under a Revolving Credit Agreement which expires September 1, 1997. In addition, the Company maintains bank lines of credit under which it may borrow up to \$25 million. At November 28, 1993, there were no borrowings under the Revolving Credit Agreement and \$2.0 million outstanding under the bank lines of credit. The Company considers these external sources of funds, together with funds generated from operations, to be adequate to meet operating needs.

Effective August 31, 1992, the Company's Board of Directors approved a plan for the divestiture of the Stanley G. Flagg & Co. division (Flagg), a manufacturer of iron and brass pipe fittings, previously reported as part of the Flow Control Products segment. This action was prompted by

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#### AMCAST INDUSTRIAL CORPORATION

#### PART I - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED

unprofitable operations that were plagued by industry over capacity and weak demand in the iron pipe fittings product line. The Company made a pretax provision of \$22 million based on the expected proceeds of this divestiture. The Company has pursued the sale of the ongoing business with several potential buyers. At November 28, 1993, the Company had not entered into a formal sales agreement.

Subsequent to the end of the quarter, the company entered into an agreement for the sale of certain assets of the iron fittings portion of the Flagg business. This transaction is presently scheduled to be closed in late January of 1994.

The Company is involved in a number of environmental clean-ups and has been named by the United States Environmental Protection Agency and various state

agencies as one of several parties potentially liable for clean-ups at various sites. The Company cannot predict the outcome of any action or proceeding, and future environmental related expenditures cannot be reasonably quantified due to the speculative nature of remediation and clean-up cost estimates and methods, the imprecise and conflicting data regarding the characteristics of various types of waste, the unknown number of other potentially responsible parties (PRP's) involved, the level of responsibility of any PRP, the extent to which such costs may be recoverable from insurance, and changing environmental laws and interpretations. While the Company could be found to be jointly and severally liable at a number of these sites, the Company believes that the liability, if any, resulting from all such matters in the aggregate will not have a material adverse effect on the Company's consolidated financial condition. Refer to Item 1, Part II of this report.

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## AMCAST INDUSTRIAL CORPORATION

### PART II - OTHER INFORMATION

#### Item 1 - Legal Proceedings

- - - - -

The Company is subject to a range of federal, state and local laws and regulations governing the discharge of material into the environment or otherwise relating to the protection of the environment. The Company periodically makes capital expenditures to meet the requirements of these laws and regulations; however, the Company believes that the anticipated expenditures for such purposes in the foreseeable future will not be material to its financial position or its competitive position.

The Company, as is normal for the industry in which it operates, is subject to periodic environmental site investigations and inquiries. The Company has been identified as a "potentially responsible party" by various state agencies and by the United States Environmental Protection Agency under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, for costs associated with eight multi-party "superfund" sites and two state environmental remediation sites. While the Company could be found jointly and severally liable at a number of these sites, the Company, in each case, is contesting any responsibility or believes that its liability will not be material because of the nature of the waste involved or the limited amount of waste generated by the Company which was allegedly disposed of at the site. With respect to one such site (located in Ironton, Ohio), another potentially responsible party has brought an action seeking contribution from the Company for a portion of the total response and remediation costs, which the plaintiff has claimed may exceed \$20 million. The Company believes that its ultimate equitable share, if any, of any liability for clean-up costs at the site will not be material.

The Company also is a defendant in a lawsuit brought by Public Research Group, Inc. which alleges that the zinc content of the waste water discharged at the Company's Stowe, Pennsylvania facility exceeded the levels allowed under the applicable permit during the period from October 1984 through October 1988. The suit seeks injunctive relief and the assessment of penalties; however, the Company believes that injunctive relief is inappropriate because the discharge currently is in compliance with the permit. The Company has provided in its

financial statements a reserve based on its estimate of possible penalties and believes that such reserve is adequate. In a related case, the plaintiffs objected to certain provisions of a waste water discharge permit issued with response to the Stowe facility in 1991. The permit has been remanded for modification and reissuance. While the modified permit has not yet been issued, the Company believes that it will be able to meet any additional requirements of the permit without incurring material additional expenditures.

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

- a) Exhibits -- None.
- b) Reports on Form 8-K--No reports on Form 8-K were filed by the Company during the quarter ended November 28, 1993.

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AMCAST INDUSTRIAL CORPORATION

S I G N A T U R E S

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.

AMCAST INDUSTRIAL CORPORATION  
-----

(Registrant Company)

Date: January 12, 1994  
-----

By: /s/L. W. Ladehoff  
-----

Leo W. Ladehoff, Chairman, and  
Chief Executive Officer

Date: January 12, 1994  
-----

By: /s/J. H. Shuey  
-----

John H. Shuey, President and  
Chief Operating Officer  
(principal financial and accounting officer)

Date: January 12, 1994  
-----

By /s/W. L. Bown  
-----

William L. Bown, Vice President and Controller

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