

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**  
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### FILER

#### **NATIONAL STANDARD CO**

CIK: **70564** | IRS No.: **381493458** | State of Incorporation: **DE** | Fiscal Year End: **0930**  
Type: **10-Q** | Act: **34** | File No.: **001-03940** | Film No.: **94527883**  
SIC: **3310** Steel works, blast furnaces & rolling & finishing mills

Mailing Address  
1618 TERMINAL RD  
NILES MI 49120

Business Address  
1618 TERMINAL RD  
NILES MI 49120  
6166838100

(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the period ended March 31, 1994  
(Mark One)  
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 1-3840

National-Standard Company  
(Exact name of registrant as specified in its charter)  
Indiana 38-1493458  
(State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)  
1618 Terminal Road, Milwau, Michigan 49120  
(Address of principal executive offices) (Zip Code)  
(616) 683-8100  
(Registrant's telephone number, including area code)  
Not applicable  
(Former name, former address and former fiscal year,  
if changed since last report.)

Indicate by check mark whether 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.  
[X] Yes [ ] No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  
[ ] Yes [ ] 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 Each Class Shares Outstanding at April 28, 1994  
Common Stock, \$ .01 par value 5,365,638

Part I. FINANCIAL INFORMATION

National-Standard Company and Subsidiaries  
Consolidated Statements of Operations (Unaudited)  
(\$000, Except Per Share Amounts)

(TABLE) (CAPTION)	Three Months Ended		Six Months Ended	
	March 31	March 31	March 31	March 31
<<	1994	1993	1994	1993
Net Sales	\$ 58,051	\$ 55,905	\$10,293	\$106,846
Cost of sales	51,918	49,384	96,903	93,441
Gross profit	6,133	7,521	11,390	13,405
Selling and administrative expenses	4,702	5,061	13,626	10,506
Operating income (loss)	1,431	1,840	(2,246)	2,899
Interest expense	(902)	(1,054)	(1,801)	(2,100)
Other income (expense), net	313	(204)	204	(111)
Income (loss) before income taxes and effect of accounting change	642	580	(3,843)	688
Income taxes	31	17	64	17
Net income (loss) before effect of accounting change	611	563	(3,907)	671
Effect of accounting change	-	-	-	(48,676)
Net loss	\$ 611	\$ 563	\$ (3,907)	\$ (48,005)
Income (loss) per share before effect of accounting change	\$ .11	\$ .11	\$ (.73)	\$ .14
Loss per share	\$ .11	\$ .11	\$ (.73)	\$ (9.97)
Dividends per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Average shares outstanding	5,367,064	5,223,642	5,364,455	4,813,437

See accompanying notes to financial statements.

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National-Standard Company and Subsidiaries  
Consolidated Balance Sheets  
(\$000)

(TABLE) (CAPTION)	March 31, 1994		September 30, 1993	
	(Unaudited)			
<<	<<	<<	<<	<<
Assets				
Current assets:				
Cash	\$ 4,815	\$ -	\$ 339	\$ 24,842
Receivables, net	23,249			
Raw material	\$ 9,426	\$ 8,977		
Work-in-process	32,323	31,896		
Finished goods	1,509	1,488		
Supplies	2,512	24,770	58	24,619
Prepaid expenses	3,899	58	3,477	
Other current assets	783	607		
Total current assets	\$ 57,566	\$ 53,904		
Property, plant and equipment	\$148,894	\$148,798		
Less accumulated depreciation	110,024	38,870	107,239	41,559
Other assets	9,384		8,513	
Liabilities and Stockholders' Equity	\$105,820	\$103,976		
Current liabilities:				
Accounts payable	\$ 31,751	\$ 31,342		
Employee compensation and benefits	2,462	2,073		
Accrued pension	562	566		
Other accrued expenses	10,195	7,278		
Current accrued postretirement benefit cost	6,150	6,150		
Notes payable to banks and current portion of long-term debt	35,140	8,994		
Total current liabilities	\$ 84,210	\$ 53,943		
Other long-term liabilities	5,316	5,481		
Long-term debt	5	24,100		
Accrued postretirement benefit cost	45,279	45,279		
Stockholders' equity:				
Common stock \$ .01 par value. Authorized 25,000,000 shares; issued 5,374,526 and 5,148,028 shares, respectively	\$ 27,000	\$ 26,932		
Retained deficit	(52,482)	(48,574)		
	\$105,820	\$103,976		
Less: Foreign currency translation adjustments	2,773	2,425		
Stocks receivable ESOY common stock	-	17		
Unamortized value of restricted stock	92	42		
Treasury stock, at cost, 10,288 shares	79	67		
Excess of additional pension liability over unrecognized prior service cost	634 (23,040)	634 (24,257)		
	\$105,820	\$103,976		

See accompanying notes to financial statements.

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National-Standard Company and Subsidiaries  
Consolidated Statements of Cash Flows (Unaudited)  
(\$000)

(TABLE) (CAPTION)	Six Months Ended	
	March 31	
<<	<<	<<
Net cash provided by operating activities	\$ 4,356	\$ 3,974
Investing Activities:		
Capital expenditures	(2,147)	(1,397)
Proceeds from sales of operations	-	2,037
Net cash provided by (used for) investing activities	(2,147)	640
Financing Activities:		
Increase (decrease) in debt	2,262	(5,181)
Other	5	559
Net cash used for financing activities	2,267	(4,622)
Net increase (decrease) in cash	4,476	(8)
Beginning cash	339	1,417
Ending cash	\$ 4,815	\$ 1,409
Supplemental Disclosures:		
Interest paid	\$ 1,070	\$ 1,403
Income taxes paid	\$ 55	\$ -

See accompanying notes to financial statements.

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National-Standard Company and Subsidiaries  
Notes to Consolidated Financial Statements

- In the opinion of management, all adjustments necessary for a fair statement of the financial statements for the interim periods included herein have been made. All such adjustments are of a normal recurring nature.
- The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the 1993 National-Standard Company Form 10-K Annual Report.
- The results of operations for the six-month period ended March 31, 1994 are not necessarily indicative of the results to be expected for the full year.
- During the fourth quarter of 1993, the Company adopted Statement of Financial Accounting Standards No. 104, "Employers' Accounting for Postretirement Benefits Other Than Pensions," retroactive to the beginning of 1993. The results of operations for the six-month period ended March 31, 1993 have been restated to reflect the effect of the change in the accounting method.

National-Standard Company and Subsidiaries

Results of Operations

Net sales for the three and six months ended March 31, 1994 increased 3.81 and 3.29, respectively, over the same periods last year. Gross margin percentages were 15.45 and 15.37, respectively, for the current three- and six-month periods compared to 13.38 and 12.55, respectively, for the same periods last year.

The Company continues to experience an increase in demand for most of its product lines. Continued strengthening in the air bag and rechargeable battery materials business resulted in six-month sales of these products increasing 50% over the comparable period last year. Wire sales and gross margins for the current three- and six-month periods continue to be adversely affected by the continuing work stoppage at the Columbiana, Alabama wire coating facility. Additional costs incurred to meet customer commitments were in excess of \$1.1 million and \$2.6 million in the current three- and six-month periods, respectively. The Company announced during the first quarter that it anticipates the Columbiana facility will close by June 1994. The facility continues to operate with supervisory personnel and replacement workers. The Company has taken a \$4.9 million charge to earnings, as reflected in the quarter of 1994 selling and administrative expenses, for costs associated with the potential close of the Columbiana facility and relocation of a portion of its head and hose wire production capacity to other National-Standard facilities.

International operations had a loss of \$0.1 million in the current three-month period and income of \$0.2 million in the current six-month period compared to losses of \$0.1 million and \$0.4 million for the same periods last year. Operations in the United Kingdom continue to be scaled back to match current levels of market demand for the Company's products served from the United Kingdom, and results have begun to reflect this activity.

Interest expense of \$0.9 million and \$1.6 million, respectively, in the current three- and six-month periods decreased by 14.4% and 14.0%, respectively, from the same periods last year, due to the combined effect of lower interest rates and the lower level of borrowing.

The Company remains in an operating loss carryforward position in the United States, Canada, and the United Kingdom and is unable to recognize a tax benefit on losses, except to the extent it can offset tax expense on current income.

Liquidity and Capital Resources

Total bank borrowings increased \$2.2 million in the six-month period as the Company utilized its additional domestic term loan availability.

During fiscal 1993 and 1992, the Company's lenders periodically suspended the effectiveness of certain covenants.

The Company's lenders have amended and extended the Company's credit agreements until October 1, 1994. The amended agreements require maintenance of minimum net income levels through October 1, 1994, as well as compliance with certain other conditions, and provide for maximum borrowing levels based on a percentage of qualified accounts receivable and inventory.

The Company will continue to pursue cost reduction activities in both its domestic and international operations, including personnel reductions and costs associated with administering its employee benefit programs.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. None.

(b) There were no reports on Form 8-K filed for the three months ended March 31, 1994.

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.

NATIONAL-STANDARD COMPANY  
Registrant

Date May 9, 1994 /s/ M. B. Savitake  
M. B. Savitake  
President and Chief Executive Officer

Date May 9, 1994 /s/ W. D. Grafer  
W. D. Grafer  
Vice President, Finance