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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BARNES GROUP INC

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UNITED STATES
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 March 31, 1994

or

( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For transition period from ____________________
to ____________________

Commission File Number 1-4801

BARNES GROUP INC.

(a Delaware Corporation)

I.R.S. Employer Identification No. 06-0247840

123 Main Street, Bristol, Connecticut 06010

Telephone Number (203) 583-7070

Number of common shares outstanding at

May 9, 1994 - 6,321,702

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

<TABLE>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BARNES GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Three months ended March 31, 1994 and 1993

(Dollars in thousands, except per share data)

(Unaudited)

<CAPTION>

<S>	1994 <C>	1993 <C>
Net sales	$142,102	$126,996
Cost of sales	90,702	81,145
Selling and administrative expenses	42,602	40,989
Plant closings and restructurings	--	3,400
	133,304	125,534
Operating income	8,798	1,462
Other income	1,120	1,021
Interest expense	1,380	1,291
Other expenses	380	679
Income before income taxes	8,158	513
Income taxes	3,263	195
Net income	$ 4,895	$ 318
Per common share:		
Net Income	$ .78	$ .05
Dividends	.35	.35
Average common shares outstanding	6,296,121	6,224,967

<FN>

See accompanying notes.

</TABLE>

<TABLE>

BARNES GROUP INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

<CAPTION>

ASSETS	March 31, 1994	December 31, 1993
<S>	<C>	<C>
Current assets		
Cash and cash equivalents	$ 18,048	$ 24,129
Accounts receivable, less allowances (1994 - $2,430; 1993 - $2,217)	91,202	77,651
Inventories		
Finished goods	25,404	25,527
Work-in-process	14,273	17,117
Raw materials and supplies	7,539	7,847
	47,216	50,491
Deferred income taxes and prepaid expenses	17,028	16,469
Total current assets	173,494	168,740
Deferred income taxes	22,349	22,277
Property, plant and equipment	261,902	256,606
Less accumulated depreciation	157,474	153,563
	104,428	103,043
Goodwill, net	21,054	21,201

Other assets	17,645	18,035
	--------	--------
	$338,970	$333,296
	========	========

<FN>

See accompanying notes.

</TABLE>

<TABLE>

BARNES GROUP INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1994	December 31, 1993
<S>	<C>	<C>
Current liabilities		
Notes and overdrafts payable	$ 15,837	$ 10,553
Accounts payable	27,853	27,165
Accrued liabilities	38,720	42,003
Guaranteed ESOP obligation - current	2,048	2,008
	--------	--------
Total current liabilities	84,458	81,729
Long-term debt	70,000	70,000
Guaranteed ESOP obligation	11,520	12,011

Deferred income taxes and other liabilities	12,608	12,369
Accrued retirement benefits	66,095	65,338
Stockholders' equity		
Common stock - par value $1.00 per share		
Authorized: 20,000,000 shares		
Issued: 7,345,923 shares stated at	15,737	15,737
Additional paid-in capital	28,526	28,745
Retained earnings	110,405	107,668
Foreign currency translation adjustments	(7,634)	(6,464)
Treasury stock at cost, 1994 - 1,035,830 shares 1993 - 1,052,440 shares	(39,177)	(39,818)
	--------	--------
	107,857	105,868
Guaranteed ESOP obligation	(13,568)	(14,019)
	--------	--------
	94,289	91,849
	--------	--------
	$338,970	$333,296
	========	========

<FN>

See accompanying notes.

</TABLE>

<TABLE>

BARNES GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months ended March 31, 1994 and 1993
(Dollars in thousands)
(Unaudited)

<CAPTION>

<S>	1994 <C>	1993 <C>
Operating Activities		
Net income	$ 4,895	$ 318
Adjustments to reconcile net income to		

net cash from operating activities:		
Depreciation and amortization	6,545	6,120
Gain on sale of property, plant and equipment	(9)	(33)
Translation losses	316	309
Changes in operating assets and liabilities:		
Accounts receivable	(13,256)	(7,638)
Inventories	2,999	(1,822)
Accounts payable and accrued liabilities	(3,217)	450
Deferred income taxes	13	(1,103)
Other liabilities and assets	329	(929)
	-------	-------
Net Cash Used by Operating Activities	(1,385)	(4,328)
Investing Activities		
Proceeds from sale of property, plant and equipment	933	325
Capital expenditures	(7,322)	(5,558)
Other	(931)	(746)
	-------	-------
Net Cash Used by Investing Activities	(7,320)	(5,979)
Financing Activities		
Net increase (decrease) in notes and overdrafts payable	5,284	(4,947)
Proceeds from the issuance of common stock	393	381
Dividends paid	(2,203)	(2,179)
	-------	-------
Net Cash Provided (Used) by Financing Activities	3,474	(6,745)
Effect of exchange rate changes on cash flows	(850)	(151)
	-------	-------
Decrease in cash and cash equivalents	(6,081)	(17,203)
Cash and cash equivalents at beginning of period	24,129	39,068
	-------	-------
Cash and cash equivalents at end of period	$18,048	$21,865
	=======	=======

<FN>

See accompanying notes.

</TABLE>

Notes to Condensed Consolidated Financial Statements:

1. Summary of Significant Accounting Policies

The accompanying unaudited condensed 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. They do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. For additional information, please refer to the consolidated financial statements and footnotes included in the company's Annual Report on Form 10-K for the year ended December 31, 1993. In the opinion of management, all adjustments, including normal recurring accruals considered necessary for a fair presentation, have been included. All material, non-recurring accruals and adjustments are disclosed below. Operating results for the three-month period ended March 31, 1994 are not necessarily indicative of the results that may be expected for the year ending December 31, 1994.

2. Plant closings and restructurings

In the first quarter of 1993, the company took a pre-tax charge of $3.4 million, or 33 cents per share, related to a consolidation in its Aerospace business segment. The consolidation involved moving the Central Metals Products division from a leased facility in East Windsor, CT to owned space at the Windsor Manufacturing division in Windsor, CT and an associated reduction in the workforce. The charge also provided for a reduction in employment at its Jet Die fabrication unit.

3. Contingency

In December, 1991, the company was notified by McDonnell Douglas Corporation that McDonnell Douglas was terminating for default an $8.2 million contract with the company's Flameco division. In the fourth quarter 1992, the company wrote off $4.0 million of net assets related to this contract. The company believes it has legitimate defenses to the default claim. While no reasonable estimate of possible loss or range of loss can be made at this time, management believes that it is unlikely that the ultimate resolution of this dispute will have a material effect on future results of operations of the company. In management's opinion, the ultimate resolution of this dispute, regardless of the outcome, will not have a material effect on the financial position of the company.

Item 2. Management's Discussion and Analysis

Sales

For the first quarter 1994 net sales were $142.1 million, a gain of 12% from the 1993 level of $127.0 million. The improvement was a result of sales increases reported by the Associated Spring and Bowman Distribution groups, partially offset by a sales decline at the Aerospace group.

Associated Spring's sales in 1994 were up 18% to $67.6 million, over a strong 1993 first quarter of $57.5 million. Virtually every operating unit reported sales improvements. Sales gains were made in electronics and other industrial markets, but the strong sales performance was due primarily to increased sales of engine and transmission parts for cars and trucks.

Bowman Distribution's sales for the first quarter of 1994 rose 13% to $54.3 million from a depressed sales level of $48.1 million reported in the same 1993 period. Both Bowman U.S. and Bowman Europe reported sales increases over the prior year, and while Bowman Canada's sales in local currency increased, a weakening in the Canadian dollar exchange rate caused a small decline in sales as reported in U.S. dollars.

Barnes Aerospace reported $20.4 million of sales, a six percent decline from the first quarter of 1993 level of $21.7 million on mixed results from the group's operating units. While the machining business reported a significant sales erosion, the overhaul and repair as well as the advanced fabrications businesses, reported increased quarter over quarter sales.

Operating Income

Consolidated operating income for the first three months of 1994 was $8.8 million, compared to $1.5 million for the first quarter of 1993. The 1993 operating income includes a $3.4 million provision to cover the costs of a plant consolidation and work force reduction at Barnes Aerospace.

Excluding this charge, 1994 first quarter operating income improved 81% from the comparative 1993 period.

The Associated Spring sales volume increase contributed significantly to this improvement. Additionally, the benefits of improved manufacturing efficiencies and plant consolidations favorably impacted operating costs.

Bowman Distribution's operating income declined slightly in the first quarter of 1994 compared to the same 1993 period. The gain made in the North American market was offset by higher costs associated with the expansion of Bowman's industrial maintenance business in Europe.

Barnes Aerospace, despite the decrease in sales volume, reported first quarter 1994 operating income compared to a loss in last year's first quarter. The turnaround is partially a result of consolidating manufacturing facilities, reducing workforce levels and productivity improvements.

Non-operating Income/Expense

Interest expense in 1994 increased slightly due to increased borrowings and higher interest rates.

The decrease in other expenses in 1994 compared to 1993 was due primarily to a foreign exchange loss of $0.4 million reported in 1993 compared to a small gain in 1994 reported in other income.

Cash Flows

In the first quarter of 1994, operating activities used $1.4 million of cash. Strong earnings after adjustments for depreciation and amortization were not sufficient to offset the cash required to fund an increase in accounts receivable. Increased sales at Associated Spring and Bowman Distribution were the primary reason for the growth in accounts receivable. Net cash used by operating activities decreased substantially in 1994's first quarter when compared to 1993's. The improvement primarily reflects higher 1994 earnings.

Net cash used by investing activities increased $1.3 million in 1994 over 1993 reflecting higher levels of capital expenditures. The major driver of the capital expenditure increase is Associated Spring, which continues its strategy of investing in state-of-the-art equipment and technology to increase its productivity and product quality.

Net cash provided by financing activities in the first quarter of 1994 was $3.5 million compared to a net use of cash of $6.7 million for the same period last year. In 1994, the increase in notes and overdrafts payable funded the cash requirements of both operating and investing activities. In the first quarter of 1993, notes and overdrafts payable declined as the company utilized part of the proceeds from the sale of its Pioneer Distribution business at the end of 1992 to reduce short-term financing.

Liquidity and Capital Resources

The company's liquidity, measured in terms of working capital, increased $2.0 million to $89.0 million at March 31, 1994 from the December 31, 1993 level. The current ratio approximated 2.0 at March 31, 1994 and December 31, 1993.

The ratio of interest bearing debt to total capitalization was up slightly to 31.5% at March 31, 1994 from 30.5% at December 31, 1993. For this purpose, total capitalization is defined as total interest-bearing debt, plus deferred income taxes and other long-term liabilities, accrued retirement benefits and stockholders' equity excluding the guaranteed ESOP obligation.

The company maintains substantial bank borrowing facilities to supplement internal cash generation. At March 31, 1994, the Company had $100.0 million of borrowing capacity available under its Revolving Credit Agreement. In addition, the company maintains approximately $194.0 million in uncommitted short-term bank credit lines, of which $36.5 million was borrowed at March 31, 1994. The company believes these credit facilities coupled with cash generated from operations are adequate for its anticipated future requirements.

PART II. OTHER INFORMATION

Item 4. Submission of matters to Vote of Security Holders

(a) The Annual Meeting of the registrant's stockholders was held on

April 6, 1994. Proxies for the meeting were solicited pursuant to Regulation 14(a).

(c) (1) The stockholders approved the selection of Price Waterhouse as the company's independent auditors for 1994. The proposal was adopted as 5,438,534 shares voted for, 57,679 shares voted against, 41,005 shares abstained and there were no not voted shares.

(2) The stockholders acted upon the proposal to amend the company's 1991 Stock Incentive Plan to increase from one year to five years the termination of an optionee's options after termination of employment if termination is a result of death or disability, or if the optionee is age 55 or older upon termination; provided, however, that (a) if the optionee's employment is terminated upon the request of the company, the option may be terminated by the Compensation Committee of the Board of Directors, effective 90 days after the termination of employment, and (b) the Committee may elect a shorter termination for any specific option grant. The proposal was adopted as 4,931,912 shares voted for, 524,792 shares voted against, 80,514 shares abstained and there were no not voted shares.

(3) The stockholders defeated a proposal to limit bonus compensation to 25% of annual base salary for executive officers. The number of shares voted for the proposal was 688,532, 4,558,763 shares voted against, 139,984 shares abstained and 149,939 shares were not voted.

Item 6. Exhibits and Reports on Form 8-K

One report on Form 8-K, Item 4, Change in Certifying Accountants, was filed during the quarter ended March 31, 1994. The report was dated March 4, 1994 and addressed the proposal to stockholders to approve the selection of Price Waterhouse as the new certifying accountants at the April 6, 1994 Annual Meeting.

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.

Barnes Group Inc.
(Registrant)

Date May 12, 1994 By

John E. Besser
Senior Vice President-Finance and Law

Date May 12, 1994 By

George J. Crowley
Vice President, Controller