

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: 1995-05-10 | Period of Report: 1995-03-31
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(HTML Version on secdatabase.com)

FILER

PROVIDENCE & WORCESTER RAILROAD CO/RI/

CIK: **831968** | IRS No.: **050344399** | State of Incorpor.: **RI** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-16704** | Film No.: **95536051**
SIC: **4011** Railroads, line-haul operating

Mailing Address	Business Address
<i>PROVIDENCE & WORCESTER RAILROAD CO</i>	<i>75 HAMMOND ST</i>
<i>75 HAMMOND STREET</i>	<i>WORCESTER MA 01610</i>
<i>WORCESTER MA 01610</i>	<i>5087554000</i>

UNITED STATES
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 quarterly period ended MARCH 31, 1995

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 0-17604

PROVIDENCE AND WORCESTER RAILROAD COMPANY

(Exact name of registrant as specified in its charter)

Rhode Island

05-0344399

(State or other jurisdiction of
incorporation or organization)

I.R.S. Employer Identification No.

75 Hammond Street, Worcester, Massachusetts

01610

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (508) 755-4000

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

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

As of April 28, 1995, the registrant has 2,052,200 shares of common stock, par value \$.50 per share, outstanding.

<TABLE>

PROVIDENCE AND WORCESTER RAILROAD COMPANY
BALANCE SHEETS
MARCH 31, 1995 AND DECEMBER 31, 1994

<CAPTION>

	MARCH 31, 1995 (UNAUDITED)	DECEMBER 31, 1994
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and equivalents.....	\$ 313,000	\$ 595,000
Accounts receivable, net of allowance for doubtful accounts of \$125,000...	2,023,000	1,791,000
Materials and supplies.....	776,000	663,000
Prepaid expenses and other.....	103,000	127,000
Deferred income taxes.....	929,000	893,000
	<hr/>	<hr/>
Total current assets.....	4,144,000	4,069,000
	<hr/>	<hr/>
Properties:		
Land and land improvements.....	8,520,000	8,520,000
Deep-water pier project.....	9,231,000	9,091,000
Track structure.....	42,826,000	42,550,000
Buildings and other structures.....	5,553,000	5,531,000
Equipment.....	13,507,000	13,393,000
	<hr/>	<hr/>
	79,637,000	79,085,000
Less accumulated depreciation.....	21,984,000	21,658,000
	<hr/>	<hr/>
Total properties, net.....	57,653,000	57,427,000
	<hr/>	<hr/>
	\$61,797,000	\$61,496,000
	<hr/>	<hr/>

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<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY

<S>	<C>	<C>
Current liabilities:		
Notes payable, bank.....	\$ 212,000	\$ 120,000
Current portion of long-term debt....	657,000	638,000
Accounts payable.....	3,458,000	2,904,000
Accrued expenses.....	1,446,000	1,774,000
	<hr/>	<hr/>
Total current liabilities.....	5,773,000	5,436,000
	<hr/>	<hr/>
Long-term debt, less current portion...	10,297,000	10,485,000
	<hr/>	<hr/>
Deferred grant income.....	4,343,000	4,371,000
	<hr/>	<hr/>
Deferred income taxes.....	8,363,000	8,290,000
	<hr/>	<hr/>
Contingencies (Note 6).....		
Shareholders' equity (Notes 2 and 7):		
Preferred stock, 10% noncumulative, \$50 par; authorized, issued and outstanding 653 shares.....	33,000	33,000
Common stock, \$.50 par; authorized 2,273,436 shares; issued and outstanding 2,010,896 shares in 1995 and 2,010,061 shares in 1994.	1,005,000	1,005,000
Capital in excess of par.....	5,051,000	5,046,000

Retained earnings.....	26,932,000	26,830,000
Total shareholders' equity.....	<u>33,021,000</u>	<u>32,914,000</u>
	<u>\$61,797,000</u>	<u>\$61,496,000</u>
	<u> </u>	<u> </u>

<FN>

See notes to financial statements.

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<TABLE>

PROVIDENCE AND WORCESTER RAILROAD COMPANY
STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 1995 AND 1994
(Unaudited)

<CAPTION>

	1995	1994
	<u> </u>	<u> </u>
<S>	<C>	<C>
Revenues:		
Operating revenues, freight and other.....	\$4,629,000	\$4,366,000
Other income (Note 3).....	176,000	130,000
Total revenues.....	<u>4,805,000</u>	<u>4,496,000</u>
Expenses:		
Operating:		
Maintenance of way and structures..	1,013,000	976,000
Maintenance of equipment.....	546,000	519,000

Transportation.....	1,074,000	1,046,000
General.....	1,002,000	857,000
Taxes, other than income.....	532,000	515,000
Car hire, net.....	169,000	97,000
	<hr/>	<hr/>
Interest.....	4,336,000	4,010,000
	302,000	331,000
	<hr/>	<hr/>
Total expenses.....	4,638,000	4,341,000
	<hr/>	<hr/>
Income before income taxes.....	167,000	155,000
	<hr/>	<hr/>
Income taxes:		
Current.....	28,000	49,000
Deferred.....	37,000	10,000
	<hr/>	<hr/>
	65,000	59,000
	<hr/>	<hr/>
Net income.....	\$102,000	\$96,000
	<hr/>	<hr/>
	<hr/>	<hr/>
Earnings per weighted average common and common equivalent share outstanding, 2,075,906 shares in 1995 and 2,053,083 shares in 1994 (Note 4).....	\$.05	\$.05
	<hr/>	<hr/>
	<hr/>	<hr/>
Dividends per share:		
Old preferred (Note 4).....	\$ -0-	\$.05
	<hr/>	<hr/>
	<hr/>	<hr/>
Common.....	\$ -0-	\$ -0-
	<hr/>	<hr/>
	<hr/>	<hr/>

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See notes to financial statements.

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PROVIDENCE AND WORCESTER RAILROAD COMPANY
STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 1995 and 1994
(Unaudited)

<CAPTION>

INCREASE (DECREASE) IN CASH

	1995	1994
<S>	<C>	<C>
Cash flows provided by (used in) operating activities:		
Net income.....	\$102,000	\$ 96,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation.....	429,000	404,000
Amortization of deferred grant income.....	(28,000)	(24,000)
Gain from sales of properties and easements.....	(33,000)	(7,000)
Deferred income taxes.....	37,000	10,000
Changes in assets and liabilities:		
Accounts receivable.....	(232,000)	58,000
Materials and supplies.....	(113,000)	26,000
Prepaid expenses and other.....	24,000	119,000
Accounts payable.....	764,000	(497,000)
Accrued expenses.....	(328,000)	118,000
Net cash provided by operations.....	622,000	303,000
Cash flows provided by (used in) investing activities:		
Purchase of properties and equipment.	(865,000)	(484,000)
Proceeds from:		
Sales of properties and easements...	33,000	48,000
Deferred grant income.....		129,000
Net cash used in investing activities	(832,000)	(307,000)
Cash flows provided by (used in) financing activities:		
Net borrowings (payments) under line of credit.....	92,000	(250,000)
Payments of:		
Long-term debt.....	(169,000)	(157,000)
Dividends.....		(31,000)
Proceeds from issuance of common shares for stock options exercised.	5,000	1,000
Net cash used in financing activities.....	(72,000)	(437,000)
Decrease in cash and equivalents.....	(282,000)	(441,000)
Cash and equivalents, beginning of period.....	595,000	574,000

Cash and equivalents, end of period....	\$313,000	\$133,000
	<hr/>	<hr/>
Supplemental disclosures:		
Cash paid during the period for:		
Interest.....	\$371,000	\$332,000
	<hr/>	<hr/>
Income taxes.....	\$138,000	\$ -0-
	<hr/>	<hr/>

<FN>

See notes to financial statements

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PROVIDENCE AND WORCESTER RAILROAD COMPANY
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 1995 AND 1994
(Unaudited)

1. In the opinion of management, the accompanying interim financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position as of March 31, 1995 and the results of operations and cash flows for the three months ended March 31, 1995 and 1994. Results for interim periods may not be necessarily indicative of the results to be expected for the year.

2. Changes in shareholders' equity:

<TABLE>

	Preferred Stock	Common Stock	Capital in excess of par	Retained Earnings
	<hr/>	<hr/>	<hr/>	<hr/>
<S>	<C>	<C>	<C>	<C>
Balance Dec. 31, 1994.....	\$33,000	\$1,005,000	\$5,046,000	\$26,830,000
Issuance of 835 common shares for stock options exercised.....			5,000	
Net income for the period.				102,000
Balance March 31, 1995....	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>

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<TABLE>

3. Other income:

	1995	1994
	<hr/>	<hr/>
<S>	<C>	<C>
Gain from sales of		

properties and easements, net.....	\$ 33,000	\$ 7,000
Rentals.....	138,000	122,000
Interest.....	5,000	1,000
	<u>\$176,000</u>	<u>\$130,000</u>
	_____	_____
	_____	_____

</TABLE>

4. Earnings per share:

The Company considers its \$50 par "New Preferred Stock", each share of which is convertible into 100 shares of common stock, to be common equivalent shares for purposes of computing earnings per share. New Preferred Stock was issued in September 1994 in accordance with the terms of a plan of recapitalization which called for conversion of the Company's \$.50 par "Old Preferred Stock" into New Preferred in a ratio of one share of New Preferred Stock for one hundred shares of Old Preferred stock.

The Company has not given effect to the outstanding options to purchase its common stock in calculating earnings per share since the effect of such options is not material.

5. Dividends:

On April 26, 1995, the Company declared a dividend of \$5.00 per share on its outstanding New Preferred Stock and a dividend of \$.05 per share on its outstanding Common Stock payable May 25, 1995 to shareholders of record May 11, 1995.

PROVIDENCE AND WORCESTER RAILROAD COMPANY
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 1995 AND 1994
(Unaudited)

6. Contingencies:

A number of lawsuits relating to casualty losses are pending against the Company, many of which are covered by insurance subject to a deductible. The Company has provided for its estimate of exposure to such claims and in management's opinion additional liability, if any, will not be material to the operations or financial position of the Company.

The Company owns a site which is contaminated with petroleum products. It is currently productive as a part of the Company's double-stack intermodal yard. The site is not the subject of any agency proceedings. Environmental specialists have indicated that natural biodegradation of the contamination is occurring. It is not

anticipated that the costs of remediation would have a materially adverse effect upon the Company's financial statements.

The Company has been notified by a private party and the United States Environmental Protection Agency (EPA) that the Company is alleged to be a potentially responsible party for a portion of the costs of remediation of a Superfund site, reportedly due to the impact of a 1974 incident involving a rail car. The EPA's preliminary estimate of the total cost of the clean-up alternative it has recommended is approximately \$7 million. The Company has no ownership interest in the site. The Company has denied responsibility to both parties. No formal claims or proceedings against the Company have been initiated in this matter. The Company believes it has strong defenses in the event any such claim or proceeding is forthcoming. The Company is currently engaged in discussions with EPA and the private party and expects to reach an amicable resolution which would not have a materially adverse effect upon the Company's financial statements.

7. Subsequent event:

In April 1995 the Company issued 40,606 shares of common stock to fund the 1994 contribution to its profit sharing plan of \$335,000, which amount is included in "accrued expenses" on the accompanying balance sheets.

PROVIDENCE AND WORCESTER RAILROAD COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

As detailed in the accompanying statement of cash flows the Company generated \$622,000 of cash from operations during the first quarter of 1995. On an overall basis, however, the Company experienced a decrease in cash for the quarter of \$282,000. The principal uses of cash during the quarter were expenditures for additions to property and equipment and principal payments on long term borrowings.

Due to weather conditions etc., the Company's freight traffic volumes are typically lower during the first quarter than during the remainder of the year. As a result, management anticipates that cash generated from operations during the remainder of 1995 will be sufficient to enable the Company to meet its operating expense, debt service and capital expenditure requirements.

Results of Operations

Operating revenues for the quarter increased by 6% over the first quarter of 1994. This increase is the result of a 21% increase in conventional traffic volume, offset, in part, by a 9% decrease in the average revenue per conventional carload and a 29% decrease in net revenue from containers on flatcars from \$499,000 in 1994 to \$356,000 in 1995. The increase in conventional traffic volume was largely due to an increase in the carloads of construction aggregates hauled. Since these are commodities which command lower rates of revenue the large increase in this traffic also accounts for the reduction in the average revenue per conventional carload. Container volume decreased by 11% during the quarter due to the loss of one of the Company's largest containership line customers in July 1994. The loss in container traffic attributable to that customer was partially offset by increased traffic volumes from remaining customers. The net revenue per container decreased by 20% between quarters as a result of a change in the mix of containers and rate adjustments necessitated by competitive factors within the industry.

Operating expenses increased by 8% in 1995 over the first quarter of 1994. While this increase in the cost of operations is slightly higher, on a percentage basis, than the increase in operating revenue, it is significantly less than the percentage increase in conventional traffic volume experienced between periods.

The 9% decrease in interest expense for the quarter, as compared with, 1993, results from lower levels of short and long-term borrowings partially offset by the effects of increased interest rates on short term borrowings.

PART II

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

- (b) No reports on Form 8-K were filed during the quarter ended March 31, 1995.

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.

PROVIDENCE AND WORCESTER
RAILROAD COMPANY

Orville R. Harrold

By: _____
Orville R. Harrold, President

Robert J. Easton

By: _____
Robert J. Easton
Treasurer and Principal
Financial Officer

DATED: May 10, 1995

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