

FRIEDMAN INDUSTRIES INC  
Form 10-Q  
August 13, 2013  
Table of Contents

**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 JUNE 30, 2013**

**OR**

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

**FROM THE TRANSITION PERIOD FROM TO**

**COMMISSION FILE NUMBER 1-7521**

**FRIEDMAN INDUSTRIES, INCORPORATED**

(Exact name of registrant as specified in its charter)

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**TEXAS** **74-1504405**  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)  
**19747 HWY 59 N, SUITE 200, HUMBLE, TEXAS 77338**  
(Address of principal executive offices) (Zip Code)

**Registrant's telephone number, including area code (713) 672-9433**

**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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). (Check one): Yes  No

At June 30, 2013, the number of shares outstanding of the issuer's only class of stock was 6,799,444 shares of Common Stock.

**Table of Contents**

**TABLE OF CONTENTS**

<u>Part I FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	7
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	9
<u>Item 4. Controls and Procedures</u>	9
<u>Part II OTHER INFORMATION</u>	9
<u>Item 6. Exhibits</u>	9
<u>SIGNATURES</u>	10
<u>EXHIBIT INDEX</u>	11
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 DEFINITION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	

**Table of Contents****Part I FINANCIAL INFORMATION****Item 1. Financial Statements**

## FRIEDMAN INDUSTRIES, INCORPORATED

**CONDENSED CONSOLIDATED BALANCE SHEETS UNAUDITED**

	JUNE 30, 2013	MARCH 31, 2013
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 17,596,293	\$ 15,923,294
Accounts receivable, net of allowances for bad debts and cash discounts of \$32,276 and \$37,276 at June 30 and March 31, 2013	8,458,192	9,037,548
Inventories	32,021,184	39,219,168
Other	11,236	103,547
<b>TOTAL CURRENT ASSETS</b>	<b>58,086,905</b>	<b>64,283,557</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land	1,082,331	1,082,331
Buildings and yard improvements	7,014,180	7,014,180
Machinery and equipment	30,308,179	30,293,590
Less accumulated depreciation	(27,568,429)	(27,111,529)
	10,836,261	11,278,572
<b>OTHER ASSETS:</b>		
Cash value of officers' life insurance and other assets	1,028,500	1,013,000
<b>TOTAL ASSETS</b>	<b>\$ 69,951,666</b>	<b>\$ 76,575,129</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 4,330,037	\$ 11,181,804
Deferred credit for LIFO inventory replacement	54,625	
Dividends payable	543,956	543,956
Contribution to profit sharing plan	105,000	52,500
Employee compensation and related expenses	471,093	533,822
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,504,711</b>	<b>12,312,082</b>
<b>DEFERRED INCOME TAXES</b>	<b>259,434</b>	<b>362,279</b>
<b>POSTRETIREMENT BENEFITS OTHER THAN PENSIONS</b>	<b>965,502</b>	<b>943,149</b>
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, par value \$1:		
Authorized shares 10,000,000		
Issued shares 7,975,160 at June 30 and March 31, 2013	7,975,160	7,975,160
Additional paid-in capital	29,003,674	29,003,674
Treasury stock at cost (1,175,716 shares at June 30 and March 31, 2013)	(5,475,964)	(5,475,964)
Retained earnings	31,719,149	31,454,749
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>63,222,019</b>	<b>62,957,619</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 69,951,666</b>	<b>\$ 76,575,129</b>



**Table of Contents**

## FRIEDMAN INDUSTRIES, INCORPORATED

**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS    UNAUDITED**

	<b>THREE MONTHS ENDED JUNE 30,</b>	
	<b>2013</b>	<b>2012</b>
Net Sales	\$ 29,582,144	\$ 39,434,770
Costs and expenses		
Costs of goods sold	27,138,300	34,787,012
General, selling and administrative costs	1,304,900	1,559,836
	28,443,200	36,346,848
Interest and other income	(15,506)	(12,208)
Earnings before income taxes	1,154,450	3,100,130
Income tax provision (benefit):		
Current	448,936	1,035,928
Deferred	(102,845)	(27,652)
	346,091	1,008,276
Net earnings	\$ 808,359	\$ 2,091,854
Average number of common shares outstanding:		
Basic	6,799,444	6,799,444
Diluted	6,799,444	6,799,444
Net earnings per share:		
Basic	\$ 0.12	\$ 0.31
Diluted	\$ 0.12	\$ 0.31
Cash dividends declared per common share	\$ 0.08	\$ 0.13

**Table of Contents**

## FRIEDMAN INDUSTRIES, INCORPORATED

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS    UNAUDITED**

	<b>THREE MONTHS ENDED JUNE 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 808,359	\$ 2,091,854
Adjustments to reconcile net earnings to cash provided by (used in) operating activities:		
Depreciation	456,898	450,297
Provision for deferred taxes	(102,845)	(27,652)
Change in postretirement benefits	22,353	22,354
Decrease (increase) in operating assets:		
Accounts receivable	579,356	4,645,039
Inventories	7,197,984	1,913,505
Other current assets	92,311	79,393
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(6,851,767)	(7,157,273)
Contribution to profit sharing plan	52,500	52,500
Employee compensation and related expenses	(62,729)	10,588
Income taxes payable		842,471
Deferred credit for LIFO inventory replacement	54,625	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,247,045</b>	<b>2,923,076</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(14,590)	(90,573)
Proceeds from sales of assets		42,375
Increase in cash surrender value of officers' life insurance	(15,500)	(15,500)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(30,090)</b>	<b>(63,698)</b>
<b>FINANCING ACTIVITIES</b>		
Cash dividends paid	(543,956)	(883,928)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(543,956)</b>	<b>(883,928)</b>
<b>INCREASE IN CASH</b>	<b>1,672,999</b>	<b>1,975,450</b>
Cash at beginning of period	15,923,294	11,881,548
<b>CASH AT END OF PERIOD</b>	<b>\$ 17,596,293</b>	<b>\$ 13,856,998</b>

**Table of Contents**

## FRIEDMAN INDUSTRIES, INCORPORATED

**CONDENSED NOTES TO QUARTERLY REPORT    UNAUDITED**

## NOTE A    BASIS OF PRESENTATION

The accompanying unaudited, condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes of Friedman Industries, Incorporated (the Company) included in its annual report on Form 10-K for the year ended March 31, 2013.

## NOTE B    INVENTORIES

Inventories consist of prime coil, non-standard coil and tubular materials. Prime coil inventory consists primarily of raw materials, non-standard coil inventory consists primarily of raw materials, and tubular inventory consists of both raw materials and finished goods. Inventories are valued at the lower of cost or replacement market. Cost for prime coil inventory is determined using the last-in, first-out ( LIFO ) method. Cost for non-standard coil inventory is determined using the specific identification method. Cost for tubular inventory is determined using the weighted average method.

During the quarters ended June 30, 2013 and 2012, LIFO inventories were liquidated. At June 30, 2013, a deferred credit of \$54,625 was recorded to reflect the difference in replacement cost and LIFO cost. LIFO inventories at June 30, 2012 were replaced by March 31, 2013. A deferred debit of \$95,309 was recorded at June 30, 2012 to reflect the difference between replacement cost and LIFO cost.

A summary of inventory values by product group follows:

	<b>June 30, 2013</b>	<b>March 31, 2013</b>
Prime Coil Inventory	\$ 4,467,168	\$ 10,981,835
Non-Standard Coil Inventory	2,899,604	3,741,718
Tubular Raw Material	872,657	3,308,419
Tubular Finished Goods	23,781,755	21,187,196
	<b>\$ 32,021,184</b>	<b>\$ 39,219,168</b>

## NOTE C    SEGMENT INFORMATION (in thousands)

	<b>THREE MONTHS ENDED JUNE 30,</b>	
	<b>2013</b>	<b>2012</b>
Net sales		
Coil	\$ 17,163	\$ 16,830
Tubular	12,419	22,605
Total net sales	\$ 29,582	\$ 39,435
Operating profit		
Coil	\$ 178	\$ 354
Tubular	1,650	3,686



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Total operating profit	1,828	4,040
Corporate expenses	689	952
Interest & other income	(15)	(12)
Earnings before income taxes	\$ 1,154	\$ 3,100

**Table of Contents**

	<b>June 30, 2013</b>	<b>March 31, 2013</b>
Segment assets		
Coil	\$ 20,244	\$ 29,780
Tubular	31,051	29,834
	51,295	59,614
Corporate assets	18,657	16,961
	\$ 69,952	\$ 76,575

Corporate expenses reflect general and administrative expenses not directly associated with segment operations and consist primarily of corporate executive and accounting salaries, professional fees and services, bad debts, profit