

FRIEDMAN INDUSTRIES INC

Form 10-K

June 29, 2007

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

- x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2007
- o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-7521

**FRIEDMAN INDUSTRIES, INCORPORATED**  
(Exact name of registrant as specified in its charter)

**Texas**  
(State or other jurisdiction of  
incorporation or organization)

**74-1504405**  
(I.R.S. Employer  
Identification No.)

**4001 Homestead Road, Houston, Texas**  
(Address of principal executive offices)

**77028**  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Stock, \$1 Par Value	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Yes \_\_\_ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes \_\_\_ No X

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 and (2) has been subject to such filing

requirements for the past 90 days.

Yes X No \_\_\_

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

X

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

Large accelerated filer ( ) Accelerated filer ( ) Non-accelerated filer (X)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes \_\_\_ No X

The aggregate market value of the Common Stock held by non-affiliates of the registrant as of September 30, 2006 (computed by reference to the closing price on such date), was approximately \$49,660,000.

The number of shares of the registrant's Common Stock outstanding at June 14, 2007 was 6,712,108 shares.

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## DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders of Friedman Industries, Incorporated for the fiscal year ended March 31, 2007 Part II.

Proxy Statement for the 2007 Annual Meeting of Shareholders Part III.

### PART I

#### Item 1. Business

Friedman Industries, Incorporated (the Company), a Texas corporation incorporated in 1965, is engaged in steel processing, pipe manufacturing and processing and steel and pipe distribution.

The Company has two product groups: coil and tubular products. Significant financial information relating to the Company's product groups for the last three years is contained in Note 7 of the Consolidated Financial Statements included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2007, which financial statements are incorporated herein by reference in Item 8 hereof.

##### *Coil Products*

The Company purchases hot-rolled steel coils, processes the coils into flat, finished sheet and plate and sells these products on a wholesale, rapid-delivery basis in competition with steel mills, importers and steel service centers. The Company also processes customer-owned coils on a fee basis. The Company has a coil processing plant located at Hickman, Arkansas. The steel coils are processed through a cut-to-length line which levels the steel and cuts it to prescribed lengths. The Company's processing machinery is heavy, mill-type equipment capable of processing steel coils weighing up to 25 tons. Coils are processed to the specifications required for a particular order. Shipments are made via unaffiliated truckers or by rail and, in times of normal supply and market conditions, can generally be made within 48 hours of receipt of the customer's order.

At the Hickman facility, the Company warehouses and processes hot-rolled steel coils which are purchased primarily from Nucor Steel Company (NSC), which is located approximately one-half mile from the Hickman facility. In addition, the Company's XSCP Division located in Hickman purchases and markets non-standard hot-rolled coils received from NSC. Loss of NSC as a source of coil supply could have a material adverse effect on the Company's business.

The Hickman facility operates a cut-to-length line which has 72 inch wide and one-half inch thick capability. The Company also operates a 2-Hi temper pass mill at the Hickman facility that is capable of processing steel up to 72 inches wide and one-half inch thick in a coil-to-coil mode or directly from coil to cut-to-length processing.

In the quarter ended June 30, 2006, the Company phased out the Lone Star, Texas coil facility (LSCF). LSCF accounted for approximately 1% of total sales and generated a small loss in fiscal 2007. Certain LSCF assets will be redeployed to the Company's new coil operation to be located in Decatur, Alabama. This Decatur facility is expected to become operational in fiscal 2008.

##### *Tubular Products*

Through its Texas Tubular Products Division (TTP) in Lone Star, Texas, the Company manufactures, purchases, processes and markets tubular products.

TTP operates two pipe mills that are capable of producing pipe from 23/8 inches to 85/8 inches in outside diameter. Both pipe mill #1 and pipe mill #2 are API-licensed to manufacture line and oil country pipe and also manufacture pipe for structural and piling purposes that meet recognized industry standards. TTP also employs various pipe processing equipment including threading and beveling machines, pipe handling equipment and other related machinery. This machinery can process pipe up to 133/8 inches in outside diameter.

The Company currently manufactures and sells substantially all of its line and oil country pipe to Lone Star Steel Company ( LSS ) pursuant to orders received from LSS. In addition, the Company purchases from LSS and markets to others pipe for structural applications for some sizes of pipe that exceed the capability of the TTP pipe mills.

The Company purchases a substantial portion of its annual supply of pipe and coil material used in pipe production from LSS. The Company can make no assurances as to the amounts of pipe and coil material that will be available from LSS in the future. Loss of LSS as a source of supply or as a customer could have a material adverse effect on the Company's business.

*Marketing*

The following table sets forth the approximate percentage of total sales contributed by each group of products and services during each of the Company's last three fiscal years:

<b>Product and Service Groups</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Coil Products	48%	52%	55%
Tubular Products	52%	48%	45%

*Coil Products.* The Company sells coil products to approximately 230 customers located primarily in the midwestern, southwestern and southeastern sections of the United States. The Company's principal customers for these products and services are steel distributors and customers fabricating steel products such as storage tanks, steel buildings, farm machinery and equipment, construction equipment, transportation equipment, conveyors and other similar products. During each of the fiscal years ended March 31, 2007, 2006 and 2005, nine, seven and seven customers of coil products, respectively, accounted for approximately 25% of the Company's sales. Except for Trinity Industries, Inc., no coil product customer accounted for as much as 10% of the Company's total sales during those years. Trinity Industries, Inc. accounted for approximately 10%, 11% and 11% of total sales in fiscal 2007, 2006 and 2005, respectively.

The Company sells substantially all of its coil products through its own sales force. At March 31, 2007, the sales force was comprised of a vice president and three professional sales personnel under the direction of the Senior Vice President - Sales and Marketing. Salesmen are paid on a salary and commission basis.

The Company regularly contracts on a quarterly basis with many of its larger customers to supply minimum quantities of steel.

*Tubular Products.* The Company sells its tubular products nationally to approximately 230 customers. The Company's principal customers for these products are steel and pipe distributors, piling contractors and LSS. Sales of pipe to LSS accounted for approximately 20% of the Company's total sales in fiscal 2007. On June 14, 2007, United States Steel Corporation (USS) acquired LSS. While the Company does not anticipate any material change in sales of pipe to LSS, it can make no assurances as to the amount of future sales to LSS.

The Company sells its tubular products through its own sales force comprised of four professional sales personnel under the direction of the Senior Vice President - Sales and Marketing. Salesmen are paid on a salary and commission basis.

*Competition*

The Company is engaged in a non-seasonal, highly-competitive business. The Company competes with steel mills, importers and steel service centers. The steel industry, in general, is characterized by a small number of extremely large companies dominating the bulk of the market and a large number of relatively small companies, such as the Company, competing for a limited share of such market.

The Company believes that in times of normal supply and market conditions its ability to compete is dependent upon its ability to offer products at prices competitive with or below those of other steel suppliers, as well as its ability to provide products meeting customer specifications on a rapid-delivery basis.

*Employees*

At March 31, 2007, the Company had approximately 150 full-time employees.

*Executive Officers of the Company*

The following table sets forth as of March 31, 2007, the name, age, officer positions and family relationships, if any, of each executive officer of the Company and period during which each officer has served in such capacity:

Name	Age	Position, Offices with the Company and Family Relationships, if any
William E. Crow	59	Chief Executive Officer since 2006 and President since 1995; formerly Chief Operating Officer since 1995, Vice President since 1981 and President of Texas Tubular Products Division since August 1990
Benny Harper	61	Senior Vice President Finance since 1995 (formerly Vice President since 1990), Treasurer since 1980 and Secretary since May 1992
Thomas Thompson	56	Senior Vice President Sales and Marketing since 1995; formerly Vice President Sales since 1990

**Item 1A. Risk Factors**

*Lead time and the cost of our products could increase if we were to lose one of our primary suppliers.*

We are dependent on LSS and NSC for our supply of inventory. While current levels are adequate to sustain our coil operations, a reduction in the supply of steel coils could have an adverse effect on our coil operations. LSS is our primary supplier of tubular products and coil material used in pipe manufacturing. While current supply levels are adequate to sustain our tubular operations, a reduction in the supply of tubular products and coil material used in our tubular operations from LSS could have an adverse effect on our tubular operations. While the Company does not anticipate any material change in supply as a result of the acquisition of LSS by USS, it can make no assurances that the supply of raw materials from LSS will not be negatively affected.

If, for any reason, our primary suppliers of raw materials should curtail or discontinue deliveries to us in quantities we need and at prices that are competitive, our business could suffer. If, in the future, we were unable to obtain sufficient amounts of the necessary metals at competitive prices and on a timely basis from our traditional suppliers, we may not be able to obtain such metals from alternative sources at competitive prices to meet our delivery schedules, which would have a material adverse effect on our business, financial condition or results of operations.

*Our future operating results may be affected by fluctuations in raw material prices. We may not be able to pass on increases in raw material costs to our customers.*

Our principal raw materials are tubular products and steel coils, which we purchase from a limited number of primary steel producers. The steel industry as a whole is very cyclical, and at times pricing can be volatile due to a number of factors beyond our control, including general economic conditions, labor costs, competition, import duties, tariffs and currency exchange rates. This volatility can significantly affect our steel costs. We are required to maintain substantial inventories to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase raw materials on a regular basis in an effort to maintain our inventory at levels that we believe are sufficient to satisfy the anticipated needs of our customers based upon historic buying practices and market conditions. In an environment of increasing raw material prices, competitive conditions will impact how much of the steel price increases we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, the profitability of our business could be adversely affected.

*Our business is highly competitive, and increased competition could reduce our gross profit and net income.*



The principal markets that we serve are highly competitive. Competition is based primarily on the precision and range of achievable tolerances, quality, price, raw materials and inventory availability and the ability to meet delivery schedules dictated by customers. Our competition in the markets in which we participate comes from companies of various sizes, some of which have greater financial and other

resources than we do and some of which have more established brand names in the markets we serve. Increased competition could force us to lower our prices or to offer additional services at a higher cost to us, which could reduce our gross profit, net income and cash flow.

*We are susceptible to the cyclical nature of the steel industry.*

The steel industry is highly cyclical and is affected significantly by general economic conditions and other factors such as worldwide production capacity, fluctuations in steel imports/exports and tariffs. Steel prices are sensitive to a number of supply and demand factors. The recurrence of a major downturn in the industry may have a material adverse effect on our business, financial condition or results of operations.

*We may not be able to manage and integrate future capital expansions successfully.*

As previously announced, we intend to establish a new steel processing and distribution operation in Decatur, Alabama. In addition, we have made improvements to pipe mill #2. Expansion presents risks. We will expend both capital and personnel resources on such expansions which may or may not be successful.

*Equipment downtime or shutdowns could adversely affect our business, financial condition or results of operations.*

Steel manufacturing processes are dependent on critical equipment. Such equipment may incur downtime as a result of unanticipated failures or other events, such as fires or breakdowns. Our facilities have experienced, and may in the future experience, shutdowns or periods of reduced production as a result of such equipment failures or other events. Such disruptions could have an adverse effect on our operations, customer service levels and financial results.

*Increases in energy prices will increase our operating costs, and we may be unable to pass all these increases on to our customers in the form of higher prices for our products.*

We use energy to manufacture and transport our products. Our operating costs increase if energy costs rise. We do not hedge our exposure to higher prices via energy futures contracts. Increases in energy prices will increase our operating costs and may reduce our profitability and cash flows if we are unable to pass all the increases on to our customers.

*Steel companies are susceptible to changes in governmental policies and international economic conditions.*

Governmental, political and economic developments relating to inflation, interest rates, taxation, currency fluctuations, social or political instability, diplomatic relations, international conflicts and other factors may adversely affect our business, financial condition or results of operations.

*Steel companies are subject to stringent environmental regulations, and we may be required to spend considerable amounts of money in order to comply with such regulations.*

We are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which we operate. These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent environmental protection standards regarding, among other things, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices and the remediation of environmental contamination.

The costs of complying with environmental requests could be significant and failure to comply could result in the assessment of civil and criminal penalties, the suspension of operations and lawsuits by private parties. In addition, these standards can create the risk of environmental liabilities, including liabilities associated with divested assets and

past activities.

*Durable goods account for a significant portion of our sales, and reduced demand from this sector of the U.S. economy is likely to adversely affect our profitability and cash flow.*

Downturns in demand for durable goods, or a decrease in the prices that we can realize from sales of our products to customers associated with this sector of the economy, would adversely affect our profitability and cash flows.

*Competition from other materials may have a material adverse effect on our business, financial condition or results of operations.*

In many applications, steel competes with other materials, such as aluminum, cement, composites, glass, plastic and wood. Additional substitutes for steel products could adversely affect future market prices and demand for steel products.

*Product liability claims could adversely affect our operations.*

We sell products to manufacturers who are engaged to sell a wide range of end products. Furthermore, our products are also sold to, and used in, certain safety-critical applications. If we were to sell steel products that were inconsistent with the specifications of the order or the requirements of the application, significant disruptions to the customer's production lines could result. There could also be consequential damages resulting from the use of such products. We have a limited amount of product liability insurance coverage and a major claim for damages related to products sold could have a material adverse effect on our business, financial condition or results of operations.

*Our common stock is subject to price volatility unrelated to our operations.*

The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our planned growth, quarterly operating results, trading volume in our common stock, changes in general conditions in the economy and the financial markets or other developments affecting our competitors or us.

In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

*Certain provisions of our articles of incorporation may discourage a third party from making a takeover proposal.*

Our articles of incorporation provide that the affirmative vote of 80% of all of our stock entitled to vote in elections of directors is required for a merger or consolidation of the Company with and into any other corporation or the sale, lease or other disposition of all or substantially all of our assets. This may have the effect of discouraging a takeover proposal or tender offer not approved by management and the board of directors and could result in shareholders who may wish to participate in such a proposal or tender offer receiving less for their shares than otherwise might be available in the event of a takeover attempt.

#### **Item 1B. Unresolved Staff Comments**

None

**Item 2. Properties**

The principal properties of the Company are described in the following table:

<b>Location</b>	<b>Approximate Size</b>	<b>Ownership</b>
Lone Star, Texas Plant Texas Tubular Products Offices Texas Tubular Products	118,260 sq. feet	Owned(1)
Land Texas Tubular Products Longview, Texas Offices Houston, Texas Offices	9,200 sq. feet 81.70 acres 2,600 sq. feet 4,000 sq. feet	Owned(1) Owned(1) Leased(3) Leased(3)
Hickman, Arkansas Plant and Warehouse Coil Products Offices Coil Products	42,600 sq. feet 2,500 sq. feet	Owned(1) Owned(1)
Land Coil Products Decatur, Alabama	26.19 acres 47.3 acres	Owned(1) Owned(1)

- (1) All of the Company's owned real estate, plants and offices are held in fee and are not subject to any mortgage or deed of trust.
- (2) The office lease is with a nonaffiliated party, expires April 30, 2008, and provides for an annual rental of \$27,264.
- (3) In September 2006, the Company sold real property in Houston, Texas and signed a 12-month lease agreement to rent office space at this location. The office lease is with a nonaffiliated party, expires in September 2007, is renewable month to month thereafter and provides for a monthly rental of \$1,400.

**Item 3. Legal Proceedings**

The Company is not a party to, nor is its property the subject of, any material pending legal proceedings.

**Item 4. Submission of Matters to a Vote of Security Holders**

None.

## PART II

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company's Common Stock is traded principally on the American Stock Exchange (Symbol: FRD).

Reference is hereby made to the sections of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2007, entitled "Description of Business - Range of High and Low Sales Prices of Common Stock", "Description of Business - Cash Dividends Declared Per Share of Common Stock" and "Performance Graph", which sections are hereby incorporated herein by reference.

The approximate number of shareholders of record of Common Stock of the Company as of May 25, 2007 was 370.

### **Item 6. Selected Financial Data**

Information with respect to Item 6 is hereby incorporated herein by reference from the section of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2007, entitled "Selected Financial Data".

### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Information with respect to Item 7 is hereby incorporated herein by reference from the section of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2007, entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

In the normal course of business the Company is exposed to market risk primarily from changes in the cost of steel in inventory and in interest rates. The Company closely monitors exposure to market risks and develops appropriate strategies to manage risk. With respect to steel purchases, there is no recognized market to purchase derivative financial instruments to reduce the inventory exposure risk on changing commodity prices. The exposure to market risk associated with interest rates relates primarily to debt. Recent debt balances are minimal and, as a result, direct exposure to interest rates changes is not significant.

### **Item 8. Financial Statements and Supplementary Data**

The following financial statements and notes thereto of the Company included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2007, are hereby incorporated herein by reference:

Consolidated Balance Sheets - March 31, 2007 and 2006

Consolidated Statements of Earnings - Years ended March 31, 2007, 2006 and 2005

Consolidated Statements of Stockholders' Equity - Years ended March 31, 2007, 2006 and 2005

Consolidated Statements of Cash Flows - Years ended March 31, 2007, 2006 and 2005

Notes to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firms

Information with respect to supplementary financial information relating to the Company appears in Note 8 – Summary of Quarterly Results of Operations (Unaudited) of the Notes to Consolidated Financial Statements incorporated herein by reference above in this Item 8 from the Company’s Annual Report to Shareholders for the fiscal year ended March 31, 2007.

The following supplementary schedule for the Company for the year ended March 31, 2007, is included elsewhere in this report.

Schedule II Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None

**Item 9A. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

The Company's management, with the participation of the Company's principal executive officer (CEO) and principal financial officer (CFO), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on this evaluation, the CEO and CFO have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective to ensure that information that is required to be disclosed by the Company in the reports it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

*Changes in Internal Controls*

There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information**

None



### PART III

#### Item 10. Directors and Executive Officers of the Registrant

Except as otherwise set forth below, information with respect to Item 10 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2007 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2007 fiscal year.

Information with respect to Item 10 regarding executive officers is hereby incorporated by reference from the information set forth under the caption "Executive Officers of the Company" in Item 1 of this report.

The Company has adopted the Friedman Industries, Incorporated Code of Conduct and Ethics (the "Code") which applies to the Company's employees, directors and officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Code is filed as an exhibit hereto.

#### Item 11. Executive Compensation

Information with respect to Item 11 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2007 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2007 fiscal year.

#### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

##### *Equity Compensation Plan Information*

The following table sets forth certain equity compensation plan information for the Company as of March 31, 2007:

##### Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued	Weighted-Average Exercise	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
	upon Exercise of Outstanding Options, Warrants and Rights (a)	Price of Outstanding Options, Warrants and Rights (b)	(c)
Equity compensation plans approved by security holders	88,836	\$ 2.33	0
Equity compensation plans not approved by security	N/A	N/A	0

holders

*Security Ownership Information*

The additional information with respect to Item 12 regarding the security ownership of certain beneficial owners and management, and related matters, is hereby incorporated herein by reference from the Company's proxy statement in respect to the 2007 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2007 fiscal year.

**Item 13. Certain Relationships and Related Transactions**

Information with respect to Item 13 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2007 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2007 fiscal year.

**Item 14. Principal Accountant Fees and Services**

Information with respect to Item 14 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2007 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2007 fiscal year.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K**

(a) Documents included in this report

1. Financial Statements

The following financial statements and notes thereto of the Company are included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2007, which is incorporated herein by reference.

Consolidated Balance Sheets March 31, 2007 and 2006

Consolidated Statements of Earnings Years ended March 31, 2007, 2006 and 2005

Consolidated Statements of Stockholders Equity Years end March 31, 2007, 2006 and 2005

Consolidated Statements of Cash Flows Years ended March 31, 2007, 2006 and 2005

Notes to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firms

2. Financial Statement Schedules

The following financial statement schedule of the Company is included in this report at page S-1.

Schedule II Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. Exhibits

**Exhibit  
No.**

**Description**

- |     |   |
|-----|---|
| 3.1 | Articles of Incorporation of the Company, as amended (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1982).  |
| 3.2 | Articles of Amendment to the Articles of Incorporation of the Company, as filed with the Texas Secretary of State on September 22, 1987 (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1988). |
| 3.3 | Amended and Restated By-laws of the Company (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 8, 2006).   |
| 4.1 |   |

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Reference is made to Exhibits 10.2, 10.5, 10.6, 10.8, 10.10, 10.11, 10.13, 10.14 and 10.15 described in this Item 15(a).

- \*10.1 Friedman Industries, Incorporated 1989 Incentive Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1991).
- 10.2 Amended and Restated Letter Agreement dated April 1, 1995, between the Company and Texas Commerce Bank National Association (TCB) regarding an \$8,000,000 revolving line of credit (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1995).
- 10.3 Lease Agreement between Judson Plaza, Inc. and the Company dated March 16, 1996, regarding the lease of office space (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1996).
- \*10.4 Friedman Industries, Incorporated 1996 Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1997).

Exhibit No.	Description
10.5	First Amendment to Amended and Restated Letter Agreement between the Company and TCB dated April 1, 1997 (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1997).
10.6	Second Amendment to Amended and Restated Letter Agreement between the Company and TCB dated July 21, 1997 (filed as an exhibit to and incorporated by reference from the Company's Report on Form 10-Q for the three months ended June 30, 1997).
*10.7	First Amendment to the Friedman Industries, Incorporated 1989 Incentive Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Report on Form 10-Q for the three months ended September 30, 1997).
10.8	Third Amendment to the Amended and Restated Letter Agreement dated April 1, 1999 between the Company and Chase Bank of Texas (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 1999).
10.9	Addendum to Lease Agreement between Judson Plaza, Inc. and the Company dated April 12, 2001 (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2001).
10.10	Fourth Amendment to the Amended and Restated Letter Agreement dated June 1, 2001 between The Chase Manhattan Bank and the Company (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2001).
10.11	Fifth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2003 between JPMorgan Chase Bank N.A. and the Company (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2003).
10.12	Agreement dated December 13, 2004, by and between Harold Friedman and the Company (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K filed on December 13, 2004).
10.13	Sixth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2005 between JPMorgan Chase Bank N.A. and the Company (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2005).
**10.14	Seventh Amendment to the Amended and Restated Letter Agreement dated effective as of May 18, 2007 between JPMorgan Chase Bank N.A. and the Company.
**10.15	Revolving Promissory Note dated effective May 18, 2007 between the Company and J.P. Morgan Chase Bank.
10.16	Resignation of Jack Friedman from the Company on February 8, 2006 (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K filed on February 8, 2006).
**13.1	The Company's Annual Report to Shareholders for the fiscal year ended March 31, 2007.
**14.1	Friedman Industries, Incorporated Code of Conduct and Ethics.
**21.1	List of Subsidiaries.
**23.1	Consent of Malone & Bailey, PC, Independent Registered Public Accounting Firm.
**23.2	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
**31.1	

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by  
William E. Crow.

<b>Exhibit No.</b>	<b>Description</b>
**31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.
**32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.
**32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.

\* Management contract or compensation plan.

\*\* Filed herewith.

Copies of exhibits filed as a part of this Annual Report on Form 10-K may be obtained by shareholders of record at a charge of \$.10 per page. Direct inquiries to: Benny Harper, Senior Vice President Finance, Friedman Industries, Incorporated, P. O. Box 21147, Houston, Texas 77226.



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Friedman Industries, Incorporated has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, and State of Texas, this 28th day of June, 2007.

FRIEDMAN INDUSTRIES, INCORPORATED

By: /s/ William E. Crow  
 William E. Crow  
*Chief Executive Officer and  
 President*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated on behalf of Friedman Industries, Incorporated in the City of Houston, and State of Texas.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ WILLIAM E. CROW  William E. Crow	Chief Executive Officer and President and Director (Principal Executive Officer)	June 28, 2007
/s/ BENNY B. HARPER  Benny B. Harper	Senior Vice President Finance Secretary/Treasurer (Principal Financial and Accounting Officer)	June 28, 2007
/s/ HAROLD FRIEDMAN  Harold Friedman	Director	June 28, 2007
/s/ JACK FRIEDMAN  Jack Friedman	Director	June 28, 2007
Durga D. Agrawal	Director	June , 2007
/s/ CHARLES W. HALL  Charles W. Hall	Director	June 28, 2007
/s/ ALAN M. RAUCH  Alan M. Rauch	Director	June 28, 2007
/s/ HERSHEL M. RICH	Director	June 28, 2007

Hershel M. Rich

/s/ JOEL SPIRA

Director

June 28, 2007

Joel Spira

/s/ JOE L. WILLIAMS

Director

June 28, 2007

Joe L. Williams

**SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS****FRIEDMAN INDUSTRIES, INCORPORATED**

<b>Column A</b>	<b>Column B</b>	<b>Column C</b>		<b>Column D</b>	<b>Column E</b>
<b>Description</b>	<b>Balance at Beginning of Period</b>	<b>Charged to Costs and Expenses</b>	<b>Additions Charged to Other Accounts Describe(A)</b>	<b>Deductions Describe(B)</b>	<b>Balance at End of Period</b>
Year ended March 31, 2007					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	\$ 37,276	\$ 10,252	\$ 977,735	\$ 987,987	\$ 37,276
Year ended March 31, 2006					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	\$ 37,276	\$ 611	\$ 928,683	\$ 929,294	\$ 37,276
Year ended March 31, 2005					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	\$ 44,776	\$ 166,201	\$ 808,775	\$ 982,476	\$ 37,276

(A) Cash discounts allowed on sales and charged against revenue.

(B) Accounts receivable written off and cash discounts allowed on sales.

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Articles of Incorporation of the Company, as amended (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1982).
3.2	Articles of Amendment to the Articles of Incorporation of the Company, as filed with the Texas Secretary of State on September 22, 1987 (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1988).
3.3	Amended and Restated By-laws of the Company (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 8, 2006).
4.1	Reference is made to Exhibits 10.2, 10.5, 10.6, 10.8, 10.10, 10.11, 10.13, 10.14 and 10.15 described in this Item 15(a).
*10.1	Friedman Industries, Incorporated 1989 Incentive Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1991).
10.2	Amended and Restated Letter Agreement dated April 1, 1995, between the Company and Texas Commerce Bank National Association (TCB) regarding an \$8,000,000 revolving line of credit (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1995).
10.3	Lease Agreement between Judson Plaza, Inc. and the Company dated March 16, 1996, regarding the lease of office space (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1996).
*10.4	Friedman Industries, Incorporated 1996 Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1997).
10.5	First Amendment to Amended and Restated Letter Agreement between the Company and TCB dated April 1, 1997 (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1997).
10.6	Second Amendment to Amended and Restated Letter Agreement between the Company and TCB dated July 21, 1997 (filed as an exhibit to and incorporated by reference from the Company's Report on Form 10-Q for the three months ended June 30, 1997).
*10.7	First Amendment to the Friedman Industries, Incorporated 1989 Incentive Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Report on Form 10-Q for the three months ended September 30, 1997).
10.8	Third Amendment to the Amended and Restated Letter Agreement dated April 1, 1999 between the Company and Chase Bank of Texas (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 1999).
10.9	Addendum to Lease Agreement between Judson Plaza, Inc. and the Company dated April 12, 2001 (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2001).
10.10	Fourth Amendment to the Amended and Restated Letter Agreement dated June 1, 2001 between The Chase Manhattan Bank and the Company (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months

ended June 30, 2001).

10.11 Fifth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2003 between JPMorgan Chase Bank N.A. and the Company (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2003).

10.12 Agreement dated December 13, 2004, by and between Harold Friedman and the Company (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K filed on December 13, 2004).

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Exhibit No.	Description
10.13	Sixth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2005 between JPMorgan Chase Bank N.A. and the Company (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2005).
**10.14	Seventh Amendment to the Amended and Restated Letter Agreement dated effective as of May 18, 2007 between JPMorgan Chase Bank N.A. and the Company.
**10.15	Revolving Promissory Note dated effective May 18, 2007 between the Company and J.P. Morgan Chase Bank.
10.16	Resignation of Jack Friedman from the Company on February 8, 2006 (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K filed on February 8, 2006).
**13.1	The Company's Annual Report to Shareholders for the fiscal year ended March 31, 2007.
**14.1	Friedman Industries, Incorporated Code of Conduct and Ethics.
**21.1	List of Subsidiaries.
**23.1	Consent of Malone & Bailey, PC, Independent Registered Public Accounting Firm.
**23.2	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
**31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.
**31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.
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