

GRAHAM CORP  
Form 10-Q  
November 04, 2011  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2011

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 1-8462

**GRAHAM CORPORATION**

(Exact name of registrant as specified in its charter)

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

**20 Florence Avenue, Batavia, New York**  
(Address of principal executive offices)

**16-1194720**  
(I.R.S. Employer  
Identification No.)

**14020**  
(Zip Code)

**585-343-2216**  
(Registrant's telephone number, including area code)

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 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.

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). Yes  No

As of October 31, 2011, there were outstanding 9,913,634 shares of the registrant's common stock, par value \$.10 per share.

**Table of Contents**

Graham Corporation and Subsidiaries

Index to Form 10-Q

As of September 30, 2011 and March 31, 2011 and for the Three and Six-Month Periods

Ended September 30, 2011 and 2010

	Page
<b>Part I. <u>FINANCIAL INFORMATION</u></b>	
Item 1. <u>Unaudited Condensed Consolidated Financial Statements</u>	4
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3. <u>Quantitative and Qualitative Disclosure About Market Risk</u>	29
Item 4. <u>Controls and Procedures</u>	30
<b>Part II. <u>OTHER INFORMATION</u></b>	
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
Item 6. <u>Exhibits</u>	31
<u>Signatures</u>	32
<u>Index to Exhibits</u>	33

**Table of Contents**

GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

September 30, 2011

PART I FINANCIAL INFORMATION

3

**Table of Contents****Item 1. Unaudited Condensed Consolidated Financial Statements****GRAHAM CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
	(Amounts in thousands, except per share data)			
Net sales	\$ 33,595	\$ 15,723	\$ 58,607	\$ 29,074
Cost of products sold	20,794	10,376	37,501	19,877
Cost of goods sold amortization	1		109	
Total cost of goods sold	20,795	10,376	37,610	19,877
Gross profit	12,800	5,347	20,997	9,197
Other expenses (income):				
Selling, general and administrative	4,339	3,016	7,990	5,580
Amortization	57	3	107	6
Interest income	(15)	(18)	(36)	(34)
Interest expense	185	9	205	16
Total other expenses and income	4,566	3,010	8,266	5,568
Income before income taxes	8,234	2,337	12,731	3,629
Provision for income taxes	2,766	780	4,247	1,194
Net income	5,468	1,557	8,484	2,435
Retained earnings at beginning of period	67,441	60,219	64,623	59,539
Dividends	(198)	(198)	(396)	(396)
Retained earnings at end of period	\$ 72,711	\$ 61,578	\$ 72,711	\$ 61,578
Per share data:				
Basic:				
Net income	\$ .55	\$ .16	\$ .85	\$ .25
Diluted:				
Net income	\$ .55	\$ .16	\$ .85	\$ .24
Weighted average common shares outstanding:				
Basic:	9,968	9,937	9,954	9,929
Diluted:	10,000	9,977	9,991	9,970
Dividends declared per share	\$ .02	\$ .02	\$ .04	\$ .04

See Notes to Condensed Consolidated Financial Statements.



**Table of Contents**

**GRAHAM CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	September 30, 2011	March 31, 2011
(Amounts in thousands, except per share data)		
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 33,043	\$ 19,565
Investments	4,700	23,518
Trade accounts receivable, net of allowances (\$50 and \$26 at September 30 and March 31, 2011, respectively)	18,130	8,681
Unbilled revenue	14,130	14,280
Inventories	6,609	8,257
Prepaid expenses and other current assets	828	826
Deferred income tax asset	2,010	2,015
<b>Total current assets</b>	<b>79,450</b>	<b>77,142</b>
Property, plant and equipment, net	12,757	11,705
Prepaid pension asset	7,096	6,680
Goodwill	6,914	6,914
Permits	10,300	10,300
Other intangible assets, net	5,057	5,218
Other assets	110	112
<b>Total assets</b>	<b>\$ 121,684</b>	<b>\$ 118,071</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of capital lease obligations	\$ 64	\$ 47
Accounts payable	6,335	9,948
Accrued compensation	5,073	4,580
Accrued expenses and other current liabilities	3,371	3,448
Customer deposits	9,702	12,854
Income taxes payable	2,276	1,772
<b>Total current liabilities</b>	<b>26,821</b>	<b>32,649</b>
Capital lease obligations	267	116
Accrued compensation	271	259
Deferred income tax liability	9,158	8,969
Accrued pension liability	232	234
Accrued postretirement benefits	909	892
Other long-term liabilities	1,459	1,297
<b>Total liabilities</b>	<b>39,117</b>	<b>44,416</b>
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$1.00 par value Authorized, 500 shares	\$ 1,025	\$ 1,022

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Common stock, \$.10 par value Authorized, 25,500 shares Issued, 10,253 and 10,216 shares at September 30 and March 31, 2011, respectively		
Capital in excess of par value	16,883	16,322
Retained earnings	72,711	64,623
Accumulated other comprehensive loss	(4,830)	(5,012)
Treasury stock (339 and 350 shares at September 30 and March 31, 2011, respectively)	(3,222)	(3,300)
 Total stockholders' equity	 82,567	 73,655
 Total liabilities and stockholders' equity	 \$ 121,684	 \$ 118,071

See Notes to Condensed Consolidated Financial Statements.



**Table of Contents**

**GRAHAM CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	Six Months Ended September 30,	
	2011	2010
	(Amounts in thousands)	
Operating activities:		
Net income	\$ 8,484	\$ 2,435
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	719	576
Amortization	216	6
Amortization of unrecognized prior service cost and actuarial losses	195	145
Discount accretion on investments	(4)	(32)
Stock-based compensation expense	320	184
Gain (loss) on disposal of property, plant and equipment	4	(10)
Deferred income taxes	174	156
(Increase) decrease in operating assets:		
Accounts receivable	(9,384)	(1,847)
Unbilled revenue	149	(972)
Inventories	1,629	2,109
Prepaid expenses and other current and non-current assets	(62)	(259)
Prepaid pension asset	(416)	(388)
Increase (decrease) in operating liabilities:		
Accounts		