

GRAHAM CORP  
Form 10-Q  
February 01, 2012  
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**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 December 31, 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)

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

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

**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 January 30, 2012, there were outstanding 9,938,750 shares of the registrant's common stock, par value \$.10 per share.

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Graham Corporation and Subsidiaries

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As of December 31, 2011 and March 31, 2011 and for the Three and Nine-Month Periods

Ended December 31, 2011 and 2010

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GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

December 31, 2011

PART I - FINANCIAL INFORMATION

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**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		Nine Months Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Amounts in thousands, except per share data)			
Net sales	\$ 24,329	\$ 19,215	\$ 82,936	\$ 48,289
Cost of products sold	17,856	14,363	55,357	34,240
Cost of goods sold amortization	11	101	120	101
Total cost of goods sold	17,867	14,464	55,477	34,341
Gross profit	6,462	4,751	27,459	13,948
Other expenses (income):				
Selling, general and administrative	3,764	3,583	11,754	9,163
Amortization	56	11	163	17
Interest income	(12)	(13)	(48)	(47)
Interest expense	55	14	260	30
Total other expenses and income	3,863	3,595	12,129	9,163
Income before income taxes	2,599	1,156	15,330	4,785
Provision for income taxes	959	397	5,206	1,591
Net income	1,640	759	10,124	3,194
Retained earnings at beginning of period	72,711	61,578	64,623	59,539
Dividends	(198)	(196)	(594)	(592)
Retained earnings at end of period	\$ 74,153	\$ 62,141	\$ 74,153	\$ 62,141
Per share data:				
Basic:				
Net income	\$ .16	\$ .08	\$ 1.02	\$ .32
Diluted:				
Net income	\$ .16	\$ .08	\$ 1.01	\$ .32
Weighted average common shares outstanding:				
Basic:	9,955	9,899	9,954	9,919
Diluted:	9,991	9,930	9,991	9,956
Dividends declared per share	\$ .02	\$ .02	\$ .06	\$ .06

See Notes to Condensed Consolidated Financial Statements.

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

(Unaudited)

	December 31, 2011	March 31, 2011
(Amounts in thousands, except per share data)		
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 42,518	\$ 19,565
Investments	2,000	23,518
Trade accounts receivable, net of allowances (\$43 and \$26 at December 31 and March 31, 2011, respectively)	10,396	8,681
Unbilled revenue	12,637	14,280
Inventories	5,969	8,257
Prepaid expenses and other current assets	605	826
Income tax receivable	513	
Deferred income tax asset	2,182	2,015
<b>Total current assets</b>	<b>76,820</b>	<b>77,142</b>
Property, plant and equipment, net	13,361	11,705
Prepaid pension asset	7,304	6,680
Goodwill	6,938	6,914
Permits	10,300	10,300
Other intangible assets, net	5,012	5,218
Other assets	115	112
<b>Total assets</b>	<b>\$ 119,850</b>	<b>\$ 118,071</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of capital lease obligations	\$ 84	\$ 47
Accounts payable	6,330	9,948
Accrued compensation	5,074	4,580
Accrued expenses and other current liabilities	3,248	3,448
Customer deposits	7,985	12,854
Income taxes payable		1,772
<b>Total current liabilities</b>	<b>22,721</b>	<b>32,649</b>
Capital lease obligations	227	116
Accrued compensation	289	259
Deferred income tax liability	9,326	8,969
Accrued pension liability	231	234
Accrued postretirement benefits	920	892
Other long-term liabilities	1,680	1,297
<b>Total liabilities</b>	<b>35,394</b>	<b>44,416</b>
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$1.00 par value - Authorized, 500 shares		

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Common stock, \$.10 par value -		
Authorized, 25,500 shares		
Issued, 10,292 and 10,216 shares at December 31 and March 31, 2011, respectively	1,029	1,022
Capital in excess of par value	17,462	16,322
Retained earnings	74,153	64,623
Accumulated other comprehensive loss	(4,753)	(5,012)
Treasury stock (354 and 350 shares at December 31 and March 31, 2011, respectively)	(3,435)	(3,300)
Total stockholders' equity	84,456	73,655
Total liabilities and stockholders' equity	\$ 119,850	\$ 118,071

See Notes to Condensed Consolidated Financial Statements.

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

(Unaudited)

	Nine Months Ended December 31,	
	2011	2010
	(Amounts in thousands)	
<b>Operating activities:</b>		
Net income	\$ 10,124	\$ 3,194
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	1,177	890
Amortization	283	118
Amortization of unrecognized prior service cost and actuarial losses	293	218
Discount accretion on investments	(4)	(44)
Stock-based compensation expense	465	336
Gain on disposal of property, plant and equipment	5	18
Deferred income taxes	192	(577)
(Increase) decrease in operating assets:		
Accounts receivable	(1,657)	2,803
Unbilled revenue	1,642	(3,852)
Inventories	2,264	1,149
Income taxes receivable/payable	(2,196)	690
Prepaid expenses and other current and non-current assets		