

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 JUNE 30, 1995

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 0-7647

HAWKINS CHEMICAL, INC.

(Exact name of registrant as specified in its charter)

MINNESOTA

41-0771293

(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation of organization)

3100 EAST HENNEPIN AVENUE, MINNEAPOLIS, MINNESOTA 55413
(Address of principal executive offices) Zip Code

(612)331-6910

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

Class

Outstanding at May 12, 1995

Common Stock, par value \$.05 per share

10,525,772

HAWKINS CHEMICAL, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item I. Financial Statements

HAWKINS CHEMICAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

	JUNE 30, 1995	OCTOBER 2, 1994
	(Unaudited)	(Derived from Audited financial statements)
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 10,639,912	\$ 6,895,341
Investments.....	7,871,248	6,576,743
Accounts receivable-net.....	13,094,829	9,509,807
Note receivable.....	208,943	0
Inventories.....	5,461,925	7,844,591
Other current assets.....	1,601,383	1,339,833
	-----	-----
Total current assets.....	38,878,240	32,166,315
Property, plant and equipment-net.....	10,356,810	9,582,007
Net assets of discontinued operations.....	23,531	1,614,717
Note receivable-non current.....	755,045	
Other assets.....	2,623,632	2,611,945
	-----	-----
Total.....	\$52,637,258	\$45,974,984
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$10,227,070	\$ 5,746,620
Current portion of long-term debt.....	52,344	48,919
Other current liabilities.....	4,484,321	4,389,962
	-----	-----
Total current liabilities.....	14,763,735	10,185,501
Long term debt.....	628,461	680,805
	-----	-----
Deferred income taxes.....	331,800	335,300
	-----	-----
Shareholders' equity:		
Common stock, par value \$.05 per share; issued and outstanding, 10,525,772 shares and 9,569,196 shares respectively.....	526,289	478,460
Additional paid-in capital.....	34,235,623	26,869,988
Retained earnings.....	2,151,350	7,424,930
	-----	-----
Total shareholders' equity.....	36,913,262	34,773,378
	-----	-----
Total.....	\$52,637,258	\$45,974,984
	-----	-----

See accompanying notes

HAWKINS CHEMICAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

	THREE MONTHS ENDED JUNE 30 1995	THREE MONTHS ENDED JUNE 30 1994	NINE MONTHS ENDED JUNE 30 1995	NINE MONTHS ENDED JUNE 30 1994
Net sales	\$26,519,043	\$22,555,574	\$61,916,161	\$52,040,732
Costs and expenses:				
Cost of sales.....	21,229,029	17,968,823	49,014,124	40,429,604
Selling, general and administrative.....	2,363,251	2,254,092	6,194,328	5,911,139
Unusual and nonrecurring.....	0	0	750,000	0
Total costs and expenses.....	23,592,280	20,222,915	55,958,452	46,340,743
Income from operations.....	2,926,763	2,332,659	5,957,709	5,699,989
Other income (deductions):				
Interest income.....	242,687	143,368	676,275	411,006
Interest expense.....	(13,784)	(20,550)	(41,274)	(52,658)
Miscellaneous.....	19,924	(17,810)	43,689	21,114
Total other income (deductions).....	248,827	105,008	678,690	379,462
Income from continuing operations before income taxes.....	3,175,590	2,437,667	6,636,399	6,079,451
Provision for income taxes from continuing operations.....	1,277,800	972,900	2,667,700	2,421,700
Income from continuing operations.....	1,897,790	1,464,767	3,968,699	3,657,751
Discontinued Operations:				
Income (loss) from operations of Tessman Seed, Inc. (less applicable income taxes of \$0, \$74,100, (\$46,500), \$59,100, respectively).....	0	112,090	(69,905)	89,374
Loss on disposal of assets of Tessman Seed, Inc. (less applicable income taxes of \$214,200).....	0	0	(321,266)	0
Income (loss) from discontinued operations.....	(0)	112,090	(391,171)	89,374
Net income.....	\$ 1,897,790	\$ 1,576,857	\$ 3,577,528	\$ 3,747,125
Weighted average number of shares outstanding.....	10,525,772	10,525,772	10,525,772	10,525,772
Earnings per common share:				
Continuing operations.....	\$0.18	\$ 0.14	\$0.38	\$0.35
Discontinued operations.....	(0.00)	0.01	(0.04)	0.01
Total.....	\$0.18	\$0.15	\$0.34	\$0.36

See accompanying notes

HAWKINS CHEMICAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

NINE MONTHS ENDED JUNE 30

	1995	1994
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 3,577,528	\$ 3,747,125
Net loss on disposal of assets of Tessman Seed, Inc.....	321,266	
Net loss on discontinued operations of Tessman Seed, Inc.....	69,905	(89,374)
Unusual and nonrecurring charge.....	750,000	
Depreciation and amortization.....	973,579	928,772
Deferred income taxes.....	(103,500)	
Other.....	(60,285)	(81,068)
Changes in certain current assets and liabilities.....	2,492,842	(795,245)
	-----	-----
Net cash provided by operating activities.....	8,021,335	3,710,210
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment.....	(1,676,422)	(913,323)
Purchases of investments.....	(1,294,505)	(3,584,979)
Acquisition of Industrial Chemical.....		(2,502,430)
Cash received on sale of assets and business of Tessman Seed, Inc.....	100,000	
	-----	-----
Net cash used in investing activities.....	(2,870,927)	(7,000,732)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid.....	(1,437,644)	(1,278,163)
Debt repayment.....	(48,919)	
Payments received on note receivable.....	80,726	
Proceeds from issuance of long-term debt.....		729,724
	-----	-----
Net cash used in financing activities.....	(1,405,837)	(548,439)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	3,744,571	(3,838,961)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	6,895,341	9,519,580
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 10,639,912	\$ 5,680,619
	-----	-----
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest.....	\$ 56,180	\$ 13,940
	-----	-----
Cash paid for income taxes.....	\$ 1,817,258	\$ 2,598,130
	-----	-----

See accompanying notes

HAWKINS CHEMICAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, accordingly, do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. These statements should be read in conjunction with the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended October 2, 1994, previously filed with the Commission. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments necessary to present fairly the Company's financial position and the results of its operations and cash flows for the periods presented. All adjustments made to the interim financial statements were of a normal recurring nature except as discussed in note 3 below.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the 1994 Hawkins Chemical, Inc. Annual Report which is incorporated by reference to Form 10-K filed with the Commission on December 30, 1994.

2. Effective March 1, 1995, the Company sold the inventory, equipment and operations of Tessman Seed, Inc., which sold a wide range of horticulture and pest control products. As a result of the sale the Company recorded a loss on disposal of \$321,266, net of taxes totaling \$214,200, to write-down Tessman's assets to the amount realized.

Revenues for Tessman for the quarters ending June 30, 1995 and 1994 were \$0 and \$1,739,000, respectively, and for the nine months ending June 30, 1995 and 1994 were \$931,000 and \$3,658,000, respectively. The assets and liabilities of the discontinued operations have been reclassified on the balance sheet from their historic classification to separately identify them as net assets of discontinued operations and principally consisted of accounts receivable, inventory, equipment and accounts payable at October 2, 1994.

The inventory, equipment and operations of Tessman were sold for \$1,144,714. At closing Hawkins received \$100,000 and a note receivable for the balance. The note receivable is due over the next 5 years plus interest at 8%.

3. The Company has recorded in the nine months ended June 30, 1995, as unusual and nonrecurring expenses, an accrual of \$750,000 to cover expected legal fees and expenses, and liability or settlement costs, which may be incurred by the Company in connection with its defense of a lawsuit filed against the Company related to a fire in an office/warehouse facility of The Lynde Company, a wholly owned subsidiary. See Part II, Item 1 of the Company's quarterly report on Form 10-Q, filed with the Commission on May 15, 1995 and Part II, Item 1 of this Form 10-Q for additional information regarding this matter.

4. Investments consist of insurance contracts with highly rated, stable insurance companies, and marketable securities consisting of investment grade municipal securities, all of which are carried at fair market value which approximates cost. On October 3, 1994, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The adoption of SFAS No. 115 did not have a material impact on the Company's financial statements. These securities are classified as "available-for-sale" as defined by SFAS No. 115.

5. The results of operations for the period ended June 30, 1995 are not necessarily indicative of the results that may be expected for the full year.

6. Inventories, principally valued by the LIFO method, are less than current cost by approximately \$2,331,118 at June 30, 1995. Inventory consists principally of finished goods. Inventory quantities fluctuate during the year. No material amounts of interim liquidation of inventory quantities have occurred that are not expected to be replaced by year-end.

7. Earnings per common share and cash dividends per common share are based upon the weighted average number of shares outstanding after giving retroactive effect to a 10% stock dividend declared February 15, 1995 to shareholders of record at the close of business on March 31, 1995. Cash dividends in the amount of \$1,437,644 were paid on April 12, 1995.

RESULTS OF OPERATIONS

CONTINUING OPERATIONS

Net sales increased \$3,963,469 (17.6%) in the third quarter of this fiscal year as compared to the same quarter a year ago, and \$9,875,429 (19.0%) in the first nine months of fiscal 1995 as compared to the same period in fiscal 1994. These increases are primarily due to increases in the selling price of a single large-volume product, as well as volume increases which were less significant.

Gross margin, as a percentage of net sales, for the third quarter of fiscal 1995 was 19.9% compared to 20.3% for the same quarter one year ago, and 20.8% for the first nine months of fiscal 1995 as compared to 22.3% for the first nine months of fiscal 1994. These decreases are mainly attributable to the increased cost of the single large-volume product mentioned previously, which resulted in an increase in the cost of sales of \$325,000 and \$1,340,000 in the third quarter and first nine months of fiscal 1995 respectively. One year ago, the cost of this product dropped substantially, causing unusually high gross margins. Gross margins are now more in line with what they have been in the past. The Company has generally been able to, and expects to continue to, adjust its selling prices as the cost of materials and other expenses change, thereby maintaining relatively stable gross margins.

Selling, general and administrative expenses, as a percentage of net sales, for the third quarter of fiscal 1995 were 8.9% compared to 10.0% for the same quarter one year ago, and 10.0% for the first nine months of fiscal 1995 as compared to 11.4% for the first nine months of fiscal 1994. Most of the expenses in this category are fixed with the remaining expenses fluctuating only slightly with net sales.

The unusual and nonrecurring charge in the second quarter and first nine months of fiscal 1995 is attributable to the recording of a \$750,000 reserve to cover legal fees, and expenses and liability or settlement costs, if any, which may be incurred by the Company in connection with its defense of a lawsuit filed against the Company. The lawsuit alleges that the plaintiff sustained damages resulting from a fire at an office/warehouse facility used by The Lynde Company, a wholly owned subsidiary of the Company. The actual legal fees and expenses, and liability or settlement costs, if any, which may be incurred by the Company throughout the life of the lawsuit are highly dependent on a variety of technical legal issues. For further discussion of the lawsuit, please see Part II, Item 1 of the Company's quarterly report on Form 10-Q filed with the Commission on May 15, 1995, and Part II, Item 1 of this Form 10-Q. The Company's operations were not materially impacted by the event as operations were able to be relocated to other facilities. Additionally, insurance will cover most of the loss sustained to the building and inventory.

Interest income increased \$99,319 in the third quarter of fiscal 1995 as compared to the same quarter one year ago and \$265,269 for the first nine months of this fiscal year as compared to the same period one year ago. These increases are due to an increase in the amount of cash available for investments and to a higher rate of return earned on cash equivalents and investments. Interest expense decreased slightly due mainly to the settlement of an income tax audit in the prior year.

DISCONTINUED OPERATIONS

In March 1995, the Company adopted a formal plan to discontinue operations of Tessman Seed, which sold a wide range of horticulture and pest control products. Effective March 1, 1995, the Company sold the inventory, equipment and operations of Tessman. As a result of the purchase transaction, the Company recorded a loss on the disposal in the second quarter of \$321,266, net of taxes totaling \$214,200, to write-down Tessman's assets to the amount realized.

Revenues for Tessman for the quarters ended June 30, 1995 and 1994 were \$0 and \$1,739,000, respectively, and for the nine months ended June 30, 1995 and 1994 were \$931,000 and \$3,658,000, respectively. The income/(loss) for Tessman for the quarters and nine months ending June 30, 1995 and 1994 were \$.01 per share or less.

LIQUIDITY AND CAPITAL RESOURCES

For the nine month period ended June 30, 1995 cash flows from operations were \$8,021,335, which is \$4,433,807 higher than net income primarily due to non-cash charges incurred and significant fluctuations in inventory, accounts receivable and accounts payable. Noncash charges incurred during the first nine months include the loss on the sale of Tessman Seed and the unusual and nonrecurring charge relating to The Lynde Company lawsuit, totaling \$1,071,266. Inventories are \$2,382,666 lower than they were at the end of the 1994 fiscal year primarily due to delays in the receipt of barge shipments of caustic soda caused by high water on the Mississippi River for approximately three weeks in May and June. Accounts receivables are \$3,585,022 higher than they were at the end of the 1994 fiscal year due to normal sales activity during the third quarter. Accounts payable have increased \$4,480,450 during the year primarily due to timing of payments.

During the nine months ended June 30, 1995, the Company purchased additional equipment and made improvements to the existing facilities for cash of \$1,676,422, and purchased \$1,294,505 of investments.

The inventory, equipment and operations of Tessman were sold for \$1,144,714. At closing Hawkins received \$100,000 and a note receivable for the balance. The note receivable is due over the next five years plus interest at 8%.

The cash flows from operations, coupled with the Company's strong cash position, puts the Company in a position to fund both short and long-term working capital and capital investment needs with internally generated funds. Management does not, therefore, anticipate the need to engage in significant financing activities in either the short or long-term. If the need to obtain additional capital does arise, however, management is confident that the Company's total debt to capital ratio puts the Company in a position to issue either debt or equity securities on favorable terms.

Although management continually reviews opportunities to enhance the value of the Company through strategic acquisitions, other capital investments and strategic divestitures, no material commitments for such investments or divestitures currently exist. Until appropriate investment opportunities are identified, the Company will continue to invest excess cash in conservative investments. Cash equivalents consist of short-term certificates of deposit and investments consist of low-risk investment contracts with highly rated, stable insurance companies, and marketable securities consisting of investment grade municipal securities, all of which are carried at fair value which approximates cost. All cash equivalents and investments are highly liquid and are available upon demand.

Other than as discussed above, management is not aware of any matters that have materially affected the first nine months of fiscal 1995, but are not expected to materially affect future periods, nor is management aware of other matters not affecting this period that are expected to materially affect future periods.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As noted in the Company's quarterly report on Form 10-Q, filed with the Commission on May 15, 1995, the Company and its subsidiary, The Lynde Company, were named as defendants in DONNA M. COOKSEY, ET AL. V. HAWKINS CHEMICAL, INC. AND THE LYNDE COMPANY. This proceeding is currently pending in State District Court in Hennepin County, Minnesota. As further noted in such previous filing, the Company's primary and umbrella insurers have denied a tender of the defense of the lawsuit and have denied any obligation to indemnify the Company for damages claimed by third parties in connection with the fire. On July 7, 1995, the Company commenced suit (the "Lawsuit") against The North River Insurance Company and The Weschester Fire Insurance Company, the primary and umbrella insurers, respectively, which have denied coverage. This action was filed in Federal District Court for the District of Minnesota. The Lawsuit seeks declaratory relief consisting of a finding that the Company has coverage under both the primary and umbrella policies. Each of the defendant insurers has filed an answer in the Lawsuit, each denying the allegations in the Company's Complaint. No further progress has been made with respect to the Lawsuit to date, and it is impossible to determine at this time what the outcome will be.

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

(a) Exhibits.

The following exhibits are included with this Quarterly Report on Form 10-Q (or incorporated by reference) as required by Item 601 of Regulation S-K.

EXHIBIT NO.	DESCRIPTION	PAGE NO.
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(b) Reports on Form 8-K.

A current report on Form 8-K was filed on April 18, 1995, disclosing a press release regarding the litigation related to the fire at The Lynde Company's office/warehouse.

SIGNATURE

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.

HAWKINS CHEMICAL, INC.

BY _____
Howard M. Hawkins, Treasurer
(Chief Financial and Accounting Officer)

Dated: August 11, 1995

9-MOS

OCT-01-1995
OCT-03-1994
JUN-30-1995
10,639,912
7,871,248
13,094,829
0
5,461,925
38,878,240
10,356,810
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52,637,258
14,763,735
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526,289
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