

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, 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
(State or other jurisdiction of
incorporation of organization)

41-0771293
(I.R.S. Employer
Identification No.)

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 X 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 February 13, 1996
-----	-----
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

	DECEMBER 31, 1995 ----- (Unaudited)	OCTOBER 1, 1995 ----- (Derived from Audited financial statements)
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 8,150,572	\$ 9,906,107
Investments (fair value approximates cost).....	8,066,318	7,968,761
Accounts receivable-net.....	9,643,018	10,512,260
Note receivable.....	208,943	208,943
Inventories.....	7,578,336	8,663,959
Other current assets.....	995,431	1,647,660
	-----	-----
Total current assets.....	34,642,618	38,907,690
Property, plant and equipment-net.....	12,469,561	11,438,895
Note receivable-non current.....	695,045	715,045
Other assets.....	2,632,644	2,629,184
	-----	-----
Total.....	\$50,439,868	\$53,690,814
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 5,747,597	\$ 8,691,204
Current portion of long-term debt.....	56,008	52,344
Other current liabilities.....	4,320,675	5,822,383
	-----	-----
Total current liabilities.....	10,124,280	14,565,931
	-----	-----
Long term debt.....	572,453	628,461
	-----	-----
Deferred income taxes.....	382,800	377,800
	-----	-----

Shareholders' equity:

Common stock, par value \$.05 per share; issued and outstanding, 10,525,772 shares and 10,525,772 shares respectively.....	526,289	526,289
Additional paid-in capital.....	34,235,623	34,235,623
Retained earnings.....	4,598,423	3,356,710
	-----	-----
Total shareholders' equity.....	39,360,335	38,118,622
	-----	-----
Total.....	\$50,439,868	\$53,690,814
	-----	-----

See accompanying notes

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

(Unaudited)

Three Months Ended
December 31

	1995	1994
	-----	-----
Net sales.....	\$17,422,984	\$16,494,477
	-----	-----
Costs and expenses:		
Cost of sales.....	13,659,310	12,856,728
Selling, general and administrative.....	1,961,912	1,877,800
	-----	-----
Total costs and expenses.....	15,621,222	14,734,528
	-----	-----
Income from operations.....	1,801,762	1,759,949
	-----	-----
Other income (deductions):		
Interest income.....	258,500	192,214
Interest expense.....	(12,823)	(13,739)
Miscellaneous.....	29,073	22,590
	-----	-----
Total other income (deductions).....	274,750	201,065
	-----	-----
Income from continuing operations before income taxes.....	2,076,512	1,961,014
Provision for income taxes from continuing operations.....	834,800	788,100
	-----	-----
Income from continuing operations.....	1,241,712	1,172,914
Discontinued Operations:		
Loss from operations of Tessman Seed, Inc. (less applicable income taxes of \$0 and (\$37,900), respectively).....	0	(56,933)
	-----	-----
Net income.....	\$ 1,241,712	\$ 1,115,981
	-----	-----

Weighted average number of shares outstanding.....	10,525,772	10,525,772
	-----	-----
Earnings per common share:		
Continuing operations.....	\$0.12	\$0.11
Discontinued operations.....	0.00	(0.00)
	-----	-----
Total.....	\$0.12	\$0.11
	-----	-----

See accompanying notes

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

(Unaudited)

	THREE MONTHS ENDED DECEMBER 31	
	1995	1994
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 1,241,712	\$ 1,115,981
Loss on discontinued operations of Tessman Seed, Inc.....		56,933
Depreciation and amortization.....	340,800	323,432
Deferred income taxes.....		19,000
Other.....	(19,659)	(19,686)
Changes in certain current assets and liabilities.....	(1,096,417)	(822,707)
Change in net assets of discontinued operations..		77,433
	-----	-----
Net cash provided by operating activities...	466,436	750,386
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment.....	(1,355,266)	(737,633)
Purchases of investments.....	(97,557)	(91,335)
	-----	-----
Net cash used in investing activities.....	(1,452,823)	(828,968)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid.....	(736,804)	
Debt repayment.....	(52,344)	(48,919)
Payments received on note receivable.....	20,000	
	-----	-----
Net cash used in financing activities.....	(769,148)	(48,919)
	-----	-----
DECREASE IN CASH AND CASH EQUIVALENTS.....	(1,755,535)	(127,501)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	9,906,107	6,908,007
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 8,150,572	\$ 6,780,506
	-----	-----

SUPPLEMENTAL DISCLOSURES OF CASH FLOW
INFORMATION:

Cash paid for interest.....	\$ 50,559	\$ 53,994
	-----	-----
	-----	-----
Cash paid for income taxes.....	\$ 187,333	\$ 162,000
	-----	-----
	-----	-----

See accompanying notes

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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 1, 1995, 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.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the 1995 Hawkins Chemical, Inc. Annual Report which is incorporated by reference to Form 10-K filed with the Commission on December 28, 1995.

2. The results of operations for the period ended December 31, 1995 are not necessarily indicative of the results that may be expected for the full year.

3. Inventories, principally valued by the LIFO method, are less than current cost by approximately \$1,833,435 at December 31, 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.

4. 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. The dividend payment date was April 12, 1995.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net sales increased \$928,507, 5.6%, in the first quarter of this fiscal year as compared to the same quarter a year ago. This increase is primarily due to volume increases in most of the Company's divisions and subsidiaries.

The gross margin, as a percentage of net sales, for the first quarter of fiscal 1996 was 21.6% compared to 22.1% for the same quarter one year ago. This decrease is attributable to the increased cost of a single large-volume product and the increased costs of operations. 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 first quarter of fiscal 1996 were 11.3% compared to 11.4% for the same quarter one year ago. Most of the expenses in this category are fixed, with the remaining expenses fluctuating only slightly with net sales.

Income from operations increased \$41,813, 2.4%, in the first quarter of fiscal 1996, compared to fiscal 1995. This increase is primarily attributable to an increase net sales, partially offset by a decrease in gross margin.

Interest income increased \$66,286, 34.5%, compared to the same period one year ago. This increase is 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 to decline in long-term debt.

LIQUIDITY AND CAPITAL RESOURCES

For the first quarter ended December 31, 1995, cash flows from operations were \$466,436. This amount was lower than cash provided by operations during the same period one year ago, due mainly to the decreases in certain current assets and liability accounts discussed below. During the three months ended December 31, 1995, the Company invested \$1,355,266 in property and equipment additions and added \$97,577 to investments.

Accounts receivable and accounts payable decreased during the first three months of fiscal 1995, which is normal for the first quarter of our fiscal year. Inventory levels decreased due to management's decision to discontinue sales to mass merchandisers by The Lynde Company subsidiary, as that business involved high volumes and high inventory levels with a very low profit margin. Other current assets decreased due to the receipt of insurance proceeds during the firsts quarter of fiscal 1996. Other current liabilities decreased at quarter end and is the result of the payment of benefit plan accruals that existed at fiscal year end. The Company did not issue any securities during the quarter ended December 31, 1995.

Since 1985, the Company has been paying an annual cash dividend each year. In the fourth quarter of fiscal 1995 this was changed to a semi-annual cash dividend policy, of which the first half of the 1996 dividend was paid in October 1995.

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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 both debt and 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 with a minor penalty.

Other than as discussed above, management is not aware of any matters that have materially affected the first three months of fiscal 1996, 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.

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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.

No reports on Form 8-K have been filed during the fiscal quarter ended December 31, 1995.

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: February 13, 1996

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