

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997
COMMISSION FILE NUMBER 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
Number)

4001 HOMESTEAD ROAD, HOUSTON, TEXAS 77028-5585
(Address of principal executive office zip code)
Registrant's telephone number, including area code (713) 672-9433

Former name, former address and former fiscal year, of changed since last report

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

At September 30, 1997, the number of shares outstanding of the issuer's
only class of stock was 6,477,138 shares of Common Stock.
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PART I -- FINANCIAL INFORMATION

FRIEDMAN INDUSTRIES, INCORPORATED
CONSOLIDATED BALANCE SHEETS -- UNAUDITED

ASSETS

	SEPTEMBER 30, 1997	MARCH 31, 1997
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 74,073	\$ 168,245
Accounts receivable, less allowance for doubtful accounts (\$7,276 at September 30, 1997 and March 31, 1997, respectively).....	13,001,857	11,902,925
Inventories -- Note B.....	20,952,075	21,203,665
Prepaid expenses and other current assets.....	396,024	82,325
	-----	-----
Total Current Assets.....	34,424,029	33,357,160
PROPERTY, PLANT AND EQUIPMENT		
Land.....	198,021	198,021
Buildings and improvements.....	2,727,450	2,695,913
Machinery and equipment.....	13,096,038	11,724,974
Less allowance for depreciation.....	(10,137,153)	(9,909,444)
	-----	-----
	5,884,356	4,709,464
OTHER ASSETS		
Cash value of officers' life insurance.....	74,395	50,567
	-----	-----
	\$ 40,382,780	\$38,117,191
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable and accrued expenses.....	\$ 7,804,827	\$ 8,112,096
Current portion of long-term debt.....	800,000	800,000
Dividends payable.....	485,780	369,715
Contribution to profit-sharing plan.....	124,998	242,000
Federal income taxes payable.....	--	256,434
Employee compensation and related expenses.....	485,248	392,427
	-----	-----
Total Current Liabilities.....	9,700,853	10,172,672
LONG-TERM DEBT, less current portion.....	6,100,000	4,600,000
PROVISION FOR NONPENSION RETIREMENT BENEFITS.....	113,000	113,000
DEFERRED INCOME TAXES.....	419,560	449,560
STOCKHOLDERS' EQUITY		
Common stock:		
Par value \$1 per share:		
Authorized 10,000,000 shares; Issued and outstanding shares -- 6,477,138 at September 30, 1997 and 6,161,994 at March 31, 1997.....	6,477,138	6,161,994
Additional paid-in capital.....	23,653,105	22,377,246
Retained earnings.....	(6,080,876)	(5,757,281)
	-----	-----
Total Stockholders' Equity.....	24,049,367	22,781,959
	-----	-----
	\$ 40,382,780	\$38,117,191
	=====	=====

FRIEDMAN INDUSTRIES, INCORPORATED
CONSOLIDATED STATEMENT OF EARNINGS -- UNAUDITED

	THREE MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Net sales.....	\$36,961,370	\$29,486,754	\$75,261,802	\$58,238,233
Costs and expenses				
Costs of goods sold.....	34,065,469	26,956,145	69,131,090	53,085,111
General, selling and administrative costs.....	1,251,526	978,013	2,605,254	2,084,978
Interest.....	112,146	129,605	227,734	263,828
Interest and other income.....	35,429,141 (10,091)	28,063,763 (28,511)	71,964,078 (27,270)	55,433,917 (57,507)
Earnings before federal income taxes.....	1,542,320	1,451,502	3,324,994	2,861,823
Provision (benefit) for federal income taxes:				
Current.....	539,389	506,010	1,160,499	998,019
Deferred.....	(15,000)	(12,500)	(30,000)	(25,000)
	524,389	493,510	1,130,499	973,019
Net earnings.....	<u>\$ 1,017,931</u>	<u>\$ 957,992</u>	<u>\$ 2,194,495</u>	<u>\$ 1,888,804</u>
Average number of common shares outstanding -- Note C.....	<u>6,477,138</u>	<u>6,431,788</u>	<u>6,477,138</u>	<u>6,431,788</u>
Net earnings per share -- Note C.....	<u>\$0.16</u>	<u>\$0.15</u>	<u>\$0.34</u>	<u>\$0.29</u>
Cash Dividends				
Common Stock -- per share dividend declared during periods.....	<u>\$0.075</u>	<u>\$0.05</u>	<u>\$0.145</u>	<u>\$0.10</u>

FRIEDMAN INDUSTRIES, INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS -- UNAUDITED

	SIX MONTHS ENDED SEPTEMBER 30,	
	1997	1996
	-----	-----
OPERATING ACTIVITIES		
Net earnings.....	\$ 2,194,495	\$ 1,888,804
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation.....	334,202	316,020
Provision for deferred taxes.....	(30,000)	(25,000)
Decrease (increase) in operating assets:		
Accounts receivable.....	(1,098,932)	436,328
Inventories.....	251,590	(2,959,167)
Other.....	(313,699)	(176,665)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses.....	(307,269)	981,665
Contribution to profit-sharing plan.....	(117,002)	(108,000)
Employee compensation and related expenses.....	92,821	114,749
Federal income taxes payable.....	(256,434)	48,019
	-----	-----
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	749,772	516,753
INVESTING ACTIVITIES		
Purchase of property, plant and equipment.....	(1,509,095)	(68,461)
(Increase) decrease in cash value of officers' life insurance.....	(23,828)	(23,828)
	-----	-----
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES.....	(1,532,923)	(92,289)
FINANCING ACTIVITIES		
Cash dividends paid.....	(824,871)	(599,575)
Principal payments on long-term debt.....	(400,000)	(400,000)
Proceeds from borrowings of long term debt.....	1,900,000	
Exercise of stock options.....	13,850	
	-----	-----
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES.....	688,979	(999,575)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(94,172)	(575,111)
Cash and cash equivalents at beginning of period.....	168,245	595,216
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 74,073	\$ 20,105
	=====	=====

FRIEDMAN INDUSTRIES, INCORPORATED

NOTES TO QUARTERLY REPORT -- UNAUDITED
THREE MONTHS ENDED SEPTEMBER 30, 1997

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited condensed, consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information refer to the financial statements and footnotes included in the Company's annual report on Form 10-K for the year ended March 31, 1997.

NOTE B -- INVENTORIES

Coil inventory consists primarily of raw materials. Tubular inventory is comprised of both raw materials and finished goods.

NOTE C -- EARNINGS PER SHARE

Earnings per share are based on the weighted average number of common shares outstanding. Stock options are not included in the computation of the weighted average number of common shares outstanding since their effect is not significant. Fully diluted earnings per share are not presented because they are not materially dilutive. Applicable per share amounts have been adjusted to give effect to stock dividends.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share, which is required to be adopted for financial statements issued for periods ending after December 31, 1997. The statement replaces primary and fully diluted earnings per share with basic and diluted earnings per share. The Company does not anticipate that the implementation of this new standard will materially impact earnings per share.

FRIEDMAN INDUSTRIES, INCORPORATED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONSSIX MONTHS ENDED SEPTEMBER 30, 1997 COMPARED TO SIX MONTHS ENDED SEPTEMBER 30,
1996

During the six months ended September 30, 1997, net sales, costs of goods sold and gross profit increased \$17,023,569, \$16,045,979 and \$977,590, respectively, from the comparable amounts recorded during the six months ended September 30, 1996. The increases in net sales and costs of goods sold were related to coil and tubular operations which reflected a combined increase in tonnage sold of approximately 29%. Gross profit on coil products declined and increased on tubular products, the net effect of which resulted in the increase in gross profit noted above. Gross profit as a percent of sales was 8.8% and 8.1% in the 1996 and 1997 periods, respectively. The decline in margins was primarily related to coil operations which were adversely affected by stiff competition within the industry. The Company increased sales of coil products at the expense of margins. Market conditions for tubular products remained strong in the 1997 period.

General, selling and administrative costs increased \$520,276 from the amount recorded during the 1996 period. This increase was primarily related to variable expenses associated with volume and/or earnings, to costs associated with additional sales employees and to an increase in bad debt expense.

Interest expense and interest and other income declined \$36,094 and \$30,237, respectively, from comparable amounts recorded during the 1996 period. The decline in interest expense was primarily related to a reduction in term debt. In September 1996, the Company recorded a gain on sale of assets. This factor combined with reduced average invested cash positions during the 1997 period produced the decline in interest and other income noted above.

Federal income taxes increased \$157,480 due to an increase in earnings before taxes. Effective tax rates were the same for each period.

THREE MONTHS ENDED SEPTEMBER 30, 1997 COMPARED TO THREE MONTHS ENDED SEPTEMBER
30, 1996

During the three months ended September 30, 1997, net sales, costs of goods sold and gross profit increased \$7,474,616, \$7,109,324 and \$365,292, respectively, from the comparable amounts recorded during the three months ended September 30, 1996. The increases in net sales and costs of goods sold were produced by coil and tubular operations which reflected a combined increase in tonnage sold of approximately 25%. Gross profit earned on sales of coil products and on sales of tubular products declined and increased, respectively, the net effect of which produced the gross profit increase noted above. Gross profit as a percentage of sales declined from 8.6% in the 1996 quarter to 7.8% in the 1997 quarter. This decline in margin rates was primarily related to coil operations which were adversely affected by stiff competition within the industry. The Company increased sales of coil products at the expense of margins. Market conditions for tubular products remained strong during the 1997 quarter.

General, selling and administrative costs increased \$273,513 from the amount recorded during the 1996 quarter. This increase was primarily related to an increase in variable expenses associated with volume and/or earnings, to costs related to additional sales employees, to an increase in bad debt expense and to other miscellaneous expenses.

Interest expense declined \$17,459 primarily as a result of a decline in term debt.

Interest and other income declined \$18,420. This decline was primarily related to a gain on the sale of assets recorded during the September 1996 quarter.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Company remained in a strong, liquid position at September 30, 1997. Current ratios were 3.5 and 3.3 at September 30, 1997 and March 31, 1997, respectively. Working capital was \$24,723,176 at September 30, 1997 and \$23,184,448 at March 31, 1997.

The Company has a credit arrangement with a bank pursuant to which the bank provides a revolving line of credit facility and a term credit facility. Pursuant to the revolving line of credit facility, the Company may borrow up to \$8 million. The facility expires April 1, 2000. At September 30, 1997, the Company had borrowings outstanding under the line of credit facility of \$5 million. Pursuant to the term credit facility, the Company may borrow up to \$4.7 million. Advances made pursuant to the term facility convert to a term loan on December 1, 1998. The amount outstanding under the term credit facility bear interest at a stated rate of LIBOR plus 1.25% and requires quarterly principal payments of \$200,000 plus accrued interest, through March 1, 2003. In July 1997, the Company entered into a swap transaction with the bank pursuant to which it exchanged the LIBOR-based interest rate obligation for a fixed interest rate obligation of 8% to remain in effect for the entire term of the term credit facility. As of September 30, 1997, the principal amount of indebtedness outstanding under the term credit facility was \$1.9 million.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

- a). Not applicable
- b). Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

- a). None
- b). Not applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Shareholders held on August 22, 1997, the Company's shareholders elected seven directors to the Company's Board of Directors. The number of shares voted for and withheld with respect to the election of each director was as follows:

NAME -----	SHARES VOTED FOR -----	SHARES WITHHELD -----
Jack Friedman.....	6,070,067	28,681
Harold Friedman.....	6,090,357	8,391
Charles W. Hall.....	6,040,136	58,612
Alan M. Rauch.....	6,040,136	58,612
Hershel M. Rich.....	6,090,357	8,391
Henry Spira.....	6,089,256	9,492
Kirk K. Weaver.....	6,090,357	8,391

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a). 10.1 -- First Amendment to Friedman Industries, Incorporated 1989
Incentive Stock Option Plan
 - 10.2 -- First Amendment to Friedman Industries, Incorporated 1995
Non-Employee Director Stock Plan
 - 27 -- Financial Data Schedule
- b). None

SIGNATURES

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.

FRIEDMAN INDUSTRIES, INCORPORATED

Date November 14, 1997

By /s/ BEN HARPER

Ben Harper, Senior Vice
President-Finance
(Chief Accounting Officer)

Date November 14, 1997

By /s/ HAROLD FRIEDMAN

Harold Friedman, Vice Chairman of
the Board

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Friedman Industries, Incorporated

We have reviewed the accompanying condensed consolidated balance sheet of Friedman Industries, Incorporated, as of September 30, 1997, the related consolidated statements of earnings for the three and six month periods ended September 30, 1997 and 1996 and the consolidated statements of cash flows for the six month periods ended September 30, 1997 and 1996. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Friedman Industries, Incorporated, as of March 31, 1997, and the related consolidated statements of earnings, stockholders' equity and cash flows for the year then ended (not presented herein) and in our report dated May 30, 1997, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 1997, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Houston, Texas
November 14, 1997

INDEX TO EXHIBITS

EXHIBIT NO. -----	EXHIBIT -----
10.1	-- First Amendment to Friedman Industries, Incorporated 1989 Incentive Stock Option Plan
10.2	-- First Amendment to Friedman Industries, Incorporated 1995 Non-Employee Director Stock Plan
27	-- Financial Data Schedule

FIRST AMENDMENT
TO
FRIEDMAN INDUSTRIES, INCORPORATED
1989 INCENTIVE STOCK OPTION PLAN

1. Section 2(f) of the Friedman Industries, Incorporated 1989 Incentive Stock Option Plan (the "Plan") is hereby deleted in its entirety and replaced by the following:

"(f) "Non-Employee Director" shall mean a "Non-Employee Director" as that term is defined in Rule 16b-3 under the Securities Exchange Act of 1934."

2. The second sentence of Section 3 of the Plan is hereby deleted in its entirety and replaced by the following:

"The Committee shall consist of not less than two members of the Board of Directors, all of whom shall be Non-Employee Directors."

3. The last sentence of the Section 6 of the Plan is hereby deleted in its entirety and replaced by the following:

"No member of the Committee shall be eligible to receive stock, stock options or stock appreciation rights under any plan of the Company or any of its Affiliates if such receipt would cause such individual not to be a Non-Employee Director."

4. The last sentence of Section 24 of the Plan is hereby deleted in its entirety and replaced by the following:

"No Option shall be granted pursuant to the Plan after August 22, 1997."

5. Except as expressly amended by this First Amendment, the Plan shall continue in full force and effect in accordance with its terms.

6. The effective date of this First Amendment shall be August 22, 1997.

Board of Directors Approval: September 25, 1997

FIRST AMENDMENT
TO
FRIEDMAN INDUSTRIES, INCORPORATED
1995 NON-EMPLOYEE DIRECTOR STOCK PLAN

1. Section 2(C) of the Friedman Industries, Incorporated 1995 Non-employee Director Stock Plan (the "Plan") is hereby deleted in its entirety and replaced by the following:

"(C) "Committee" shall mean a committee of one or more members of the Board."

2. Except as expressly amended by this First Amendment, the Plan shall continue in full force and effect in accordance with its terms.

3. The effective date of this First Amendment shall be August 22, 1997.

Board of Directors Approval: September 25, 1997

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q -
THREE MONTHS ENDED SEPTEMBER 30, 1997.

3-MOS	
	MAR-31-1997
	JUL-01-1997
	SEP-30-1997
	74,073
	0
	13,001,857
	0
	20,952,075
	34,424,029
	16,021,509
	10,137,153
	40,382,780
9,700,853	
	6,100,000
0	
	0
	6,477,138
	17,572,229
40,382,780	
	36,961,370
	36,961,370
	34,065,469
	35,316,995
	0
	0
	112,146
	1,542,320
	524,389
1,017,931	
	0
	0
	0
	1,017,931
	.16
	.16