

IEH CORPORATION
Form 10-Q
November 26, 2012

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 28, 2012

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

For the transition period from _____ to _____

Commission File No. 0-5278

IEH CORPORATION

(Exact name of registrant as specified in its charter)

New York 13-5549348
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

140 58th Street, Suite 8E, Brooklyn, New York 11220

(Address of principal executive office)

Registrant's telephone number, including area code: **(718) 492-4440**

Former name, former address and former fiscal year,
if 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 (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 (§232.405 of this chapter) 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. (Check one):

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

2,303,468 shares of Common Shares, par value \$.01 per share, were outstanding as of September 28, 2012.

IEH CORPORATION

TABLE OF CONTENTS

	Page Number
<u>PART I – FINANCIAL INFORMATION</u>	
<u>ITEM 1- FINANCIAL STATEMENTS</u>	
<u>Balance Sheets as of September 28, 2012 (Unaudited) and March 30, 2012</u>	3
<u>Statement of Operations (Unaudited) for the six and three months ended September 28, 2012 and September 23, 2011</u>	5
<u>Statement of Cash Flows (Unaudited) for the six months ended September 28, 2012 and September 23, 2011</u>	6
<u>Notes to Financial Statements (Unaudited)</u>	8
<u>ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	21
<u>ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	29
<u>ITEM 4 – CONTROLS AND PROCEDURES</u>	29
<u>PART II – OTHER INFORMATION</u>	
<u>ITEM 1 – LEGAL PROCEEDINGS</u>	30
<u>ITEM 1A – RISK FACTORS</u>	30
<u>ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	32
<u>ITEM 3 – DEFAULTS UPON SENIOR SECURITIES</u>	32
<u>ITEM 4 – REMOVED AND RESERVED</u>	32
<u>ITEM 5 – OTHER INFORMATION</u>	32
<u>ITEM 6 – EXHIBITS</u>	33

SIGNATURES

-1-

Table of Contents

Exhibits

Exhibit 31.1 Certification Pursuant to Section 302 of the Sarbanes Oxley Act 36

Exhibit 31.2 Certification Pursuant to Section 302 of the Sarbanes Oxley Act 37

Exhibit 32.1 Certification Pursuant to Section 906 of the Sarbanes Oxley Act 38

Exhibit 101 Instance Document

Exhibit 101 Schema Document

Exhibit 101 Calculation Linkbase Document

Exhibit 101 Labels Linkbase Document

Exhibit 101 Presentation Linkbase Document

Exhibit 101 Definition Linkbase Document

-2-

Table of Contents

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

IEH CORPORATION

BALANCE SHEETS

As of September 28, 2012 and March 30, 2012

	Sept. 28 2012 (Unaudited)
ASSETS	
CURRENT ASSETS:	
Cash	\$373,130
Accounts receivable, less allowances for doubtful accounts of \$11,562 at September 28, 2012 and March 30, 2012	1,883,000
Inventories (<i>Note 3</i>)	4,208,000
Excess payments to accounts receivable factor (<i>Note 6</i>)	171,660
Prepaid expenses and other current assets (<i>Note 4</i>)	720,520
Total Current Assets	7,357,310
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization of \$7,555,271 at September 28, 2012 and \$7,429,871 at March 30, 2012 (<i>Note 5</i>)	1,475,000
	1,475,000

OTHER ASSETS:

Other assets

31,189

31,189

Total Assets

\$8,864,

The accompanying notes should be read in conjunction with the financial statements.

-3-

Table of Contents

IEH CORPORATION

BALANCE SHEETS (Continued)

As of September 28, 2012 and March 30, 2012

	Sept. 28, 2012 (Unaudited)	March 30, 2012
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 220,368	\$ 305,786
Accounts receivable financing (Note 6)	—	54,943
Workers compensation insurance assessments- current portion (Note 8)	47,638	47,638
Other current liabilities (Note 7)	338,552	404,673
Total Current Liabilities	606,558	813,040
LONG-TERM LIABILITIES:		
Workers compensation insurance assessments- net of current portion (Note 8)	42,794	65,423
Total Long-Term Liabilities	42,794	65,423
Total Liabilities	649,352	878,463
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value; 10,000,000 shares authorized; 2,303,468 shares issued and outstanding at September 28, 2012 and March 30, 2012	23,035	23,035
Capital in excess of par value	2,744,573	2,744,573
Retained earnings (Note 9)	5,447,172	4,929,658
Total Stockholders' Equity	8,214,780	7,697,266
Total Liabilities and Stockholders' Equity	\$ 8,864,132	\$ 8,575,729

The accompanying notes should be read in conjunction with the financial statements.

Table of Contents

IEH CORPORATION

STATEMENT OF OPERATIONS*(Unaudited)*

For the Six and Three Months Ended September 28, 2012 and September 23, 2011

	Six Months Ended		Three Months Ended	
	Sept. 28, 2012	Sept. 23, 2011	Sept. 28, 2012	Sept. 23, 2011
REVENUE, net sales	\$6,707,556	\$6,824,250	\$3,238,287	\$3,336,795
COSTS AND EXPENSES				
Cost of products sold	4,504,544	4,505,516	2,236,429	2,206,888
Selling, general and administrative	1,121,658	1,076,380	553,199	552,567
Interest expense	13,557	22,424	6,306	14,565
Depreciation	125,400	75,000	59,100	37,500
	5,765,159	5,679,320	2,855,034	2,811,520
OPERATING INCOME	942,397	1,144,930	383,253	525,275
OTHER INCOME	239	—	143	—
INCOME BEFORE INCOME TAXES	942,636	1,144,930	383,396	525,275
PROVISION FOR INCOME TAXES	425,122	540,000	180,996	268,000
NET INCOME	\$517,514	\$604,930	\$202,400	\$257,275
BASIC AND DILUTED EARNINGS PER SHARE <i>(Note 2)</i>	\$.22	\$.26	\$.09	\$.11
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)	2,303	2,303	2,303	2,303

The accompanying notes should be read in conjunction with the financial statements.

Table of Contents

IEH CORPORATION

STATEMENT OF CASH FLOWS*(Unaudited)*

For the Six Months Ended September 28, 2012 and September 23, 2011

	Six Months Ended	
	Sept. 28, 2012	Sept. 23, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$517,514	\$604,930
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	125,400	75,000
Changes in assets and liabilities:		
Decrease in accounts receivable	160,223	322,202
(Increase) decrease in inventories	24,648	(290,128)
(Increase) in prepaid expenses and other current assets	(184,809)	(66,981)
(Increase) decrease in other assets	(12)	2,742
(Decrease) in accounts payable	(85,418)	(33,335)
(Decrease) in other current liabilities	(66,121)	(80,779)
(Decrease) in accrued corporate income taxes	—	(3,752)
(Decrease) in workers compensation assessment	(22,629)	(23,820)
Total adjustments	(48,718)	(98,851)
NET CASH PROVIDED BY OPERATING ACTIVITIES	468,796	506,079
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of fixed assets	(155,171)	(129,340)
NET CASH (USED) BY INVESTING ACTIVITIES	\$(155,171)	\$(129,340)

The accompanying notes should be read in conjunction with the financial statements.

Table of Contents

IEH CORPORATION

STATEMENT OF CASH FLOWS (Continued)*(Unaudited)*

For the Six Months Ended September 28, 2012 and September 23, 2011

	Six Months Ended	
	Sept. 28, 2012	Sept. 23, 2011
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in accounts receivable financed	\$(54,943)	\$22,114
Increase (decrease) in excess payments to accounts receivable factor	(171,661)	78,898
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(226,604)	101,012
INCREASE IN CASH	87,021	477,751
CASH, beginning of period	286,109	157,049
CASH, end of period	\$373,130	\$634,800
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the six months for:		
Interest	\$12,057	\$19,249
Income Taxes	\$660,000	\$690,261

The accompanying should be read in conjunction with the financial statements.

Table of Contents

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 1- INTERIM RESULTS AND BASIS OF PRESENTATION:

The accompanying unaudited financial statements as of September 28, 2012 and September 23, 2011 and for the six and three months then ended have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of September 28, 2012 and September 23, 2011 and the results of operations and cash flows for the six and three months then ended. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the six and three months ended September 28, 2012, are not necessarily indicative of the results to be expected for any subsequent quarter or the entire fiscal year. The balance sheet at March 30, 2012 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The Company believes, however, that the disclosures in this report are adequate to make the information presented not misleading in any material respect. The accompanying financial statements should be read in conjunction with the audited financial statements and notes thereto of IEH Corporation for the fiscal year ended March 30, 2012 included in the Company’s Annual Report on Form 10-K as filed with the SEC and the attached Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Business:

The Company designs, develops and manufactures printed circuit connectors for high performance applications. We have also developed a high performance plastic circular connector line. All of our products utilize the HYPERTAC™ contact design, which is identified by the generic “HYPERBOLOID” in our catalogs. This is necessary since all other HYPERTAC™ companies have been purchased by a multi-national company. We are the only independent producer of

HYPERTAC™ in the United States.

Our customers consist of OEM's (Original Equipment Manufacturers), companies manufacturing medical equipment, and Distributors who resell our products to OEMs. We sell our products directly and through 16 independent sales representatives located in all regions of the United States, Canada, Israel, India, various Pacific Rim countries, South Korea and the European Union (EU).

-8-

Table of Contents

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Business: *(continued)*

The customers we service are in the Government, Military, Aerospace, Medical, Automotive, Industrial, Test Equipment and Commercial Electronics markets. We appear on the Military Qualified Product Listing "QPL" to MIL-DTL-55302 and supply customer requested modifications to this specification. Sales to the commercial electronic and military markets were 31% and 60%, respectively, of the Company's net sales for the year ended March 30, 2012. Our offering of "QPL" items has recently been expanded to include additional products.

Accounting Period:

The Company maintains an accounting period based upon a 52-53 week year, which ends on the nearest Friday in business days to March 31. The year ended March 30, 2012 was comprised of 53 weeks.

Revenue Recognition:

Revenues are recognized at the shipping date of the Company's products. The Company has historically adopted the shipping terms that title to merchandise passes to the customer at the shipping point (FOB Shipping Point). At this juncture, title has passed, the Company has recognized the sale, inventory has been relieved, and the customer has been invoiced. The Company does not offer any discounts, credits or other sales incentives.

The Company's policy with respect to customer returns and allowances as well as product warranty is as follows:

The Company will accept a return of defective product within one year from shipment for repair or replacement at the Company's option. If the product is repairable, the Company at its own cost, will repair and return it to the customer. If unrepairable, the Company will either offer an allowance against payment or will reimburse the customer for the total cost of the defective product.

Most of the Company's products are custom ordered by customers for a specific use. The Company provides engineering services as part of the relationship with its customers in developing the custom product. The Company is not obligated to provide such engineering service to its customers. The Company does not charge its customers separately for these services.

-9-

Table of Contents

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(continued)***

Inventories:

Inventories are stated at cost, on a first-in, first-out basis which does not exceed market value.

The Company manufactures products pursuant to specific technical and contractual requirements.

The Company historically purchases material in excess of its requirements to avail itself of favorable pricing as well as the possibility of receiving additional orders from customers. This excess may result in material not being used in subsequent periods, which may result in this material being deemed obsolete.

The Company annually reviews its purchase and usage activity of its inventory of parts as well as work in process and finished goods to determine which items of inventory have become obsolete within the framework of current and anticipated orders. The Company based upon historical experience has determined that if a part has not been used and purchased or an item of finished goods has not been sold in three years, it is deemed to be obsolete. The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost. A periodic adjustment, based upon historical experience is made to inventory in recognition of this impairment.

Concentration of Credit Risk:

Edgar Filing: IEH CORPORATION - Form 10-Q

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

Under the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that was signed into law on July 21, 2010, the Federal Deposit Insurance Corporation (FDIC) will permanently insure interest bearing accounts at financial institutions up to \$250,000 in the aggregate.

An additional provision of the Dodd-Frank Act provides for all non-interest bearing transaction accounts to be fully insured by the FDIC. Coverage under this provision began on December 31, 2010 and will end on December 31, 2012.

The Company has not experienced any losses in such accounts and believes its cash balances are not exposed to any significant risk.

As of September 28, 2012, the Company had funds on deposit in the amount of \$373,130 in one financial institution comprised of the following:

Non-interest bearing accounts	\$ 147,952
Interest bearing account	225,178
	\$373,130

Table of Contents

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

Property, Plant and Equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization using the Double Declining Balance method over the estimated useful lives (5-7 years) of the related assets.

Maintenance and repair expenditures are charged to operations, and renewals and betterments are capitalized. Items of property, plant and equipment, which are sold, retired or otherwise disposed of, are removed from the asset and accumulated depreciation or amortization accounts. Any gain or loss thereon is either credited or charged to operations.

Income Taxes:

The Company follows the policy of treating investment tax credits as a reduction in the provision for federal income tax in the year in which the credit arises or may be utilized. Deferred income taxes arise from temporary differences resulting from different depreciation methods used for financial and income tax purposes. The Company has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, which includes the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes."

Net Income Per Share:

The Company has adopted the provisions of ASC Topic 260, *Earnings per Share*, which includes the provisions of SFAS No. 128, "Earnings Per Share," which requires the disclosure of "basic" and "diluted" earnings (loss) per share. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. Diluted earnings per share is similar to basic earnings per share except that the weighted average number of common shares outstanding is increased to reflect the dilutive effect of potential common shares, such as those issuable upon the exercise of stock or warrants, as if they had been issued. For the six months ended September 28, 2012 and September 23, 2011, respectively, there were no items of potential dilution that would impact on the computation of diluted earnings or loss per share.

Fair Value of Financial Instruments:

The carrying value of the Company's financial instruments, consisting of accounts receivable, accounts payable, and borrowings, approximate their fair value due to the relatively short maturity (three months) of these instruments.

Table of Contents

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual amounts could differ from those estimates.

Impairment of Long-Lived Assets:

The Company has adopted the provisions of ASC Topic, 360, *Property, Plant and Equipment-Impairment or Disposal of Long-Lived Assets* which includes the provisions of SFAS No. 144, "Accounting for The Impairment or Disposal of Long-Lived Assets," and requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has adopted SFAS No. 144. There were no long-lived asset impairments recognized by the Company for the six months ended September 28, 2012 and September 23, 2011, respectively.

Reporting Comprehensive Income:

The Company has adopted the provisions of ASC Topic, 220, *Comprehensive Income* which includes the provisions of SFAS No. 130, "Reporting Comprehensive Income." This Statement established standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in an entity's financial statements. This Statement requires an entity to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and

additional paid-in capital in the equity section of a statement of balance sheet. There were no material items of comprehensive income to report for the six months ended September 28, 2012 and September 23, 2011, respectively.

Segment Information:

The Company has adopted the provisions of ASC Topic, 280, *Segment Reporting* which includes the provisions of SFAS No. 131, "Disclosures About Segment of An Enterprise and Related Information." This Statement requires public enterprises to report financial and descriptive information about its reportable operating segments and establishes standards for related disclosures about product and services, geographic areas, and major customers. The adoption of ASC Topic 280 did not affect the Company's presentation of its results of operations or financial position.

Table of Contents

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** *(continued)*

Research and Development:

The Company provides personalized engineering services to its customers by designing connectors for specific customer applications. The employment of electromechanical engineers is the anticipated cornerstone of the Company's future growth. The Company maintains a testing laboratory where its engineers experiment with new connector designs based on changes in technology and in an attempt to create innovative, more efficient connector designs.

The Company did not expend any funds on nor receive any revenues related to customer sponsored research and development activities relating to the development of new designs, techniques and the improvement of existing design during the six months ended September 28, 2012 and September 23, 2011, respectively.

Recent Accounting Pronouncements:

The Financial Accounting Standards Board ("FASB") has issued certain accounting standards updates as of September 30, 2012 that will become effective in subsequent periods. Management believes that none of those updates would have significantly affected the Company's financial accounting measures or disclosures had they been in effect during the six months ended September 28, 2012 or September 23, 2011, and it does not believe that any of those pronouncements will have a significant impact on the Company's financial statements at the time that they become effective.

Note 3 - INVENTORIES:

Inventories are stated at cost, on a first-in, first-out basis, which does not exceed market value.

The Company manufactures products pursuant to specific technical and contractual requirements. The Company historically purchases material in excess of its requirements to avail itself of favorable pricing as well as the possibility of receiving additional orders from customers. This excess may result in material not being used in subsequent periods, which may result in this material being deemed obsolete.

The Company annually reviews its purchase and usage activity of its inventory of parts as well as work in process and finished goods to determine which items of inventory have become obsolete within the framework of current and anticipated orders. The Company based upon historical experience has determined that if a part has not been used and purchased or an item of finished goods has not been sold in three years, it is deemed to be obsolete.

Table of Contents**IEH CORPORATION****NOTES TO FINANCIAL STATEMENTS***(Unaudited)***Note 3 - INVENTORIES:** *(continued)*

The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost. A periodic adjustment, based upon historical experience is made to inventory in recognition of this impairment.

Inventories are comprised of the following:

	Sept. 28, 2012	March 30, 2012
Raw materials	\$2,640,001	\$2,655,462
Work in progress	611,079	614,658
Finished goods	957,532	963,140
	\$4,208,612	\$4,233,260

Note 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS:

Prepaid expenses and other current assets are comprised of the following:

	Sept. 28, 2012	March 30, 2012
Prepaid insurance	\$10,126	\$57,637

Edgar Filing: IEH CORPORATION - Form 10-Q

Prepaid corporate taxes	661,727	426,849
Other current assets	48,670	51,228
	\$720,523	\$ 535,714

-14-

Table of Contents**IEH CORPORATION****NOTES TO FINANCIAL STATEMENTS***(Unaudited)*

Note 5 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are comprised of the following:

	Sept. 28, 2012	March 30, 2012
Computers	\$279,061	\$269,124
Leasehold improvements	784,882	740,682
Machinery and equipment	5,287,526	5,276,587
Tools and dies	2,503,241	2,419,087
Furniture and fixture	168,269	162,328
Website development cost	7,550	7,550
	9,030,529	8,875,358
Less: accumulated depreciation and amortization	(7,555,271)	(7,429,871)
	\$1,475,258	\$1,445,487

Note 6 - ACCOUNTS RECEIVABLE FINANCING:

The Company entered into an accounts receivable financing agreement with a non-bank lending institution (“Factor”) whereby it can borrow up to 80 percent of its eligible receivables (as defined in such financing agreement) at an interest rate of 2.5% above JP Morgan Chase’s publicly announced rate with a minimum rate of 12% per annum. The financing agreement has an initial term of one year and will automatically renew for successive one-year terms, unless terminated by the Company or the Factor upon receiving 60 days prior notice. Funds advanced by the Factor are secured by the Company’s accounts receivable and inventories.

Edgar Filing: IEH CORPORATION - Form 10-Q

At September 28, 2012, the Company had reported excess payments to the Factor resulting in overpayments of \$171,661, which the Company will apply against future borrowings. These excess payments are reported in the accompanying financial statements as of September 28, 2012 as "Excess payments to accounts receivable factor." As of March 30, 2012, the Company reported a payable to the factor of \$54,943.

-15-

Table of Contents

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 7 - OTHER CURRENT LIABILITIES:

Other current liabilities are comprised of the following:

	Sept. 28, 2012	March 30, 2012
Payroll and vacation accruals	\$272,819	\$337,961
Sales commissions	34,085	53,204
Insurance	5,212	2,807
Other	26,436	10,701
	\$338,552	\$404,673

Note 8 - WORKERS COMPENSATION INSURANCE ASSESSMENT:

On September 15, 2008, the Company was notified by the State of New York Workers' Compensation Board (the "Board") that the Trade Industry Workers' Compensation Trust for Manufacturers (the "Trust") had defaulted. As a member of this self-insured group, the Company was assessed on an estimated basis by the Board for its allocable share necessary to discharge all liabilities of the Trust.

The assessed amount for the years 2002 through 2006 was \$101,362. The assessed amount for each year is detailed as follows:

2002	\$16,826
2003	24,934
2004	31,785

2005	14,748
2006	13,069
	\$ 101,362

The Company did have the option of paying this assessment as a lump sum amount or paying off the assessment over a 60 month period. The Company elected the deferral option, and was obligated to making monthly payments of \$1,689 for 59 months, and \$1,711 for the 60th and final month. The Company had recorded this assessment as a charge to Cost of Sales in the quarter ended December 26, 2008.

-16-

Table of Contents

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 8 - WORKERS COMPENSATION INSURANCE ASSESSMENT: *(continued)*

The Company was subsequently notified that it was being assessed an additional \$146,073 covering the years 2002 through 2007, bringing the total deficit allocation assessment to \$247,435.

The total revised assessment for the years 2002 to 2007 was as follows:

2002	\$23,445
2003	43,797
2004	51,381
2005	38,309
2006	46,477
2007	44,026
	\$247,435

The Company has elected to pay the revised assessment over a five year period (60 months). The monthly payments, inclusive of interest at 7.50%, are \$3,970.

As of September 30, 2012, the Company had paid down \$157,003 of this assessment. The remaining balance of the total revised assessment payable as of September 28, 2012, was \$90,432.

Note 9 - CHANGES IN STOCKHOLDERS' EQUITY:

The accumulated retained earnings increased by \$517,514, which represents the net income for the six months ended September 28, 2012. Accordingly, the Company reported accumulated retained earnings of \$5,447,172 as of September 28, 2012.

Note 10- 2011 EQUITY INCENTIVE PLAN:

On August 31, 2011, the Company's shareholders approved the adoption of the Company's 2011 Equity Incentive Plan ("2011 Plan") to provide for the grant of stock options and restricted stock awards to purchase up to 750,000 shares of the Company's common stock to all employees, consultants and other eligible participants including senior management and members of the Board of Directors of the Company. The 2011 Plan replaced the prior 2002 Employee Stock Option Plan which had expired in accordance with its terms.

Options granted to employees under the 2011 Plan may be designated as options which qualify for incentive stock option treatment under Section 422A of the Internal Revenue Code, or options which do not qualify (non-qualified stock options).

Table of Contents

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 10- 2011 EQUITY INCENTIVE PLAN: *(continued)*

Under the 2011 Plan, the exercise price of an option designated as an incentive stock option shall not be less than the fair market value of the Company's common stock on the day the option is granted. In the event an option designated as an incentive stock option is granted to a ten percent (10%) or greater shareholder, such exercise price shall be at least 110 percent (110%) of the fair market value of the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant. The 2011 Plan also provides that holders of options that wish to pay for the exercise price of their options with shares of the Company's common stock must have beneficially owned such stock for at least six months prior to the exercise date.

Exercise prices of non-incentive stock options may be less than the fair market value of the Company's common stock.

The aggregate fair market value of shares subject to options granted to a participant(s), that are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000. As of September 28, 2012, no options or restricted stock awards had been granted under the 2011 Plan.

Note 11 - CASH BONUS PLAN:

In 1987, the Company adopted a cash bonus plan ("Cash Bonus Plan") for executive officers. Contributions to the Cash Bonus Plan are made by the Company only after pre-tax operating profits exceed \$150,000 for a fiscal year, and then to the extent of 10% of the excess of the greater of \$150,000 or 25% of pre-tax operating profits. The Company accrued \$94,800 for the six months ended September 28, 2012. For the year ended March 30, 2012, the Company's contribution was \$149,000.

Note 12 - COMMITMENTS AND CONTINGENCIES:

Edgar Filing: IEH CORPORATION - Form 10-Q

The Company leases space for its corporate offices (including its manufacturing facility) at 140 58th Street, Suite 8E, Brooklyn, New York. The lease term runs from December 1, 2010 through November 30, 2020. The basic minimum annual rentals are as follows:

Fiscal year ending March:

2013	\$ 153,860
2014	158,480
2015	163,240
2016	168,120
2017	173,180
Thereafter	679,920
	\$ 1,496,800

-18-

Table of Contents

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 12 - COMMITMENTS AND CONTINGENCIES:

The rental expense for the six months ended September 28, 2012 and September 23, 2011 was \$76,170 and \$79,950, respectively.

The Company has a collective bargaining multi-employer pension plan ("Multi-Employer Plan") with the United Auto Workers of America, Local 259 ("UAW"). Contributions are made by the Company in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. With the passage of the Multi-Employer Pension Plan Amendment Act of 1990 (the "1990 Act"), the Company may become subject to liabilities in excess of contributions made under the collective bargaining agreement. Generally, these are contingent upon termination, withdrawal, or partial withdrawal from the Multi-Employer Plan.

The Company has not taken any action to terminate, withdraw or partially withdraw from the Multi-Employer Plan, nor does it intend to do so in the future. Under the 1990 Act, liabilities would be based upon the Company's proportional share of the Multi-Employer Plan's unfunded vested benefits which is currently not available. The amount of accumulated benefits and net assets of such Plan also is not currently available to the Company. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$59,150 and \$56,064 for the six months ended September 28, 2012 and September 23, 2011, respectively.

Table of Contents

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”) and Section 27A of the Securities Act of 1933 (the “Securities Act”). Statements contained in this report which are not statements of historical facts may be considered forward-looking information with respect to plans, projections, or future performance of the Company as defined under the Private Securities litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those projected. The words “anticipate,” “believe,” “estimate,” “expect,” “objective,” and “think” or similar expressions used herein are intended to identify forward-looking statements. The forward-looking statements are based on the Company’s current views and assumptions and involve risks and uncertainties that include, among other things, the effects of the Company’s business, actions of competitors, changes in laws and regulations, including accounting standards, employee relations, customer demand, prices of purchased raw material and parts, domestic economic conditions, including housing starts and changes in consumer disposable income, and foreign economic conditions, including currency rate fluctuations. Some or all of the facts are beyond the Company’s control.

Except as may be required by applicable law, we do not undertake or intend to update or revise our forward-looking statements, and we assume no obligation to update any forward-looking statements contained in this report as a result of new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements. You should carefully review and consider the various disclosures we make in this report and our other reports filed with the SEC that attempt to advise interested parties of the risks, uncertainties and other factors that may affect our business. The following discussion and analysis should be read in conjunction with the financial statements and related footnotes included elsewhere in this quarterly report which provide additional information concerning the Company’s financial activities and condition.

Critical Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could differ from those estimates. The Company believes the following are the critical accounting policies, which could have the most significant effect on the Company's reported results and require the most difficult, subjective or complex judgments by management.

Impairment of Long-Lived Assets:

The Company reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. The Company makes estimates of its future cash flows related to assets subject to impairment review.

Table of Contents

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Critical Accounting Policies *(continued)*

Inventory Valuation:

Inventories are stated at cost on first-in, first-out basis, which does not exceed market value. Finished goods and work in process are valued at the lower of actual cost, determined on a specific identification basis, or market. The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost, and adjusts their inventory value accordingly. Future periods could include either income or expense items if estimates change and for differences between the estimated and actual amount realized from the sale of inventory.

Income Taxes:

The Company records a liability for potential tax assessments based on its estimate of the potential exposure. Due to the subjectivity and complex nature of the underlying issues, actual payments or assessments may differ from estimates. Income tax expense in future periods could be adjusted for the difference between actual payments and the Company's recorded liability based on its assessments and estimates.

Revenue Recognition:

Revenues are recognized at the shipping date of the Company's products. The Company has historically adopted the shipping terms that title merchandise passes to the customer at the shipping point (FOB Shipping Point). At this juncture, title has passed, the Company has recognized the sale, inventory has been relieved, and the customer has been invoiced. The Company does not offer any discounts, credits or other sales incentives.

The Company's policy with respect to customer returns and allowances as well as product warranty is as follows:

The Company will accept a return of defective product within one year from shipment for repair or replacement at the Company's option. If the product is repairable, the Company at its own cost will repair and return it to the customer. If unrepairable, the Company will either offer an allowance against payment or will reimburse the customer for the total cost of the product.

Most of the Company's products are custom ordered by customers for a specific use. The Company provides engineering services as part of the relationship with its customers in developing the custom product. The Company is not obligated to provide such engineering service to its customers. The Company does not charge separately for these services.

-21-

Table of Contents

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Critical Accounting Policies *(continued)*

Research & Development:

The Company provides personalized engineering services to its customers by designing connectors for specific customer applications. The employment of electromechanical engineers is the anticipated cornerstone of the Company's future growth. The Company maintains a testing laboratory where its engineers experiment with new connector designs based on changes in technology and in an attempt to create innovative, more efficient connector designs.

The Company did not expend any funds on customer sponsored research and development activities for the quarter ended September 28, 2012 and September 23, 2011, respectively, relating to the development of new designs, techniques and the improvement of existing designs.

Table of Contents**IEH CORPORATION****PART I: FINANCIAL INFORMATION****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Comparative Analysis-Six Months Ended September 28, 2012 and September 23, 2011****Results of Operations**

The following table sets forth for the periods indicated, percentages for certain items reflected in the financial data as such items relate to the revenues of the Company:

Relationship to Total Revenues	Sept. 28, 2012	Sept. 23, 2011
Operating Revenues (in thousands)	\$ 6,708	\$ 6,824
Operating Expenses: (as a percentage of Operating Revenues)		
Costs of Products Sold	67.16 %	66.02 %
Selling, General and Administrative	16.72 %	15.77 %
Interest Expense	.20 %	.33 %
Depreciation and amortization	1.87 %	1.10 %
TOTAL COSTS AND EXPENSES	85.95 %	83.22 %
Operating Income	14.05 %	16.78 %
Other Income	—	—
Income (loss) before Income Taxes	14.05 %	16.78 %

Edgar Filing: IEH CORPORATION - Form 10-Q

Income Taxes	(6.34 %)	(7.91 %)
Net Income	7.71 %	8.87 %

Operating revenues for the six months ended September 28, 2012 amounted to \$6,707,556 reflecting a 1.7% decrease versus the six months ended September 23, 2011 revenues of \$6,824,250. The decrease in revenues can be attributed to a decline in military and commercial spending.

Table of Contents

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Comparative Analysis - Six Months Ended September 28, 2012 and September 23, 2011 *(continued)*

Cost of products sold amounted to \$4,504,544 for the six months ended September 28, 2012, or 67.16% of operating revenues. This reflected a \$972 or 0.0% decrease in the cost of products sold from \$4,505,516 or 66.02% of operating revenues for the six months ended September 23, 2011.

Selling, general and administrative expenses were \$1,121,658 or 16.72% of operating revenues for the six months ended September 28, 2012 compared to \$1,076,380 or 15.77% of operating revenues for the six months ended September 23, 2011. This category of expense increased by \$45,278 or 4.21% from the prior six month period. The increase can be attributed to an increase in travel expenses.

Interest expense was \$13,557 for the six months ended September 28, 2012 or .20% of operating revenues. For the fiscal six months ended September 23, 2011, interest expense was \$22,424 or .33% of operating revenues. The decrease of \$8,867 or 39.54% reflects a decrease in the Company's borrowings during the quarter ended September 28, 2012.

Depreciation and amortization of \$125,400 or 1.87% of operating revenues was reported for the six months ended September 28, 2012 as compared to the six month period ended September 23, 2011 of \$75,000 or 1.1% of operating revenues. The increase was due to an increase in capital expenditures during the quarter ended September 28, 2012.

The Company reported net income of \$517,514 for the six months ended September 28, 2012 representing basic earnings of \$.22 per share as compared to net income of \$604,930 or \$.26 per share for the six months ended September 23, 2011. The decrease in net income for the current six month period can be attributed primarily to the decline in sales of its products in the commercial aerospace and medical device sectors.

Comparative Analysis-Three Months Ended September 28, 2012 and September 23, 2011

Results of Operations

The following table sets forth for the periods indicated, percentages for certain items reflected in the financial data as such items relate to the revenues of the Company:

-24-

Table of Contents**IEH CORPORATION****PART I: FINANCIAL INFORMATION****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)****Comparative Analysis-Three Months Ended September 28, 2012 and September 23, 2011****Results of Operations**

The following table sets forth for the periods indicated, percentages for certain items reflected in the financial data as such items relate to the revenues of the Company:

Relationship to Total Revenues

	Sept 28, 2012	Sept 23, 2011
Operating Revenues (in thousands)	\$ 3,238	\$ 3,337
Operating Expenses: (as a percentage of Operating Revenues)		
Costs of Products Sold	69.06 %	66.14 %
Selling, General and Administrative	17.08 %	16.56 %
Interest Expense	.19 %	.44 %
Depreciation and amortization	1.83 %	1.12 %
TOTAL COSTS AND EXPENSES	88.16 %	84.26 %
Operating Income	11.84 %	15.74 %
Other Income	—	—

Edgar Filing: IEH CORPORATION - Form 10-Q

Income (loss) before Income Taxes	11.84 %	15.74 %
Income Taxes	(5.59 %)	(8.03 %)
Net Income	6.25 %	7.71 %

Operating revenues for the three months ended September 28, 2012 amounted to \$3,238,287 reflecting a .03% decrease versus the three months ended September 23, 2011 revenues of \$3,336,795. The decrease in revenues can be attributed to a decline in military and commercial spending.

Cost of products sold amounted to \$2,236,429 for the three months ended September 28, 2012, or 69.06% of operating revenues. This reflected a \$29,541 or 1.34% decrease in the cost of products sold from \$2,206,888 or 66.14% of operating revenues for the three months ended September 23, 2011.

-25-

Table of Contents

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Comparative Analysis- Three Months Ended September 28, 2012 and September 23, 2011 *(continued)*

Selling, general and administrative expenses were \$553,199 or 17.08% of operating revenues for the three months ended September 28, 2012 compared to \$552,567 or 16.56% of operating revenues for the three months ended September 23, 2011. This category of expense increased by \$632 or 0.0% from the prior three month period.

Interest expense was \$6,306 for the three months ended September 28, 2012 or .19% of operating revenues. For the fiscal three months ended September 23, 2011, interest expense was \$14,565 or .44% of operating revenues. The decrease of \$8,259 or 56.70% reflects a decrease in the Company's borrowings during the quarter ended September 28, 2012.

Depreciation and amortization of \$59,100 or 1.83% of operating revenues was reported for the three months ended September 28, 2012 as compared to the three month period ended September 23, 2011 of \$37,500 or 1.12% of operating revenues. The increase was due to an increase in capital expenditures during the quarter ended September 28, 2012.

The Company reported net income of \$202,400 for the three months ended September 28, 2012 representing basic earnings of \$.09 per share as compared to net income of \$257,275 or \$.11 per share for the three months ended September 23, 2011. The decrease in net income for the current three month period can be attributed primarily to the decline in sales of its products in the commercial aerospace and medical device sectors.

Liquidity and Capital Resources

The Company reported working capital of \$6,751,127 as of September 28, 2012 compared to a working capital of \$6,286,025 as of March 30, 2012. The increase in working capital of \$465,102 was attributable to the following items:

Net income	\$517,514
Depreciation and amortization	125,400
Capital expenditures	(151,171)
Other transactions	(26,641)
	\$465,102

As a result of the above, the current ratio (current assets to current liabilities) was 12.13 to 1 at September 28, 2012 as compared to 8.73 to 1 at March 30, 2012. Current liabilities at September 28, 2012 were \$606,557 compared to \$813,040 at March 30, 2012.

For the six months ended September 28, 2012, the Company reported \$151,171 in capital expenditures and depreciation of \$125,400.

The net income of \$517,514 for the six months ended September 28, 2012 resulted in an increase in stockholders' equity to \$8,214,780 as compared to stockholders' equity of \$7,697,266 at March 30, 2012.

Table of Contents

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Comparative Analysis-Three Months Ended September 28, 2012 and September 23, 2011 *(continued)*

Liquidity and Capital Resources

The Company has an accounts receivable financing agreement with non-bank lending institution ("Factor") whereby it can borrow up to 80 percent of its eligible receivables (as defined in such financing agreement) at an interest rate of 2.5% above JP Morgan Chase's publicly announced prime rate with a minimum rate of 12% per annum. Funds advanced by the Factor are secured by the Company's accounts receivable and inventories. At September 28, 2012, the Company reported excess payments to the Factor of \$171,661. These excess payments are reported in the accompanying financial statements as "Excess payments to accounts receivable factor." The Company reported a liability due to the Factor of \$54,943 at March 30, 2012.

In the past two fiscal years, management has been reviewing its collection practices and policies for outstanding receivables and has revised its collection procedures to a more aggressive collection policy. As a consequence of this new policy the Company's experience is that its customers have been remitting payments on a more consistent and timely basis. The Company reviews the collectability of all accounts receivable on a monthly basis. The reserve is less than 1% of average gross accounts receivable and is considered to be conservatively adequate.

The Company has the Multi-Employer Plan with the UAW. Contributions are made by the Company in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. With the passage of the 1990 Act, the Company may become subject to liabilities in excess of contributions made under the collective bargaining agreement. Generally, these are contingent upon termination, withdrawal, or partial withdrawal from the Multi-Employer Plan. The Company has not taken any action to terminate, withdraw or partially withdraw from the Multi-Employer Plan, nor does it intend to do so in the future. Under the 1990 Act, liabilities would be based upon the Company's proportional share of the Multi-Employer Plan's unfunded vested benefits which is currently not available. The amount of accumulated benefits and net assets of such Plan also is not currently available to the Company. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$59,150 and \$56,064 for the six months ended September 28, 2012 and September 23, 2011, respectively.

On December 15, 2008, the Company was notified by the State of New York Workers' Compensation Board (the "Board") that the Trade Industry Workers' Compensation Trust for Manufacturers (the "Trust") had defaulted. As a member of this self-insured group, the Company was assessed on an estimated basis by the Board for its allocable share necessary to discharge all liabilities of the Trust.

The assessed amount for the years 2002 through 2006 was \$101,362. The assessed amount for each year is detailed as follows:

2002	\$16,826
2003	24,934
2004	31,785
2005	14,748
2006	13,069
	\$101,362

Table of Contents

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Liquidity and Capital Resources *(continued)*

The Company did have the option of paying this assessment as a lump sum amount or paying off the assessment over a 60 month period. The Company elected the deferral option, and was obligated to making monthly payments of \$1,689 for 59 months, and \$1,711 for the 60th and final month. The Company had recorded this assessment as a charge to Cost of Sales in the quarter ended December 26, 2008.

The Company was subsequently notified that it was being assessed an additional \$146,073 covering the years 2002 through 2007, bringing the total deficit allocation assessment to \$247,435.

The total revised assessment for the years 2002 to 2007 is as follows:

2002	\$23,445
2003	43,797
2004	51,381
2005	38,309
2006	46,477
2007	44,026
	\$247,435

The Company has elected to pay the revised assessment over a five year period (60 months). The monthly payments, inclusive of interest at 7.50%, are \$3,970.

As of September 28, 2012, the Company had paid down \$157,003 of this assessment and the remaining balance of the total revised assessment payable was \$90,432.

On August 31, 2011 the Company's shareholders approved the adoption of the Company's 2011 Equity Incentive Plan ("2011 Plan") to provide for the grant of stock options and restricted stock awards to purchase up to 750,000 shares of the Company's common stock to all employees, consultants and other eligible participants including senior management and members of the Board of Directors of the Company. The 2011 Plan replaced the prior 2002 Employee Stock Option Plan which had expired on its terms.

Options granted to employees under the 2011 Plan may be designated as options which qualify for incentive stock option treatment under Section 422A of the Internal Revenue Code, or options which do not qualify (non-qualified stock options).

Under the 2011 Plan, the exercise price of an option designated as an incentive stock option shall not be less than the fair market value of the Company's common stock on the day the option is granted. In the event an option designated as an incentive stock option is granted to a ten percent (10%) or greater shareholder, such exercise price shall be at least 110 percent (110%) of the fair market value of the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant. The 2011 Plan also provides that holders of options that wish to pay for the exercise price of their options with shares of the Company's common stock must have beneficially owned such stock for at least six months prior to the exercise date.

Table of Contents

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Liquidity and Capital Resources *(continued)*

Exercise prices of non-incentive stock options may be less than the fair market value of the Company's common stock.

The aggregate fair market value of shares subject to options granted to a participant(s), which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000. As of September 28, 2012, no options or restricted stock awards had been granted under the 2011 Plan.

In 1987, the Company adopted the Cash Bonus Plan for executive officers. Contributions to the Cash Bonus Plan are made by the Company only after pre-tax operating profits exceed \$150,000 for a fiscal year, and then to the extent of 10% of the excess of the greater of \$150,000 or 25% of pre-tax operating profits. The Company accrued \$94,800 for the six months ended September 28, 2012. For the year ended March 30, 2012, the Company's contribution was \$149,000.

Table of Contents

IEH CORPORATION

PART I: FINANCIAL INFORMATION

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not believe that any of our financial instruments have significant risk associated with market sensitivity. For more information on these investments see Note 2 to our financial statements included in this Form 10-Q. We are not exposed to significant financial market risks from changes in foreign currency exchange rates and are only minimally impacted by changes in interest rates. We have not used, and currently do not contemplate using, any derivative financial instruments.

Interest Rate Risk

At any time, fluctuations in interest rates could affect interest earnings on our cash and marketable securities. We believe that the effect, if any, of reasonably possible near term changes in interest rates on our financial position, results of operations, and cash flows would not be material. Currently, we do not hedge these interest rate exposures. The primary objective of our investment activities is to preserve capital. We have not used derivative financial instruments in our investment portfolio.

As of September 28, 2012, our unrestricted cash was \$373,130 of which \$225,178 was in an interest bearing money market account with and the balance of \$147,952 was maintained in non-interest bearing checking accounts used to pay operating expenses.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosures and Controls; Changes in Internal Control over Financial Reporting

Based on an evaluation of the effectiveness of the Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) by the Company's Chief Executive Officer (who is also our President) and its Chief Financial Officer (who is also our controller and principal accounting officer) they have concluded that, as of the end of the period covered by this Report on Form 10-Q, the Company's disclosure controls

and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by the Company in this Report that it files or submit under the Exchange Act is, recorded, processed, summarized and reported within the time periods specified within the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. Our management, however, believes our disclosure controls and procedures are in fact effective to provide reasonable assurance that the objectives of the control system are met. In connection with their review and assessment of our disclosure controls and procedures, the Company has retained the services of an outside consultant to further assist management in its annual evaluation of such controls and procedures. There have been no changes in our internal control over financial reporting (as defined in Rule 13a – 15(f) under the Exchange Act) during the quarter ended September 28, 2012 that have been materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Table of Contents

IEH CORPORATION

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to or aware of any pending or threatened legal proceedings which, in the opinion of the Company's management, would result in any material adverse effect on its results of operations or its financial condition.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below, together with all of following risk factors and the other information included in this Report, in considering our business herein as well as the information included in other reports and prospects. The risks and uncertainties described below are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations, financial condition and/or operating results. If any of the matters or events described in the following risks actually occurs, our business, financial condition or results of operations could be harmed. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment due to any of these risks.

Risks Related to Our Business

Failure to increase our revenue and keep our expenses consistent with revenues could prevent us from achieving and maintaining profitability.

We have generated net income of \$1,102,424, \$1,669,517 and \$1,069,437, respectively, for the fiscal years ended March 30, 2012, March 25, 2011 and March 26, 2010, and \$517,514 for the six months ended September 28, 2012. We have expended, and will continue to be required to expend, substantial funds to pursue product development projects, enhance our marketing and sales efforts and to effectively maintain business operations. Therefore, we will need to generate higher revenues to achieve and maintain profitability and cannot assure you that we will be profitable in any future period.

Our capital requirements are significant and we have historically partially funded our operations through the financing of our accounts receivable.

We have an existing accounts receivable financing agreement with a non-lending institution (“Factor”) whereby we can borrow up to 80 percent of our eligible receivables at an interest rate of 2.5% above JP Morgan Chase’s publicly announced prime rate. No assurances can be given that this financing agreement will continue into the future. If we are unable to continue with this agreement, our cash flow might adversely be affected.

Our success is dependent on the performance of our management and the cooperation, performance and retention of our executive officers and key employees.

Our business and operations are substantially dependent on the performance of our senior management team and executive officers. If our management team is unable to perform it may adversely impact our results of operations and financial condition. We do not maintain “key person” life insurance on any of our executive officers. The loss of one or several key employees could seriously harm our business. Any reorganization or reduction in the size of our employee base could harm our ability to attract and retain other valuable employees critical to the success of our business.

-31-

Table of Contents

IEH CORPORATION

PART II: OTHER INFORMATION

ITEM 1A. RISK FACTORS *(continued)*

If we lose key personnel or fail to integrate replacement personnel successfully, our ability to manage our business could be impaired.

Our future success depends upon the continued service of our key management, technical, sales, finance, and other critical personnel. We cannot assure you that we will be able to retain them. Key personnel have left our Company in the past and there likely will be additional departures of key personnel from time to time in the future. The loss of any key employee could result in significant disruptions to our operations, including adversely affecting the timeliness of product releases, the successful implementation and completion of Company initiatives, the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, and the results of our operations. In addition, hiring, training, and successfully integrating replacement sales and other personnel could be time consuming, may cause additional disruptions to our operations, and may be unsuccessful, which could negatively impact future revenues.

Our reported financial results could be adversely affected by changes in financial accounting standards or by the application of existing or future accounting standards to our business as it evolves.

As a result of the enactment of the Sarbanes-Oxley Act and the review of accounting policies by the SEC and national and international accounting standards bodies, the frequency of accounting policy changes may accelerate. Possible future changes to accounting standards, could adversely affect our reported results of operations.

Our reported financial results in the future could be impacted by the Company's current loss of eligibility for participation in the U.S. Small Business Administration HUB Zone Program.

As of October 2, 2011, the Company received notice from the U.S. Small Business Administration-HUBZone Program that effective October 1, 2011 the Company is no longer longer eligible for participation in the HUBZone Program because the Company's principal office is not located in a qualified HUBZone. As a result of the 2010 decennial census, certain designated HUBZones lost their status as a qualified HUBZone on October 1, 2011. The Company's principal office in which the Company has been based since 1991 is no longer within a designated HUBZone and thus the Company is no longer approved by the federal government as a "HUBZone small business

enterprise". Although it is possible that the loss of eligibility for participation in the HUBZone Program may have a material adverse effect on the business of the Company, at this juncture, the Company cannot determine whether such loss of eligibility will have a material adverse effect on our business.

Legislation has been introduced in the U.S. Congress to restore HUBZone certification to a number of areas, including where the Company's principal office is located. No assurance can be given as to the likelihood that this legislation will be enacted.

Risks Related to Our Common Stock

Our stock price is volatile and could decline; we have a very limited trading market.

The price of our common stock has been, and is likely to continue to be, volatile. For example, our stock price during the fiscal year ended March 30, 2012 traded as low as \$3.75 per share and as high as \$5.40 per share. During the six month period ended September 28, 2012, our common stock traded in the range of \$3.05 per share to \$4.09 per share. We cannot assure you that your initial investment in our common stock will not decline.

Table of Contents

IEH CORPORATION

PART II: OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. REMOVED AND RESERVED

None

ITEM 5. OTHER INFORMATION

Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Shareholders on November 13, 2012 at the Company's offices in Brooklyn, New York. The results of the matters voted on by the shareholders are set forth below. Only shareholders of record as of the close of business on October 4, 2012 were entitled to vote at the Annual Meeting. As of the record date, 2,303,468 shares of common stock of the Company were outstanding and entitled to vote at the Annual Meeting. At the Annual Meeting, 1,937,896 shares of common stock of the Company were represented, in person or by proxy, constituting a quorum.

Edgar Filing: IEH CORPORATION - Form 10-Q

1. The shareholders voted to elect the following director by the votes indicated:

Nominee	For	Withheld
Michael Offerman	1,088,457	139,559

In addition, there were a total of 709,880 broker non-votes relating to this proposal.

2. The shareholders voted to ratify the appointment of Jerome Rosenberg, CPA as the Company's independent registered public accounting firm for the year ending March 29, 2013, by the following votes:

For	Against	Abstain	Broker Non-Votes
1,698,615	561	238,720	--

No other matters were considered or voted upon at the Annual Meeting.

Table of Contents

IEH CORPORATION

PART II: OTHER INFORMATION

ITEM 6. EXHIBITS.

(a) Exhibits

Exhibit 31.1 Certification Pursuant to Section 302 of the Sarbanes Oxley Act*

Exhibit 31.2 Certification Pursuant to Section 302 of the Sarbanes Oxley Act*

Exhibit 32.1 Certification Pursuant to Section 906 of the Sarbanes Oxley Act*

Exhibit 101.INS XBRL Instance Document*

Exhibit 101.SCH XBRL Taxonomy Extension Schema*

Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document*

Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase Document*

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document*

Exhibit 101.DEF XBRL Taxonomy Extension Definition Label Document*

Table of Contents

IEH CORPORATION

PART II: OTHER INFORMATION

ITEM 6 EXHIBITS *(continued)*

*Submitted electronically herewith.

Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following formatted in XBRL (Extensible Business Reporting Language): (i) Statement of Operations for the six months and three months ended September 28, 2012 and September 23, 2011; (ii) Balance Sheets as of September 28, 2012 and March 30, 2012; (iii) Statement of Cash Flows for the six months ended September 28, 2012 and September 23, 2011; and (iv) Notes to Financial Statements for the six months ended September 28, 2012.

In accordance with Rule 406T of Regulation S-the XBRL related information in Exhibit 101 to the Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

(b) Reports on Form 8-K during Quarter.

None.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

IEH CORPORATION
(Registrant)

November 26, 2012 /s/ Michael Offerman
Michael Offerman
President (Principal Executive Officer)

November 26, 2012 /s/ Robert Knoth
Robert Knoth
Chief Financial Officer (Principal Accounting Officer)