

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

X

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

For the quarterly period ended March 31, 1997

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

For the transition period from _____ to _____

Commission File Number 1-5627

ITT INDUSTRIES, INC.

Incorporated in the State of Indiana

13-5158950
(I.R.S. Employer
Identification Number)

4 West Red Oak Lane, White Plains, NY 10604
(Principal Executive Office)

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

As of April 24, 1997, there were outstanding 118,436,579 shares of common stock (\$1 par value per share) of the registrant.

ITT INDUSTRIES, INC.

TABLE OF CONTENTS

	Page
Part I	
FINANCIAL INFORMATION:	
Financial Statements:	
Consolidated Condensed Income Statements Three Months Ended March 31, 1997 and 1996	2
Consolidated Condensed Balance Sheets March 31, 1997 and December 31, 1996	3
Consolidated Condensed Statements of Cash Flows Three Months Ended March 31, 1997 and 1996	4
Notes to Consolidated Condensed Financial Statements	5
Business Segment Information	6
Management's Discussion and Analysis of Financial Condition and Results of Operations: Three Months Ended March 31, 1997 and 1996	7
Part II	
OTHER INFORMATION:	
Exhibits and Reports on Form 8-K	9
Signature	9
Exhibit Index	10

PART I.

FINANCIAL INFORMATION

FINANCIAL STATEMENTS

The following unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, reflect all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules. The Company believes that the disclosures made are adequate to make the information presented not misleading. Certain amounts in the prior periods' consolidated condensed financial statements have been reclassified to conform with the current period presentation. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's 1996 Annual Report on Form 10-K.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED INCOME STATEMENTS

(In millions, except per share)
(unaudited)

	Three Months Ended March 31,	
	1997	1996
Net sales	\$ 2,166.6	\$ 2,200.9
Cost of sales	1,742.7	1,777.3
Research, development, and engineering expenses	126.0	130.5
Gross margin	297.9	293.1
Selling, general, and administrative expenses	186.4	190.3
Other operating (income) expenses	8.2	(2.3)
Operating income	103.3	105.1
Interest expense	(33.3)	(43.3)
Interest income	3.4	8.6
Miscellaneous expense, net	(.8)	(1.2)
Income before income taxes	72.6	69.2
Income tax expense	(28.3)	(29.2)
Net income	\$ 44.3	\$ 40.0
Earnings Per Share:		
Net income		
Primary	\$.37	\$.33
Fully diluted	\$.37	\$.33
Cash dividends declared per common share	\$.15	\$.15

The accompanying notes to consolidated condensed financial statements are an integral part of the above statements.

ITT INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In millions, except for shares and per share)

	March 31, 1997 (unaudited)	December 31, 1996
Assets		
Current Assets:		
Cash and cash equivalents	\$ 61.5	\$ 121.9
Receivables, net	1,311.5	1,189.8
Inventories, net	789.0	856.9
Other current assets	118.7	120.5
Total current assets	2,280.7	2,289.1
Plant, property, and equipment, net	2,074.7	2,166.7
Deferred U.S. income taxes	195.4	205.1
Goodwill, net	346.1	349.8
Other assets	462.6	480.5
	\$ 5,359.5	\$ 5,491.2
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 664.7	\$ 731.8
Accrued expenses	865.1	874.2
Accrued taxes	127.5	96.8
Notes payable and current maturities of long-term debt	783.7	835.6
Total current liabilities	2,441.0	2,538.4
Pension and postretirement costs	1,048.1	1,126.7
Long-term debt	561.4	583.2
Deferred foreign, state and local income taxes	107.6	109.5
Other liabilities	362.4	334.2
	4,520.5	4,692.0
Shareholders' Equity:		
Cumulative Preferred Stock:		
Authorized 50,000,000 shares, no par value, none issued	-	-
Common stock:		
Authorized 200,000,000 shares, \$1 par value per share		
Outstanding 118,436,579 shares and 118,436,579 shares	118.4	118.4
Capital surplus	413.9	418.2
Cumulative translation adjustments	128.7	111.2
Retained earnings	178.0	151.4
	839.0	799.2
	\$ 5,359.5	\$ 5,491.2

The accompanying notes to consolidated condensed financial statements are an integral part of the above balance sheets.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(In millions)

(unaudited)

	Three Months Ended March 31,	
	1997	1996
Operating Activities		
Net income	\$ 44.3	\$ 40.0
Adjustments to net income:		
Depreciation	99.1	102.7
Amortization	10.9	9.0
Change in receivables, inventories, accounts payable, and accrued expenses	(170.7)	(202.8)
Change in accrued and deferred taxes	43.2	43.7
Other, net	26.4	8.1
Cash from continuing operations	53.2	.7
Cash used for discontinued operations	-	(100.5)
Cash from (used for) operating activities	53.2	(99.8)
Investing Activities		
Additions to plant, property, and equipment	(75.7)	(86.8)
Proceeds from sale of assets	2.3	47.3
Acquisitions	(7.6)	-
Other, net	(2.4)	-
Cash used for investing activities	(83.4)	(39.5)
Financing Activities		
Short-term debt, net	111.3	148.9
Long-term debt repaid	(121.1)	(93.2)
Repurchase of common stock	(14.7)	-
Dividends paid	(17.8)	-
Other, net	8.9	9.0
Cash from (used for) financing activities	(33.4)	64.7
Exchange Rate Effects on Cash and Cash Equivalents	3.2	(3.0)
Decrease in cash and cash equivalents	(60.4)	(77.6)
Cash and cash equivalents- beginning of period	121.9	94.2
Cash and cash equivalents- end of period	\$ 61.5	\$ 16.6
Supplemental Disclosures of Cash Flow Information:		
Cash paid (received) during the period for:		
Interest	\$ 27.0	\$ 40.2
Income taxes	\$ (6.5)	\$ (6.8)

The accompanying notes to consolidated condensed financial statements are an integral part of the above statements.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(In millions, except per share, unless otherwise stated)

1) Receivables

Receivables consist of the following:

	March 31, 1997	December 31, 1996
Trade	\$ 1,322.1	\$ 1,194.3
Accrued for completed work	25.2	32.5
Less-reserves	(35.8)	(37.0)
	\$ 1,311.5	\$ 1,189.8

2) Inventories

Inventories consist of the following:

	March 31, 1997	December 31, 1996
Finished goods	\$ 353.7	\$ 401.6
Work in process	420.7	434.7
Raw materials	322.7	301.2
Less- reserves	(82.2)	(81.6)
- progress payments	(225.9)	(199.0)
	\$ 789.0	\$ 856.9

3) Plant, Property, and Equipment

Plant, property, and equipment consist of the following:

	March 31, 1997	December 31, 1996
Land and improvements	\$ 101.6	\$ 101.7
Buildings and improvements	783.6	807.7
Machinery and equipment	3,368.1	3,469.1
Construction work in progress	239.6	244.1
Other	453.0	469.2
	4,945.9	5,091.8
Less- accumulated depreciation and amortization	(2,871.2)	(2,925.1)
	\$ 2,074.7	\$ 2,166.7

[CAPTION]

4) New Accounting Pronouncement

In March 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") 128 "Earnings per Share", which is effective for financial statements for periods ending after December 15, 1997. SFAS 128 requires replacement of primary and fully diluted earnings per share with basic and diluted earnings per share. The pro forma basic and diluted earnings per share under SFAS 128 would have been \$.37 and \$.37, respectively, for the three months ended March 31, 1997, and \$.34 and \$.33, respectively, for the three months ended March 31, 1996.

[CAPTION]

5) Subsequent Event

On April 21, 1997, ITT Industries, Inc. announced that it had entered into a definitive agreement to acquire Goulds Pumps, Incorporated ("Goulds") for \$37 a share or approximately \$815 million in cash, plus assumption of \$119 million of Goulds' debt. Under the terms of the agreement, which was unanimously approved by the boards of directors of both companies, a wholly-owned subsidiary of ITT Industries, Inc. will commence a cash tender offer for all of the outstanding shares of Goulds. The tender offer will be subject to the valid tender of Goulds' shares representing a majority of the voting power of Goulds, the expiration of waiting periods under applicable antitrust and competition laws, and other customary closing conditions. The offer is not subject to financing. Goulds is a supplier of industrial, residential and commercial pumps, parts and accessories. The acquisition will be accounted for as a purchase and will be included in the Fluid Technology business segment.

BUSINESS SEGMENT INFORMATION
(In millions)
(unaudited)

Net Sales			Operating Income/(Loss)	
Three months ended			Three months ended	
March 31,			March 31,	
1997	1996		1997	1996
\$1,393.0	\$1,420.2	.....Automotive.....	\$ 74.0	\$ 75.3
409.3	353.7	...Defense & Electronics...	25.1	20.1
307.5	306.6	.....Fluid Technology.....	23.9	21.9
56.8	120.4	....Dispositions & other...	(4.7)	3.4
2,166.6	2,200.9	.....Total Segments.....	118.3	120.7
-	-	.Corporate expenses & other	(15.0)	(15.6)
\$2,166.6	\$2,200.9		\$ 103.3	\$ 105.1

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three months ended March 31, 1997 compared with three months ended March 31, 1996

Net income of \$44.3 million or \$.37 per fully diluted share represents a 10.9% increase over the \$40.0 million or \$.33 per fully diluted share of net income reported in the 1996 first quarter. The increase in net income was attributable to a decrease in interest expense and positive results at Defense & Electronics and Fluid Technology partially offset by a small profit decline at Automotive.

Net sales for the first quarter of 1997 were below the first quarter of 1996, due mainly to lower sales at non-core operations held for disposition and unfavorable foreign exchange translation. Operating income for the first quarter of 1997 of \$103.3 million was slightly below the \$105.1 million in the first quarter of 1996, driven mainly by a decline in earnings of companies held for disposition, partially offset by higher earnings at Defense & Electronics and Fluid Technology. Other operating income/expenses, which include gains and losses from foreign exchange transactions and other charges, was expense of \$8.2 million in the current quarter, compared with income of \$2.3 million in the 1996 first quarter. Operating margins were 4.8% in both quarters, a result of the earnings remaining fairly constant despite the sales decline.

Interest expense for the first quarter of 1997 decreased to \$33.3 million compared with \$43.3 million in the 1996 first quarter. The reduction in interest expense is attributable to lower interest rates resulting from the continuation of the debt restructuring implemented in 1996. Interest income was \$3.4 million in the current quarter compared to \$8.6 million in the prior quarter, a result of maintaining lower cash balances.

The effective income tax rate was reduced to 39% in the 1997 first quarter from 42.2% in the 1996 first quarter, a result of tax reduction initiatives implemented in 1996 and a shift in earnings from jurisdictions with higher tax rates to jurisdictions with lower tax rates. Income tax expense decreased slightly to \$28.3 million in the 1997 first quarter, due to the lower effective tax rate offset by higher pretax earnings.

Business Segments- Sales and operating income for each of the Company's three major continuing business segments were as follows for the three months ended March 31, 1997, and 1996 (\$ in millions):

Sales			Operating Income	
Three months			Three months	
1997	1996		1997	1996
\$1,393.0	\$1,420.2	Automotive	\$ 74.0	\$75.3

Although ITT Automotive's volume was up as a result of a 5% increase, over the prior year, in worldwide automobile production for the first quarter, Automotive's revenue was down approximately \$27.2 million due to unfavorable foreign exchange and continued pricing pressures from original equipment manufacturers. Operating income was adversely affected by lower prices, the ramp-up of the new MK-20, and the continued strength of the dollar, partially offset by the increase in volume and the absence of costs associated with the General Motors strike reported in the prior year.

Sales			Operating Income	
Three months			Three months	
1997	1996		1997	1996
\$ 409.3	\$ 353.7	Defense & Electronics	\$ 25.1	\$ 20.1

ITT Defense & Electronics' revenue was up 15.7% from the prior year first quarter due to strong defense order input received in 1996 and improving interconnect market conditions. Operating income was 25.2% higher in the 1997 period due to improved volume and margins at ITT Cannon's interconnect lines and volume gains in defense lines.

Sales			Operating Income	
Three months			Three months	
1997	1996		1997	1996
\$ 307.5	\$ 306.6	Fluid Technology	\$ 23.9	\$ 21.9

ITT Fluid Technology's 1997 first quarter sales were flat compared to the 1996 period. Sales were adversely impacted by foreign exchange translation and the absence of \$4.7 million in sales from the General Controls product line, which was sold in the second quarter of 1996. The improvement in operating margin was the result of cost control actions in Europe and operating improvements at several North American units.

Liquidity and Capital Resources

Cash from operating activities was \$53.2 million for the first quarter of 1997 compared to \$(99.8) million in the prior year, primarily the result of lower working capital requirements and absence of payments related to discontinued operations.

The increase in working capital (receivables, inventory, payables, and accrued liabilities) required a cash outflow of approximately \$170.7 million, due largely to a seasonal increase in receivables. Working capital required a cash outflow of \$202.8 million in the first quarter of 1996 due to a seasonal increase in receivables and a reduction in accounts payable at Automotive.

Many of the Company's businesses require substantial investment in plant and tooling in order to produce their products. Gross plant additions totaled \$75.7 million in the 1997 first quarter, with approximately 71% of that total incurred at Automotive. First quarter 1996 spending was \$86.8 million, two-thirds of which was also at Automotive.

Cash inflows in the first quarter of 1996 included \$47.3 million from the sale of land and other assets, including a portion of ITT Community Development Corporation.

External borrowings were \$1,345.1 million at March 31, 1997, compared with \$1,418.8 million at December 31, 1996. Cash and cash equivalents were \$61.5 million at March 31, 1997, compared to \$121.9 million at year-end 1996. The lower debt level at March 31, 1997, reflects foreign exchange gains, which more than offset funding for working capital needs and capital additions.

Shareholders' equity increased \$39.8 million during the first quarter of 1997, due to growth in retained earnings and cumulative translation adjustments. On April 1, 1997, the Company paid a quarterly dividend of \$.15 per share. A second quarterly dividend of the same amount will be paid on July 1, 1997.

Part II.

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the response to Item 3 Legal Proceedings in the ITT Industries, Inc. Form 10-K for the fiscal year ended December 31, 1996 describing the environmental proceeding in California relating to the contamination of the San Fernando Valley aquifer and the arbitration award that was challenged by Lockheed Martin Corporation. On March 31, 1997 the California Superior Court confirmed the allocation award and denied Lockheed Martin's motion to vacate the arbitration award. Lockheed Martin has filed a Notice of Appeal of the Superior Court's Order.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) See the Exhibit Index for a list of exhibits filed herewith.
- (b) ITT Industries did not file any Form 8-K Current Reports during the quarter for which this Report is filed.

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.

ITT INDUSTRIES, INC.
(Registrant)

By /s/ Richard J. Townsend
Richard J. Townsend
Vice President and Controller
(Principal accounting officer)

April 30, 1997
(Date)

EXHIBIT INDEX

Exhibit No.	Description	Location
(2)	Plan of acquisition, reorganization, arrangement, liquidation or succession	None
(3)	Articles of Incorporation and by-laws	None
(4)	Instruments defining the rights of security holders, including indentures	None
(10)	Material contracts	None
(11)	Statement re: computation of per share earnings	Filed Herewith
(12)	Statements re: computation of ratios Calculation of ratio of earnings to total fixed charges	Filed Herewith
(15)	Letter re: unaudited interim financial information	None
(18)	Letter re: change in accounting principles	None
(19)	Report furnished to security holders	None
(22)	Published report regarding matters submitted to vote of security holders	None
(23)	Consents of experts and counsel	None
(24)	Power of attorney	None
(27)	Financial Data Schedule	Filed Herewith
(99)	Additional Exhibits	None

ITT INDUSTRIES, INC. AND SUBSIDIARIES
 CALCULATION OF EARNINGS (LOSS) PER SHARE
 (In millions, except per share)

	Three Months Ended March 31,	
	1997	1996
PRIMARY BASIS		
Net income	\$ 44.3	\$ 40.0
Average common shares outstanding	118.4	117.5
Common shares issuable in respect to common stock equivalents	2.2	2.7
Average common equivalent shares	120.6	120.2
Earnings Per Share		
Net income	\$.37	\$.33
FULLY DILUTED BASIS		
Net income	\$ 44.3	\$ 40.0
Average common equivalent shares	120.6	120.2
Additional common shares issuable assuming full dilution	-	-
Average common equivalent shares assuming full dilution	120.6	120.2
Earnings Per Share		
Net income	\$.37	\$.33

With respect to options, it is assumed that the proceeds to be received upon exercise are used to acquire common stock of the Company. The dilutive nature of securities is determined quarterly based on the forecast of annual earnings.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CALCULATION OF RATIOS OF EARNINGS TO TOTAL FIXED CHARGES
AND CALCULATION OF EARNINGS TO TOTAL FIXED CHARGES AND
PREFERRED DIVIDEND REQUIREMENTS
(Dollars in millions)

	Three Months Ended March 31,			Years Ended December 31,			
	1997	1996	1996	1995	1994	1993	1992
Earnings:							
Income from continuing operations	\$ 44.3	\$ 40.0	\$ 222.6	\$ 20.7	\$ 201.6	\$ 134.8	\$ 655.0
Add(deduct):							
Adjustment for distributions in excess of (less than) undistributed equity earnings and losses a)	.5	.6	1.9	.6	-	(2.6)	(30.8)
Income taxes	28.3	29.2	148.4	50.2	147.5	65.1	311.3
Amortization of interest capitalized	.2	.2	.9	2.5	.7	3.9	2.7
	73.3	70.0	373.8	74.0	349.8	201.2	938.2
Fixed Charges:							
Interest and other financial charges	33.3	43.3	169.0	175.2	115.2	154.0	180.0
Interest factor attributable to rentals b)	7.7	7.2	30.9	29.0	22.0	24.2	24.8
	41.0	50.5	199.9	204.2	137.2	178.2	204.8
Earnings, as adjusted, from continuing operations	\$ 114.3	\$ 120.5	\$ 573.7	\$ 278.2	\$ 487.0	\$ 379.4	\$1,143.0
Fixed Charges:							
Fixed charges above interest capitalized	\$ 41.0	\$ 50.5	\$ 199.9	\$ 204.2	\$ 137.2	\$ 178.2	\$ 204.8
Total fixed charges	41.0	50.5	201.0	207.1	144.0	186.2	216.4
Dividends on preferred stock (pre-income tax basis) c)	-	-	-	23.4	47.5	50.0	63.0
Total fixed charges and preferred dividend requirements	\$ 41.0	\$ 50.5	\$ 201.0	\$ 230.5	\$ 191.5	\$ 236.2	\$ 279.4
Ratios:							
Earnings, as adjusted, from continuing operations to total fixed charges	2.79	2.39	2.85	1.34	3.38	2.04	5.28
Earnings, as adjusted, from continuing operations to total fixed charges and preferred dividend requirements	2.79	2.39	2.85	1.21	2.54	1.61	4.09

Notes:

a) The adjustment for distributions in excess of (less than) undistributed equity earnings and losses represents the adjustment to income for distributions in excess of (less than) undistributed earnings and losses of companies in which at least 20% but less than 50% equity is owned.

b) One-third of rental expense is deemed to be representative of interest factor in rental expense.

c) The dividend requirements on preferred stock have been determined by adding to the total preferred dividends an allowance for income taxes,

calculated at the effective income tax rate.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

FINANCIAL DATA SCHEDULE

(In millions)

This schedule contains summary financial information extracted from the March 31, 1997 Financial Statements included in Form 10-Q and is qualified in its entirety by reference to such Financial Statements.

COMMERCIAL AND INDUSTRIAL COMPANIES

1,000

	3-MOS	
	DEC-31-1997	
	MAR-31-1997	
		61,500
		0
	1,347,300	
		35,800
		789,000
	2,280,700	
		4,945,900
	2,871,200	
	5,359,500	
2,441,000		
		561,400
	0	
		0
		118,400
		720,600
5,359,500		
		2,166,600
	2,166,600	
		1,742,700
	1,868,700	
	194,600	
	1,700	
	33,300	
		72,600
		28,300
44,300		
		0
		0
		0
		44,300
		.37
		.37