

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 1996.

OR

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

For the transition period from _____ to _____

Commission file number 0-9040

METRO TEL CORP.

DELAWARE

11-2014231

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

500 North Broadway, Suite 240, Jericho, New York 11753
(516) 937-3420

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date:

Common Stock, \$.025 par value per share - 2,004,046 shares outstanding as of May 13, 1996.

Metro Tel Corp.
Statement of Operations
(Unaudited, Note A)

	For the nine months ended March 31,		For the three months ended March 31,	
	1996	1995	1996	1995
Net Sales	\$ 3,022,791	\$ 3,153,465	\$ 1,072,171	\$ 1,084,575
Cost of goods sold	1,880,233	1,917,741	662,801	654,308
Gross Profit	1,142,558	1,235,724	409,370	430,267
Selling, general and administrative expenses	858,137	866,576	280,969	305,146
Research & development	210,106	216,128	68,433	71,670
Interest expense	--	754	--	--
Royalty, interest and other income	(9,209)	(6,103)	(2,177)	(503)
	1,059,034	1,077,355	347,225	376,313
Earnings before provision for income taxes	83,524	158,369	62,145	53,954
Provision for income taxes	33,400	53,934	24,900	21,584

Net Earnings \$ 50,124 \$ 104,435 \$ 37,245 \$ 32,370

Earnings per common
share (Note B) \$.03 \$.05 \$.02 \$.02

Weighted average number
of shares
outstanding 2,004,046 2,004,046 2,004,046 2,004,046

Metro Tel Corp.
Balance Sheets
(Unaudited, Note A)

ASSETS

	March 31, 1996	June 30, 1995
Current Assets		
Cash and cash equivalents	\$ 333,029	\$ 297,157
Accounts receivable, net	619,231	598,281
Inventories	1,496,485	1,498,562
Prepaid expenses	34,453	16,141
Total current assets	2,483,198	2,410,141
Property and equipment - at cost		
Machinery and equipment	466,488	450,498
Furniture and fixtures	88,564	88,564
Leasehold improvements	8,765	8,765
	563,817	547,827
Less accumulated depreciation	504,313	478,708
	59,504	69,119
Other assets		
Goodwill, net of accumulated amortization of \$361,984 on March 31, 1996 and \$339,621 on June 30, 1995	830,716	853,079
Other, net	23,594	29,692
	854,310	882,771
	\$3,397,012	\$3,362,031

Metro Tel Corp.
Balance Sheets
(Unaudited, Note A)

LIABILITIES AND
STOCKHOLDERS' EQUITY

	March 31, 1996	June 30, 1995
Current Liabilities		
Accounts payable	\$ 173,926	\$ 196,378
Accrued liabilities	175,007	154,156
Income taxes payable	17,423	30,965
Total current liabilities	366,356	381,499
Stockholders' Equity		
Preferred stock, \$1 par value, 200,000 shares authorized, none issued or outstanding		
Common stock, \$.025 par value, 6,000,000 shares authorized,		

2,030,296 shares issued,		
2,004,046 shares outstanding	50,757	50,757
Additional paid-in capital	2,107,173	2,107,173
Retained earnings	941,476	891,352
	3,099,406	3,049,282
Less 26,250 shares of treasury stock - at cost	(68,750)	(68,750)
	3,030,656	2,980,532
	\$3,397,012	\$3,362,031

Metro Tel Corp.
Statements of Cash Flows
(Unaudited, Note A)

For the nine months ended
March 31,
1996 1995

Cash flows from operating activities		
Net earnings	\$ 50,124	\$ 104,435
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	54,066	56,730
(Increase) decrease in operating assets		
Accounts receivable	(20,950)	55,094
Inventories	2,077	(47,231)
Prepaid expenses and other	(18,312)	(11,373)
Increase (decrease) in operating liabilities		
Accounts payable	(22,452)	40,711
Accrued liabilities	20,851	(28,630)
Income taxes payable	(13,542)	25,899
Net cash provided by operating activities	51,862	195,635
Cash flows from investing activities		
Capital expenditures	(15,990)	(15,767)
Net cash used in investing activities	(15,990)	(15,767)
Cash flows from financing activities		
Principal payment of long term debt		(25,000)
Net cash used in financing activities	(25,000)	
Net increase in cash and cash equivalents	35,872	154,868
Cash and cash equivalents at beginning of year	297,157	180,653
Cash and cash equivalents at end of nine months	\$ 333,029	\$ 335,521

Supplement disclosures of cash flow information		
Cash paid during the period for		
Interest	\$ --	\$ 754
Income taxes	\$ 46,942	\$ 25,489

[FN]

METRO TEL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - General: The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB related to interim period financial statements. Accordingly, these financial statements do not include certain information and footnotes required by generally accepted accounting principles for complete financial statements. However, the accompanying unaudited financial statements contain all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary in order to make the financial statements not misleading. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. For further information, refer to the Company's financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the year ended June 30, 1995.

Note B - Earnings Per Common Share: Earnings per common share is based upon the weighted average number of shares of common stock outstanding during the year. Stock options have not been included in the calculation since their inclusion would not be materially dilutive.

Management's Discussion and Analysis of Financial Condition and Results of Operation

Liquidity and Capital Resources

During the nine month period ended March 31, 1996, cash increased by \$35,872. Of the cash generated by operating activities (\$51,862), \$50,124 was derived from net income and \$54,066 was derived from non-cash expense for depreciation and amortization. These were offset, in part, by the use of cash primarily to support higher receivables and prepaid expenses. Cash of \$15,990 was used to purchase capital assets. The Company believes that the cash which it expects to generate from operations will be sufficient to meet operational needs.

Results of Operations

Net sales for the nine month and three month periods ended March 31, 1996 decreased by \$130,674 (4.1%), and \$12,404 (1.1%), respectively, from the comparable periods of fiscal 1995. The decrease in sales for the nine month and three month period was primarily due to a reduction in foreign sales and a continuing reduction in sales to the Regional Bell Operating Companies (RBOCs). Prices for the periods remained constant. Sales of telephone test equipment decreased by \$248,140 (9.3%) and \$30,666 (3.3%) for the nine and three month periods, respectively, of fiscal 1996 from the same periods of fiscal 1995. These decreases were attributable to the reduction in sales of older products to the RBOCs, which seem to have stabilized for the third quarter. Sales of customer premise equipment increased by \$191,140 (82.5%) and \$64,660 (111.18%) for the nine and three month periods, respectively, of fiscal 1996 from the same periods of fiscal 1995. These increases were primarily due to increased shipments of data products (CSU/DSU) to a large long distance telephone company. Sales of spares, repairs and miscellaneous products decreased by \$75,844 (30.0%) for the nine month period and \$46,102 (47.2%) in the third quarter due to a foreign engineering contract which was completed during the fourth quarter of fiscal 1995.

The Company's gross profit margin, expressed as a percentage of sales, decreased to 37.8% for the first nine months of fiscal 1996 from 39.2% for the same period of fiscal 1995. Gross profit margin for the third quarter decreased to 38.2% in fiscal 1996 from 39.7% in fiscal 1995. The change during the nine month period related primarily to the reduction of sales for the period which reduces the ability of the Company to absorb its fixed expenses. During the third quarter, the change was mainly

attributable to a change in product mix whereby products with lower margins outsold products with higher margins.

Selling, general and administrative expenses decreased by \$8,439 (1.0%) and \$24,177 (7.9%) for the nine and three month periods, respectively, in fiscal 1996 from fiscal 1995. The reduction in expenses for both periods was attributable primarily to a reduction in advertising and royalty expenses, due to the renegotiating of a royalty agreement.

Research and development expenses decreased by \$6,022 (2.8%) and \$3,237 (4.5%) for the nine and three month periods, respectively, in fiscal 1996 over fiscal 1995 due to decreases in engineering supplies and hospitalization expenses.

The provision for income taxes in the nine month period of fiscal 1995 (34.1%) was lower than by applying statutory rates as a result of a tax refund credit received during the second quarter. The effective rate in all other periods was approximately 40%.

PART 11 - OTHER INFORMATION

Item 7. Exhibits and Reports on Form 8-K

(a) Exhibits

27. Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 1996.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

METRO-TEL CORP.

Date: May 13, 1996 By: Venerando J. Indelicato
President, Treasurer and
Principal Financial and
Chief Accounting Officer

EXHIBIT INDEX

Exhibit Number	Description	Page
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