

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 September 30, 1997

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.

(Exact name of small business issuer as specified in its charter)

DELAWARE 11-2014231

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

250 South Milpitas Blvd., Milpitas, California 95035

(Address of principal executive offices)

(408) 946-4600

(Issuer's telephone number)

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 - 2,054,046 shares
outstanding as of November 12, 1997

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

	For the three months ended September 30,	
	1997	1996
Net Sales	\$ 1,046,628	\$1,016,250
Cost of goods sold	633,406	626,614
Gross Profit	413,222	389,636
Selling, general and administrative expenses	311,323	280,385
Research & development	56,129	68,603
Interest and other income	(2,785)	(1,372)
	364,667	347,616

Earnings (loss) before provision for income taxes	48,555	42,020
Provision (credit) for income taxes	19,400	16,800

Net Earnings	\$ 29,155	\$ 25,220
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Earnings per common share (Note B)	\$.01	\$.01
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Weighted average number of shares outstanding (Note B)	2,054,046	2,004,046
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Metro Tel Corp.
Balance Sheets
(Unaudited, Note A)

ASSETS

	September 30, 1997	June 30, 1997
Current Assets		
Cash and cash equivalents	\$ 383,930	\$ 498,615
Accounts receivable, net	622,058	550,457
Inventories	1,607,157	1,516,339
Prepaid expenses and other	52,776	43,696
Deferred income taxes	27,000	27,000

Total current assets	2,692,921	2,636,107
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Property and equipment - at cost		
Machinery and equipment	500,237	486,683
Furniture and fixtures	76,927	76,883
Leasehold Improvements	8,765	8,765

	585,929	572,331
Less accumulated depreciation	467,667	457,671

	118,262	114,660
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Other assets

Goodwill, net of accumulated amortization of \$406,709 on September 30, 1997 and \$399,255 on June 30, 1997	785,990	793,444
Other, net	10,134	10,465

	796,124	803,909
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	\$3,607,307	\$3,554,676
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Metro Tel Corp.
Balance Sheets
(Unaudited, Note A)

LIABILITIES AND
STOCKHOLDERS' EQUITY

	September 30, 1997	June 30, 1997
Current Liabilities		
Accounts payable	\$ 160,483	\$ 212,171
Accrued liabilities	247,044	171,880

Total current liabilities	407,527	384,051
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Deferred Income Taxes	7,000	7,000
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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, 2,080,296 shares issued, 2,054,046 shares outstanding	52,007	52,007
Additional paid-in capital	2,152,423	2,152,423
Retained earnings	1,057,100	1,027,945
	3,261,530	3,232,375
Less 26,250 shares of treasury stock - at cost	(68,750)	(68,750)
	3,192,780	3,163,625
	\$3,607,307	\$3,554,676

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

For the three months ended
September 30,
1997 1996

Cash flows from operating activities:

Net earnings	\$ 29,155	\$ 25,220
Adjustments to reconcile net earnings to cash provided by operating activities		
Depreciation and amortization	17,781	16,147
(Increase) decrease in operating assets:		
Accounts receivable	(71,601)	214,740
Inventories	(90,818)	(139,816)
Prepaid expenses and other	(9,080)	(30,390)
Increase (decrease) in operating liabilities:		
Accounts payable	(51,688)	(50,625)
Accrued liabilities	75,164	(56,873)
Income taxes payable		(14,127)

Net cash (used) provided by operating activities	(101,087)	(35,724)
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Cash flows from investing activities:

Capital expenditures	(13,598)	(8,226)
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Net (decrease) in cash and cash equivalents	(114,685)	(43,950)
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Cash and cash equivalents at beginning of year	498,615	411,924
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Cash and cash equivalents at end of period	\$ 383,930	\$ 367,974
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Supplement disclosures of cash flow
information

Cash paid during the period for Income taxes	-	\$ 29,540
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[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, 1997.

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 three month period ended September 30, 1997, cash decreased by \$114,685. The decrease included \$101,087 used by operating activities and \$13,598 used to purchase capital assets. Cash generated for operations by profits (\$29,155) and depreciation (\$17,781) were used to support changes in operating assets and liabilities, primarily increases in inventories (\$90,818), accounts receivable (\$71,601) and accrued expenses (\$75,164), and a decrease in accounts payable (\$51,688). The Company believes that the cash which it expects to generate from operations and its existing cash will be sufficient to meet operational needs.

Results of Operations

Net sales increased by \$30,378 (3.0%) in the first quarter of fiscal 1998 from the same period in fiscal 1997. The increase in sales during the first quarter was mainly due to increases in foreign sales of telephone test equipment and an increase in new test equipment sales to the Regional Bell Operating Companies (RBOCs). Prices remained constant during the period. Sales of telephone test equipment increased by \$44,410 (4.7%) in the first quarter of fiscal 1998 from the same period in fiscal 1997, with increases in sales of installers's test sets (15.2%) being offset partially by decreases in sales of outside plant test sets (2.6%) and transmission test equipment (19.8%). Sales of customer premise equipment decreased by \$17,022 (46.2%) during the first three months of fiscal 1998 when compared to the same period of fiscal 1997, mainly due to a reduction in the sale of dialers. Sales of miscellaneous products, parts and repairs increased by \$2,990 (7.5%).

The Company's gross profit margin, expressed as a percentage of sales, improved to 39.5% for the first quarter of fiscal 1998 from 38.3% for the same period of fiscal 1997. The improvement was mainly due to the increased level of sales which permitted the Company to better absorb its fixed expenses and to a slight reduction in labor costs.

Selling, general and administrative expenses increased during the first quarter of fiscal 1998 by \$30,938 (11.0%) and as a percentage of sales to 29.7% from 27.6% during the first quarter of fiscal 1997. The increase, which was mainly in selling expenses (58.4%), consisted of increases in advertising (172.1%), royalties and commissions (69.3%) and payroll (71.2%). These increases offset decreases in general and administrative expenses (14.2%) due principally to the closing of the Company's Jericho, NY office in January 1997.

Research and development expenses decreased by \$10,727 (15.6%) in the first quarter of fiscal 1998 compared to the same period of fiscal 1997 mainly due to payroll reductions associated with staff changes.

PART 11 - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's 1997 Annual Meeting of Stockholders held on November 5, 1997, stockholders re-elected the Company's existing Board of Directors by the following votes:

	For	Withheld
Michael Epstein	1,454,098	6,763
Lloyd Frank	1,454,169	6,692
Venerando J. Indelicato	1,455,923	4,938
Michael Michaelson	1,456,810	4,051

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 September 30, 1997.

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: November 12, 1997 By: Venerando J. Indelicato
President, Treasurer and
Principal Financial and
Chief Accounting Officer

EXHIBIT INDEX

Exhibit Number	Description
27	Financial Data Schedule

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