

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the fiscal year ended December 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 1-5725

A. Full title of the plan and the address of the plan, if different from that of the issuer name below:

Nichols-Homeshield 401(k) Savings Plan - Davenport

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Quanex Corporation  
1900 West Loop South, Suite 1500  
Houston, Texas 77027  
(713) 961-4600

## INDEPENDENT AUDITORS' REPORT

The Benefits Committee  
Quanex Corporation  
Houston, Texas

Re: Nichols-Homeshield 401(k) Savings Plan - Davenport

We have audited the accompanying statements of net assets available for benefits of the Nichols-Homeshield 401(k) Savings Plan Davenport (the "Plan") as of December 31, 1996 and 1995, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 1996 and 1995, and the changes in net assets available for benefits for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of (1) investments as of December 31, 1996 and (2) 5% reportable transactions for the year ended December 31, 1996 are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These schedules are the responsibility of the Plan's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 1996 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

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DELOITTE & TOUCHE LLP

May 9, 1997

QUANEX CORPORATION  
NICHOLS-HOMESHIELD 401(K) SAVINGS PLAN - DAVENPORT

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	1996	1995
Assets:		
Investments at fair value -		
Mutual fund assets:		
Fidelity Puritan Fund	\$ 110,980	\$ 51,298
Fidelity Magellan Fund	1,760,422	1,434,825
Fidelity Contrafund	1,246,208	711,513
Fidelity Growth and Income Fund	2,559,618	1,755,359
Fidelity Overseas Fund	137,732	88,561
Fidelity Balanced Fund	596,493	614,803
Fidelity Government Money Market Fund	2,734,735	2,820,968
Templeton Foreign Fund	6,157	--
Quanex Corporation common stock	133,135	103,640
Common/commingled trust	54,097	20,374
	-----	-----
	9,339,577	7,601,341
Participant loans	648,344	490,166
	-----	-----
Total	9,987,921	8,091,507
	-----	-----
Employee contributions receivable	58,327	60,444
Employer contributions receivable	64,956	45,130
	-----	-----
Total	123,283	105,574
	-----	-----
Net assets available for benefits	\$10,111,204	\$ 8,197,081
	=====	=====

See notes to financial statements

QUANEX CORPORATION  
NICHOLS-HOMESHIELD 401(k)SAVINGS PLAN - DAVENPORT

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE  
FOR BENEFITS

	December 31,	
	1996	1995
Investment income:		
Interest and dividends	\$ 650,015	\$ 397,598
Net appreciation in fair value of investments	383,311	763,389
Total	1,033,326	1,160,987
Contributions:		
Employer	650,140	519,252
Less forfeitures	6,058	10,999
	644,082	508,253
Employee	656,881	554,454
Total	1,300,963	1,062,707
Interest on participant loans	43,543	33,277
Total additions	2,377,832	2,256,971
Benefit payments	460,800	194,297
Administrative fees	2,909	1,884
Total deductions	463,709	196,181
Increase in net assets available for benefits	1,914,123	2,060,790
Net assets available for benefits:		
Beginning of year	8,197,081	6,136,291
End of year	\$10,111,204	\$ 8,197,081

See notes to financial statements

QUANEX CORPORATION  
NICHOLS-HOMESHIELD 401(K) SAVINGS PLAN - DAVENPORT

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1996 AND 1995

A. DESCRIPTION OF THE PLAN

The following description of the Nichols-Homeshield 401(k) Savings Plan - Davenport (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

- (1) General. The Plan, sponsored by Quanex Corporation (the "Company"), was established on October 1, 1987 and was amended and restated in its entirety in January 1993. The Plan is a defined contribution plan, which covers substantially all union hourly employees of the Davenport, Iowa facilities. The Plan permits eligible employees to elect a deferral of compensation under Section 401(k) of the Internal Revenue Code ("IRC"). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The assets of the Plan are held in trust by Fidelity Management Trust Company ("Fidelity" or the "Trustee"). The Benefits Committee (the "Committee"), appointed by the Company's Board of Directors, serves as the Plan administrator.
- (2) Contributions. Participants may contribute to the Plan by electing salary deferrals between 1% and 15% of compensation as defined by the Plan agreement. Participants may also contribute in half percentages. Company contributions are made based on a percentage of the employee's compensation for each individual with at least 1,000 hours of employment service.
- (3) Participant Accounts. Each participant's account is credited with the participant's contribution, the employer's contribution, and the participant's pro rata share of investment earnings. Investment earnings allocations are based upon individual participant account balances as of the end of the period in which the income was earned.
- (4) Investment Options. Participants may direct allocations of their contributions to the following funds:

Government Money Market Fund - composed of short-term government obligations.

Balanced Fund - invested and reinvested in common and preferred stocks and bonds.

Growth and Income Fund - invested and reinvested in equity and debt securities of foreign and domestic companies.

Magellan Fund - invested and reinvested in equity and debt securities of foreign and domestic companies.

Contrafund - invested and reinvested in equities of foreign and domestic companies.

Overseas Fund - invested and reinvested in foreign securities.

Puritan Fund - invested and reinvested in common and preferred stocks and bonds.

Templeton Foreign Fund - invested and reinvested in foreign securities.

Quanex Corporation Common Stock - invested and reinvested exclusively in the common stock of Quanex Corporation.

Common/Commingled Trust - invested and reinvested in investment contracts issued by insurance companies, banks and other financial institutions.

- (5) Vesting. Participants are immediately vested in their contributions and earnings thereon. Vesting in the employer contribution is based on years of credited service. A participant is 20% vested for each year of credited service and fully vested after five years. If a participant terminates employment prior to becoming fully vested, the nonvested portion of the employer contributions are immediately forfeited by the participant and utilized to reduce future employer contributions.
- (6) Payment of Benefits. The Plan is intended for long-term savings but provides for early withdrawals and loan arrangements under certain conditions. In accordance with the IRC, upon termination of service, a participant may elect to receive a lump-sum distribution equal to the total amount of vested benefits in his or her account. As of December 31, 1996 and 1995, net assets available for benefits included benefits of \$0 and \$5,270, respectively, due to participants who have withdrawn from participation in the Plan.
- (7) Loans. Loans may be granted to a participant of the Plan at the Committee's discretion. Any loan authorized by the Committee shall be subject to a term not to exceed five years. The Committee may agree to a longer term (up to seven years) only if the proceeds of the loan are to be used for the purchase of a dwelling. The loans bear a reasonable rate of interest established by the Committee. Interest on the loan is allocated to the borrower's participant account.

#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Accounting Basis. The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.
- (2) Administrative Expenses. Administrative expenses of the Plan are paid by the Company. Loan set up fees and carrying fees are paid by the participant.
- (3) Investment Valuation. The Plan recognizes net appreciation or depreciation in the fair value of its investments. Investments are reflected at fair value in the financial statements. Fair value of mutual fund assets is determined using a quoted net asset value. Fair value for Quanex Corporation common stock, which is listed on the New York Stock Exchange, is determined using the last recorded sales price. The fair value of the common/commingled trust is at face value.
- (4) Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in the net assets available for benefits during the reporting period. The Plan's financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.
- (5) Payment of Benefits. Benefit payments are recorded when paid.

#### C. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to terminate the Plan at any time subject to the provisions set forth in ERISA. In the event of Plan termination, the assets held by the Trustee under the Plan will be valued and fully vested, and each participant will be entitled to distributions respecting his or her account.

#### D. FEDERAL INCOME TAX STATUS

The Plan is subject to specific rules and regulations related to employee benefit plans under the Department of Labor and the Internal Revenue Service ("IRS"). The Plan is a qualified trust under Sections 401(a) and 401(k) of the Internal Revenue Code (the "Code") and, as a result, is exempt from taxation under Sections 501(a) of the Code. The Plan received a favorable determination letter from the IRS dated June 18, 1993. The Company believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, it believes the Plan was qualified and the related trust was tax-exempt as of the financial statement dates.

## E. RELATED PARTY TRANSACTIONS

During the years ended December 31, 1996 and 1995, the Plan purchased and sold shares of Quanex Corporation common stock, as shown below:

		1996			1995	
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	----	-----	-----	----	-----
Purchases	2,080	\$47,343		6,171	\$130,522	
Sales	2,566	57,083	\$68,951	3,416	73,665	\$75,227

During the years ended December 31, 1996 and 1995, the Plan purchased and sold shares of Fidelity mutual fund assets, as shown below:

		1996			1995	
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	----	-----	-----	----	-----
Purchases	2,530,179	\$6,546,751		1,229,689	\$2,945,250	
Sales	2,579,692	5,143,714	\$5,203,939	828,604	1,761,256	\$1,825,834

During the years ended December 31, 1996 and 1995, the Plan purchased and sold shares of Fidelity Common/Commingled Trust, as shown below:

		1996			1995	
	Shares	Cost	Sales Price	Shares	Cost	Sales Price
	-----	----	-----	-----	----	-----
Purchases	41,203	\$41,203		9,350	\$9,350	
Sales	7,481	7,481	\$7,481	-	-	-

## F. Supplemental Fund Information

Contributions, benefit payments and investment income by fund were as follows for the years ended December 31:

	1996 -----	1995 -----
Employee Contributions:		
Fidelity Puritan Fund	\$ 16,657	\$ 8,238
Fidelity Magellan Fund	118,572	88,077
Fidelity Contrafund	106,112	44,752
Fidelity Growth and Income Fund	145,427	127,054
Fidelity Overseas Fund	14,133	20,838
Fidelity Balanced Fund	55,282	61,072
Fidelity Government Money Market Fund	159,436	182,325
Templeton Foreign Fund	321	--
Quanex Corporation common stock	15,366	14,350
Common/commingled trust	25,575	7,748
	-----	-----
	\$656,881	\$554,454
	=====	=====

	1996 -----	1995 -----
Employer Contributions:		
Fidelity Puritan Fund	\$ 11,933	\$ 3,814
Fidelity Magellan Fund	101,857	85,071
Fidelity Contrafund	70,259	52,740
Fidelity Growth and Income Fund	157,327	111,238
Fidelity Overseas Fund	13,193	11,723
Fidelity Balanced Fund	54,252	57,963
Fidelity Government Money Market Fund	212,614	179,518
Templeton Foreign Fund	144	--
Quanex Corporation common stock	11,896	5,457
Common/commingled trust	10,607	729
	-----	-----
	\$644,082	\$508,253
	=====	=====



	1996	1995
	-----	-----
Benefit payments:		
Fidelity Puritan Fund	\$ 130	\$ --
Fidelity Magellan Fund	39,625	28,971
Fidelity Contrafund	3,339	16,482
Fidelity Growth and Income Fund	115,206	9,760
Fidelity Overseas Fund	150	13,092
Fidelity Balanced Fund	1,525	7,498
Fidelity Government Money Market Fund	297,894	118,494
Templeton Foreign Fund	--	--
Quanex Corporation common stock	2,931	--
Common/commingled trust	--	--
	-----	-----
	\$ 460,800	\$ 194,297
	=====	=====

	1996	1995
	-----	-----
Investment income:		
Fidelity Puritan Fund	\$ 11,416	\$ 6,041
Fidelity Magellan Fund	162,646	321,280
Fidelity Contrafund	193,172	161,934
Fidelity Growth and Income Fund	403,556	441,618
Fidelity Overseas Fund	12,496	12,960
Fidelity Balanced Fund	51,461	72,510
Fidelity Government Money Market Fund	141,568	152,296
Templeton Foreign Fund	280	--
Quanex Corporation common stock	54,625	(8,540)
Common/commingled trust	2,106	888
	-----	-----
	\$ 1,033,326	\$ 1,160,987
	=====	=====

ITEM 27A - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES  
 EIN: 38-1872178; PN 016

QUANEX CORPORATION  
 NICHOLS-HOMESHIELD 401(K) SAVINGS PLAN - DAVENPORT

SUPPLEMENTAL SCHEDULE OF INVESTMENTS  
 DECEMBER 31, 1996

Mutual Fund Assets - Fidelity Investments:	Shares/ Par Value	Cost	Current Value
-----	-----	-----	-----
Contrafund*	29,566	\$1,052,147	\$1,246,208
Government Money Market Fund*	2,734,735	2,734,735	2,734,735
Puritan Fund*	6,437	107,699	110,980
Growth and Income Fund*	83,294	2,003,906	2,559,618
Magellan*	21,828	1,622,495	1,760,422
Overseas Fund*	4,466	131,576	137,732
Balanced Fund*	42,365	557,656	596,493
Templeton Fund*	594	6,040	6,157
		-----	-----
Total mutual fund assets		8,216,254	9,152,345
Quanex Corporation Common Stock*	4,863	106,100	133,135
Common Commingled Trust*	54,097	54,097	54,097
Participant Loans (bearing interest rates from 7.85% to 11%)		648,344	648,344
		=====	=====
Total investments		\$9,024,795	\$9,987,921
		=====	=====

\* Party-in-interest

## ITEM 27d - SCHEDULE OF REPORTABLE (5%) TRANSACTIONS EIN 38-1872178; PN 016

## NICHOLS-HOMESHIELD 401(k) SAVINGS PLAN - DAVENPORT

SUPPLEMENTAL SCHEDULE OF 5% REPORTABLE TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 1996

## Series of Transactions

Description	Total Number of Purchases During Plan Year	Purchase Price	Total Number of Sales During Plan Year	Selling Price	Cost of Asset	Current Value on Transaction Date	Net Gain (Loss)
None							

## Series of Transactions

Description	Total Number of Purchases During Plan Year	Purchase Price	Total Number of Sales During Plan Year	Selling Price	Cost of Asset	Current Value on Transaction Date	Net Gain (Loss)
*Magellan Fund	97	\$2,399,699	63	\$1,993,180	\$1,998,379	\$1,993,180	\$ (5,199)
*Contrafund	53	524,361	25	91,320	83,227	91,320	8,093
*Growth & Income	83	828,680	44	303,724	259,051	303,724	44,673
*Balanced Fund	51	187,239	30	231,049	222,172	231,049	8,877
*Government Money Market Fund	82	2,435,802	77	2,522,035	2,522,035	2,522,035	0

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\*Party-in-interest

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Nichols-Homeshield 401(k) Savings  
Plan - Davenport

Date: June 24, 1997

/s/ Joseph K. Peery

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Joseph K. Peery, Benefits Committee

INDEX TO EXHIBITS

23.1 Independent Auditor's Consent

## INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-54085 of Quanex Corporation on Form S-8 of our report dated May 9, 1997 appearing in the Annual Report on Form 11-K of the Nichols-Homeshield, Inc. 401(k) Savings Plan - Davenport for the year ended December 31, 1996.

/s/ DELOITTE & TOUCHE LLP  
DELOITTE & TOUCHE LLP

Houston, Texas  
June 24, 1997