

UROPLASTY INC
Form 10-Q
November 03, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

**Quarterly Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended September 30, 2008**

**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. 000-20989

UROPLASTY, INC.

(Exact name of registrant as specified in its Charter)

Minnesota, U.S.A.

(State or other jurisdiction of
incorporation or organization)

41-1719250

(I.R.S. Employer
Identification No.)

5420 Feltl Road

Minnetonka, Minnesota, 55343

(Address of principal executive offices)

(912) 426-6140

(Registrant's telephone number, including area code)

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 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 Smaller Reporting Company

(Do not check if a 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

As of October 31, 2008 the registrant had 14,946,540 shares of common stock outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

UROPLASTY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2008	March 31, 2008
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,675,592	\$ 3,880,044
Short-term investments	5,349,105	6,266,037
Accounts receivable, net	1,690,285	2,318,604
Income tax receivable	34,445	50,841
Inventories	527,460	558,657
Other	359,598	244,517
Total current assets	11,636,485	13,318,700
Property, plant, and equipment, net	1,546,601	1,638,953
Intangible assets, net	3,778,949	4,200,890
Prepaid pension asset	36,482	26,482
Deferred tax assets	105,961	105,298
Total assets	\$ 17,104,478	\$ 19,290,323

See accompanying notes to the condensed consolidated financial statements.

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UROPLASTY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2008 (unaudited)	March 31, 2008
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities - long-term debt	\$	\$ 84,879
Deferred rent - current	35,000	35,000
Accounts payable	504,126	661,624
Accrued liabilities:		
Compensation	952,034	1,471,950
Other	339,260	486,480
 Total current liabilities	 1,830,420	 2,739,933
 Long-term debt - less current maturities		413,279
Deferred rent - less current portion	164,277	180,979
Accrued pension liability	290,744	353,411
 Total liabilities	 2,285,441	 3,687,602
 Shareholders' equity:		
Common stock \$.01 par value; 40,000,000 shares authorized, 14,946,540 shares issued and outstanding at September 30, 2008 and 14,916,540 shares issued and outstanding at March 31, 2008	149,465	149,165
Additional paid-in capital	35,504,014	35,014,313
Accumulated deficit	(20,802,842)	(19,835,230)
Accumulated other comprehensive income (loss)	(31,600)	274,473
 Total shareholders' equity	 14,819,037	 15,602,721
 Total liabilities and shareholders' equity	 \$ 17,104,478	 \$ 19,290,323

See accompanying notes to the condensed consolidated financial statements.

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UROPLASTY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Net sales	\$ 3,920,516	\$ 3,039,543	\$ 8,446,138	\$ 5,988,217
Cost of goods sold	549,199	669,041	1,257,166	1,263,253
 Gross profit	 3,371,317	 2,370,502	 7,188,972	 4,724,964
 Operating expenses				
General and administrative	918,394	1,147,432	1,957,108	1,955,806
Research and development	327,978	426,997	733,498	933,122
Selling and marketing	2,505,598	1,974,583	5,125,632	3,607,372
Amortization of intangibles	210,966	206,482	421,941	423,003
	3,962,936	3,755,494	8,238,179	6,919,303
 Operating loss	 (591,619)	 (1,384,992)	 (1,049,207)	 (2,194,339)
 Other income (expense)				
Interest income	63,542	65,239	138,656	141,622
Interest expense	(6,750)	(9,279)	(13,585)	(20,644)
Foreign currency exchange gain (loss)	5,038	(13,877)	(732)	(15,906)
Other, net	(4,687)		(4,687)	1,880
	57,143	42,083	119,652	106,952
 Loss before income taxes	 (534,476)	 (1,342,909)	 (929,555)	 (2,087,387)
 Income tax expense	 26,487	 41,783	 38,057	 137,940
 Net loss	 \$ (560,963)	 \$ (1,384,692)	 \$ (967,612)	 \$ (2,225,327)
 Basic and diluted loss per common share	 \$ (0.04)	 \$ (0.10)	 \$ (0.06)	 \$ (0.17)
 Weighted average common shares outstanding:				
Basic and diluted	14,916,540	13,342,284	14,916,540	13,162,862

See accompanying notes to the condensed consolidated financial statements.

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UROPLASTY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY AND COMPREHENSIVE
 LOSS
 Six months ended September 30, 2008
 (Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive Income	Total Shareholders
	Shares	Amount	Capital	Deficit	(loss)	Equity
Balance at March 31, 2008	14,916,540	\$ 149,165	\$ 35,014,313	\$ (19,835,230)	\$ 274,473	\$ 15,602,721
Share-based consulting and compensation	30,000	300	489,701			490,001
Comprehensive loss				(967,612)	(306,073)	(1,273,685)
Balance at September 30, 2008	14,946,540	\$ 149,465	\$ 35,504,014	\$ (20,802,842)	\$ (31,600)	\$ 14,819,037

See accompanying notes to the condensed consolidated financial statements.

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UROPLASTY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 Six Months Ended September 30, 2008 and 2007
 (Unaudited)

	Six Months Ended	
	September 30,	
	2008	2007
Cash flows from operating activities:		
Net loss	\$ (967,612)	\$ (2,225,327)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	566,949	529,766
(Gain) Loss on disposal of equipment	4,687	(2,771)
Share-based consulting expense	36,409	26,005
Share-based compensation expense	453,592	644,637
Deferred income taxes	(10,164)	2,474
Deferred rent	(17,500)	(17,500)
Changes in operating assets and liabilities:		
Accounts receivable	537,959	(498,578)
Inventories	(11,128)	(16,176)
Other current assets and income tax receivable	(108,041)	64,660
Accounts payable	(145,610)	190,508
Accrued liabilities	(634,851)	(80,460)
Accrued pension liability, net	(44,772)	(305,435)
Net cash used in operating activities	(340,082)	(1,688,197)
Cash flows from investing activities:		
Proceeds from sale of short-term investments	8,808,304	1,800,000
Purchase of short-term investments	(7,891,373)	(1,200,000)
Purchases of property, plant and equipment	(130,421)	(135,984)
Proceeds from sale of equipment		4,417
Payments for intangible assets		(89,725)
Net cash provided by investing activities	786,510	378,708
Cash flows from financing activities:		
Proceeds from financing obligations		178,374
Repayment of debt obligations	(455,913)	(184,458)
Net proceeds from issuance of common stock, warrants and option exercise		768,298
Net cash provided by (used in) financing activities	(455,913)	762,214
Effect of exchange rates on cash and cash equivalents	(194,967)	93,320

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Net decrease in cash and cash equivalents	(204,452)	(453,955)
Cash and cash equivalents at beginning of period	3,880,044	3,763,702
Cash and cash equivalents at end of period	\$ 3,675,592	\$ 3,309,747
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 13,612	\$ 17,024
Cash paid during the period for income taxes	35,474	38,923
Supplemental disclosure of non-cash financing and investing activities:		
Purchase of intellectual property funded by issuance of stock	\$	\$ 4,658,861
See accompanying notes to the condensed consolidated financial statements.		

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UROPLASTY, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

We have prepared our condensed consolidated financial statements included in this Form 10-Q, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted, pursuant to such rules and regulations. The consolidated results of operations for any interim period are not necessarily indicative of results for a full year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended March 31, 2008.

The condensed consolidated financial statements presented herein as of September 30, 2008 and for the three and six-month periods ended September 30, 2008 and 2007 reflect, in the opinion of management, all material adjustments consisting only of normal recurring adjustments necessary for a fair presentation of the consolidated financial position, results of operations and cash flows for the interim periods.

We have identified certain accounting policies that we consider particularly important for the portrayal of our results of operations and financial position and which may require the application of a higher level of judgment by our management, and as a result are subject to an inherent level of uncertainty. These are characterized as critical accounting policies and address revenue recognition, accounts receivable, inventories, foreign currency translation and transactions, impairment of long-lived assets, share-based compensation, defined benefit pension plans and income taxes, each of which is described in our Annual Report on Form 10-K for the year ended March 31, 2008. Based upon our review, we have determined that these policies remain our most critical accounting policies for the three and six-month periods ended September 30, 2008, and we have made no changes to these policies during fiscal 2009.

2. Short-term Investments

Short-term investments consist of certificates of deposit that mature within the next twelve months. Based on the short-term nature of these investments, their cost approximates their fair market value.

3. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories consist of the following:

	September 30, 2008	March 31, 2008
Raw materials	\$ 186,815	\$ 215,378
Work-in-process	29,870	15,438
Finished goods	310,775	327,841
	\$ 527,460	\$ 558,657

We purchase several medical grade materials and other components for use in our finished products from single source suppliers meeting our quality and other requirements. Although we believe our supply sources could be replaced if necessary without due disruption, the process of qualifying new suppliers could cause an interruption in our ability to manufacture our products, which could have a negative impact on sales.

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Comprehensive loss consists of net loss, translation adjustments and additional pension liability as follows:

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Net loss	\$ (560,963)	\$ (1,384,692)	\$ (967,612)	\$ (2,225,327)
Items of other comprehensive income (loss):				
Translation adjustment	(326,738)	156,903	(317,868)	179,030
Pension related	11,774	(8,365)	11,795	(11,665)
Comprehensive loss	\$ (875,927)	\$ (1,236,154)	\$ (1,273,685)	\$ (2,057,962)

Other accumulated comprehensive income (loss) at September 30, 2008 totalled \$(31,600) and consists of \$94,241 for accumulated translation adjustment and \$(125,841) for accumulated additional pension liability.

7. Net Loss per Common Share

The following restricted stock, options and warrants outstanding at September 30, 2008 and 2007, to purchase shares of common stock, were excluded from diluted loss per common share because of their anti-dilutive effect: