

UROPLASTY INC
Form 10-Q
July 31, 2014

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 June 30, 2014
 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. 001-32632

UROPLASTY, INC.
(Exact name of registrant as specified in its Charter)

Minnesota, U.S.A. 41-1719250
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

5420 Feltl Road
Minnetonka, Minnesota, 55343
(Address of principal executive offices)

(952) 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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

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 June 30, 2014 the registrant had 22,045,893 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UROPLASTY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2014	March 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,221,690	\$ 8,681,609
Short-term investments	400,000	3,451,086
Accounts receivable, net	2,614,655	2,875,275
Inventories	609,877	517,217
Other	536,830	507,299
Total current assets	14,383,052	16,032,486
Property, plant, and equipment, net	980,412	997,609
Intangible assets, net	111,654	119,980
Prepaid pension assets	-	855
Deferred tax assets	146,609	150,116
Total assets	\$ 15,621,727	\$ 17,301,046

See accompanying notes to the Condensed Consolidated Financial Statements.

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UROPLASTY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2014	March 31, 2014
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$954,832	\$904,879
Current portion – deferred rent	-	2,917
Income taxes payable	24,429	21,922
Accrued liabilities:		
Compensation	2,094,907	1,999,966
Other	423,428	479,373
Total current liabilities	3,497,596	3,409,057
Deferred rent – less current portion	25,832	171
Accrued pension liability	715,807	678,118
Total liabilities	4,239,235	4,087,346
Commitments and contingencies		
Shareholders' equity:		
Common stock \$.01 par value; 40,000,000 shares authorized, 22,045,893 and 21,653,835 shares issued and outstanding at June 30, 2014 and March 31, 2014, respectively	220,459	216,538
Additional paid-in capital	58,012,759	57,655,628
Accumulated deficit	(46,364,403)	(44,174,071)
Accumulated other comprehensive loss	(486,323)	(484,395)
Total shareholders' equity	11,382,492	13,213,700
Total liabilities and shareholders' equity	\$15,621,727	\$17,301,046

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	
	June 30	
	2014	2013
Net sales	\$6,384,629	\$5,840,841
Cost of goods sold	791,311	748,047
Gross profit	5,593,318	5,092,794
Operating expenses		
General and administrative	1,577,368	1,580,763
Research and development	909,444	479,660
Selling and marketing	5,272,621	4,627,409
Amortization	8,326	6,648
	7,767,759	6,694,480
Operating loss	(2,174,441)	(1,601,686)
Other income (expense)		
Interest income	3,012	9,264
Foreign currency exchange gain (loss)	911	(2,695)
	3,923	6,569
Loss before income taxes	(2,170,518)	(1,595,117)
Income tax expense	19,814	14,175
Net loss	\$(2,190,332)	\$(1,609,292)
Basic and diluted net loss per common share	\$(0.10)	\$(0.08)
Weighted average common shares outstanding:		
Basic and diluted	21,675,524	20,784,900

See accompanying notes to the Condensed Consolidated Financial Statements.

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UROPLASTY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended June 30	
	2014	2013
Net loss	\$(2,190,332)	\$(1,609,292)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(789)	20,609
Unrealized gain (loss) on available-for-sale investments	(743)	160
Pension adjustments	(396)	(3,633)
Total other comprehensive income (loss), net of tax	(1,928)	17,136
Comprehensive loss	\$(2,192,260)	\$(1,592,156)

See accompanying notes to the Condensed Consolidated Financial Statements.

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UROPLASTY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Three Months Ended June 30, 2014

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at March 31, 2014	21,653,835	\$216,538	\$57,655,628	\$(44,174,071)	\$ (484,395)	\$ 13,213,700
Share-based compensation	335,788	3,358	319,946	-	-	323,304
Proceeds from exercise of stock options, net of shares exchanged	56,270	563	37,185	-	-	37,748
Comprehensive loss	-	-	-	(2,190,332)	(1,928)	(2,192,260)
Balance at June 30, 2014	22,045,893	\$220,459	\$58,012,759	\$(46,364,403)	\$ (486,323)	\$ 11,382,492

See accompanying notes to the Condensed Consolidated Financial Statements.

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UROPLASTY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	June 30	
	2014	2013
Cash flows from operating activities:		
Net loss	\$(2,190,332)	\$(1,609,292)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	72,584	87,013
Loss (gain) loss on disposal of equipment	1,249	(5,881)
Amortization of premium on marketable securities	343	3,342
Share-based compensation expense	323,304	16,044
Deferred income tax expense	2,205	2,178
Deferred rent	22,744	(9,263)
Changes in operating assets and liabilities:		
Accounts receivable, net	263,078	60,458
Inventories	(92,649)	39,773
Other current assets	(30,323)	23,110
Accounts payable	49,797	264,500
Accrued compensation	94,249	19,415
Accrued liabilities	(65,795)	383,436
Accrued pension liability	44,081	40,073
Net cash used in operating activities	(1,505,465)	(685,094)
Cash flows from investing activities:		
Proceeds from maturity of available-for-sale investments	3,050,000	1,000,000
Proceeds from maturity of held-to-maturity investments	-	820,000
Purchases of property, plant and equipment	(52,739)	(189,789)
Proceeds from sale of property, plant and equipment	-	6,080
Net cash provided by investing activities	2,997,261	1,636,291
Cash flows from financing activities:		
Proceeds from exercise of stock options	48,600	-
Net cash provided by financing activities	48,600	-
Effect of exchange rate changes on cash and cash equivalents	(315)	9,312
Net increase in cash and cash equivalents	1,540,081	960,509
Cash and cash equivalents at beginning of period	8,681,609	3,533,864
Cash and cash equivalents at end of period	\$10,221,690	\$4,494,373
Cash paid during the period for income taxes	\$38,700	\$17,770

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 Quarterly Report on 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, although we believe that our disclosures are adequate to make the information not misleading. 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, 2014.

The Condensed Consolidated Financial Statements presented herein as of June 30, 2014 and 2013 and for the three month periods ended June 30, 2014 and 2013 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,