CAPRIUS INC
Form 10QSB
May 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark one)

[X] Quarterly Report under Section 13 or 15 (d) of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-11914

CAPRIUS, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	22-2457487
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Parker Plaza, Fort Lee, NJ 07024
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (201) 592-8838

N/A
(Former name, former address, and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) filed all reports required to be filed under 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 [X] No __

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

Class	Outstanding at March 31, 2002
Common Stock. Par value $0.01	17,098,862 shares

CAPRIUS, INC. AND SUBSIDIARIES

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CAPRIUS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2002
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 46,169
Accounts receivable, net of reserve for bad debts of $26,000 at March 31, 2002 and September 30, 2001	640,654
Inventories	327,479
Other current assets	1,623
Total current assets	1,015,925
PROPERTY AND EQUIPMENT:	

Medical equipment	341,140
Office furniture and equipment	220,290
Leasehold improvements	950
	562,380
Less: accumulated depreciation	461,246
Net property and equipment	101,134
OTHER ASSETS:	
Goodwill, net of accumulated amortization of $262,731 at March 31, 2002 and $221,511 at September 30, 2001	887,451
Other intangibles, net of accumulated amortization of $200,801 at March 31, 2002 and $164,292 at September 30, 2001	1,259,572
Other	22,794
Total other assets	2,169,817
TOTAL ASSETS	$ 3,286,876
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Note payable, net of unamortized discount of $5,000 at September 30, 2001	$ 300,000
Accounts payable	252,877
Accrued expenses	205,087
Accrued compensation	62,015
Current maturities of long-term debt and capital lease obligations	18,599
Total current liabilities	838,578
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, net of current maturities	28,988
TOTAL LIABILITIES	867,566
COMMITMENTS AND CONTINGENCIES	-
STOCKHOLDERS' EQUITY:	
Preferred stock, $.01 par value Authorized - 1,000,000 shares	
Issued and outstanding - Series A, none; Series B, convertible, 27,000 shares at March 31, 2002 and September 30, 2001. Liquidation preference $2,700,000	2,700,000
Common stock, $.01 par value Authorized - 50,000,000 shares Issued - 17,121,362 shares at March 31, 2002 and September 30, 2001	171,214
Additional paid-in capital	67,154,517
Accumulated deficit	(67,604,171)
Treasury stock (22,500 common shares, at cost)	(2,250)
Total stockholders' equity	2,419,310

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,286,876

The accompanying notes are an integral part of these consolidated financial statements.

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CAPRIUS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six M
	March 31, 2002	March 31, 2001	March 31, 200
REVENUES:			
Net patient service revenues	$ 387,420	$ 345,636	$ 829,838
Net product sales	602,091	539,721	1,077,444
Total revenues	989,511	885,357	1,907,282
OPERATING EXPENSES:			
Cost of service operations	205,518	191,488	432,537
Cost of product sales	152,676	170,324	275,444
Selling, general and administrative	559,119	474,397	1,126,592
Research and development	44,257	61,294	86,047
Provision for bad debt and collection costs	13,102	4,277	22,651
Total operating expenses	974,672	901,780	1,943,271
Operating income (loss)	14,839	(16,423)	(35,989
Interest income	289	347	687
Interest expense	(12,989)	(9,355)	(27,750
Net income (loss)	$ 2,139	$ (25,431)	$ (63,052
Net income (loss) per basic and diluted common share	$0.00	$(0.00)	$(0.00
Weighted average number of common shares outstanding, basic and diluted	17,098,862	17,098,862	17,098,862

The accompanying notes are an integral part of these consolidated financial statements.

CAPRIUS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

	Preferred Stock Number of Shares	Preferred Stock Amount	Common Stock $0.01 Par Value Number of Shares	Common Stock $0.01 Par Value Amount	Additional Paid-in Capital
BALANCE, SEPTEMBER 30, 2001	27,000	$2,700,000	17,121,362	$ 171,214	$ 67,154,51
Net loss	--	--	--	--	--
BALANCE, MARCH 31, 2002	27,000	$2,700,000	17,121,362	$ 171,214	$ 67,154,51

(TABLE CONT'D)

	Treasury Stock $0.01 Par Value Number of Shares	Treasury Stock $0.01 Par Value Amount	Total Stockholders' Equity
BALANCE, SEPTEMBER 30, 2001	22,500	$ (2,250)	$ 2,482,362
Net loss	--	--	(63,052)
BALANCE, MARCH 31, 2002	22,500	$ (2,250)	$ 2,419,310

The accompanying notes are an integral part of these consolidated financial statements.

CAPRIUS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months En 2002
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (63,052)
Adjustments to reconcile net loss to net cash used in	

operating activities:	
Amortization of discount on bridge Financing	5,000
Depreciation and amortization	130,621
Changes in operating assets and liabilities:	
Accounts receivable, net	(61,846)
Inventories	68,951
Other current assets	3,701
Accounts payable and accrued expenses	(92,901)
Net cash used in operating activities	(9,526)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment, furniture and leasehold improvements	-
Net cash used in investing activities	-
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of common stock	-
Proceeds from issuance of debt and warrants	-
Repayment of debt and capital lease obligations	(34,081)
Net cash provided by (used in) financing activities	(34,081)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,607)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	89,776
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 46,169
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid for interest during the period	$ 27,751

The accompanying notes are an integral part of these consolidated financial statements.

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CAPRIUS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - BASIS OF PRESENTATION

The results of operations of Caprius, Inc. ("Caprius" or the "Company") for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature.

The accompanying consolidated financial statements do not contain all of the disclosures required by accounting principles generally accepted in the United States of America and should be read in conjunction with the financial statements and related notes included in the Company's annual report on form 10-KSB for the fiscal year ended September 30, 2001.

NOTE 2 - THE COMPANY

Caprius, Inc. was founded in 1983 and through June 1999 essentially operated in the business of medical imaging systems as well as healthcare imaging and rehabilitation services. On June 28, 1999, the Company acquired Opus Diagnostics Inc. ("Opus") and began manufacturing and selling medical diagnostic assays. The Company continues to own and operate a comprehensive breast-imaging center located in Lauderhill, Florida.

The Opus Merger was consummated coincident with the closing of an Asset Purchase Agreement (the "Oxis Purchase Agreement") between Opus and Oxis Health Products Inc. ("Oxis") at which time George Aaron and Jonathan Joels became executive officers, directors, and principal stockholders of the Company. The purchase price consisted of $500,000 in cash, a secured promissory note (the "Oxis Note") in the principal amount of $586,389 which was repaid as of December 8, 1999, and a warrant granting Oxis the right to acquire 617,898 shares of the Company's Common Stock. Additionally, pursuant to a Services Agreement, Oxis had manufactured the products of the TDM Business of Opus through December 31, 2000.

After December 31, 2000, the Company transferred its production to third party manufacturers.

Opus currently produces and sells 14 diagnostic assays, their calibrators and controls for therapeutic drug monitoring which are used on the Abbott TDx(R) and TDxFLx(R) instruments. Therapeutic drug monitoring ("TDM") is used to assess medication efficacy and safety of a given therapeutic drug in human bodily fluids, usually blood. The monitoring allows physicians to individualize therapeutic regimens for optimal patient relief. The test kits are used for in vitro testing; i.e. the tests are performed outside of the body.

Effective October 15, 2000, Opus entered into a Development and License Agreement with Novartis Pharma AG to develop and market internationally an assay to monitor Certican(TM). Certican(TM) is a Novartis drug candidate and is presently in the Phase III clinical trial process, as required by the FDA. When cleared by the FDA, it is anticipated Certican(TM) will be used initially to treat renal transplant patients. The Opus test to measure Certican is expected to be used regularly to monitor blood levels of the drug, guiding physicians as to correct dosage and patient compliance. There are approximately 25,000 renal transplants annually that take place in the U.S. alone with approximately the same number outside the U.S.

NOTE 3 - INDUSTRY SEGMENTS

The Company operations are classified into two business segments: imaging services (previously categorized as Imaging and Rehabilitation Services) and the therapeutic drug monitoring assay business (the "TDM Business").

The following table shows sales, net income and other unaudited financial information by industry segment:

	IMAGING SERVICES	TDM BUSINESS	CONS
Three Months ended March 31, 2002			
Revenues	$ 387,420	$ 602,091	$ 9
Net income (loss)	$ (26,718)	$ 28,857	$
Three months ended March 31, 2001			
Revenues	$ 345,636	$ 539,721	$ 8
Net income (loss)	$ (58,913)	$ 33,482	$ (
Six months ended March 31, 2002			
Revenues	$ 829,838	$1,077,444	$1,9
Net loss	$ (25,281)	$ (37,771)	$ (
Identifiable assets	$ 346,557	$2,940,319	$3,2
Six months ended March 31, 2001			
Revenues	$ 757,977	$ 926,335	$1,6
Net loss	$ (62,727)	$ (63,861)	$ (1
Identifiable assets	$1,042,130	$3,083,958	$4,1

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The results of operations for the three months and six months ended March 31, 2002 and 2001 are not necessarily indicative of results for future periods. The following discussion should be read in conjunction with the attached notes thereto, and with the audited consolidated financial statements and notes thereto for the fiscal year ended September 30, 2001.

THREE MONTHS ENDED MARCH 31, 2002 COMPARED TO THREE MONTHS ENDED MARCH 31, 2001

Included in revenues for three months ended March 31, 2002 are $602,091 of net product sales revenues for Opus' therapeutic drug monitoring assays versus $539,721 for the three months ended March 31, 2001. The cost of product sales for the Opus business for the three months ended March 31, 2002 was $152,676 versus $170,324 for the three months ended March 31, 2001. The increase in net sales revenues for the three months ending March 31, 2002 versus the three months ending March 31, 2001 resulted from both an increase in overseas sales and higher sales of the Company's generic products. The cost of product sales decreased during the three months ending March 31, 2002 versus the three months ending March 31, 2001 as a result of the Company's change of manufacturer for its products.

Net patient service revenues at Strax totaled $387,420 for the three months ended March 31, 2002 versus $345,636 for the three months ended March 31, 2001. This increase resulted from higher patient billings. Cost of service operations totaled $205,518 for the three months ended March 31, 2002 versus $191,488 for the three months ending March 31, 2001.

Selling, general and administrative expenses totaled $559,119 for the three months ended March 31, 2002 versus $474,397 for the three months ended March 31, 2001. The increase in expenses includes certain categories of costs that increased by an amount greater than the average inflationary rate due to prevailing market conditions.

Research and development expenses totaled $44,257 for the three months ended March 31, 2002 versus $61,294 for the three months ended March 31, 2001. The costs related to the Company's on-going projects for the development of new therapeutic drug monitoring tests reflect lower costs during the second quarter of 2002.

SIX MONTHS ENDED MARCH 31, 2002 COMPARED TO SIX MONTHS ENDED MARCH 31, 2001

Net product sales revenues totaled $1,077,444 for the six months ended March 31, 2002 versus $926,335 for the six months ended March 31, 2001. The increase in net sales revenues for the six months ending March 31, 2002 versus the six months ending March 31, 2001 resulted from both an increase in overseas sales and higher sales of the Company's generic products. The cost of product sales for the Opus business for the six months ended March 31, 2002 was $275,444 versus $310,512 for the six months ended March 31, 2001.

Net patient service revenues totaled $829,838 for the six months ended March 31, 2002 versus $757,977 for the six months ended March 31, 2001. This increase resulted from higher patient billings. Cost of service operations totaled $432,537 for the six months ended March 31, 2002 versus $399,778 for the six months ended March 31, 2001.

Selling, general and administrative expenses totaled $1,126,592 for the six months ended March 31, 2002 versus $994,865 for the six months ended March 31, 2001. The increase in expenses includes certain categories of costs that increased by an amount greater than the average inflationary rate due to prevailing market conditions.

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Research and development expenses totaled $86,047 for the six months ended March 31, 2002 versus $82,094 for the six months ended March 31, 2001.

LIQUIDITY AND CAPITAL RESOURCES

During February and March 2001, the Company completed a short term bridge loan of $300,000 through the issuance of loan notes due on February 28, 2002 together with warrants, the proceeds of which were used principally for working capital and purchase of raw materials previously owned by Oxis, the previous manufacturer and owner of the Opus products.

In March and April 2000, the Company completed an equity private placement of $1,950,000 through the sale of 650,000 units at $3.00 per unit as described in Note H-3 to the Financial Statements for the year ended September 30, 2001. The Company utilized the net funds for the payment of certain liabilities and the balance was used for working capital purposes to continue developing the business of Opus by adding new distributors in territories currently not covered by existing distributors and for the development of new diagnostic kits and the acquisition of additional product lines. The Company continues in its efforts to secure the sale of Strax. The $300,000 short-term bridge loan notes are secured by the assets of Strax and were due for repayment on February 28, 2002. The bridge loan holders agreed to extend the repayment date to June 30, 2002. In view of the current market conditions and the Company's low stock price, the Company has found it difficult at this time to secure additional funding. However, should the market conditions change, the Company will continue its efforts to seek additional funds through funding options, including banking facilities, government-funded grants and equity offerings in order to provide capital for future expansion. There can be no assurance that such funding initiatives will be successful, and in light of the current low market price any equity placement would result in substantial dilution to current stockholders. Consequently, the Company's viability could be threatened. Accordingly, the auditors' report on the 2001 financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern.

Net cash used in operations for the six months ended March 31, 2002 was $9,526. There were no cash flows used in investing activities for the six months ended March 31, 2002.

FORWARD LOOKING STATEMENTS

The Company is including the following cautionary statement in this Quarterly Report of Form 10-QSB to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts. Certain statements contained herein are forward-looking statements and accordingly involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that management's expectation, beliefs or projections will result or be achieved or accomplished. In addition to other factors and matters discussed elsewhere herein, the following are important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements: technological advances by the Company's competitors, changes in health care reform, including reimbursement programs, capital needs to fund any delays or extensions of development programs, delays in new product development, delays in obtaining regulatory clearance for new products, changes in governmental regulations, and availability of capital on terms satisfactory to the Company. The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.

PART II: OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits
None

(b) Reports on Form 8-K
None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Caprius, Inc.
(Registrant)

Date: May 14, 2002

/s/George Aaron
George Aaron
President & Chief Executive Officer

Date: May 14, 2002

/s/Jonathan Joels
Jonathan Joels
Chief Financial Officer