CAPRIUS INC
Form 10QSB
February 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 DECEMBER 31, 2001

[ ] 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 January 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)

	December 31, 2001

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 181,473
Accounts receivable, net of reserve for bad debts of $26,000 at December 31, 2001 and September 30, 2001	527,461
Inventories	362,388
Other current assets	5,324
Total current assets	1,076,646
PROPERTY AND EQUIPMENT:	
Medical equipment	341,140
Office furniture and equipment	220,290
Leasehold improvements	950
	562,380
Less: accumulated depreciation	438,475
Net property and equipment	123,905
OTHER ASSETS:	
Goodwill, net of accumulated amortization of $742,121 at December 31, 2001 and $721,511 at September 30, 2001	908,061
Other intangibles, net of accumulated amortization of $182,547 at December 31, 2001 and $164,292 at September 30, 2001	1,277,826
Other	794
Total other assets	2,186,681
TOTAL ASSETS	$ 3,387,232
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Note payable, net of unamortized discount of $2,000 at December 31, 2001 and $5,000 at September 30, 2001	$ 298,000
Accounts payable	281,024
Accrued expenses	217,087
Accrued compensation	113,373
Current maturities of long-term debt and capital lease obligations	28,482
Total current liabilities	937,966
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, net of current maturities	32,095
TOTAL LIABILITIES	970,061
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 December 31, 2001 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 December 31, 2001 and September 30, 2001	171,214
Additional paid-in capital	67,154,517
Accumulated deficit	(67,606,310)
Treasury stock (22,500 common shares, at cost)	(2,250)
Total stockholders' equity	2,417,171
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,387,232

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

CAPRIUS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	For the Three Months Ended De
	2001
REVENUES:	
Net patient service revenues	$ 442,418
Net product sales	475,353
Total revenues	917,771
OPERATING EXPENSES:	
Cost of operations	227,019
Cost of product sales	122,768
Selling, general and administrative	567,473
Research and development	41,790
Provision for bad debt and collection costs	9,549
Total operating expenses	968,599
Operating loss	(50,828)
Interest income	398
Interest expense	(14,761)

Net loss	$ (65,191)	
Net loss per basic and diluted common share	$ (0.00)	
Weighted average number of common shares outstanding, basic and diluted	17,098,862	

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

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CAPRIUS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

	Preferred Stock		Common Stock $0.01 Par Value	
	Number of Shares	Amount	Number of Shares	Amount
BALANCE, SEPTEMBER 30, 2001	27,000	$ 2,700,000	17,121,362	$ 171,214
Net loss	-	-	-	-
BALANCE, DECEMBER 31, 2001	27,000	$ 2,700,000	17,121,362	$ 171,214

	Treasury Stock $0.01 Par Value		Total
	Number of Shares	Amount	Stockholders' Equity
BALANCE, SEPTEMBER 30, 2001	22,500	$ (2,250)	$ 2,482,362
Net loss	-	-	(65,191)

BALANCE, DECEMBER 31, 2001	22,500	$ (2,250)	$ 2,417,171

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

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CAPRIUS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended D
	2001
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (65,191)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Amortization of discount on bridge financing	3,000
Depreciation and amortization	68,986
Changes in operating assets and liabilities:	
Accounts receivable, net	51,347
Inventories	34,042
Other assets	22,000
Accounts payable and accrued expenses	(1,396)
Net cash provided by (used in) operating activities	112,788
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	-
Repayment of debt and capital lease obligations	(21,091)
Net cash provided by (used in) financing activities	(21,091)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,697
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	89,776

CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 181,473	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest during the period	$ 14,761	

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

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, meaning 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.

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NOTE 3 - INDUSTRY SEGMENTS

The Company operations are classified into two business segments: imaging and rehabilitation services and the therapeutic drug monitoring assay business (the "TDM Business").

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

	IMAGING AND REHABILITATION SERVICES	TDM BUSINESS
Three months ended December 31, 2001		
Revenues	$ 442,418	$ 475,353
Net income (loss)	$ 1,437	$ (66,628)
Identifiable assets at December 31, 2001	$ 456,468	$2,930,764
Three months ended December 31, 2000		
Revenues	$ 412,341	$ 386,614
Net loss	$ (3,814)	$ (97,343)
Identifiable assets at December 31, 2000	$ 1,055,542	$2,967,160

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND

RESULTS OF OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2001 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2000

RESULTS OF OPERATIONS

Included in revenues for three months ended December 31, 2001 are $475,353 of net product sales revenues for Opus therapeutic drug monitoring assays versus $386,614 for three months ended December 31, 2000. The cost of product sales for the Opus business for the three months ended December 31, 2001 was $122,768 versus $140,188 for the three months ended December 31, 2000. The increase in net sales revenues for the three months ending December 31, 2001 versus the three months ending December 31, 2000 is a result from both an increase in overseas sales as well as from higher sales of the Company's exclusive products. The cost of product sales decreased during the three months ending December 31, 2001 versus the three months ending December 31, 2000 as a result of the Company's change of manufacturer for its exclusive products.

Net patient service revenues at Strax totaled $442,418 for the three months ended December 31, 2001 versus $412,341 for the three months ended December 31, 2000. This increase was due to a change in amounts billed for patient services. Cost of service operations totaled $227,019 for the three months ended December 31, 2001 versus $208,290 for the three months ending December 31, 2000.

Selling, general and administrative expenses totaled $567,473 for the three months ended December 31, 2001 versus $520,468 for the three months ended December 31, 2000. This change 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 $41,790 for the three months ended December 31, 2001 versus $20,800 for the three months ended December 31, 2000. This increase reflects the Company's increasing expenditures on the projects under development for new therapeutic drug monitoring tests.

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 to evaluate the possible sale of Strax. The $300,000 short-term bridge loan notes are secured by the assets of Strax and are due for repayment on February 28, 2002. The Company is in discussions with its bridge loan holders to extend the repayment date. The Company continues to pursue efforts to identify additional funds through various funding options, including banking facilities, government-funded grants and equity offerings in order to provide capital for future expansion. The ability to secure equity financing has been more difficult due to the Company's June 1999 delisting from the NASDAQ Small Cap System. 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 provided by operations for the three months ended December 31, 2001 was $112,788. There were no significant cash flows used in investing activities for the three months ended December 31, 2001.

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: February 14, 2002

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

Date: February 14, 2002

/s/ Jonathan Joels
Jonathan Joels
Chief Financial Officer