

Measurement Specialties Inc  
Form 10-Q  
November 03, 2010

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 FISCAL QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 1-11906

MEASUREMENT SPECIALTIES, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

New Jersey  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

22-2378738  
(I.R.S. EMPLOYER  
IDENTIFICATION NO. )

1000 LUCAS WAY, HAMPTON, VA 23666  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(757) 766-1500  
(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 Regulation S-T 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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(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 Securities Exchange Act of 1934). Yes  No .

Indicate the number of shares outstanding of each of the issuer's classes of stock, as of the latest practicable date: At October 28, 2010, the number of shares outstanding of the Registrant's common stock was 14,615,865.

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MEASUREMENT SPECIALTIES, INC.  
 FORM 10-Q  
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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

MEASUREMENT SPECIALTIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

(Amounts in thousands, except per share amounts)	Three Months Ended September 30,		Six Months Ended September 30,	
	2010	(As Adjusted) 2009	2010	(As Adjusted) 2009
Net sales	\$ 65,166	\$ 47,939	\$ 126,336	\$ 91,661
Cost of goods sold	37,429	30,666	72,395	58,738
Gross profit	27,737	17,273	53,941	32,923
Selling, general, and administrative expenses	18,679	16,266	37,312	33,375
Operating income (loss)	9,058	1,007	16,629	(452)
Interest expense, net	884	1,018	1,642	2,187
Foreign currency exchange loss (gain)	277	(437)	197	(973)
Equity income in unconsolidated joint venture	(142)	(98)	(249)	(210)
Other expense	107	9	133	29
Income (loss) before income taxes	7,932	515	14,906	(1,485)
Income tax expense (benefit)	1,175	447	2,561	(75)
Income (loss) from continuing operations, net of income taxes	6,757	68	12,345	(1,410)
Loss from discontinued operations, net of income taxes	-	(125)	-	(125)
Net income (loss)	\$ 6,757	\$ (57)	\$ 12,345	\$ (1,535)
Earnings (loss) per common share - Basic:				
Income (loss) from continuing operations, net of income taxes	\$ 0.46	\$ -	\$ 0.85	\$ (0.10)
Loss from discontinued operations	-	(0.01)	-	(0.01)
Net income (loss) - Basic	\$ 0.46	\$ (0.01)	\$ 0.85	\$ (0.11)
Earnings (loss) per common share - Diluted:				
Income (loss) from continuing operations, net of income taxes	\$ 0.45	\$ -	\$ 0.82	\$ (0.10)
Loss from discontinued operations	-	(0.01)	-	(0.01)
Net income (loss) - Diluted	\$ 0.45	\$ (0.01)	\$ 0.82	\$ (0.11)
Weighted average shares outstanding - Basic	14,569	14,486	14,561	14,486
Weighted average shares outstanding - Diluted	15,127	14,486	15,112	14,486

See accompanying notes to condensed consolidated financial statements.



MEASUREMENT SPECIALTIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

(Amounts in thousands)	(As Adjusted) September 30, 2010    March 31, 2010	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 26,458	\$ 23,165
Accounts receivable trade, net of allowance for doubtful accounts of \$576 and \$464, respectively	37,752	29,689
Inventories, net	51,492	40,774
Deferred income taxes, net	1,673	1,602
Prepaid expenses and other current assets	4,099	3,148
Other receivables	892	659
Income taxes receivable	1,607	1,287
<b>Total current assets</b>	<b>123,973</b>	<b>100,324</b>
Property, plant and equipment, net	48,708	44,437
Goodwill	113,749	99,235
Acquired intangible assets, net	30,981	23,613
Deferred income taxes, net	7,396	6,607
Investment in unconsolidated joint venture	2,257	2,117
Other assets	1,602	939
<b>Total assets</b>	<b>\$ 328,666</b>	<b>\$ 277,272</b>

See accompanying notes to condensed consolidated financial statements.

MEASUREMENT SPECIALTIES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	September 30, 2010	(As Adjusted) March 31, 2010
(Amounts in thousands, except share amounts)		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$ 5,000	\$ 5,000
Current portion of long-term debt	197	2,295
Current portion of capital lease obligations	128	193
Current portion of promissory notes payable	2,561	2,349
Accounts payable	22,598	17,884
Accrued expenses	5,664	4,719
Accrued compensation	9,940	7,882
Deferred income taxes, net	262	182
Other current liabilities	3,019	3,064
Total current liabilities	49,369	43,568
Revolver	62,746	53,547
Long-term debt, net of current portion	20,807	6,488
Capital lease obligations, net of current portion	17	63
Promissory notes payable, net of current portion	2,561	2,349
Deferred income taxes, net	7,625	2,969
Other liabilities	1,342	1,292
Total liabilities	144,467	110,276
Equity:		
Serial preferred stock; 221,756 shares authorized; none outstanding	-	-
Common stock, no par; 25,000,000 shares authorized; 14,595,981 and 14,534,431 shares issued and outstanding, respectively	-	-
Additional paid-in capital	87,045	85,338
Retained earnings	85,479	73,134
Accumulated other comprehensive income	11,675	8,524
Total equity	184,199	166,996
Total liabilities and shareholders' equity	\$ 328,666	\$ 277,272

See accompanying notes to condensed consolidated financial statements.

MEASUREMENT SPECIALTIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
AND COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009  
(UNAUDITED)

(Dollars in thousands)	Shares of Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total	Compre- hensive Income (Loss)
Balance, March 31, 2009	14,483,622	\$ 81,948	\$ 67,218	\$ 8,110	\$ 157,276	
Comprehensive income:						
Net loss		-	(1,535)	-	(1,535)	\$ (1,535)
Currency translation adjustment		-	-	5,292	5,292	5,292
Comprehensive income						\$ 3,757
Non-cash equity based compensation		1,411	-	-	1,411	
Amounts from exercise of stock options	2,315	2	-	-	2	
Balance, September 30, 2009	14,485,937	\$ 83,361	\$ 65,683	\$ 13,402	\$ 162,446	
Balance, March 31, 2010	14,534,431	\$ 85,338	\$ 73,134	\$ 8,524	\$ 166,996	
Comprehensive income:						
Net income		-	12,345	-	12,345	\$ 12,345
Currency translation adjustment		-	-	3,151	3,151	3,151
Comprehensive income						\$ 15,496
Non-cash equity based compensation		1,257	-	-	1,257	
Amounts from exercise of stock options	61,550	450	-	-	450	
Balance, September 30, 2010	14,595,981	\$ 87,045	\$ 85,479	\$ 11,675	\$ 184,199	

See accompanying notes to condensed consolidated financial statements.

MEASUREMENT SPECIALTIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

(Amounts in thousands)	Six months ended September 30,	
	2010	(As Adjusted) 2009
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 12,345	\$ (1,535)
Loss from discontinued operations	-	(125)
Income (loss) from continuing operations	12,345	(1,410)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	7,120	7,205
Loss on sale of assets	-	64
Non-cash equity based compensation	1,257	1,411
Deferred income taxes	422	879
Equity income in unconsolidated joint venture	(254)	(210)
Unconsolidated joint venture distributions	114	-
<b>Net change in operating assets and liabilities:</b>		
Accounts receivable, trade	(5,363)	1,757
Inventories	(7,942)	5,211
Prepaid expenses, other current assets and other receivables	(812)	(73)
Other assets	95	(1,169)
Accounts payable	3,552	172
Accrued expenses, accrued compensation, other current and other liabilities	2,540	3,082
Income taxes payable and income taxes receivable	(321)	(974)
Net cash provided by operating activities	12,753	15,945
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(4,744)	(2,284)
Proceeds from sale of assets	32	50
Acquisition of business, net of cash acquired	(25,000)	(100)
Net cash used in investing activities	(29,712)	(2,334)
<b>Cash flows from financing activities:</b>		
Borrowings from revolver	62,746	-
Borrowings from long-term debt	20,000	-
Repayments of short-term debt, revolver, and capital leases	(53,654)	(7,807)
Repayments of long-term debt	(8,196)	(1,213)
Payment of deferred financing costs	(1,499)	(832)
Proceeds from exercise of options and employee stock purchase plan	450	2
Net cash provided by (used in) financing activities	19,847	(9,850)
Net change in cash and cash equivalents	2,888	3,761
Effect of exchange rate changes on cash	405	561
Cash, beginning of year (As Adjusted)	23,165	22,277
Cash, end of period	\$ 26,458	\$ 26,599
<b>Supplemental Cash Flow Information:</b>		
<b>Cash paid or received during the period for:</b>		

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Interest paid	\$	(1,892)	\$	(1,683)
Income taxes paid		(1,637)		(3,137)
Income taxes refunded		115		2,177

See accompanying notes to condensed consolidated financial statements.

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MEASUREMENT SPECIALTIES, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2010 AND 2009  
(UNAUDITED)

(Amounts in thousands, except share and per share amounts)

## 1. DESCRIPTION OF BUSINESS

Interim financial statements: The information presented as of September 30, 2010 and for the three and six months ended September 30, 2010 and 2009 is unaudited, and reflects all adjustments (consisting only of normal recurring adjustments) which Measurement Specialties, Inc. (the “Company,” “MEAS,” or “we”) considers necessary for the fair presentation of the Company’s financial position as of September 30, 2010, the results of its operations for the three and six months ended September 30, 2010 and 2009, and cash flows for the six months ended September 30, 2010 and 2009. The Company’s March 31, 2010 condensed consolidated balance sheet information was derived from the audited consolidated financial statements for the year ended March 31, 2010, which are included as part of the Company’s Annual Report on Form 10-K.

The condensed consolidated financial statements included herein have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and the instructions to Form 10-Q and Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended March 31, 2010, which are included as part of the Company’s Annual Report on Form 10-K.

Description of business: Measurement Specialties, Inc. is a global leader in the design, development and manufacture of sensors and sensor-based systems for original equipment manufacturers (“OEM”) and end users, based on a broad portfolio of proprietary technology and typically characterized by the MEAS brand name. We are a global business and we believe we have a high degree of diversity when considering our geographic reach, broad range of products, number of end-use markets and breadth of customer base. The Company is a multi-national corporation with twelve primary manufacturing facilities strategically located in the United States, China, France, Ireland, Germany and Switzerland, enabling the Company to produce and market globally a wide range of sensors that use advanced technologies to measure precise ranges of physical characteristics. These sensors are used for engine and vehicle, medical, general industrial, consumer and home appliance, military/aerospace, water monitoring and test and measurement applications. The Company’s sensor products include pressure sensors and transducers, pressure and temperature scanning instrumentation, linear/rotary position sensors, piezoelectric polymer film sensors, custom microstructures, load cells, accelerometers, optical sensors, humidity, temperature, fluid property sensors and hydrostatic pressure transducers. The Company’s advanced technologies include piezo-resistive silicon sensors, application-specific integrated circuits, micro-electromechanical systems (“MEMS”), piezoelectric polymers, foil strain gauges, force balance systems, fluid capacitive devices, linear and rotational variable differential transformers, electromagnetic displacement sensors, hygroscopic capacitive sensors, ultrasonic sensors, optical sensors, negative thermal coefficient (“NTC”) ceramic sensors, torque sensors, mechanical resonators and submersible hydrostatic level sensors.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation: The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (the “Subsidiaries”). All significant intercompany balances and transactions have

been eliminated in consolidation.

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In June 2009, the Financial Accounting Standards Board (“FASB”) issued new accounting principles for consolidation, which requires entities to perform an analysis to determine whether the enterprise’s variable interest or interests give it a controlling financial interest in a variable interest entity (“VIE”). This analysis identifies the primary beneficiary of a variable interest entity as one with the power to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance and obligation to absorb losses of the entity that could potentially be significant to the variable interest. The guidance was effective as of the beginning of the annual reporting period commencing after November 15, 2009. The Company adopted these provisions as of April 1, 2010.

Effective April 1, 2010, the Company no longer consolidated its 50 percent ownership interest in Nikkiso-THERM (“NT”), a joint venture in Japan and the Company’s one VIE. The Company is not the primary beneficiary of NT since it does not have both the power to direct activities of the VIE that most significantly impact the VIE’s economic performance and the obligation to absorb the losses, or the right to receive the benefits of the VIE. The Company does not have the power to direct activities of the VIE that most significantly impact the VIE’s economic performance, but rather that power is shared as each of NT’s partners is required to consent to those decisions. Accordingly, NT is accounted for as an unconsolidated VIE under the equity method of accounting. Under the equity method of accounting, the Company recognizes its proportionate share of the profits and losses of the unconsolidated VIE.

The following provides the adjustments made to the prior year financial statements and related information with regard to the change in accounting for NT to conform with current year presentation:

	Previously reported three months ended September 30, 2009	Adjustment	As adjusted three months ended September 30, 2009	Previously reported six months ended September 30, 2009	Adjustment	As adjusted six months ended September 30, 2009
<b>Condensed Consolidated Statement of Operations:</b>						
Net Sales	\$ 49,087	\$ (1,148)	\$ 47,939	\$ 93,828	\$ (2,167)	\$ 91,661
Cost of goods sold	31,145	(479)	30,666	59,635	(897)	58,738
Gross profit	17,942	(669)	17,273	34,193	(1,270)	32,923
Selling, general and administrative expenses	16,512	(246)	16,266	33,845	(470)	33,375
Operating income (loss)	1,430	(423)	1,007	348	(800)	(452)
Equity income in unconsolidated joint venture	-	(98)	(98)	-	(210)	(210)
Other expense	8	1	9	27	2	29
Income (loss) before income taxes	841	(326)	515	(893)	(592)	(1,485)
Income (loss) from continuing operations, net of income taxes	166	(98)	68	(1,200)	(210)	(1,410)
Net loss	(57)	-	(57)	(1,535)	-	(1,535)
	Previously reported six	Adjustment	As adjusted six			

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	months ended September 30, 2009	months ended September 30, 2009
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Condensed Consolidated Statement of  
Cash Flows:

Loss from continuing operations	\$ (1,200)	\$ (210)	\$ (1,410)
Loss on sale of assets	71	(7)	64
Equity income in unconsolidated joint venture	-	(210)	(210)
Accounts receivable, trade	2,014	(257)	1,757
Other assets	(561)	(608)	(1,169)
Accounts payable	(1,144)	1,316	172
Accrued expenses and other liabilities	3,117	(35)	3,082
Income tax payable and income tax receivable	(1,046)	72	(974)
Net cash provided by operating activities	15,953	(8)	15,945