

ELITE PHARMACEUTICALS INC /DE/  
Form 10-Q  
February 14, 2008

**U.S. SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2007

or

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

For the transition period ended to

Commission File Number: 333-45241

ELITE PHARMACEUTICALS, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

22-3542636  
(I.R.S. Employer Identification No.)

165 Ludlow Avenue, Northvale, New Jersey  
(Address of principal executive offices)

07647  
(Zip Code)

(201) 750-2646  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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, or a non-accelerated filer. See definition of [accelerated filer and large accelerated filer] in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)  
Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of the common stock, \$.01 par value, as of February 13, 2008: 22,494,330 (exclusive of 100,000 shares held in treasury).

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**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES**

**INDEX**

	Page No.
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets as of December 31, 2007 (unaudited) and March 31, 2007 (audited)	2 - 3
Condensed Consolidated Statements of Operations for the three and nine months ended December 31, 2007 and December 31, 2006 (unaudited)	4
Condensed Consolidated Statement of Changes in Stockholders' Equity for the nine months ended December 31, 2007 (unaudited)	5
Condensed Consolidated Statements of Cash Flows for the nine months ended December 31, 2007 and December 31, 2006 (unaudited)	6
Notes to Condensed Consolidated Financial Statements	7 - 14
Item 2. Management's Discussion And Analysis of Financial Condition And Results Of Operations	15-19
Item 3. Quantitative And Qualitative Disclosures About Market Risk	19
Item 4T. Controls and Procedures	19
PART II - OTHER INFORMATION	
Item 1A. Risk Factors	20
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	21
Item 6. Exhibits	21
SIGNATURES	22

**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****ASSETS**

	<b>December 31, 2007</b>	<b>March 31, 2007</b>
	(Unaudited)	(Audited)
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,943,479	\$ 811,545
Accounts receivable	---	215,837
Prepaid expenses and other current assets	1,157,908	1,119,364
<b>Total current assets</b>	<b>7,101,387</b>	<b>2,146,746</b>
<b>PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization</b>		
	5,003,414	4,861,601
<b>INTANGIBLE ASSETS - net of accumulated amortization</b>	<b>37,139</b>	<b>42,809</b>
<b>OTHER ASSETS:</b>		
Accrued interest receivable	3,795	949
Deposit on equipment	---	32,880
Investment in Novel Laboratories, Inc.	3,337,162	1,367,768
Security deposits	13,488	6,980
Restricted cash □ debt service for EDA Bonds	429,048	414,999
EDA Bond offering costs, net of accumulated amortization of \$31,816 and \$21,178, respectively	322,636	333,274
<b>Total other assets</b>	<b>4,106,129</b>	<b>2,156,850</b>
<b>Total assets</b>	<b>\$ 16,248,069</b>	<b>\$ 9,208,006</b>

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

**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****LIABILITIES AND STOCKHOLDERS' EQUITY**

	<b>December 31, 2007</b>	<b>March 31, 2007</b>
	(Unaudited)	(Audited)
<b>CURRENT LIABILITIES:</b>		
Current portion of EDA Bonds	200,000	185,000
Current portion of long-term debt	9,646	---
Dividends payable	102,222	---
Accounts payable, accrued expenses and other current liabilities	798,207	1,717,458
Total current liabilities	1,110,075	1,902,458
<b>LONG TERM LIABILITIES:</b>		
EDA bonds □ net of current portion	3,595,000	3,795,000
Long-term debt, less current portion	44,937	---
Total long-term liabilities	3,639,937	3,795,000
Total liabilities	4,750,012	5,697,458
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred Stock -- \$.01 par value;		
Authorized 4,483,442 shares (originally 5,000,000 shares of which 516,558 shares of Series A Convertible Preferred Stock were retired) and 0 shares outstanding as of December 31, 2007 and March 31, 2007	---	---
Authorized 10,000 Series B Convertible Preferred Stock - issued and outstanding □ 8,410 and 9,695 shares, respectively	84	97
Authorized 20,000 Series C Convertible Preferred Stock issued and outstanding □ 19,155 and 0 shares, respectively	192	---
Common Stock - \$.01 par value;		
Authorized □ 65,000,000 shares		
Issued and outstanding □ 22,594,330 shares and 20,799,102 shares respectively	225,943	207,991
Subscription receivable	(75,000)	(75,000)
Additional paid-in capital	90,919,330	66,495,618
Accumulated deficit	(79,265,651)	(62,811,317)
	11,804,898	3,817,389
Treasury stock, at cost (100,000 shares)	(306,841)	(306,841)
Total stockholders' equity	11,498,057	3,510,548
Total liabilities and stockholders' equity	\$ 16,248,069	\$ 9,208,006

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

**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>THREE MONTHS ENDED</b>		<b>NINE MONTHS ENDED</b>	
	<b>DECEMBER 31,</b>		<b>DECEMBER 31,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>REVENUES</b>				
Manufacturing Fees	\$ 116,366	\$ 209,139	\$ 671,239	\$ 476,598
Royalties	59,805	22,295	167,728	66,939
<b>Total Revenues</b>	<b>176,171</b>	<b>231,434</b>	<b>838,967</b>	<b>543,537</b>
Costs of Revenues	140,937	---	671,174	---
<b>Gross profit</b>	<b>35,234</b>	<b>231,434</b>	<b>167,793</b>	<b>543,537</b>
<b>COST OF OPERATIONS:</b>				
Research and development	1,560,253	1,681,329	5,394,043	4,306,619
General and administrative	632,133	506,969	1,814,958	1,596,687
Depreciation and amortization	170,266	127,035	459,304	366,105
	2,362,652	2,315,333	7,668,305	6,269,411
<b>LOSS FROM OPERATIONS</b>	<b>(2,327,418)</b>	<b>(2,083,899)</b>	<b>(7,500,512)</b>	<b>(5,725,874)</b>
<b>OTHER INCOME (EXPENSES):</b>				
Interest income	83,201	63,250	310,031	250,515
Sale of New Jersey tax losses	---	377,259	---	377,259
Interest expense	(64,753)	(67,423)	(226,907)	(207,604)
Non-cash compensation through issuance of stock options and warrants	(549,133)	(1,848,876)	(2,125,626)	(2,438,188)
	(530,685)	(1,475,790)	(2,042,502)	(2,018,018)
<b>LOSS BEFORE PROVISION FOR INCOME TAXES</b>	<b>(2,858,103)</b>	<b>(3,559,689)</b>	<b>(9,543,014)</b>	<b>(7,743,892)</b>
Provision for Income Taxes	---	---	(3,120)	(1,000)
Minority Interest in Loss of Novel Laboratories, Inc.	---	5,498	---	5,498
	---	5,498	(3,120)	4,498
Loss before discontinued operations	(2,858,103)	(3,554,191)	(9,546,134)	(7,739,394)
Loss from discontinued operations	---	(10,780)	(2,979,600)	(10,780)
<b>NET LOSS</b>	<b>\$ (2,858,103)</b>	<b>\$ (3,564,971)</b>	<b>\$ (12,525,734)</b>	<b>\$ (7,750,174)</b>
Preferred Stock Dividends	(563,552)	(198,209)	(1,543,991)	(597,282)
<b>NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>	<b>\$ (3,421,655)</b>	<b>\$ (3,763,180)</b>	<b>\$ (14,069,725)</b>	<b>\$ (8,347,456)</b>

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BASIC AND DILUTED LOSS PER COMMON SHARE	\$	(.15)	\$	(.19)	\$	(.65)	(.43)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		22,262,379		19,881,677		21,536,585	19,520,884

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



**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

	Series B Preferred Stock		Series C Preferred Stock		Common Stock Shares	Common Stock Amount	Subscription Receivable	Additional Paid-In Capital	Treasury Stock Shares	Stock Amount	Accumulated Deficit
	Shares	Amount	Shares	Amount	Shares	Amount					
<b>BALANCE AT MARCH 31, 2007 (AUDITED)</b>	<b>9,695</b>	<b>97</b>	<b>---</b>	<b>---</b>	<b>20,799,102</b>	<b>207,991</b>	<b>(75,000)</b>	<b>66,495,618</b>	<b>(100,000)</b>	<b>(306,841)</b>	<b>(6,000)</b>
Proceeds from Preferred Series C Offering	---	---	20,000	200	---	---	---	19,999,800	---	---	---
Conversion of Preferred to Common	(1,285)	(13)	(845)	(8)	937,992	9,380	---	(9,359)	---	---	---
Exercise of Stock Options and Warrants	---	---	---	---	280,424	2,804	---	371,701	---	---	---
Non-cash compensation through issuance of stock options and warrants	---	---	---	---	---	---	---	2,125,625	---	---	---
Beneficial Conversion <input type="checkbox"/> Series C Warrants	---	---	---	---	---	---	---	2,384,609	---	---	---
Costs associated with Raising Capital	---	---	---	---	---	---	---	(1,576,055)	---	---	---
Net loss for the nine months ended December 31, 2007	---	---	---	---	---	---	---	---	---	---	(3,000)
Dividends	---	---	---	---	576,812	5,768	---	---	---	---	---
<b>BALANCE AT DECEMBER 31, 2007</b>	<b>8,410</b>	<b>84</b>	<b>19,155</b>	<b>192</b>	<b>22,594,330</b>	<b>225,943</b>	<b>(75,000)</b>	<b>90,919,330</b>	<b>(100,000)</b>	<b>(306,841)</b>	<b>(7,000)</b>

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

**ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>NINE MONTHS ENDED</b>	
	<b>DECEMBER 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (12,525,734)	\$ (7,750,174)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	408,298	366,105
Minority Interest in loss of subsidiary	---	4,702
Equity in loss of variable interest entity	3,030,606	---
Non-cash compensation satisfied by issuance of common stock, options and warrants	2,125,625	2,438,188
Changes in assets and liabilities:		
Accounts and interest receivable	212,991	(120,000)
Prepaid expenses and other current assets	(38,544)	(318,369)
Security deposit	(6,508)	---
Accounts payable, accrued expenses and other current liabilities	(919,251)	(230,151)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(7,712,517)</b>	<b>(5,609,699)</b>