UROPLASTY INC
Form 424B3
February 12, 2007

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PROSPECTUS SUPPLEMENT NO. 18 Filed pursuant to Rule 424(b)(3)
(To Prospectus dated May 1, 2006) Registration No. 333-133072

UROPLASTY, INC.
1,918,809 Shares of Common Stock
and
1,180,928 Shares of Common Stock
Issuable Upon Exercise of Warrants

This prospectus supplement relates to shares of our common stock that may be sold at various times by certain selling shareholders. You should read this prospectus supplement no. 18, the prior prospectus supplements and the prospectus dated May 1, 2006, which are to be delivered with this prospectus supplement. Our May 1, 2006 prospectus is a combined prospectus under Rule 429(a) of the Securities Act of 1933, as amended, with our prior prospectus dated July 29, 2005 and supplements thereto (See Registration No. 333-126737 filed with the Securities and Exchange Commission on July 20, 2005 and declared effective on July 29, 2005).

This prospectus supplement contains our Quarterly Report on Form 10-QSB for the third quarter of fiscal 2007 ended December 31, 2006. This report was filed with the Securities and Exchange Commission on February 12, 2007. The attached information supplements and supersedes, in part, the information contained in the prospectus.

Our common stock is traded on the American Stock Exchange under the symbol UPI. On February 9, 2006, the closing price of our common stock on the American Stock Exchange was $2.64 per share.

This investment is speculative and involves a high degree of risk. See Risk Factors on page 6 of the prospectus to read about factors you should consider before buying shares of the common stock.

Neither the SEC nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus Supplement dated February 12, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB
Quarterly Report Under section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended December 31, 2006
Commission File No. 000-20989
UROPLASTY, INC.
(Name of Small Business Issuer 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)
(912) 426-6140
(Issuer s telephone number, including area code)

Securities registered under Section 12(g) of the Exchange Act: Common Stock, $.01 par value (Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES þ NO o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act:

YES o NO þ

The number of shares outstanding of the issuer s only class of common stock on January 24, 2007 was 10,946,442.

Transitional Small Business Disclosure Format:

YES o NO þ

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UROPLASTY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2006 (unaudited)	March 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 5,714,498	$ 1,563,433
Short-term investments		1,137,647
Accounts receivable, net	1,156,166	716,587
Income tax receivable	154,780	270,934
Inventories	990,230	757,062
Other	212,230	353,178
Total current assets	8,227,904	4,798,841
Property, plant, and equipment, net	1,429,199	1,079,438
Intangible assets, net	333,281	411,604
Deferred tax assets	188,455	111,361
Total assets	$ 10,178,839	$ 6,401,244

See accompanying notes to the condensed consolidated financial statements.

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UROPLASTY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2006 (unaudited)	March 31, 2006
Liabilities and Shareholders Equity		
Current liabilities:		
Current maturities long-term debt	$ 45,409	$ 41,658
Deferred rent current	35,000	
Notes payable	29,345	
Accounts payable	616,495	506,793
Accrued liabilities	874,240	917,981
Warrant liability	515,041	665,356
Total current liabilities	2,115,530	2,131,788
Long-term debt less current maturities	445,920	389,241
Deferred rent less current portion	222,732	
Accrued pension liability	742,083	473,165
Total liabilities	3,526,265	2,994,194
Shareholders equity:		
Common stock $.01 par value; 40,000,000 shares authorized, 10,944,388 and 6,937,786 shares issued and outstanding at December 31 and March 31, 2006, respectively	109,444	69,378
Additional paid-in capital	21,865,848	14,831,787
Accumulated deficit	(14,997,486)	(11,034,100)
Accumulated other comprehensive loss	(325,232)	(460,015)
Total shareholders equity	6,652,574	3,407,050
Total liabilities and shareholders equity	$ 10,178,839	$ 6,401,244

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 December 31,		Nine Months Ended December 31,	
	2006	**2005**	**2006**	**2005**
Net sales	$ 2,158,273	$ 1,592,526	$ 5,683,253	$ 4,793,134
Cost of goods sold	752,181	391,163	1,760,553	1,274,308
Gross profit	1,406,092	1,201,363	3,922,700	3,518,826
Operating expenses				
General and administrative	732,498	859,321	2,443,897	2,294,752
Research and development	424,987	700,203	1,758,350	2,361,609
Selling and marketing	1,301,575	852,483	3,837,858	2,321,122
	2,459,060	2,412,007	8,040,105	6,977,483
Operating loss	(1,052,968)	(1,210,644)	(4,117,405)	(3,458,657)
Other income (expense)				
Interest income	15,776	52,511	53,592	107,507
Interest expense	(8,671)	(12,767)	(25,136)	(22,091)
Warrant benefit	522,995	560,048	150,315	575,471
Foreign currency exchange gain (loss)	4,413	(7,374)	34,376	(15,779)
Other		438	3,585	438
	534,513	592,856	216,732	645,546
Loss before income taxes	(518,455)	(617,788)	(3,900,673)	(2,813,111)
Income tax expense	44,802	39,942	62,713	42,648
Net loss	$ (563,257)	$ (657,730)	$ (3,963,386)	$ (2,855,759)
Basic and diluted loss per common share	$ (0.07)	$ (0.10)	$ (0.51)	$ (0.43)
Weighted average common shares outstanding:				
Basic and diluted	8,555,586	6,878,251	7,766,463	6,695,674

See accompanying notes to the condensed consolidated financial statements.

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UROPLASTY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY AND COMPREHENSIVE LOSS
Nine months ended December 31, 2006
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Shareholders
	Shares	Amount	Capital	Deficit	Loss	Equity
Balance at March 31, 2006	6,937,786	$ 69,378	$ 14,831,787	$ (11,034,100)	$ (460,015)	$ 3,407,050
Proceeds from private placement, net of costs of $274,825	1,389,999	13,900	1,796,324			1,810,224
Proceeds from follow-on offering, net of costs of $564,044	2,430,000	24,300	4,271,706			4,296,006
Warrant registration costs			(11,872)			(11,872)
Exercise of Stock Options	168,849	1,688	297,749			299,437
Employee Retirement Savings Plan Contribution	17,754	178	44,207			44,385
Share-Based Compensation			635,947			635,947
Comprehensive Loss				(3,963,386)	134,783	(3,828,603)
Balance at December 31, 2006	10,944,388	$ 109,444	$ 21,865,848	$ (14,997,486)	($325,232)	$ 6,652,574

See accompanying notes to the condensed consolidated financial statements.

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UROPLASTY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended December 31, 2006 and 2005
(Unaudited)

	Nine Months Ended December 31, 2006	Nine Months Ended December 31, 2005
Cash flows from operating activities:		
Net loss	$ (3,963,386)	$ (2,855,759)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	222,547	178,130
Loss (Gain) on disposal of equipment	(3,576)	478
Warrant benefit	(150,315)	(575,471)
Stock-based consulting expense	48,043	
Stock-based compensation expense	587,904	
Deferred income taxes	(64,694)	4,420
Deferred rent	(23,333)	
Changes in operating assets and liabilities:		
Accounts receivable	(365,812)	(58,490)
Inventories	(149,247)	(353,351)
Other current assets and income tax receivable	288,974	(57,414)
Accounts payable	91,619	37,554
Deferred rent	281,065	
Accrued liabilities	(24,633)	275,446
Accrued pension liability	214,909	(12,581)
Net cash used in operating activities	(3,009,935)	(3,417,038)
Cash flows from investing activities:		
Proceeds from sale of short-term investments	1,137,647	
Purchases of property, plant and equipment	(430,578)	(180,745)
Proceeds from sale of property, plant and equipment	4,294	
Payments for intangible assets		(391,667)
Net cash provided by (used in) investing activities	711,363	(572,412)
Cash flows from financing activities:		
Proceeds from long-term obligations	210,999	
Repayment of long-term obligations	(158,820)	(31,535)
Proceeds from issuance of common stock and warrants	6,393,795	6,683,333
Net cash provided by financing activities	6,445,974	6,651,798
Effect of exchange rates on cash and cash equivalents	3,663	(95,995)

Net increase in cash and cash equivalents	4,151,065	2,566,353
Cash and cash equivalents at beginning of period	1,563,433	1,492,684
Cash and cash equivalents at end of period	$ 5,714,498	$ 4,059,037
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 22,011	$ 14,253
Cash paid during the period for income taxes	93,935	62,608
Supplemental disclosure of non-cash financing and investing activities:		
Shares issued for 401(k) plan profit sharing contribution	$ 44,385	$
Property, plant and equipment additions funded by lessor allowance and classified as deferred rent	280,000	

See accompanying notes to the condensed consolidated financial statements.

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 Form 10-QSB, 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. 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 consolidated financial statements and related notes included in our Annual Report on Form 10-KSB for the year ended March 31, 2006.

The condensed consolidated financial statements presented herein as of December 31, 2006 and for the three and nine-month periods ended December 31, 2006 and 2005 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, and as a result are subject to an inherent level of uncertainty. These are characterized as critical accounting policies and address revenue recognition, accounts receivable, inventories, foreign currency translation and transactions, impairment of long-lived assets, share-based compensation and income taxes, each of which is more fully described in our Annual Report on Form 10-KSB for the year ended March 31, 2006. Based upon our review, we have determined that these policies remain our most critical accounting policies for the three and nine-month periods ended December 31, 2006, and we have made no changes to these policies during fiscal 2007.

2. Nature of Business, Sales of Common Stock and Corporate Liquidity

We are a medical device company that develops, manufactures and markets innovative, proprietary products for the treatment of voiding dysfunctions. Our minimally invasive products treat urinary incontinence and overactive bladder symptoms. We offer a diverse set of products to address the various preferences of doctors and patients, as well as the quality of life issues presented by voiding dysfunctions. We currently offer three medical devices for the treatment of incontinence and overactive bladder symptoms: Macroplastique®, a minimally invasive, implantable soft tissue bulking agent for the treatment of urinary incontinence; I-Stop™ Mid-Urethral Sling, a minimally invasive biocompatible, polypropylene, tension-free sling for the treatment of female urinary incontinence; and the Urgent® PC neuromodulation system, a minimally invasive device designed for office-based treatment of overactive bladder symptoms of urge incontinence, urinary urgency and urinary frequency.

In October 2006, we received from the FDA pre-market approval for Macroplastique, a minimally invasive, implantable soft tissue bulking agent for the treatment of urinary incontinence, sold in over 40 countries outside the United States since 1991. We began marketing this product in the United States in early 2007.

The majority of our revenue is from products sold outside of the United States. We have established a sales force in the United States to commercialize these products and anticipate increasing our sales and marketing organization.

Our future liquidity and capital requirements will depend on numerous factors including: acceptance of our products, and the timing and cost involved in manufacturing scale-up and in expanding our sales, marketing and distribution capabilities, in the United States markets; the cost and effectiveness of our marketing and sales efforts with respect to our existing products in international markets; the effect of competing technologies and market and regulatory developments; and the cost involved in protecting our proprietary rights. Because we have yet to achieve profitability and generate positive cash flows, we will need to raise additional debt or equity financing to continue funding for product development, continued expansion of our sales and marketing activities and planned growth activities beyond fiscal 2008. There can be no guarantee that we will be successful, as we currently have no committed sources of, or other arrangements with respect to, additional equity or debt financing, aside from the recently established credit lines. We therefore cannot ensure that we will obtain additional

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financing on acceptable terms, or at all. Ultimately, we will need to achieve profitability and generate positive cash flows from operations to fund our operations and grow our business.

In October 2006, we amended our business loan agreement with Venture Bank. The amended agreement provides for a credit line of up to $500,000 secured by substantially all of our assets. We may borrow up to 50% of the value of the inventory on hand in the U.S. and 75% of the U.S. accounts receivable value. The bank charges us interest on the loan at the rate of 1 percentage point over the prime rate (8.25% at December 31, 2006) subject to a minimum interest rate of 7% per annum.

In June 2006, we entered into a $100,000 3-year, term loan agreement with Venture Bank, at an interest rate of 8.25% per annum. In addition, Uroplasty BV, our subsidiary, entered into an arrangement with Rabobank of The Netherlands for a 200,000 (approximately $264,000) credit line.

At December 31, 2006, we had no borrowings against any of our credit lines.

3. Short-term Investments

At March 31, 2006, short-term investments consisted of certificates of deposit that matured in the first quarter of fiscal 2007.

4. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value) and consist of the following:

	December 31, 2006	March 31, 2006
Raw materials	$ 335,847	$ 340,268
Work-in-process	6,454	26,183
Finished goods	647,929	390,611
	$ 990,230	$ 757,062

5. Intangible Assets

Intangible assets are comprised of patents, trademarks and licensed technology which are amortized on a straight-line basis over their estimated useful lives or contractual terms, whichever is less.

		December 31, 2006		
	Estimated Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net value
Licensed technology	5	$ 501,290	$ 184,624	$ 316,666
Patents and inventions	6	237,900	221,285	16,615
Totals		$ 739,190	$ 405,909	$ 333,281
		March 31, 2006		
Licensed technology	5	$ 501,290	$ 111,183	$ 390,107
Patents and inventions	6	237,900	216,403	21,497
Totals		$ 739,190	$ 327,586	$ 411,604

Estimated annual amortization for these assets for the fiscal years ended March 31 is as follows:

Remainder of fiscal 2007	$ 25,189
2008	100,756
2009	100,652
2010	98,369
2011	8,315
	$ 333,281

6. Deferred Rent

We entered into an 8-year operating lease agreement, effective May 2006, for our corporate facility. As part of the agreement, the landlord provided an incentive of $280,000 for leasehold improvement. This incentive is recorded as deferred rent and amortized as reduction in lease expense over the lease term in accordance to SFAS 13, Accounting for Leases and FASB Technical Bulletin 88-1, Issues Relating to Accounting for Leases. The leasehold improvements are amortized and charged to expense over the shorter of asset life or the lease term.

7. Comprehensive Loss

Comprehensive loss consists of net loss, translation adjustments and additional pension liability as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2006	**2005**	**2006**	**2005**
Net loss	$ (563,257)	$ (657,730)	$ (3,963,386)	$ (2,855,759)
Items of other comprehensive income (loss):				
Translation adjustment	77,297	(49,309)	155,394	(264,181)
Additional pension liability	(8,792)	1,101	(20,611)	5,713
Comprehensive loss	$ (494,752)	$ (705,938)	$ (3,828,603)	$ (3,114,227)

8. Options and Warrants

The following options and warrants outstanding at December 31, 2006 and 2005 to purchase shares of common stock were excluded from diluted loss per common share because of their anti-dilutive effect:

	Number of Options/Warrants	Range of Exercise Prices
For the three and nine months ended:		
December 31, 2006	4,953,229	$1.10 to $5.30
December 31, 2005	3,764,139	$0.90 to $10.50

9. Shareholders Equity

Warrants

As a result of the suspension of the exercise of the 706,218 warrants we originally issued in July 2002, we granted a like number of new common stock purchase warrants to the holders of the expired warrants in April 2005. The U.S. Securities and Exchange Commission declared the registration statement for the resale of the shares underlying these warrants effective on December 19, 2006. The new warrants are exercisable at $2.00 per share at any time up to March 19, 2007. In April 2005, we recognized a liability and a charge to equity of approximately $1.4 million associated with the grant of these new

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warrants. We determined the fair value of these warrants using the Black-Scholes option-pricing model. We have since reduced the reported liability to approximately $515,000 due to the decrease in the fair value of these warrants from their date of issuance through December 31, 2006. We recorded a warrant benefit of approximately $523,000 and $560,000 for the three months ended December 31, 2006 and 2005, respectively, and $150,000 and $575,000 for the nine months ended December 31, 2006 and 2005, respectively. In accordance with EITF 00-19, we recognized the liability associated with the grant of the new warrants and we will continue to remeasure the value of this liability in relation to its fair value and adjust accordingly until such time as the warrants are exercised or expire.

We used the following assumptions to remeasure the value the warrants at December 31, 2006:

Expected life in years	0.2137
Risk-free interest rate	4.98%
Expected volatility	111.19%
Expected dividend yield	0

The expected life represents the remaining period of time we expect the warrants to be outstanding. The risk-free interest rate is based on the U.S. Treasury rate over the expected life at December 31, 2006, the measure date. The expected volatility is based upon the historical volatility of our stock.

In connection with our April 2005 private placement, we issued 1,180,928 warrants to purchase shares of common stock and registered the public resale of the underlying shares for the security holders. The warrants are exercisable for five years at an exercise price of $4.75.

As part of a consulting agreement with CCRI Corporation, we issued a warrant to purchase 50,000 shares of common stock at a price of $3.00 per share on April 1, 2003, and an additional warrant to purchase 50,000 shares at a price of $5.00 on November 2, 2003. At June 30, 2006, all of these warrants were outstanding and expire five years from the date of issue. We have registered the public resale of the underlying shares.

In connection with our August 2006 private placement, we issued 695,000 warrants to purchase shares of our common stock. We also sold to the placement agent a warrant to purchase 69,500 shares of our common stock. We registered the public resale of the underlying shares for the security holders. The warrants are exercisable for five years, beginning on February 4, 2007, at an exercise price of $2.50 per share.

In connection with our December 27, 2006 follow-on stock offering, we sold to the placement agent a warrant to purchase 121,050 shares of our common stock. We registered the public resale of the underlying shares for the security holder. The warrants are exercisable for five years at an exercise price of $2.40 per share.

10. Share-based Compensation

As of December 31, 2006, we had one active plan (2006 Stock and Incentive Plan) for share-based compensation awards. Under the plan, if we have a change in control, all outstanding awards, including those subject to vesting or other performance targets, fully vest immediately. We have reserved 1,200,000 shares of our common stock for stock-based awards under this plan, and as of December 31, 2006, we had granted awards for 223,000 options. We generally grant option awards with an exercise price equal to the closing market price of our stock at the date of the grant.

On April 1, 2006, we adopted Statement of Financial Accounting Standards No. 123(R), Share-Based Payment Revised 2004 (SFAS No. 123(R)), using the modified prospective transition method. Prior to the adoption of SFAS No. 123(R), we accounted for stock option grants in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees (the intrinsic value method), and accordingly, recognized no compensation expense for stock option grants.