

TARO PHARMACEUTICAL INDUSTRIES LTD
Form 6-K
November 01, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES EXCHANGE ACT OF 1934

For the month of November, 2012

Commission File Number 001-35463

Taro Pharmaceutical Industries Ltd.
(Translation of registrant's name into English)

14 Hakitor Street, Haifa Bay 26110, Israel
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-_____.

Taro Pharmaceutical Industries Ltd.
c/o Taro Pharmaceuticals U.S.A., Inc.
Three Skyline Drive
Hawthorne, New York 10532
(NYSE: TARO)

FOR IMMEDIATE RELEASE

CONTACTS:

| | |
|-----------------------|------------------------|
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TARO PROVIDES SECOND QUARTER AND FISCAL YEAR TO DATE RESULTS
Financial Performance Continues to Increase Over 2011 Periods

Hawthorne, NY, November 1, 2012 - Taro Pharmaceutical Industries Ltd. (NYSE: TARO) (“Taro” or the “Company”) today provided unaudited financial results for the three and six month periods ended September 30, 2012.

Quarter ended September 30, 2012 Highlights - compared to September 30, 2011

Net sales of \$161.0 million, increased \$22.7 million, or 16.4%, however, volumes have marginally declined
Gross profit, as a percentage of net sales was 75.4%, compared to 67.5%
Research and development expenses increased 57.8% to \$10.9 million
Selling, marketing, general and administrative expenses, which included in 2012 an \$8.0 million litigation provision, increased \$3.5 million
Operating income increased to \$82.4 million, or 51.2% of net sales, compared to \$61.9 million, or 44.8% of net sales
Net income was negatively impacted by foreign exchange (FX) expense of \$1.0 million, compared to \$16.1 million benefit
Net income attributable to Taro was \$65.4 million compared to \$58.9 million, resulting in diluted earnings per share of \$1.46 compared to \$1.32.

Six months ended September 30, 2012 Highlights - compared to September 30, 2011

Net sales of \$320.1 million, increased \$70.3 million, or 28.1%, however, volumes have marginally declined
Gross profit, as a percentage of net sales was 73.5%, compared to 64.2%
Research and development expenses increased 52.4% to \$22.5 million
Selling, marketing, general and administrative expenses, which included in 2012 an \$8.0 million litigation provision, increased \$2.0 million
Operating income increased to \$161.4 million, or 50.4% of net sales, compared to \$96.1 million, or 38.5% of net sales
Income tax expense increased \$19.3 million from \$13.6 million to \$32.9 million
Net income was negatively impacted by FX expense of \$0.3 million, compared to \$13.6 million benefit
Net income attributable to Taro was \$128.3 million compared to \$94.6 million, a \$33.6 million increase, resulting in diluted earnings per share of \$2.87 compared to \$2.12.

Cash Flow and Balance Sheet Highlights

Cash flow provided by operations for the six months ended September 30, 2012, as compared to September 30, 2011, was \$81.5 million compared to \$95.5 million, primarily due to the payment of income taxes as reflected in the significant decrease in trade and other payables

Cash, including marketable securities, increased \$84.9 million to \$419.2 million from March 31, 2012.

Taro Pharmaceutical Industries Ltd.

Page 2 of 5

FDA Approvals and Filings

During the quarter, the Company filed two ANDAs with the FDA. With this, ANDAs representing sixteen products as well as two NDAs await FDA approval.

Taro Special Committee Accepts \$39.50 per share Offer from Sun Pharma

On August 12, 2012, Sun Pharmaceutical Industries Ltd. (Reuters: SUN.BO, Bloomberg: SUNP IN, NSE: SUNPHARMA, BSE: 524715) (“Sun Pharma”) and Taro announced that they entered into a merger agreement which provides that all shareholders of Taro, other than Sun Pharma and its affiliates, will receive a cash payment of \$39.50 per share upon the closing of the merger. The merger agreement was approved by Taro’s Board of Directors based upon the recommendations and approvals of the Special Committee and the Audit Committee of Taro’s Board of Directors.

The Company cautions that the foregoing financial information is presented on an unaudited basis and is subject to change.

About Taro

Taro Pharmaceutical Industries Ltd. is a multinational, science-based pharmaceutical company, dedicated to meeting the needs of its customers through the discovery, development, manufacturing and marketing of the highest quality healthcare products. For further information on Taro Pharmaceutical Industries Ltd., please visit the Company’s website at www.taro.com.

SAFE HARBOR STATEMENT

The unaudited consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments necessary to present fairly the financial condition and results of operations of the Company. The unaudited consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements included in the Company’s Annual Report on Form 20-F, as filed with the SEC.

Certain statements in this release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements that do not describe historical facts and statements that refer or relate to events or circumstances the Company “estimates,” “believes,” or “expects” to happen or similar language, and statements with respect to the Company’s financial performance, availability of financial information, and estimates of financial results and financial information for fiscal year 2013. Although the Company believes the expectations reflected in such forward-looking statements to be based on reasonable assumptions, it can give no assurances that its expectations will be attained. Factors that could cause actual results to differ include actions of the Company’s lenders and creditors, general domestic and international economic conditions, industry and market conditions, changes in the Company’s financial position, litigation brought by any party in any court in Israel, the United States, or any country in which Taro operates, regulatory and legislative actions in the countries in which Taro operates, and other risks detailed from time to time in the Company’s SEC reports, including its Annual Reports on Form 20-F. Forward-looking statements are applicable only as of the date on which they are made. The Company undertakes no obligations to update, change or revise any forward-looking statement, whether as a result of new information, additional or subsequent developments or otherwise.

****Financial Tables Follow****

Taro Pharmaceutical Industries Ltd.

Page 3 of 5

TARO PHARMACEUTICAL INDUSTRIES LTD.
SUMMARY CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(U.S. dollars in thousands, except share data)

| | Quarter Ended | | Year to Date | |
|---|-----------------------|------------|-----------------------|------------|
| | September 30, 2012 | 2011 | September 30, 2012 | 2011 |
| Sales, net | \$ 160,974 | \$ 138,251 | \$ 320,126 | \$ 249,835 |
| Cost of sales | 39,645 | 44,945 | 84,701 | 89,469 |
| Gross Profit | 121,329 | 93,306 | 235,425 | 160,366 |
| Operating Expenses: | | | | |
| Research and development, net | 10,943 | 6,934 | 22,468 | 14,741 |
| Selling, marketing, general and administrative | 27,975 | 24,436 | 51,559 | 49,528 |
| Operating income | 82,411 | 61,936 | 161,398 | 96,097 |
| Financial Expenses, net: | | | | |
| Interest and other financial (income) expenses, net | (249) | 1,507 | 141 | 2,131 |
| Foreign exchange expense (income) | 964 | (16,072) | 256 | (13,641) |
| Other income, net | 227 | 171 | 591 | 923 |
| Income before income taxes | 81,923 | 76,672 | 161,592 | 108,530 |
| Tax expense | 16,424 | 18,317 | 32,934 | 13,598 |
| Income from continuing operations | 65,499 | 58,355 | 128,658 | 94,932 |
| Net (loss) income from discontinued operations(1) | (17) | 295 | (7) | 46 |
| Net income | 65,482 | 58,650 | 128,651 | 94,978 |
| Net income (loss) attributable to non-controlling interest(2) | 132 | (285) | 391 | 354 |
| Net income attributable to Taro | \$ 65,350 | \$ 58,935 | \$ 128,260 | \$ 94,624 |
| Net income per ordinary share from continuing operations attributable to Taro: | | | | |
| Basic | \$ 1.46 | \$ 1.31 | \$ 2.88 | \$ 2.12 |
| Diluted | \$ 1.46 | \$ 1.31 | \$ 2.87 | \$ 2.12 |
| Net (loss) income per ordinary share from discontinued operations attributable to Taro: | | | | |
| Basic | \$(0.00)* | \$ 0.01 | \$(0.00)* | \$ 0.00 * |
| Diluted | \$(0.00)* | \$ 0.01 | \$(0.00)* | \$ 0.00 * |
| Net income per ordinary share attributable to Taro: | | | | |
| Basic | \$ 1.46 | \$ 1.32 | \$ 2.87 | \$ 2.13 |
| Diluted | \$ 1.46 | \$ 1.32 | \$ 2.87 | \$ 2.12 |

Weighted-average number of shares used to compute net income per share:

| | | | | |
|---------|------------|------------|------------|------------|
| Basic | 44,684,715 | 44,534,733 | 44,614,149 | 44,523,046 |
| Diluted | 44,714,355 | 44,590,051 | 44,679,156 | 44,575,293 |

- (1) In 2010, the Company closed its Ireland manufacturing facility and decided to sell the facility and has therefore classified its Irish subsidiary as discontinued operations.
- (2) Represents the impact of the Company adopting FASB ASC Section 810-10-65, which requires the Company to allocate income or loss attributable to a non-controlling interest based on the respective ownership percentages.

* Amount is less than \$0.01.

Taro Pharmaceutical Industries Ltd.

Page 4 of 5

TARO PHARMACEUTICAL INDUSTRIES LTD.
SUMMARY CONSOLIDATED BALANCE SHEETS
(Unaudited)

(U.S. dollars in thousands)

| | September 30, 2012 | March 31, 2012 |
|---|--------------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$288,135 | \$238,266 |
| Short-term bank deposits | 120,570 | 72,440 |
| Restricted short-term bank deposits | 7,430 | 15,780 |
| Marketable securities | 3,110 | 7,835 |
| Accounts receivable and other: | | |
| Trade, net | 130,285 | 111,130 |
| Other receivables and prepaid expenses | 111,335 | 98,501 |
| Inventories | 109,891 | 109,638 |
| Long-term assets held for sale, net(1) | 68 | 71 |
| TOTAL CURRENT ASSETS | 770,824 | 653,661 |
| Long-term receivables and other assets | 18,733 | 19,972 |
| Property, plant and equipment, net | 146,812 | 150,750 |
| Other assets | 30,013 | 32,041 |
| TOTAL ASSETS | \$966,382 | \$856,424 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | \$10,685 | \$10,957 |
| Trade payables and other current liabilities | 161,504 | 187,942 |
| TOTAL CURRENT LIABILITIES | 172,189 | 198,899 |
| Long-term debt, net of current maturities | 26,961 | 27,949 |
| Deferred taxes and other long-term liabilities | 6,049 | 6,618 |
| TOTAL LIABILITIES | 205,199 | 233,466 |
| Taro shareholders' equity | 756,842 | 619,008 |
| Non-controlling interest(2) | 4,341 | 3,950 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$966,382 | \$856,424 |

(1)

In 2010, the Company closed its Ireland manufacturing facility and decided to sell the facility and therefore has classified the related assets as held for sale.

- (2) Represents the impact of the Company adopting FASB ASC Section 810-10-65, which requires the Company to allocate income or loss attributable to a non-controlling interest based on the respective ownership percentages.
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Taro Pharmaceutical Industries Ltd.

Page 5 of 5

TARO PHARMACEUTICAL INDUSTRIES LTD.
SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(U.S. dollars in thousands)

| | Six Months Ended September 30, | |
|--|-----------------------------------|------------|
| | 2012 | 2011 |
| Operating Activities | | |
| Net income | \$ 128,651 | \$ 94,978 |
| Adjustments required to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,038 | 9,461 |
| Stock-based compensation | 8 | 27 |
| Capital loss on sales of assets, net | 106 | 92 |
| Decrease in long-term debt due to currency fluctuations | (888) | (1,840) |
| Increase in trade receivables | (19,040) | (21,274) |
| Change in derivative instruments, net | 1,230 | 3,307 |
| Increase in other receivables, prepaid expenses and other assets | (11,679) | (18,667) |
| Decrease (increase) in inventories | 165 | (8,966) |
| Foreign exchange effect on intercompany balances | 1,367 | (8,004) |
| (Decrease) increase in trade and other payables and other liabilities | (27,475) | 46,420 |
| Net cash provided by operating activities | 81,483 | 95,534 |
| Investing Activities: | | |
| Purchase of property plant & equipment | (3,217) | (2,811) |
| Investment in other intangible assets | (20) | - |
| Proceeds from long-term security deposits and other assets | 37 | 55 |
| Repayment of short-term bank deposits | (47,598) | (3,536) |
| Proceeds from restricted bank deposits | 8,399 | - |
| Proceeds from marketable securities | 4,726 | 1,090 |
| Net cash used in investing activities | (37,673) | (5,202) |
| Financing Activities: | | |
| Proceeds from issuance of shares | 4,645 | 285 |
| Repayments of long-term debt | (373) | (13) |
| Repayments of short-term bank debt, net | - | (4,601) |
| Net cash provided by (used in) financing activities | 4,272 | (4,329) |
| Effect of exchange rate changes | 1,787 | (3,365) |
| Net increase in cash | 49,869 | 82,638 |
| Cash at beginning of period | 238,266 | 78,872 |
| Cash at end of period | \$ 288,135 | \$ 161,510 |

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SIGNATURE

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.

Date: November 1, 2012

TARO PHARMACEUTICAL INDUSTRIES LTD.

By: /s/ James Kedrowski

Name: James Kedrowski

Title: Interim Chief Executive Officer and Director