

LAKELAND INDUSTRIES INC  
Form 10-Q  
December 13, 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 quarterly period ended October 31, 2010

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-15535

LAKELAND INDUSTRIES, INC.

---

(Exact name of Registrant as specified in its charter)

Delaware  
(State of incorporation)

13-3115216  
(IRS Employer Identification Number)

701 Koehler Avenue, Suite 7, Ronkonkoma, New York  
(Address of principal executive offices)

11779  
(Zip Code)

(631) 981-9700  
(Registrant's telephone number, including area code)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes  No

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

Edgar Filing: LAKELAND INDUSTRIES INC - Form 10-Q

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, a nonaccelerated filer or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12-b-2 of the Exchange Act. Check one.

Large accelerated filer

Accelerated filer

Nonaccelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

Yes  No

As of July 31, 2010, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$38,911,451 based on the closing price of the common stock as reported on the National Association of Securities Dealers Automated Quotation System National Market System.

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 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding at December 10, 2010

Common Stock, \$0.01 par value per share

5,442,868 shares

---

LAKELAND INDUSTRIES, INC.  
AND SUBSIDIARIES

FORM 10-Q

The following information of the Registrant and its subsidiaries is submitted herewith:

	Page	
<b>PART I - FINANCIAL INFORMATION:</b>		
Item 1.	Financial Statements:	
	Introduction	3
	Condensed Consolidated Balance Sheets - October 31, 2010 and January 31, 2010	4
	Condensed Consolidated Statements of Operations-Three and Nine Months Ended October 31, 2010 and 2009	5
	Condensed Consolidated Statement of Stockholders' Equity-Nine Months Ended October 31, 2010	6
	Condensed Consolidated Statements of Cash Flows-Nine Months Ended October 31, 2010 and 2009	7
	Notes to Condensed Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	23
Item 4.	Controls and Procedures	23
<b>PART II - OTHER INFORMATION:</b>		
Item 6.	Exhibits	24
	Signature Page	25

LAKELAND INDUSTRIES, INC.  
AND SUBSIDIARIES

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Introduction

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This 10-Q may contain certain forward-looking statements. When used in this 10-Q or in any other presentation, statements which are not historical in nature, including the words “anticipate,” “estimate,” “should,” “expect,” “believe,” “intend,” “project” and similar expressions, are intended to identify forward-looking statements. They also include statements containing a projection of sales, earnings or losses, capital expenditures, dividends, capital structure or other financial terms.

The forward-looking statements in this 10-Q are based upon our management’s beliefs, assumptions and expectations of our future operations and economic performance, taking into account the information currently available to us. These statements are not statements of fact. Forward-looking statements involve risks and uncertainties, some of which are not currently known to us that may cause our actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. Some of the important factors that could cause our actual results, performance or financial condition to differ materially from expectations are:

- Our ability to obtain fabrics and components from suppliers and manufacturers at competitive prices or prices that vary from quarter to quarter;
  - Risks associated with our international manufacturing and start-up sales operations;
    - Potential fluctuations in foreign currency exchange rates;
    - Our ability to respond to rapid technological change;
  - Our ability to identify and complete acquisitions or future expansion;
    - Our ability to manage our growth;
  - Our ability to recruit and retain skilled employees, including our senior management;
    - Our ability to accurately estimate customer demand;
  - Competition from other companies, including some with greater resources;
    - Risks associated with sales to foreign buyers;
  - Restrictions on our financial and operating flexibility as a result of covenants in our credit facilities;
  - Our ability to obtain additional funding to expand or operate our business as planned;
  - The impact of a decline in federal funding for preparations for terrorist incidents;
    - The impact of potential product liability claims;
    - Liabilities under environmental laws and regulations;
    - Fluctuations in the price of our common stock;
    - Variations in our quarterly results of operations;
- The cost of compliance with the Sarbanes-Oxley Act of 2002 and rules and regulations relating to corporate governance and public disclosure;
- The significant influence of our directors and executive officer on our company and on matters subject to a vote of our stockholders;
  - The limited liquidity of our common stock;
-

The other factors referenced in this 10-Q, including, without limitation, in the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Furthermore, forward-looking statements speak only as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements after the date of this 10-Q, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Form 10-Q might not occur. We qualify any and all of our forward-looking statements entirely by these cautionary factors.

LAKELAND INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

	October 31, 2010 (Unaudited)	January 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,455,108	\$ 5,093,380
Accounts receivable, net of allowance for doubtful accounts of \$193,700 at October 31, 2010 and \$200,200 at January 31, 2010	17,394,927	15,809,010
Inventories, net of reserves of \$1,129,000 at October 31, 2010 and \$868,000 at January 31, 2010	38,780,448	38,575,890
Deferred income taxes	1,473,387	1,261,250
Prepaid income and VAT tax	2,681,499	1,731,628
Other current assets	1,336,698	2,355,506
<b>Total current assets</b>	<b>67,122,067</b>	<b>64,826,664</b>
Property and equipment, net	13,781,616	13,742,454
Intangibles and other assets, net	8,068,674	5,622,120
Goodwill	6,225,962	5,829,143
<b>Total assets</b>	<b>\$ 95,198,319</b>	<b>\$ 90,020,381</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 7,377,045	\$ 3,882,730
Accrued compensation and benefits	1,739,669	1,288,796
Other accrued expenses	899,228	1,138,303
Borrowings under revolving credit facility	—	9,517,567
Current maturity of long-term debt	98,226	93,601
<b>Total current liabilities</b>	<b>10,114,168</b>	<b>15,920,997</b>
Borrowings under revolving credit facility	5,859,344	—
Construction loan payable, net of current maturity	1,587,982	1,583,419
Other liabilities	101,569	92,176
VAT taxes payable long-term	3,309,218	—
<b>Total liabilities</b>	<b>20,972,281</b>	<b>17,596,592</b>
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par; authorized 1,500,000 shares (none issued)	—	—
Common stock, \$.01 par; authorized 10,000,000 shares, issued and outstanding 5,567,652 and 5,564,732 shares at October 31, 2010 and January 31, 2010, respectively	55,677	55,647
Less treasury stock, at cost, 125,322 shares at October 31, 2010 and January 31, 2010	(1,353,247)	(1,353,247)
Additional paid-in capital	50,202,520	49,622,632
Retained earnings	25,096,402	25,221,050
Other comprehensive income (loss)	224,686	(1,122,293)
<b>Total stockholders' equity</b>	<b>74,226,038</b>	<b>72,423,789</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 95,198,319</b>	<b>\$ 90,020,381</b>

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



LAKELAND INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	October 31,		October 31,	
	2010	2009	2010	2009
Net sales	\$ 26,293,150	\$ 22,285,254	\$ 76,207,265	\$ 69,309,908
Cost of goods sold	19,105,978	16,629,456	54,344,519	51,406,802
Gross profit	7,187,172	5,655,798	21,862,746	17,903,106
Operating expenses	6,360,823	5,468,067	19,905,621	16,823,378
Operating profit	826,349	187,731	1,957,125	1,079,728
VAT tax charge Brazil	—	—	(1,583,247)	—
Interest and other income, net	15,602	6,260	50,605	60,512
Interest expense	(77,362)	(571,537)	(255,635)	(991,786)
Income (loss) before income taxes	764,589	(377,546)	168,848	148,454
Provision (benefit) for income taxes	115,737	(187,377)	293,496	233,437
Net income (loss)	\$ 648,852	\$ (190,169)	\$ (124,648)	\$ (84,983)
Net income (loss) per common share:				
Basic	\$ .12	\$ (.03)	\$ (.02)	\$ (.02)
Diluted	\$ .12	\$ (.03)	\$ (.02)	\$ (.02)
Weighted average common shares outstanding:				
Basic	5,440,520	5,438,400	5,440,396	5,420,244
Diluted	5,546,389	5,458,777	5,513,939	5,440,484

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

LAKELAND INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(UNAUDITED)  
Nine months ended October 31, 2010

	Common Stock		Treasury Stock		Additional	Retained	Accumulated	
	Shares	Amount	Shares	Amount	Paid-in	Earnings	Other	Total
					Capital		Comprehensive	
							Income	
							(Loss)	
Balance January 31, 2010	5,564,732	\$ 55,647	(125,322)	\$ (1,353,247)	\$ 49,622,632	\$ 25,221,050	\$ (1,122,293)	\$ 72,423,789
Net loss	—	—	—	—	—	(124,648)	—	(124,648)
Other Comprehensive Income	—	—	—	—	—	—	1,346,979	1,346,979
Stock-Based Compensation:								
Restricted Stock	—	—	—	—	591,751	—	—	591,751
Shares issued from Restricted Stock Plan	2,920	30	—	—	(30)	—	—	—
Return of shares in lieu of payroll tax withholding	—	—	—	—	(11,833)	—	—	(11,833)
Balance October 31, 2010	5,567,652	\$ 55,677	(125,322)	\$ (1,353,247)	\$ 50,202,520	\$ 25,096,402	\$ 224,686	\$ 74,226,038
Total Comprehensive Income:								
Net loss								\$ (124,648)
Foreign Exchange Translation Adjustments:								
Qualytextil, SA, Brazil							\$ 1,333,788	
Canada Real Estate							2,892	
UK							(73,660)	
China							59,990	
Canada operating							23,969	1,346,979
Total Comprehensive								\$ 1,222,331

income

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

6

---

LAKELAND INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	NINE MONTHS ENDED	
	October 31,	
	2010	2009
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (124,648)	\$ (84,983)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		
Stock-based compensation	591,751	177,092
Provision for doubtful accounts	(6,509)	(72,658)
Provision for inventory obsolescence	260,614	121,023
Depreciation and amortization	1,478,761	1,265,310
Deferred income tax	3,097,081	712,443
<b>Changes in operating assets and liabilities:</b>		
Increase in accounts receivable	(1,579,408)	(2,789,603)
(Increase) decrease in inventories	(465,172)	12,839,967
Increase in other assets	(2,719,667)	(1,722,989)
Increase in accounts payable, accrued expenses and other liabilities	4,785,544	2,555,350
Net cash provided by operating activities	5,318,347	13,000,952
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(1,235,789)	(1,068,006)
Net cash used in investing activities	(1,235,789)	(1,068,006)
<b>Cash Flows from Financing Activities:</b>		
Purchases of stock under stock repurchase program	—	(97,788)
Director options granted at fair market value	—	47,068
Proceeds from exercise of director stock options	—	23,562
Shares issued under Restricted Stock Program	—	133,733
Net payments under loan agreements	(3,720,830)	(9,948,019)
Increase in VAT taxes payable long term	—	—
Net cash (used in) financing activities	(3,720,830)	(9,841,444)
Net increase in cash	361,728	2,091,502
Cash and cash equivalents at beginning of period	5,093,380	2,755,441
Cash and cash equivalents at end of period	\$ 5,455,108	\$ 4,846,943

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

LAKELAND INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

1. Business

Lakeland Industries, Inc. and Subsidiaries (the "Company"), a Delaware corporation, organized in April 1982, manufactures and sells a comprehensive line of safety garments and accessories for the industrial protective clothing and homeland security markets. The principal market for our products is the United States. No customer accounted for more than 10% of net sales during the nine-month periods ended October 31, 2010 and 2009.

2. Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments (consisting of only normal and recurring adjustments) which are, in the opinion of management, necessary to present fairly the condensed consolidated financial information required therein. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such rules and regulations. While we believe that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended January 31, 2010.

The results of operations for the nine-month period ended October 31, 2010 is not necessarily indicative of the results to be expected for the full year.

3. Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

4. Inventories

Inventories consist of the following:

	October 31, 2010	January 31, 2010
Raw materials	\$ 16,588,388	\$ 18,727,993
Work-in-process	3,171,773	2,444,693
Finished goods	19,020,287	17,403,204
	\$ 38,780,448	\$ 38,575,890

Inventories include freight-in, materials, labor and overhead costs and are stated at the lower of cost (on a first-in, first-out basis).