

ARGAN INC
Form 8-K
November 14, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): October 31, 2003

Argan, Inc.

(Exact name of registrant as specified in its charter)

Formerly Puroflow Incorporated

Delaware

(State or other jurisdiction of incorporation)

001-31756

(Commission File Number)

13-1947195

(I.R.S. Employer I.D. Number)

One Church Street
Suite 302
Rockville, MD

(Address of Principal Executive Offices)

20850

(Zip Code)

(301) 315-0027

(Registrant's telephone number; including area code)

ITEM 2. Acquisition or Disposition of Assets:

On October 31, 2003, Argan, Inc. (AI) sold, in a cash transaction, its subsidiary, Puroflow Incorporated, to Western Filter Corporation (WFC). The sale price of approximately \$3,500,000 was satisfied in cash of which \$300,000 is being held in escrow for one year to protect WFC from any breach of representations and warranties under the Stock Purchase Agreement (Item 10.01 below). The proceeds from the sale will be used for AI's ongoing acquisition program and for working capital in expanding the business of Southern Maryland Cable, Inc., its wholly owned subsidiary which it acquired on July 17, 2003.

ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits:

(b) Pro Forma Financial Information:

Unaudited pro forma condensed combined statements of operations for the fiscal years ended January 31, 2003 and 2002, respectively, and for the six months ended July 31, 2003 and unaudited pro forma condensed combined balance sheet as of July 31, 2003.

(c) Exhibits:

10.01 Stock Purchase Agreement by and between Argan, Inc., a Delaware corporation, and Western Filter Corporation, a California corporation, dated as of October 31, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ARGAN, INC.

Date: November 14, 2003

BY /s/ Rainer H. Bosselmann

Rainer H. Bosselmann
Chairman of the Board and
Chief Executive Officer

The accompanying unaudited pro forma condensed combined statements of operations present the results of operations of AI as if the sale of PMD had occurred as of February 1, 2001 and the purchase of SMC had occurred on February 1, 2002. PMD is accounted for as a discontinued operation for all periods for which condensed combined proforma statements of operations are presented. The pro forma unaudited condensed combined balance sheet reflects the unaudited pro forma condensed combined financial position of AI as if the sale of PMD had occurred July 31, 2003. (See Item 2., above, for details.)

The pro forma financial data is not necessarily indicative of what the results would have been if the sale of PMD and the acquisition of SMC had occurred on the dates indicated and are not necessarily representative of the Company's financial position or results of operations for any future period. Because SMC and the Company were not under common control prior to July 17, 2003, historical combined results may not be comparable to, or indicative of, future performance.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended January 31, 2002

| | AI as Reported(A) | Adjustments | Pro Forma Adjusted |
|---|----------------------|------------------|-----------------------|
| Net Sales | \$7,236,000 | (\$7,236,000)(1) | ----- |
| Cost of Goods Sold | 5,137,000 | (5,137,000)(1) | ----- |
| Gross Profit | 2,099,000 | (2,099,000) | ----- |
| Selling General And Administrative Operating Income | 1,728,000 | (1,513,000)(1) | 215,000 |
| | 371,000 | (586,000) | (215,000) |
| Interest Expense | (47,000) | (47,000)(1) | ----- |
| Other Income | 2,000 | (2,000)(1) | ----- |
| Income from Cont- inuing Operations Before Tax | 326,000 | (541,000) | (215,000) |
| Provision for Income Taxes | 130,000 | (130,000)(1) | ----- |
| Net Income from Continuing Operations | 196,000 | (411,000) | (215,000) |

| | | | |
|--|--------------|----------------|--------------|
| Loss on disposal of manufacturing subsidiary | ----- | (320,000)(1) | (320,000) |
| Loss on discontinued operations | (155,000) | (155,000)(1) | |
| Loss on Disposal Of Discontinued Operations | (560,000) | (560,000)(1) | ----- |
| Net Income(Loss) | \$ (519,000) | \$ (16,000) | \$ (535,000) |

| | | |
|-----------------------------------|-----------|-----------|
| Earnings Per Share: | | |
| Basic - Continuing Operations | \$.40 | \$ (.43) |
| Basic □ Discontinued Operations | (1.45) | (.65) |
| Total | \$ (1.05) | \$ (1.08) |
| | | |
| Diluted □ Continuing Operations | \$.40 | \$ (.43) |
| Diluted □ Discontinued Operations | (1.45) | (.65) |
| Total | \$ (1.05) | \$ (1.08) |

Notes to unaudited pro forma condensed combined statement of operations

(1) To adjust for the sale of PMD as if the transaction had occurred on February 1, 2001. The net loss on disposal of the manufacturing subsidiary was calculated on a pro forma basis utilizing PMD's July 31, 2003 net book value including estimated deal costs of \$150,000 see (7) and (8) below.

(A) Reported on Form 10-KSB for the year ended January 31, 2003 filed with the Securities and Exchange Commission on March 20, 2003.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended January 31, 2003

| | AI as Reported(B) | Proforma Adjustments | SMC Acquisition(C) | Pro Forma Adjusted |
|--|----------------------|-------------------------|-----------------------|-----------------------|
| Net Sales | \$ 6,834,000 | (\$6,834,000)(2) | \$8,808,000 | \$8,808,000 |
| Cost of Goods Sold | 4,500,000 | (4,500,000)(2) | 6,939,000 | 6,939,000 |
| Gross Profit | 2,334,000 | (2,334,000) | 1,869,000 | 1,869,000 |
| Selling General And Administrative | 1,939,000 | (1,741,000)(2) | 1,646,000 | 1,844,000 |
| Operating Income | 395,000 | (593,000) | 223,000 | 25,000 |
| Interest Expense | (26,000) | (26,000)(2) | (90,000) | (90,000) |
| Other Income | 57,000 | (57,000)(2) | 17,000 | 17,000 |
| Write-down of Excess and Obsolete Inventory | (250,000) | (250,000)(2) | ----- | ----- |
| Income from Cont- inuing Operations Before Tax | 176,000 | (374 ,000) | 150,000 | (48,000) |
| Provision for Income Taxes | 31,000 | (31,000)(2) | (9,000) | (9,000) |
| Net Income from Continuing Operations | 145,000 | (343,000) | 141,000 | (57,000) |
| Recovery of Excess Accrual for Disposal Of Segment | (172,000) | (172,000) | ----- | ----- |
| Net Income (Loss) | \$ 317,000 | (\$515,000) | \$141,000 | (\$57,000) |

| | | |
|-----------------------------------|--------|---------|
| Earnings Per Share(3) | | |
| Basic - Continuing Operations | \$.29 | \$(.03) |
| Basic □ Discontinued Operations | \$.35 | ---- |
| Total | \$.64 | \$(.03) |
| Diluted □ Continuing Operations | \$.29 | \$(.03) |
| Diluted □ Discontinued Operations | \$.35 | ---- |
| Total | \$.64 | \$(.03) |

Notes to unaudited pro forma condensed combined statement of operations

- (2) To adjust for the sale of PMD as if it occurred on February 1, 2001.
- (3) The number of shares outstanding were increased to 1,798,000 to reflect the impact of the Company's private placement consummated on April 29, 2003, a portion of whose proceeds were used to acquire SMC.
- (B) Reported on Form 10-KSB for the year ended January 31, 2003 filed with the Securities and Exchange Commission on March 20, 2003.
- (C) Gives effect to the acquisition of Southern Maryland Cable, Inc. (SMC) as if the transaction had occurred on February 1, 2002. SMC was acquired on July 17, 2003. The adjustments reflecting the impact of the acquisition of SMC contained herein are the combination of the historical results of SMC and the proforma adjustments as previously reported on the Company's Form 8-KA filed with the Securities and Exchange Commission on September 24, 2003.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Six Months Ended July 31, 2003

| | AI as Reported (D) | Pro Forma Adjustments | SMC Acquisition(E) | Pro Forma Adjusted |
|---|-----------------------|--------------------------|-----------------------|-----------------------|
| Net Sales | \$4,166,000 | (\$3,603,000)(4) | \$4,277,000 | \$4,840,000 |
| Cost of Goods Sold | 2,979,000 | (2,515,000)(4) | 3,300,000 | 3,764,000 |
| Gross Profit | 1,187,000 | (1,088,000) | 977,000 | 1,076,000 |
| Selling General And Administrative | 1,359,000 | (1,128,000)(4) | 806,000 | 1,037,000 |
| Operating Income (Loss) | (172,000) | 40,000 | 171,000 | 39,000 |
| Interest Expense | (12,000) | 8,000(4) | (36,000) | (40,000) |
| Other Income | 27,000 | ----- | 16,000 | 43,000 |
| Pretax (Loss) Income | (157,000) | 48,000 | 151,000 | 42,000 |
| Provision for Income Taxes | 245,000 | (245,000)(4) | 145,000 | 145,000 |
| Net (Loss) Income | \$(402,000) | 293,000 | \$6,000 | \$(103,000) |
| Earnings Per Share(5): Basic and Diluted | \$.(34) | | | \$.(06) |

Notes to unaudited pro forma condensed combined statement of operations

(4)To adjust for the sale of PMD as if it had occurred on February 1, 2001.

(5)The number of shares outstanding were increased to 1,798,000 to reflect the impact of the Company's private placement consummated on April 29, 2003, a portion of whose proceeds were used to acquire SMC.

(D) Reported on Form 10-QSB for the six months ended July 31, 2003 filed with the Securities and Exchange Commission on September 12, 2003

(E) Gives effect to the acquisition of Southern Maryland Cable, Inc. (SMC) as if the transaction had occurred on February 1, 2002. SMC was acquired on July 17, 2003. The adjustments reflecting the impact of the acquisition of SMC contained herein are the combination of the historical results of SMC and the pro forma adjustments as previously reported on Form 8-KA filed with the Securities and Exchange Commission on September

24, 2003.

Unaudited Pro Forma Condensed Combined Balance Sheet As of July 31, 2003

| | AI as Reported(F) | Pro Forma Adjustments | Pro Forma Adjusted |
|--|----------------------|-----------------------------|-----------------------|
| Cash and cash equivalents | \$5,875,000 | (79,000)(6) 3,050,000(7) | \$8,846,000 |
| Accounts receivable, net of allowance for doubtful accounts of \$35,000 | 2,444,000 | (1,164,000)(6) | 1,280,000 |
| Estimated earnings in excess of billings | 226,000 | ----- | 226,000 |
| Inventories | 1,688,000 | (1,688,000)(6) | ----- |
| Prepaid expenses and other current assets | 305,000 | (181,000)(6) | 124,000 |
| Funds escrowed from Acquisition and disposition | 260,000 | 300,000(7) | 560,000 |
| Total current assets | 10,798,000 | 238,000 | 11,036,000 |
| Leasehold improvements | 469,000 | (317,000)(6) | 152,000 |
| Machinery and equipment | 4,720,000 | (3,785,000)(6) | 935,000 |
| Trucks | 615,000 | | 615,000 |
| Tooling and dies | 413,000 | (413,000)(6) | ----- |
| | 6,217,000 | (4,515,000) | 1,702,000 |
| Less accumulated depreciation and amortization | 3,868,000 | (3,848,000)(6) | 20,000 |
| Net property and equipment | 2,349,000 | (667,000) | 1,682,000 |
| Contractual customer relationships | 2,655,000 | ----- | 2,655,000 |
| Tradenname | 1,133,000 | ----- | 1,133,000 |
| Goodwill | 636,000 | ----- | 636,000 |
| Total assets | \$17,571,000 | (\$429,000) | \$17,142,000 |

Unaudited Pro Forma Condensed Combined Balance Sheet (continued)
As of July 31, 2003

| | AI as Reported(F) | Pro Forma Adjustments | Pro Forma Adjusted |
|---|----------------------|--------------------------|-----------------------|
| Accounts Payable | \$1,163,000 | (463,000)(6) | \$700,000 |
| Billings in excess of estimated earnings | 196,000 | | 196,000 |
| Accrued expenses | 459,000 | (141,000)(6) | 318,000 |
| Accrued income taxes | 96,000 | | 96,000 |
| Deferred income tax liability, net | 128,000 | 195,000(6) | 323,000 |
| Current portion of long-term debt | 427,000 | ----- | 427,000 |
| Total current liabilities | 2,469,000 | (409,000) | 2,060,000 |
| Deferred income tax liability, net of current portion | 1,535,000 | 312,000(6) | 1,847,000 |
| Long-term debt | 531,000 | (12,000)(6) | 519,000 |
| Common stock, par value \$.15 per share, authorized - 12,000,000 shares - issued 1,804,304 shares at July 31, 2003 | 270,000 | | 270,000 |
| Warrants outstanding | 849,000 | | 849,000 |
| Additional paid-in capital | 14,092,000 | | 14,092,000 |
| Accumulated deficit | (2,142,000) | (320,000)(8) | (2,462,000) |
| Treasury stock, at cost | (33,000) | | (33,000) |
| Total stockholders' equity | 13,036,000 | (320,000) | 12,716,000 |
| Total liabilities and stockholders' equity | \$17,571,000 | (429,000) | \$17,142,000 |

Notes to unaudited pro forma condensed combined balance sheet

- (6) To adjust for the sale of PMD as if it had occurred on July 31, 2003.
- (7) To reflect the proceeds of the sale of PMD of \$3,500,000, of which \$300,000 is being held in escrow. Cash proceeds have been reduced by \$150,000 in employee and legal deal related costs.
- (8)

To adjust the net assets for the sale of PMD based on July 31, 2003 net book value including deal related costs in (7) above.

- (F) Reported on Form 10-QSB for the six months ended July 31, 2003 filed with the Securities and Exchange Commission on September 12, 2003.