

ADM TRONICS UNLIMITED INC/DE
Form 10-Q
November 19, 2014

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 September 30, 2014

OR

**TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

COMMISSION FILE NO. 0-17629

ADM TRONICS UNLIMITED, INC.
(Exact name of registrant as specified in its charter)

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Delaware 22-1896032

(State or Other Jurisdiction (I.R.S. Employer
of Incorporation or organization) Identification Number)

224-S Pegasus Ave., Northvale, New Jersey 07647
(Address of Principal Executive Offices)

Registrant's Telephone Number, including area code: (201) 767-6040

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 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 by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated 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 12b-2 of the Exchange Act).

YES NO

State the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date:

64,939,537 shares of Common Stock, \$.0005 par value, as of November 19, 2014.

ADM TRONICS UNLIMITED, INC., AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2014 (Unaudited)	March 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 159,935	\$ 83,156
Accounts receivable, net of allowance for doubtful accounts of \$3,000 for each period	435,658	271,038
Inventories	253,310	94,692
Prepaid expenses and other current assets	16,442	10,623
Restricted cash	232,525	232,264
 Total current assets	 1,097,870	 691,773
 Property and equipment, net of accumulated depreciation of \$73,002 and \$70,942, respectively	 4,314	 6,374
 Inventories - long-term portion	 63,132	 38,046
Secured convertible note receivable, including interest of \$23,006 and \$20,900, respectively	65,006	62,900
Intangible assets, net of accumulated amortization of \$152,771 and \$151,777, respectively	15,377	16,371
Other assets	15,764	14,764
Total other assets	163,593	138,455
 Total assets	 \$ 1,261,463	 \$ 830,228
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Note payable - bank	\$ 129,990	\$ 136,990
Accounts payable	259,530	208,248
Accrued expenses and other current liabilities	373,270	312,901

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Customer deposits	128,262	24,770
Due to shareholder	217,900	160,006
Total current liabilities	1,108,952	842,915
Total liabilities	1,108,952	842,915
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.0005 par value; 150,000,000 authorized, 64,939,537 shares issued and outstanding at September 30, 2014 and March 31, 2014, respectively	32,470	32,470
Additional paid-in capital	32,298,094	32,298,094
Accumulated deficit	(32,178,053)	(32,343,251)
Total stockholders' equity	152,511	(12,687)
Total liabilities and stockholders' equity	\$1,261,463	\$830,228

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(Unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2014	2013	2014	2013
Net revenues	\$748,593	\$389,972	\$1,372,267	\$712,411
Cost of sales	268,981	197,729	558,916	364,709
Gross Profit	479,612	192,243	813,351	347,702
Operating expenses:				
Research and development	18,241	10,429	30,286	19,102
Selling, general and administrative	331,171	231,890	615,492	441,069
Depreciation and amortization	1,414	4,258	3,054	8,664
Total operating expenses	350,826	246,577	648,832	468,835
Income (loss) from operations	128,786	(54,334)	164,519	(121,133)
Other income (expense):				
Interest income	1,325	1,241	2,372	2,593
Interest expense	(740)	(781)	(1,693)	(1,571)
Total other income (expense)	585	460	679	1,022
Net income (loss)	\$129,371	\$(53,874)	\$165,198	\$(120,111)
Basic and diluted (loss) per common share:	\$0.00	\$(0.00)	\$0.00	\$(0.00)
Weighted average shares of common stock outstanding - basic	64,939,537	59,939,537	64,939,537	59,939,537
Weighted average shares of common stock outstanding - diluted	65,539,537	59,939,537	65,539,537	59,939,537

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(Unaudited)

	2014	2013
Cash flows from operating activities:		
Net income (loss)	\$165,198	\$(120,111)
Adjustments to reconcile net income (loss) to net cash provided (used) in operating activities:		
Depreciation and amortization	3,054	8,664
Stock based compensation	-	-
Interest receivable	(2,106)	(2,152)
Increase (decrease) in cash flows as a result of changes in net assets and liabilities balances:		
Accounts receivable	(164,620)	(19,499)
Inventory	(183,704)	(22,763)
Prepaid expenses and other current assets	(5,819)	(1,135)
Accounts payable	51,282	53,449
Customer deposit	103,492	36,636
Due to shareholder	57,894	-
Accrued expenses and other current liabilities	60,369	(2,877)
Net cash provided (used) in operating activities	85,040	(69,788)
Cash flows from investing activities:		
Restricted cash	(261)	(393)
Other assets Investment in Angiodroid	(1,000)	-
Net cash provided (used) by investing activities	(1,261)	(393)
Cash flows used in financing activities:		
Repayments on note payable - Bank	(7,000)	(6,000)
Net cash used in financing activities	(7,000)	(6,000)
Net increase (decrease) in cash and cash equivalents	76,779	(76,181)
Cash and cash equivalents - beginning of year	83,156	105,087
Cash and cash equivalents - end of year	\$159,935	\$28,906
Cash paid for:		

Interest	\$1,693	\$1,571
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

(Unaudited)

NOTE 1 - NATURE OF BUSINESS

ADM Tronics Unlimited, Inc. ("we", "us", the "Company" or "ADM"), was incorporated under the laws of the state of Delaware on November 24, 1969. We are a manufacturing and engineering concern whose principal lines of business are the production and sale of chemical products and the manufacture and sale of electronics. On July 17, 2009, we purchased the assets of Antistatic Industries of Delaware Inc., ("Antistatic") a company involved in the research, development and manufacture of water-based and proprietary electrically conductive paints, coatings and other products and accessories which can be used by electronics, computer, pharmaceutical and chemical companies to prevent, reduce or eliminate static electricity.

The accompanying condensed consolidated financial statements as of September 30, 2014 (unaudited) and March 31, 2014 and for the three and six month periods ended September 30, 2014 and 2013 (unaudited) have been prepared by ADM pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") including Form 10-Q and Regulation S-X. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These condensed consolidated financial statements and the information included under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the audited financial statements and explanatory notes for the year ended March 31, 2014 as disclosed in our annual report on Form 10-K for that year . The results of the three and six months ended September 30, 2014 (unaudited) are not necessarily indicative of the results to be expected for the pending full year ending March 31, 2015.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of ADM Tronics Unlimited, Inc. and its subsidiaries Sonotron, Action (through March 31, 2013), and Pegasus (through March 31, 2012). All significant intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Significant estimates made by management include expected economic life and value of our medical devices, reserves, deferred tax assets, valuation allowance, impairment of long lived assets, fair value of equity instruments issued to consultants for services and fair value of equity instruments issued to others, option and warrant expenses related to compensation to employees and directors, consultants and investment banks, allowance for doubtful accounts, and warranty reserves. Actual results could differ from those estimates.

REVENUE RECOGNITION

CHEMICAL PRODUCTS:

Revenues are recognized when products are shipped to end users. Shipments to distributors are recognized as revenue when no right of return exists.

ELECTRONICS:

We recognize revenue from the sale of our electronic products when they are shipped to the purchaser. For contract manufacturing, revenues are recognized after shipment of the completed products.

NET INCOME / (LOSS) PER SHARE

Basic net income (loss) per share is calculated based on the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed similar to basic loss per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential shares had been issued and if the additional shares were dilutive. Common stock equivalents for the three and six months ended September 30, 2013, have been excluded from the fully diluted calculation of net income (loss) per share, as inclusion would be anti-dilutive.

Per share basic and diluted net income (loss) amounted to \$0.00 and (\$0.00) for the three and six months ended September 30, 2014 and 2013, respectively. There were 600,000 and 5,600,000 common stock equivalents at September 30, 2014 and 2013, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS

On May 14, 2014, FASB and IASB issued a new joint revenue recognition standard that supersedes nearly all US GAAP guidance on revenue recognition. The core principal of the standard is that revenue recognition should depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new standard is effective for the Partnership for the fiscal year beginning April 1, 2017 and the effects of the standard on the Partnership's consolidated financial statements are not known at this time.

Management does not believe that any other recently issued, but not yet effective accounting pronouncement, if adopted, would have a material effect on the accompanying condensed consolidated financial statements.

NOTE 3 - INVENTORY

Inventory at September 30, 2014 consisted of the following:

Current	Total
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		Long Term	
Raw materials	\$224,517	\$61,450	\$285,967
Finished Goods	28,793	1,682	30,475
	\$253,310	\$63,132	\$316,442

Inventory at March 31, 2014 consisted of the following:

	Current	Long Term	Total
Raw materials	\$78,072	\$36,364	\$114,436
Finished Goods	16,620	1,682	18,302
	\$94,692	\$38,046	\$132,738

The Company values its inventories at the first in, first out ("FIFO") method at the lower of cost or market.

NOTE 4 – SECURED CONVERTIBLE NOTE RECEIVABLE

On June 4, 2009 the Company invested in Wellington Scientific, LLC ("Wellington") which has rights to an electronic uroflowmetry diagnostic medical device technology. The Company invested a total of \$50,000, with \$10,000 provided in cash, and \$40,000 in services to Wellington. Wellington issued a convertible note to the Company for a principal amount of \$50,000 with an interest rate of 10% due at various dates through July 15, 2012. The total of the note receivable and accrued interest at September 30, 2014 and March 31, 2014 was \$65,006 and \$62,900, respectively. At the option of the Company, the Note is convertible in whole or in part, into equity of Wellington. The conversion price, and resulting equity ownership percentage in Wellington, is determined by dividing the cash value of principal and accrued interest by \$2,000,000. (See Legal Proceedings).

As of November 14, 2014, the loan has not yet been repaid.

NOTE 5 – CONCENTRATIONS

During the three month period ended September 30, 2014, one customer accounted for 18% of our revenue.

During the three month period ended September 30, 2013, two customers accounted for 26% of our revenue.

During the six month period ended September 30, 2014, one customer accounted for 18% of our revenue. As of September 30, 2014, three customers represented approximately 42% of our accounts receivable.

During the six month period ended September 30, 2013, two customers accounted for 27% of our revenue.

The Company's customer base is comprised of foreign and domestic entities with diverse demographics. Revenues from foreign customers represented \$90,540 of net revenue or 12.1% for the three months ended September 30, 2014 and \$85,145 of net revenue or 21.8% for the three months ended September 30, 2013.

Revenues from foreign customers represented \$130,635 of net revenue or 9.5% for the six months ended September 30, 2014 and \$132,099 of net revenue or 18.5% for the six months ended September 30, 2013.

As of September 30, 2014 and 2013, accounts receivable includes approximately \$23,128 and \$6,966, respectively, from foreign customers.

NOTE 6 - SEGMENT INFORMATION

Information about segments is as follows:

	Chemical	Electronics	Total
Three months ended September 30, 2014			
Revenue from external customers	\$341,121	\$407,472	\$748,593
Segment operating income (loss)	\$81,446	\$47,340	\$128,786
Three months ended September 30, 2013			
Revenue from external customers	\$290,294	\$99,678	\$389,972
Segment operating income (loss)	\$51,225	\$(105,559)	\$(54,334)
Six months ended September 30, 2014			
Revenue from external customers	\$638,279	\$733,988	\$1,372,267
Segment operating income (loss)	\$158,478	\$6,042	\$164,520
Six months ended September 30, 2013			
Revenue from external customers	\$540,074	\$172,337	\$712,411
Segment operating income (loss)	\$121,796	\$(242,929)	\$(121,133)
Total assets at September 30, 2014	\$583,740	\$677,722	\$1,261,463
Total assets at March 31, 2014	\$613,406	\$216,822	\$830,228

NOTE 7 - OPTIONS OUTSTANDING

During 2013, ADM granted an aggregate of 5,600,000 stock options to employees and consultants expiring at various dates through fiscal 2015. During 2014, 5,000,000 of the outstanding stock options were exercised. The options had various exercise prices and were fully vested at the date of grant. The options were valued at \$55,997 using the Black Scholes option pricing model with the following assumptions: risk free interest rate of 4.9%, volatility of 414%, estimated useful life of 1.5 years and dividend rate of 0%. The following table summarizes information on all common share purchase options issued by us as of September 30, 2014 and 2013.

	2014		2013	
	# of Shares	Weighted Average Exercise Price	# of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	600,000	\$ 0.01	5,600,000	\$ 0.01
Issued	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -
Expired	-	\$ -	-	\$ -
Outstanding, September 30	600,000	\$ 0.01	5,600,000	\$ 0.01
Exercisable, September 30	600,000	\$ 0.01	5,600,000	\$ 0.01

NOTE 8 - COMMITMENTS AND CONTINGENCIES

We lease our office and manufacturing facility under a non-cancelable operating lease, which expires on June 30, 2019. The Company's future minimum lease commitment at September 30, 2014 is as follows:

For the twelve month period ending September 30,	Amount
2015	\$ 104,625
2016	104,625
2017	104,625
2018	78,469
	\$ 392,344

Rent and real estate tax expense for all facilities for the six months ended September 30, 2014 and 2013 was approximately \$63,000, respectively, for each period.

MASTER SERVICES AGREEMENT

On February 12, 2010, ADM agreed to provide certain services to Ivivi Health Sciences, LLC (IHS) pursuant to a Master Services Agreement, as described below:

We provided IHS with engineering services, including quality control and quality assurance services along with regulatory compliance services, warehouse fulfillment services and network administrative services including hardware and software services;

Effective October 1, 2013 the monthly amount to be paid by IHS for these services was \$3,000 plus additional amounts for individual projects requested from time to time by IHS. Pursuant to this agreement, revenues from engineering services to IHS for the three and six months ended September 30, 2014 were \$9,300 and \$18,300, respectively. Revenues for the three and six months ended September 30, 2013 were \$19,096 and \$18,551, respectively.

MANUFACTURING AGREEMENT

Under the terms of the February 12, 2010 manufacturing agreement with IHS, ADM has agreed to serve as the exclusive manufacturer of all current and future medical and non-medical electronic and other electronic devices or products to be sold or rented by IHS. For each product that ADM manufactures, IHS pays ADM an amount equal to 120% of the sum of (i) the actual, invoiced cost for raw materials, parts, components or other physical items that are used in the manufacture of product and actually purchased for such entity by ADM, if any, plus (ii) a labor charge based on ADM's standard hourly manufacturing labor rate, which ADM believes is more favorable than could be attained from unaffiliated third parties. Under the terms of the Agreement, if ADM is unable to perform its obligations to IHS under the manufacturing agreement or is otherwise in breach of any provision of the manufacturing agreement, IHS has the right, without penalty, to engage third parties to manufacture some or all of its products. In addition, if IHS elects to utilize a third-party manufacturer to supplement the manufacturing being completed by ADM, IHS has the right to require ADM to accept delivery of its products from these third-party manufacturers, finalize the manufacture of the products to the extent necessary to ensure that the design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process have been met.

Pursuant to the manufacturing agreement, sales of finished goods to IHS for the three and six months ended September 30, 2014 were \$-0- and \$79,995, respectively.

Sales of finished goods to IHS for the three and six months ended September 30, 2013 were \$33,724 and \$84,086, respectively.

NOTE 9 - INCOME TAXES

At September 30, 2014, the Company had federal and state net operating loss carry-forwards ("NOL")s of approximately \$7,820,000, which are due to expire through fiscal 2034. These NOLs may be used to offset future taxable income through their respective expiration dates and thereby reduce or eliminate our federal and state income taxes otherwise payable. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Ultimate utilization of such NOL's and credits is dependent upon the Company's ability to generate taxable income in future periods and may be significantly curtailed if a significant change in ownership occurs.

Due to the uncertainty related to future taxable income, the Company provides a 100% valuation allowance for the deferred tax benefit resulting from the NOL's and depreciation and amortization.

NOTE 10 – DUE TO SHAREHOLDER

The Company's President has been deferring his salary and bonuses periodically to assist the Company's cash flow. There are no repayment terms or interest accruing on this liability.

NOTE 11 – SUBSEQUENT EVENTS

We evaluated all subsequent events from the date of the condensed consolidated balance sheet through the issuance date of this report and determined that there are no events or transactions occurring during the subsequent event reporting period which require recognition or disclosure in the condensed consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our operations and financial condition should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the "safe harbor" provisions under section 21E of the Securities and Exchange Act of 1934 and the Private Securities Litigation Act of 1995. We use forward-looking statements in our description of our plans and objectives for future operations and assumptions underlying these plans and objectives. Forward-looking terminology includes the words "may", "expects", "believes", "anticipates", "intends", "forecasts", "projects", or similar terms, variations of such terms or the negative of such terms. These forward-looking statements are based on management's current expectations and are subject to factors and uncertainties which could cause actual results to differ materially from those described in such forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Form 10-Q to reflect any change in our expectations or any changes in events, conditions or circumstances on which any forward-looking statement is based. Factors which could cause such results to differ materially from those described in the forward-looking statements include those set forth under "Item. 1 Description of Business – Risk Factors" and elsewhere in or incorporated by reference into our Annual Report on Form 10-K for the year ended March 31, 2014.

CRITICAL ACCOUNTING POLICIES

REVENUE RECOGNITION:

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CHEMICALS:

Revenues are recognized when products are shipped to end users. Shipments to distributors are recognized as sales where no right of return exists.

ELECTRONICS:

We recognize revenue from the sale of our electronic products when they are shipped to the purchaser. Revenue from the sale of the electronics we manufacture is recognized upon shipment of product. Shipping and handling charges and costs are de minimis. We offer a limited 90 day warranty on our electronics products and a limited 5 year warranty on our electronic controllers for spas and hot tubs. Historically, the amount of warranty revenue included in the sales of our electronic products have been de minimis. We have no other post shipment obligations and sales returns have been de minimis.

WARRANTY LIABILITIES

We offer a limited 90 day warranty on our electronics products and a 5 year limited warranty on all of our electronic controllers for spas and hot tubs sold through Action. This product lines' past experience has resulted in de minimis costs associated with warranty issues. Therefore, no warranty liabilities have been recorded. Accordingly, management has not accrued any liability for future expenses as management has deemed such costs to be de minimus.

USE OF ESTIMATES:

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to reserves, deferred tax assets and valuation allowance, impairment of long-lived assets, fair value of equity instruments issued to consultants for services and fair value of equity instruments issued to others. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under

different assumptions or conditions; however, we believe that our estimates, including those for the above described items, are reasonable.

BUSINESS OVERVIEW

ADM is a corporation that was organized under the laws of the State of Delaware on November 24, 1969. During the six months ended September 30, 2014 and 2013, our operations are conducted through ADM Tronics Unlimited, Inc. ("ADM") and its subsidiaries, Sonotron Medical Systems, Inc. ("SMI") and Action Industries Unlimited LLC ("Action"). On April 1, 2013 Action ceased operations and its assets were transferred to the Company. In addition, the Company owns a minority interest in Montvale Technologies, Inc. (formerly known as Ivivi Technologies, Inc.) ("ITI"), which until October 18, 2006 was operated as a subsidiary of the Company. ITI was deconsolidated as of October 18, 2006 upon the consummation of ITI's initial public offering. Our investment in ITI from October 18, 2006 through March 31, 2008 was reported under the equity method of accounting. Since April 1, 2008 we reported our investment in ITI at fair value. As reported by ITI, on February 12, 2010 all of ITI's assets were acquired by IHS, an unaffiliated entity controlled by ITI's former Chairman of the Board. Concurrent with such asset sale, the Company entered into agreements with IHS for services related to engineering and regulatory matters, and the previous manufacturing agreement with ITI was assigned to IHS.

We are a technology-based developer and manufacturer of diversified lines of products in the following four areas: (1) environmentally safe chemical products for industrial use, (2) electronic products for numerous industries, including therapeutic non-invasive electronic medical devices and electronic controllers for spas and hot tubs, (3) cosmetic and topical dermatological products and (4) Antistatic paint and coatings products. We have historically derived most of our revenues from the development, manufacture and sale of chemical products, and, to a lesser extent, from our electronics and topical dermatological products. Our Electronics segment includes our AIU and SMS subsidiaries, and our Chemical segment includes our PLI subsidiary.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 AS COMPARED TO SEPTEMBER 30, 2013

REVENUES

Revenues were \$748,593 for the three months ended September 30, 2014 as compared to \$389,972 for the three months ended September 30, 2013, an increase of \$358,621, or 92%. The increase resulted from an increase in sales to customers in both our electronics division in the amount of \$307,794 and chemical division in the amount of \$50,827.

Gross profit was \$479,612, or 64.1%, for the three months ended September 30, 2014 and \$192,243, or 49.3% for the three months ended September 30, 2013. Gross profit percentage increased by 30.4% in our electronics division mostly due to an increase in sales of engineering services partially offset with a decrease of 15.6% in our chemical division.

We are highly dependent upon certain customers to generate our revenues. During the three month period ended September 30, 2014, one customer accounted for 18% of our revenue. During the three month period ended September 30, 2013, two customers accounted for 26% of our revenue. The complete loss of or significant reduction in business from, or a material adverse change in the financial condition of any of our customers could cause a material and adverse change in our revenues and operating results.

OPERATING PROFIT / LOSS

Income from operations for the three months ended September 30, 2014 was \$128,786 compared to a loss from operations for the three months ended September 30, 2013 of \$54,334. Selling, general and administrative expenses increased by \$99,281, or 43%, from \$231,890 to \$331,171 mainly due to an increase of \$10,580 in legal fees coupled with an increase in accounting fees of \$18,718, royalties and commissions of \$36,774 and in engineering expenses of \$12,701. Cost of sales increased by \$71,252, or 30% from \$197,729 to \$268,981, mainly due to an increase in direct material purchases of \$42,816 coupled with an increase in freight costs of \$5,568, direct labor of \$2,534 and engineering expenses of \$15,524.

NET INCOME (LOSS) AND NET INCOME (LOSS) PER SHARE

Net income for the three months ended September 30, 2014 was \$129,371, or \$0.00 per share, compared to a net loss for the three months ended September 30, 2013 of (\$53,874) or (\$0.00) per share. Interest income increased \$84 to \$1,325 in the three months ended September 30, 2014, from \$1,241 in the three months ended September 30, 2013, due to increased funds invested in a money market account, offset by an increase in accrued interest receivable on a convertible note issued to Wellington.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AS COMPARED TO SEPTEMBER 30, 2013

REVENUES

Revenues were \$1,372,267 for the six months ended September 30, 2014 as compared to \$712,411 for the six months ended September 30, 2013, an increase of \$659,856, or 93%. The increase resulted from an increase in sales to customers in both our electronics division in the amount of \$561,651 and chemical division in the amount of \$98,205.

Gross profit was \$813,351, or 59.3%, for the six months ended September 30, 2014 and \$347,702, or 48.8% for the six months ended September 30, 2013.

We are highly dependent upon certain customers to generate our revenues. During the six month period ended September 30, 2014, one customer accounted for 18% of our revenue. During the six month period ended September 30, 2013, two customers accounted for 27% of our revenue. The complete loss of or significant reduction in business from, or a material adverse change in the financial condition of any of our customers could cause a material and adverse change in our revenues and operating results.

OPERATING PROFIT / LOSS

Income from operations for the six months ended September 30, 2014 was \$164,519 compared to a loss from operations for the six months ended September 30, 2013 of \$121,133. Selling, general and administrative expenses increased by \$174,423, or 40%, from \$441,069 to \$615,492 mainly due to an increase of \$38,877 in salaries coupled with an increase in royalties and commissions of \$70,279 and an increase in engineering expenses of \$35,205. Cost of sales increased by \$194,207, or 53% from \$364,709 to \$558,916, mainly due to an increase in direct material purchases of \$115,435 coupled with an increase in engineering expenses of \$43,029, direct labor of \$16,024 and an increase in freight costs of \$12,390.

NET INCOME (LOSS) AND NET INCOME (LOSS) PER SHARE

Net income for the six months ended September 30, 2014 was \$165,198, or \$0.00 per share, compared to a net loss for the six months ended September 30, 2013 of (\$120,111) or (\$0.00) per share. Interest income decreased \$221 to \$2,372 in the six months ended September 30, 2014, from \$2,593 in the six months ended September 30, 2013.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2014, we had cash and cash equivalents of \$159,935 as compared to \$83,156 at March 31, 2014. The \$76,779 increase was primarily the result of cash provided in operations during the six month period in the amount of \$85,040 offset by cash used in financing activities in the amount of \$7,000 and cash used in investing activities of \$1,261. Our cash will continue to be used for increased marketing costs, and the related administrative expenses, in order to attempt to increase our revenue. We expect to have enough cash to fund operations for the next twelve months. Our note payable of \$129,990 at September 30, 2014, is secured and collateralized by restricted cash of \$234,525. This note bears an interest rate of 2% above the rate of the savings account. The interest rate at September 30, 2014 was 2.15% and is payable upon demand.

Future Sources of Liquidity:

We expect that growth in profitable revenues and continued focus on new customers will enable us to continue to generate cash flows from operating activities during fiscal 2015.

If we do not generate sufficient cash from operations, face unanticipated cash needs or do not otherwise have sufficient cash, we may need to consider the sale of certain intellectual property which does not support the Company's operations. In addition, we have the ability to reduce certain expenses depending on the level of business operation.

Based on current expectations, we believe that our existing cash of \$159,935 as of September 30, 2014 and other potential sources of cash will be sufficient to meet our cash requirements. Our ability to meet these requirements will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

OPERATING ACTIVITIES

Net cash provided (used) by operating activities was \$85,040 for the six months ended September 30, 2014, as compared to net cash used by operating activities of \$(69,788) for the six months ended September 30, 2013. The cash provided during the six months ended September 30, 2014 was primarily due to net income of \$165,198 and an

increase in operating liabilities of \$273,037, and a decrease in net operating assets of \$353,195.

INVESTING ACTIVITIES

Cash was used in investing activities in the amount of \$1,261 which included deposits in the restricted cash in the amount of \$261 and an investment in Angiodroid of \$1,000 for the six months ended September 30, 2014. The Company made a \$1,000 capital contribution in Angiodroid America, Inc. for 20% ownership.

For the six months ended September 30, 2013, net cash used in investing activities was \$393 due to the deposits into the restricted cash account.

FINANCING ACTIVITIES

For the six months ended September 30, 2014 and 2013, net cash used in financing activities were \$7,000 and \$6,000, respectively which were repayments on a note from a commercial bank to facilitate our acquisition of AIU.

OFF BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements that have had or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Concentration of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and our investment in ITI. We have no control over the market value of our investment in ITI.

We maintain cash and cash equivalents with FDIC insured financial institutions.

Our sales are materially dependent on a small group of customers, as noted in Note 6 of our financial statements. We monitor our credit risk associated with our receivables on a routine basis. We also maintain credit controls for evaluating and granting customer credit.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, including the Company's principal executive officer and principal financial officer, have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. During the quarterly period ended September 30, 2014, there were no changes in the Company's internal control over financial reporting which materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

In August 2012, the Company filed a civil suit in the Superior Court of New Jersey against defendants Wellington Scientific LLC ("Wellington") and Peter F. Lordi, demanding payment of the convertible note receivable from Wellington in the amount of \$50,000 (plus accrued interest). The Company is suing for breach of contract, fraud in the inducement, and other claims. Since this civil suit is in the early stages of litigation, its ultimate outcome cannot be predicted with certainty at this time.

Wellington filed a counter claim for unspecified damages which the Company believes is without merit.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors contained in our Annual Report on Form 10-K for the year ended March 31, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. OTHER INFORMATION

None

ITEM 5. EXHIBITS.

(a) Exhibit No.

31.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS** XBRL Instance
101.SCH** XBRL Taxonomy Extension Schema
101.CAL** XBRL Taxonomy Extension Calculation
101.DEF** XBRL Taxonomy Extension Definition
101.LAB** XBRL Taxonomy Extension Labels
101.PRE** XBRL Taxonomy Extension Presentation

** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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.

ADM TRONICS UNLIMITED, INC.
(Registrant)

By: /s/ Andre' DiMino
Andre' DiMino, Chief Executive
Officer and Chief Financial Officer

Dated: Northvale, New Jersey
November 19, 2014