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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2013

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)

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 [X] 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 [X] 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 [X]

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

YES [ ] NO [X]

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

59,939,537 shares of Common Stock, $.0005 par value, as of February 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

	December 31, 2013 (Unaudited)	March 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$15,206	$105,087
Accounts receivable, net of allowance for doubtful accounts of $1,500 and $500, respectively	222,540	159,126
Inventories	195,280	121,993
Prepaid expenses and other current assets	10,343	20,320
Restricted cash	232,264	231,782
Total current assets	675,633	638,308
Property and equipment, net of accumulated depreciation of $67,835 and $63,024, respectively	9,480	14,292
Inventories - long-term portion	49,862	113,935
Secured convertible note receivable, including interest of $19,864 and $16,700, respectively	61,864	58,700
Advances to related parties	1,296	11,916
Intangible assets, net of accumulated amortization of $120,195 and $113,398, respectively	47,953	54,750
Other assets	15,955	15,834
Total other assets	186,410	269,427
Total assets	$862,043	$907,735
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Note payable - bank	$138,990	$147,990

Accounts payable	212,154	186,373
Accrued expenses and other current liabilities	410,946	385,845
Total current liabilities	762,090	720,208
Total liabilities	762,090	720,208
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, 59,939,537 shares issued and outstanding at December 31, 2013 and March 31, 2013, respectively	29,970	29,970
Additional paid-in capital	32,275,594	32,275,594
Accumulated deficit	(32,205,611)	(32,118,037)
Total stockholders' equity	99,953	187,527
Total liabilities and stockholders' equity	$862,043	$907,735

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Net revenues	$412,331	$306,522	$1,124,742	$1,208,434
Cost of sales	182,759	148,090	524,114	501,883
Gross Profit	229,572	158,432	600,628	706,551
Operating expenses:				
Research and development	17,411	6,999	36,513	25,273
Selling, general and administrative	177,672	338,510	642,095	958,573
Depreciation and amortization	2,944	4,780	11,608	16,896
Total operating expenses	198,027	350,289	690,216	1,000,742
Income (loss) from operations	31,545	(191,857)	(89,588)	(294,191)
Other income (expense):				
Interest income	1,123	1,038	3,716	3,783
Interest expense	(131)	(1,856)	(1,702)	(5,649)
Total other income (expense)	992	(818)	2,014	(1,866)
Net income (loss)	$32,537	$(192,675)	$(87,574)	$(296,057)
Basic and diluted (loss) per common share:	$0.00	$(0.00)	$(0.00)	$(0.01)
Weighted average shares of common stock outstanding - basic and diluted	59,939,537	56,939,537	59,939,537	56,939,537

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 NINE MONTHS ENDED DECEMBER 31,

(Unaudited)

	2013	2012
Cash flows from operating activities:		
Net loss	$(87,574)	$(296,057)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	11,608	16,896
Stock based compensation	-	50,000
Interest receivable	(3,164)	(3,313)
Bad debt	1,000	171
Increase (decrease) in cash flows as a result of changes in net assets and liabilities balances:		
Accounts receivable	(64,414)	128,537
Inventory	(9,214)	(50,696)
Prepaid expenses and other current assets	9,979	8,948
Other assets	(121)	-
Accounts payable	25,781	67,333
Customer deposit	-	(21,023)
Accrued expenses and other current liabilities	25,100	15,685
Net cash used in operating activities	(91,019)	(83,519)
Cash flows from investing activities:		
Repayment from related party	10,620	-
Repayment from secured convertible debt	-	8,000
Restricted cash	(482)	(327)
Net cash provided by investing activities	10,138	7,673
Cash flows used in financing activities:		
Repayments on note payable - Bank	(9,000)	(9,010)
Net cash used in financing activities	(9,000)	(9,010)
Net decrease in cash	(89,881)	(84,856)
Cash and cash equivalents - beginning	105,087	299,156
Cash and cash equivalents - end	$15,206	$214,300
Cash paid for:		
Interest	$2,337	$2,115

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2013 AND 2012

(Unaudited)

NOTE 1 - ORGANIZATIONAL MATTERS

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 authorized under our Certificate of Incorporation to issue 150,000,000 common shares, with $.0005 par value, and 5,000,000 preferred shares with $.01 par value.

The accompanying condensed consolidated financial statements as of December 31, 2013 (unaudited) and March 31, 2013 and for the three and nine month period ended December 31, 2013 and 2012 (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 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, 2013 as disclosed in our annual report on Form 10-K for that year . The results of the three and nine months ended December 31, 2013 (unaudited) are not necessarily indicative of the results to be expected for the pending full year ending March 31, 2014.

NATURE OF BUSINESS

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 Company is a corporation that was organized under the laws of the State of Delaware on November 24, 1969. Our operations are conducted through ADM Tronics Unlimited, Inc. ("ADM") and its subsidiaries, Pegasus Laboratories, Inc. ("Pegasus"), Sonotron Medical Systems, Inc. ("SMI") and Action Industries Unlimited LLC (“Action”). As of July 14, 2011, ADM owned approximately 100%, 94% and 100% of the outstanding capital stock of Pegasus, SMI and Action, respectively. On April 1, 2012 Pegasus ceased operations and its assets were transferred to the Company. On April 1, 2013 Action ceased operations and its assets were transferred to the Company. In addition, the Company owned 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, as we no longer owned a majority of the outstanding common stock of ITI and did not control ITI’s operations, but could exert significant influence based on the percentage of ITI’s stock owned by us. As a result, our investment in ITI from October 18, 2006 through March 31, 2008 was reported under the equity method of accounting. Effective April 1, 2008, we report our investment in ITI at fair value. We owned approximately 28.9% of the outstanding capital stock of ITI. On February 12, 2010 substantially all of the assets of ITI were sold to Ivivi Health Sciences, LLC (“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.

Our chemical product line is principally comprised of water-based chemical products used in the food packaging and converting industries, and anti-static conductive paints, coatings and other products. These products are sold to customers located in the United States, Australia, Asia and Europe. Electronic equipment is manufactured in accordance with customer specifications on a contract basis. Our electronic device product line consists principally of proprietary devices used in diagnostics and therapeutics of humans and animals and, through our Action Industries Unlimited, LLC subsidiary (“Action”), electronic controllers for spas and hot tubs. These products are sold to customers located principally in the United States. We are registered with the FDA as a contract manufacturing facility and we manufacture medical devices for customers in accordance with their designs and specifications. We also provide research, development and engineering services to customers. Our Sonotron Medical Systems, Inc. subsidiary is involved in medical electronic therapeutic technology and our Pegasus Laboratories, Inc. (“Pegasus”) is involved in topical dermatological products. As of April 1, 2012 and April 1 2013, Pegasus and Action, respectively, ceased operations and all assets were transferred to the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The 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 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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

For certain of our financial instruments, including accounts receivable, inventories, accounts payable, accrued expenses and notes payable - other, the carrying amounts approximate fair value due to their relatively short maturities.

CASH AND EQUIVALENTS

Cash equivalents are comprised of certain highly liquid investments with maturities of three months or less when purchased. We maintain our cash in bank deposit accounts, which at times, may exceed federally insured limits. We have not experienced any losses to date as a result of this policy.

REVENUE RECOGNITION

CHEMICAL PRODUCTS:

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. 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. We have no other post shipment obligations. Based on prior experience, no amounts have been accrued for potential warranty costs and actual costs were less than $500 for each of the nine months ended December 31, 2013 and 2012. For contract manufacturing, revenues are recognized after shipment of the completed products.

ENGINEERING SERVICES:

We provide certain engineering services, including research, development, quality control and quality assurance services along with regulatory compliance services. We recognize revenue from engineering services as the services are provided.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs consist of expenditures for the research and development of patents and technology which are not capitalizable. Our research and development costs consist mainly of labor costs in developing new products.

WARRANTY LIABILITIES

The Company’s provision for estimated future warranty costs is based upon historical relationship of warranty claims to sales. Based upon historical experience, the Company has concluded that no warranty liability is required as of the balance sheet dates. However, the Company periodically reviews the adequacy of its product warranties and will record an accrued warranty reserve if necessary.

RESTRICTED CASH

Restricted cash represents funds on deposit with a financial institution that secure the bank note payable.

NET LOSS PER SHARE

The Company computes basic loss per share by dividing the Company's net loss for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share excludes potential common shares if the effect is anti-dilutive. Diluted loss per share is determined in the same manner as basic loss per share except that the number of shares is increased assuming exercise of dilutive stock options and warrants using the treasury stock method. As the Company had a net loss for all periods presented, the impact of the assumed exercise of the stock options is anti-dilutive and as such, these amounts have been excluded from the calculation of diluted loss per share. For the three and nine month periods ended December 31, 2013 and 2012, there were 5,600,000 and -0- common stock equivalent shares, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS

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 unaudited condensed consolidated financial statements.

NOTE 3 - INVENTORY

Inventory at December 31, 2013, consisted of the following:

	Current	Long Term	Total
Raw materials	$179,515	$27,608	$207,123
Finished Goods	15,765	22,254	38,019
	$195,280	$49,862	$245,142

Inventory at March 31, 2013, consisted of the following:

	Current	Long Term	Total
Raw materials	$71,900	$92,781	$164,681
Finished Goods	50,093	21,154	71,247
	$121,993	$113,935	$235,928

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 a total of $50,000 consisting of $10,000 provided in cash and $40,000 in services to Wellington Scientific, LLC (Wellington). Wellington has rights to an electronic uroflowmetry diagnostic technology and 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 December 31, 2013 and March 31, 2013 was $61,894 and $58,700, respectively. At the option of the Company, the Note is convertible in whole or in part, into equity of Wellington.

The conversion price, and the resulting equity ownership percentage in Wellington, is determined by dividing the cash value of principal and accrued interest by $2,000,000.

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.

As of February 19, 2014, the loan has not yet been repaid.

NOTE 5 - INTANGIBLE ASSETS

Intangible assets are being amortized using the straight line method over periods ranging from 3-15 years with a weighted average remaining life of approximately 6.82 years.

	December 31, 2013				March 31, 2013			
	Cost	Weighted Average Amortization Period (years)	Accumulated Amortization	Net Carrying Amount	Cost	Weighted Average Amortization Period (years)	Accumulated Amortization	Net Carrying Amount
Patents & Trademarks	$82,702	15	$(65,727)	$16,975	$82,702	15	$(64,369)	$18,333
Formulas	25,446	15	(7,563)	17,883	25,446	15	(6,291)	19,155
Non-Compete Agreement	50,000	7	(36,905)	13,095	50,000	7	(32,738)	17,262
Customer List	10,000	3	(10,000)	-	10,000	3	(10,000)	-
	$168,148		$(120,195)	$47,953	$168,148		$(113,398)	$54,750

Amortization expense was $6,797 and $9,206 for the nine months ended December 31, 2013 and 2012, respectively.

Estimated aggregate future amortization expense related to intangible assets for the twelve months ending December 31st, is as follows:

2014	$ 10,778
2015	9,587
2016	3,092
2017	3,092
2018	3,092
Thereafter	18,312
	$ 47,953

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NOTE 6 - CONCENTRATIONS

During the three month period ended December 31, 2013, two customers accounted for 23% of our revenue. As of December 31, 2013, three customers accounted for 36% of our receivables.

During the three month period ended December 31, 2012, three customers accounted for 41% of our revenue.

During the nine month period ended December 31, 2013, two customers accounted for 26% of our revenue. As of December 31, 2013, three customers represented approximately 36% of our accounts receivable.

During the nine month period ended December 31, 2012, three customers accounted for 39% of our revenue.

The Company's customer base is comprised of foreign and domestic entities with diverse demographics. Revenues from foreign customers represented $61,229 of net revenue or 12.6% for the three months ended December 31, 2013 and $188,603 of net revenue or 16.6% for the nine months ended December 31, 2013. Revenues from foreign customers represented $30,741 of net revenue or 6.8% for the three months ended December 31, 2012 and $153,539 of net revenue or 11.4% for the nine months ended December 31, 2012.

Accounts receivable from foreign entities as of December 31, 2013 and March 31, 2013 were $10,116 and $3,916, respectively.

NOTE 7 - SEGMENT INFORMATION

Information about segments is as follows:

	Chemical	Electronics	Total

Three months ended December 31, 2013			
Revenue from external customers	$207,712	$204,619	$412,331
Segment operating income (loss)	$19,933	$11,612	$31,545
Three months ended December 31, 2012			
Revenue from external customers	$266,061	$40,461	$306,522
Segment operating income (loss)	$5,716	$(197,573)	$(191,857)
Nine months ended December 31, 2013			
Revenue from external customers	$747,786	$376,956	$1,124,742
Segment operating income (loss)	$141,729	$(231,317)	$(89,588)
Nine months ended December 31, 2012			
Revenue from external customers	$814,999	$393,435	$1,208,434
Segment operating income (loss)	$105,780	$(399,971)	$(294,191)
Total assets at December 31, 2013	$576,971	$285,072	$862,043
Total assets at March 31, 2013	$589,739	$317,996	$907,735

NOTE 8 - RELATED PARTY TRANSACTIONS

ADVANCES TO RELATED PARTIES

As of December 31, 2013 and March 31, 2013, ADM was owed $0 from advances made to an officer. No advances have been made since 2000. The previous balance, now paid in full, had an interest rate of 3% per year. Total accrued interest receivable at December 31, 2013 and March 31, 2013 was $1,296 and $11,916, respectively.

NOTE 9 – NOTE PAYABLE, BANK

On August 21, 2008, the Company entered into a note payable with a commercial bank in the amount of $200,000. This note bears interest at a rate of 2% above the interest rate for the Company's savings account at this bank and is secured by cash on deposit with the institution, which is classified as restricted cash. Amounts outstanding under the note are payable on demand, and interest is payable monthly. The principal balance of the note at December 31, 2013 and March 31, 2013 was $138,990 and $147,990, respectively.

NOTE 10 – Options Outstanding

During March 2013, ADM granted an aggregate 5,600,000 stock options to employees and consultants expiring at various dates through fiscal 2015. The options had various exercise prices and were fully vested at the date of grant. The options were valued at $55,997 using 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 December 31, 2013 and 2012.

	2013		2012	
	# of Shares	Weighted Average Exercise Price	# of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	5,600,000	$ 0.01	-	-
Issued	-		5,000,000	$ 0.005

Expired	-		-	
Outstanding, December 31,	5,600,000	$ 0.01	5,000,000	$ 0.005
Exercisable, December 31,	5,600,000	$ 0.01	5,000,000	$ 0.005

NOTE 11 – COMMITMENTS

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 payments required under the lease at December 31, 2013 are as follows:

Period Ending December 31,	Amount
2014	$104,625
2015	104,625
2016	104,625
2017	104,625
2018	104,625
Thereafter	52,313
	$575,438

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Rental and real estate tax expense for all facilities for the nine months ended December 31, 2013 and 2012 was approximately $94,000 and $77,000, respectively.

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;
- We were paid at the rate of $26,000 per month by IHS for these services; in June 2010, it was agreed that IHS would pay approximately $11,000 for June 2010 and approximately $5,000 per month thereafter for reduced services performed by ADM. In May, 2011 IHS agreed to pay ADM approximately $16,800 per month for increased services for one (1) year and then on a month-to-month basis. In August 2012 IHS agreed to pay ADM approximately $6,000 per month for reduced services on a month-to-month basis, and on October 1, 2013 the monthly amount to be paid by IHS was reduced to $3,000 plus additional amounts for individual projects requested time to time by IHS. Pursuant to this agreement, revenues from engineering services to IHS for the three and nine months ended December 31, 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 obtained 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 nine months ended December 31, 2013 were $9,000 and $46,650, respectively.

LICENSE AND DISTRIBUTION AGREEMENT

On October 1, 2013 ADM and IHS entered into a License and Distribution Agreement pursuant to which ADM was granted an exclusive, worldwide license to manufacture, market, sell and distribute IHS' pulsed electromagnetic field medical therapy products cleared by the FDA for the treatment of post-operative pain and edema. Pursuant to the Agreement ADM will pay to IHS quarterly royalties on revenues received from sales and rentals of the licensed products. The Agreement is for a period of three years subject to earlier termination in the case of default by either party or at the option of IHS with 60 days prior notice to ADM and payment of a termination fee to ADM.

NOTE 12 – LIQUIDITY

Management expects that growth in profitable revenues and continued focus on new customers will enable the Company to increase cash flows from operating activities. If management does not generate sufficient cash flows from operations, faces unanticipated cash needs, or does not otherwise have sufficient cash, they may need to consider the sale of certain intellectual property, which does not support the Company's operations. In addition, management has the ability to reduce certain expenses depending on the level of business operations.

NOTE 13 – SUBSEQUENT EVENTS

We evaluated all subsequent events from the date of the 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 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, 2013.

CRITICAL ACCOUNTING POLICIES

REVENUE RECOGNITION:

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 yet 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 financial statements, which have been prepared in accordance with accounting principles generally accepted in the US. The preparation of these 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 nine months ended December 31, 2013 and 2012, our operations are conducted through ADM Tronics Unlimited, Inc. ("ADM") and its subsidiaries, Sonotron Medical Systems, Inc. ("SMI") and Action Industries Unlimited LLC ("Action"). As of April 1, 2012 and April 1, 2013 Pegasus and Action respectively ceased operations and all 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.

During the year ended March 31, 2012, we completed development of a new uroflowmetry diagnostic device (the “Flo-Med” device). In July, 2011 an order was received from a distributor for approximately $740,000 including a 25% cash deposit for the purchase of the Flo-Med device and related disposables. Production of the Flo-Med device and disposables continued and the complete order was fulfilled during the quarter ended June 30, 2012.

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 and engineering services 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.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AS COMPARED TO DECEMBER 31, 2012

REVENUES

Revenues were $412,331 for the three months ended December 31, 2013 as compared to $306,522 for the three months ended December 31, 2012, an increase of $105,809, or 34.5%. The increase resulted from a decrease in sales to customers in our chemical division of 18% and an increase in our electronics sales of 56%.

Gross profit was $229,572, or 56.8%, for the three months ended December 31, 2013 and $158,432, or 51.7% for the three months ended December 31, 2012. Gross profit percentage increased in our chemical division 8% coupled with an increase in gross profit percentage of 87% in our electronics division mostly due to an increase in sales of $116,219

We are highly dependent upon certain customers to generate our revenues. During the three month period ended December 31, 2013, one customer accounted for 11% 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 December 31, 2013 was $31,545 compared to a loss from operations for the three months ended December 31, 2012 of $191,857. Selling, general and administrative expenses decreased by $160,838, or 47.5%, from $338,510 to $177,672 mainly due to a decrease of $63,947 in regulatory expense and $50,000 in stock based compensation. Cost of sales increased by $34,669, or 23.4% from $148,090 to $182,759, due to increased material costs related to the increased sales offset with decreases in salaries of $7,455.

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

Net income for the three months ended December 31, 2013 was $32,537, or $0.00 per share, compared to a net loss for the three months ended December 31, 2012 of $192,675 or $0.00 per share. Interest income decreased $85 to $1,123 in the three months ended December 31, 2013, from $1,038 in the three months ended December 31, 2012, due to decreased 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 NINE MONTHS ENDED DECEMBER 31, 2013 AS COMPARED TO DECEMBER 31, 2012

REVENUES

Revenues were $1,124,742 for the nine months ended December 31, 2013 as compared to $1,208,434 for the nine months ended December 31, 2012, a decrease of $83,692, or 7%. The decrease resulted from a decrease in sales to customers in our electronics division of 4% coupled with a decrease in our chemical sales of 7%.

Gross profit was $600,628, or 53.8%, for the nine months ended December 31, 2013 and $706,551, or 58.4% for the nine months ended December 31, 2012. Gross profit percentage decreased in our chemical division 1% coupled with a decrease in gross profit percentage of 11% in our electronics division.

We are highly dependent upon certain customers to generate our revenues. During the nine month period ended December 31, 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

Loss from operations for the nine months ended December 31, 2013 was $89,588 compared to a loss from operations for the nine months ended December 31, 2012 of $294,191. Selling, general and administrative expenses decreased by $316,478, or 33%, from $958,573, to $642,095 mainly due to a decrease of $122,252 in regulatory expense, a decrease of $50,000 in stock based compensation and a decrease of $66,256 in administrative salaries. Cost of sales increased by $22,231, or 4.4% from $501,884 to $524,114, due primarily to an increase in direct material purchases of $31,047 coupled with decreases in freight costs of $5,732, salaries of $10,481 and shop supplies of $5,054.

NET LOSS AND NET LOSS PER SHARE

Net loss for the nine months ended December 31, 2013 was $87,574, or $0.00 per share, compared to a net loss for the nine months ended December 31, 2012 of $296,057 or $0.01 per share. Interest income decreased $67 to $3,716 in the nine months ended December 31, 2013, from $3,783 in the nine months ended December 31, 2012, due to decreased funds invested in a money market account, offset by an increase in accrued interest receivable on a convertible note issued to Wellington.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2013, we had cash and cash equivalents of $15,206 as compared to $214,300 at March 31, 2013. The $199,094 decrease was primarily the result of cash used in operations during the nine month period in the amount of $91,019 and cash used in financing activities in the amount of $9,000, offset by cash provided by investing activities in the amount of $10,138. 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 $138,990 at December 31, 2013, is secured and collateralized by restricted cash of $232,264. This note bears an interest rate of 2% above the rate of the savings account. The interest rate at December 31, 2013 was 2.20% and is payable upon demand.

Future Sources of Liquidity:

We expect our primary source of cash during fiscal 2014 to be net cash provided by operating activities. We expect that growth in profitable revenues and continued focus on new customers will enable us to generate cash flows from operating activities. 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 $15,206 as of December 31, 2013 and our net cash provided by investing activities 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 used by operating activities was $91,019 for the nine months ended December 31, 2013, as compared to net cash used in operating activities of $83,519 for the nine months ended December 31, 2012. The use of cash during the nine months ended December 31, 2013 was primarily due to net loss of $87,574 and an increase in operating liabilities of $50,881 and a decrease in net operating assets of $66,936.

INVESTING ACTIVITIES

For the nine months ended December 31, 2013, net cash provided by investing activities was $10,138. The primary increase in cash was from repayments for related party advances in the amount of $10,620, offset by payments in the amount of $482 for restricted cash.

For the nine months ended December 31, 2012, net cash provided by investing activities was $7,673 mainly due to the collections against our secured convertible note.

FINANCING ACTIVITIES

For the nine months ended December 31, 2013, net cash used in financing activities was $9,000, which was used for repayment on a note from a commercial bank to facilitate our acquisition of AIU.

For the nine months ended December 31, 2012, net cash used in financing activities was $9,010 which was used for repayment 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 Ru1e 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 December 31, 2013, 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.

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, 2013.

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 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification 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

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
February 19, 2014