

ADM TRONICS UNLIMITED INC/DE
Form 10QSB
February 12, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended December 31, 2003

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 of Incorporation or organization) | (I.R.S. Employer Identifi- cation Number) |

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

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

Check whether the Issuer (1) has filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for
Such shorter period that the Issuer was required to file such reports),
And (2) has been subject to the filing requirements for the past 90 days:

YES X NO _____

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

51,882,037 shares of Common Stock, \$.0005 par value,
as of February 4, 2004

ADM TRONICS UNLIMITED, INC.

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ADM TRONICS UNLIMITED, INC.
CONSOLIDATED BALANCE SHEETS

| | (UNAUDITED) | |
|--------|-------------|----------|
| | DECEMBER | MARCH |
| | 30, 2003 | 31, 2003 |
| ASSETS | | |

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| | | | |
|--|----|-------------|-------------|
| Current assets: | | | |
| Cash and equivalents | \$ | 68,080 | \$ 49,765 |
| Accounts receivable--trade, less allowance for doubtful accounts of \$39,000 | | 76,010 | 75,622 |
| Inventories: | | | |
| Raw materials and supplies | | 89,009 | 201,409 |
| Finished goods | | 67,669 | 46,928 |
| Equipment held for sale | | 390,831 | 404,771 |
| Other current assets | | 56,527 | 57,348 |
| Total current assets | | 748,126 | 835,843 |
| Property and equipment at cost, net of accumulated depreciation of \$458,764 and \$443,184, respectively | | 8,575 | 24,155 |
| Equipment in use and under lease agreements, net of accumulated depreciation of \$726,598 and \$631,365 respectively | | 211,627 | 306,860 |
| Loan receivable from officer, bearing interest at 3% per annum, unsecured | | 49,188 | 49,891 |
| Other assets | | 91,507 | 95,621 |
| Total assets | | 1,109,023 | 1,312,370 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable-trade | | 149,760 | 200,631 |
| Accrued expenses and other | | 38,528 | 59,579 |
| Total current liabilities | | 188,288 | 260,210 |
| Notes payable - long term | | 135,000 | 135,000 |
| Stockholders' equity | | 785,735 | 917,160 |
| Total liabilities and stockholders' equity | | \$1,109,023 | \$1,312,370 |

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ADM TRONICS UNLIMITED, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | THREE MONTHS ENDED | | NINE MONTHS ENDED | |
|---------------------|--------------------|-----------|-------------------|-----------|
| | DECEMBER 31, | | DECEMBER 31, | |
| | 2003 | 2002 | 2003 | 2002 |
| Revenues | \$237,021 | \$245,802 | \$830,803 | \$674,543 |
| Costs and expenses: | | | | |
| Cost of sales | 126,425 | 180,423 | 457,999 | 334,650 |

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| | | | | |
|-------------------------------------|-----------|-----------|-----------|-----------|
| Selling, general and administrative | 187,659 | 140,092 | 530,913 | 663,658 |
| Total costs and expenses | 314,084 | 320,515 | 988,912 | 998,308 |
| Operating (loss) | (77,063) | (74,713) | (158,109) | (323,765) |
| Other income: | | | | |
| Interest and other income | 3,770 | 18,589 | 3,934 | 88,032 |
| Net (loss) | (73,293) | (56,124) | (154,175) | (235,733) |
| Net (loss) per common share | \$(0.001) | \$(0.001) | \$(0.003) | \$(0.005) |

ADM TRONICS UNLIMITED, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED DECEMBER 31, 2003
(UNAUDITED)

| | Preferred Shares 5,000,000 Authorized \$.01 Par Value | Common Shares 150,000,000 Authorized \$.0005 Par Value | Par Value | Capital in excess of Par Value | Accumulated Deficit | Total |
|---|--|---|--------------|--|------------------------|-----------|
| Balance, March 31, 2003 | - | 50,382,037 | \$25,191 | \$6,792,118 | \$(5,900,149) | \$917,160 |
| Shares issued | | 1,500,000 | 750 | 22,000 | | 22,750 |
| Net loss for the period ended December 31, 2003 | | | | | (154,175) | (154,175) |
| Balances, December 31, 2003 | - | 51,882,037 | \$25,941 | \$6,814,118 | \$(6,054,324) | \$785,735 |

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ADM TRONICS UNLIMITED, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | NINE MONTHS ENDED DECEMBER 31, | |
|---|-----------------------------------|-------------|
| | 2003 | 2002 |
| Cash flows from Operating activities: | | |
| Net (loss) | \$(154,175) | \$(235,733) |
| Adjustments to reconcile net (loss) to net cash from operating activities: | | |
| Depreciation and amortization | 110,813 | 125,386 |
| Value of common stock issued for services rendered | 22,000 | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (388) | 86,958 |
| Inventories | 91,659 | 33,520 |

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| | | |
|---|-----------|-----------|
| Other current assets | 821 | 1,717 |
| Equipment held for sale | 13,940 | (521) |
| Other assets | 4,816 | 12,315 |
| Accounts payable | (50,871) | (5,308) |
| Accrued expenses and other | (21,050) | (32,364) |
| Net cash flows provided by (used in) operating activities | 17,565 | (14,030) |
| Cash flows from Investing activities: | | |
| Purchases of property and equipment | - | (811) |
| Repayments of loan to officer | - | 3,500 |
| Net cash flows provided by (used in) investing activities | - | 2,689 |
| Cash flows from Financing activities: | | |
| Issuance of common stock for cash | 750 | 15,000 |
| Net cash flows provided by financing activities | 750 | 15,000 |
| Net change in cash and cash equivalents | \$ 18,315 | \$ 3,659 |
| Cash and cash equivalents--beginning of year | \$ 49,765 | \$ 51,565 |
| Cash and cash equivalents--end of period | \$ 68,080 | \$ 55,224 |
| Supplemental disclosure of cash flow activities: | | |
| Interest paid | - | 4,227 |

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ADM TRONICS UNLIMITED, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

Note 1-Basis of Presentation:

The consolidated balance sheet at the end of the preceding fiscal year has been derived from the audited consolidated balance sheet contained in the Company's annual report on Form 10-KSB for the fiscal year ended March 31, 2003 (the "Form 10-KSB") and is presented for comparative purposes. All other financial statements are unaudited. In the opinion of management, all adjustments which include only normal recurring adjustments necessary to present fairly the financial position, results of operations and changes in financial positions for all periods presented have been made. The results of operations for interim periods are not necessarily indicative of the operating results for the full year.

Footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with the published rules and regulations of the Securities and

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Exchange Commission. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Form 10-KSB.

Note 2. Segment Information

Information about segment information is as follows:

| Nine Months Ended December 31, 2003: | CHEMICAL | MEDICAL | TOTAL |
|---------------------------------------|----------|-----------|-----------|
| Revenues from external customers | 667,635 | 163,168 | 830,803 |
| Segment profit (loss) | (83,339) | (48,836) | (132,175) |
| Nine Months Ended December 31, 2002: | | | |
| Revenues from external customers | 606,536 | 68,007 | 674,543 |
| Segment profit (loss) | 140,280 | (95,453) | (235,733) |
| Three Months Ended December 31, 2003: | | | |
| Revenues from external customers | 200,888 | 36,133 | 237,021 |
| Segment profit (loss) | (25,022) | (26,271) | (51,293) |
| Three Months Ended December 31, 2002: | | | |
| Revenues from external customers | 220,892 | 24,910 | 245,802 |
| Segment profit (loss) | 85,105 | (141,229) | (56,124) |

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

At December 31, 2003 the Company had cash and equivalents of \$68,080 as compared to \$49,765 at March 31, 2003. This increase was the result of net cash flows provided by operating and financing activities of \$17,565 and \$750, respectively.

Operating Activities

Net cash flows provided by operating activities aggregated \$17,565 for the nine months ended December 31, 2003 as compared to \$14,030 used in operating activities for the nine months ended December 31, 2002. Cash flows used in operating activities primarily resulted from the net loss for the period of \$154,175 a reduction in accounts payable of \$50,871 and accrued expenses of \$21,050, collectively offset by a reduction in inventories, equipment and other assets of \$92,570, depreciation and amortization of \$110,813 and \$22,000 the value of common stock issued for services rendered.

Investing Activities

There were no investing activities for the period.

Financing Activities

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Cash flows provided by financing activities consisted of \$750 received from the issuance of common stock.

The Company does not have any material external sources of liquidity or unused sources of funds.

Results of Operations Quarter Ended December 31, 2003

Revenues

Revenues were \$237,021 in 2003 as compared to \$245,802 in 2002 representing a decrease of \$8,781 or 4%. Revenues from the Company's medical electronics activities increased \$11,223 and chemical revenues decreased \$20,004 in 2003 as compared to 2002 primarily due to the timing of purchases by customers that were influenced by negative weather conditions during the period.

Gross Profit

Gross profit of \$110,596 in 2003 as compared to \$65,379 in 2002 was \$45,217 or 69% above the gross profit in 2002. Gross profit was 47% of revenues in 2003 as compared with 27% of revenues in 2002. The increase in gross profit margin was primarily due to certain inventory write-offs during 2002 and the maintenance of manufacturing labor overhead with reduced contract manufacturing revenues.

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Operating (Loss)

Operating loss in 2003 was (\$77,063) compared to (\$74,713) in 2002. Selling, general and administrative expenses increased by \$47,567 primarily due to consulting fees, increased legal fees and an increase in certain facility and energy costs.

Other Income

Other income in 2003 was \$3,770 as compared to \$15,589 in 2002. The decrease was primarily due to reduced amounts received from a joint venture in 2002.

Results of Operations Nine Months Ended December 31, 2003

Revenues

Revenues were \$830,803 as compared to \$674,543 in 2002 representing an increase of \$156,260 or 23%. Revenues from the Company's medical electronics activities increased \$95,161 and chemical revenues increased \$61,099.

Gross Profit

Gross profit of \$372,804 in 2003 as compared to \$339,893 in 2002 was \$32,911 or 10% higher than the gross profit in 2002. Gross profit was 45% of revenues in 2003 and 50% in 2002. The decrease in gross profit margin is due to the mix in product sales with higher sales of products with a lower gross margin and certain write-offs of inventory at March 31, 2003.

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Operating (Loss)

Operating loss was (\$158,109) in 2003 compared to (\$323,765) in 2002. Selling, general and administrative expenses decreased by \$132,745 due to a reduction in personnel and related overhead expenses offset by an increase in consulting fees.

Other Income

Other income of \$3,934 in 2003 decreased \$84,098 from \$88,032 in 2002. The decrease was primarily due to a reduction in revenues received from a joint venture in 2003.

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.

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

Dated: Northvale, New Jersey
February 12, 2004