ADM TRONICS UNLIMITED, INC.
Form 10-Q
February 14, 2018

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, 2017

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,” “smaller reporting company” and “emerging growth 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]
	Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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:

67,588,492 shares of Common Stock, $.0005 par value, as of February 14, 2018.

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$1,624,338	$1,982,276
Accounts receivable, net of allowance for doubtful accounts of $25,000	1,493,375	862,619
Inventories	500,946	369,796
Prepaid expenses and other current assets	16,533	35,752
Total current assets	3,635,192	3,250,443
Property and equipment, net of accumulated depreciation of $60,970 and $32,562, at December 31, 2017 and and March 31, 2017, respectively	142,590	170,998
Inventories - long-term portion	56,611	56,611
Intangible assets, net of accumulated amortization of $10,290 and $9,244, at December 31, 2017 and and March 31, 2017, respectively	10,643	11,690
Other assets	91,814	104,907
Deferred tax asset	537,000	926,000
Total other assets	838,658	1,270,206
Total assets	$4,473,850	$4,520,649
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Capital lease payable	$31,196	$30,895
Accounts payable	308,370	269,007
Accrued expenses and other current liabilities	137,782	148,731
Customer deposits	125,142	125,142
Due to stockholder	130,551	195,562
Total current liabilities	733,041	769,337

Long-term liabilities		
Capital lease payable, net of current portion	*62,684*	*83,812*
Total liabilities	*795,725*	*853,149*
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 shares authorized, 67,588,492 shares issued and outstanding	*33,794*	*33,794*
Additional paid-in capital	*33,294,069*	*33,294,069*
Accumulated deficit	*(29,649,738)*	*(29,660,363)*
Total stockholders' equity	*3,678,125*	*3,667,500*
Total liabilities and stockholders' equity	$*4,473,850*	$*4,520,649*

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

3

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(Unaudited)

	Three months ended December 31, 2017	Three months ended December 31, 2016	Nine months ended December 31, 2017	Nine months ended December 31, 2016
Net revenues	$*1,021,042*	$*1,156,512*	$*3,237,103*	$*3,914,281*
Cost of sales	*539,184*	*599,607*	*1,351,667*	*1,695,765*
Gross profit	*481,858*	*556,905*	*1,885,436*	*2,218,516*
Operating expenses:				
Research and development	*109,167*	*113,752*	*398,351*	*151,548*
Selling, general and administrative	*351,609*	*433,712*	*1,075,411*	*1,105,081*
Stock based compensation	-	*46,400*	-	*46,400*
Depreciation and amortization	*5,429*	*2,951*	*16,672*	*5,890*
Total operating expenses	*466,205*	*596,815*	*1,490,434*	*1,308,919*
Income (loss) from operations	*15,653*	*(39,910)*	*395,002*	*909,597*
Other income (expense):				
Interest income	*5,258*	*835*	*11,806*	*2,295*
Interest and finance expenses	*(728)*	*(3,546)*	*(2,183)*	*(4,389)*
Total other income (expense)	*4,530*	*(2,711)*	*9,623*	*(2,094)*
Income (loss) before provision for income taxes	*20,183*	*(42,621)*	*404,625*	*907,503*
Provision for income taxes:				
Current	*1,000*	-	*5,000*	-
Deferred	*235,000*	-	*389,000*	-
Total provision for income taxes	*236,000*	-	*394,000*	-
Net (loss) income	$*(215,817)*	$*(42,621)*	$*10,625*	$*907,503*
Basic and diluted earnings per common share:	$*0.00*	$*(0.00)*	$*0.00*	$*0.01*
	67,588,492	*67,216,545*	*67,588,492*	*67,078,102*

Weighted average shares of common stock outstanding -
basic and diluted

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(Unaudited)

	2017	2016
Cash flows from operating activities:		
Net income	$10,625	$907,503
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	29,455	46,400
Stock based compensation	-	8,892
Deferred taxes	389,000	-
Changes in operating assets and liabilities balances:		
Accounts receivable	(630,756)	(712)
Inventories	(131,150)	(237,126)
Prepaid expenses and other current assets	32,312	(150,879)
Accounts payable	39,363	116,407
Accrued expenses and other current liabilities	(10,949)	(214,525)
Due to stockholder	(65,011)	28,027
Net cash (used in) provided by operating activities	(337,111)	503,987
Cash flows from investing activities:		
Purchase of property and equipment	-	(8,070)
Restricted cash	-	(224)
Net cash (used in) investing activities	-	(8,294)
Cash flows (used in) financing activities:		
Repayments on notes payable	-	(18,000)
Repayments on capital lease payable	(20,827)	(2,739)
Net cash (used in) financing activities	(20,827)	(20,739)
Net increase (decrease) in cash and cash equivalents	(357,938)	474,954
Cash and cash equivalents - beginning of period	1,982,276	1,398,848
Cash and cash equivalents - end of period	$1,624,338	$1,873,802
Cash paid for:		
Interest	$2,183	$4,389
Non-cash investing activities		
Purchase of equipment with the assumption of capital lease obligation	$-	$128,807

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

DECEMBER 31, 2017 AND MARCH 31, 2017

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 technology-based developer and manufacturer of diversified lines of products and derive revenues from the production and sale of electronics for medical devices and other applications; environmentally safe chemical products for industrial, medical and cosmetic uses; and, research, development, regulatory and engineering services.

The accompanying unaudited condensed consolidated financial statements have been prepared by ADM pursuant to generally accepted accounting principles in the United States and 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 condensed financial position and 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 should be read in conjunction with the audited consolidated financial statements and explanatory notes for the year ended *March 31, 2017* as disclosed in our annual report on Form *10*-K for that year. The operating results and cash flows for *three* and *nine* months ended *December 31, 2017 (*unaudited) are *not* necessarily indicative of the results to be expected for the pending full year ending *March 31, 2018.*

NOTE *2* - SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of ADM Tronics Unlimited, Inc. and its wholly owned subsidiary Sonotron. 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. 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 *$2,000,* for each of the *three* and *nine* months ended *December 31, 2017* and *2016.* 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.

EARNINGS PER SHARE

Basic earnings per share is calculated based on the weighted average number of common shares outstanding during the periods. Diluted earnings per share is computed similar to basic earnings 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.

Per share basic and diluted earnings amounted to *$0.00* for both the *three* and *nine* months ended *December 31, 2017* and $(*0.00*) and *$0.01* for the *three* and *nine* months ended *December 31, 2016,* respectively. There were *3,000,000* common stock equivalents at *December 31, 2017* and *2016,* respectively.

RECENT ACCOUNTING PRONOUNCEMENTS

In *July 2015,* the FASB issued ASU *2015-11,* “Inventory. Simplifying the Measurement of Inventory.” This amendment requires companies to measure inventory at the lower of cost and net realizable value. The Company adopted this amendment in *April* of *2017,* and the implementation did *not* have a material impact on the Company's financial statements.

Management is still evaluating the impact of recently issued, but *not* yet effective accounting pronouncements, if adopted. The effects of the standards on the Company’s consolidated financial statements are *not* known at this time.

NOTE *3* - INVENTORIES

Inventories at *December 31, 2017* consisted of the following:

	Current	Long Term	Total
Raw materials	$*489,860*	$*56,611*	$*546,471*
Finished goods	*11,086*	-	*11,086*
	$*500,946*	$*56,611*	$*557,557*

Inventories at *March 31, 2017* consisted of the following:

	Current	Long Term	Total
Raw materials	$*338,443*	$*56,611*	$*395,054*
Finished goods	*31,353*	-	*31,353*
	$*369,796*	$*56,611*	$*426,407*

The Company values its inventories at the lower of cost and net realizable value using the *first* in, *first* out method.

NOTE *4* – CONCENTRATIONS

During the *three* months ended *December 31, 2017 three* customers accounted for *52%* of our net revenue. During the *nine* months ended *December 31, 2017 three* customers accounted for *59%* of our net revenue.

During the *three*-month period ended *December 31, 2016, one* customer accounted for *71%* of our net revenue. During the *nine*-month period ended *December 31, 2016, one* customer accounted for *61%* of our net revenue

As of *December 31, 2017, three* customers represented *90%* of our accounts receivable.

As of *March 31, 2017, one* customer represented *83%* of our accounts receivable.

The Company's customer base is comprised of foreign and domestic entities with diverse demographics. Net revenues from foreign customers for the *three* and *nine* months ended *December 31, 2017* was *$92,967* or *10%* and *$251,825* or *8%,* respectively.

Revenues from foreign customers represented *$48,750* of net revenue or *4.2%* for the *three* months ended *December 31, 2016.* Revenues from foreign customers represented *$602,405* of net revenue or *15.4%* for the *nine* months ended *December 31, 2016.*

As of *December 31, 2017,* and *March 31, 2017,* accounts receivable included *$1,902* and *$48,213,* respectively, from foreign customers.

NOTE *5* - SEGMENT INFORMATION

Information about segments is as follows:

	Chemical	Electronics	Engineering	Total
Three months ended December 31, 2017				
Revenue from external customers	$432,803	$123,685	$464,554	$1,021,042
Segment operating income (loss)	$25,646	$22,111	$(32,104)	$15,653
Nine months ended December 31, 2017				
Revenue from external customers	$1,051,914	$960,442	$1,224,747	$3,237,103
Segment operating income	$88,622	$95,172	$211,208	$395,002
Three months ended December 31, 2016				
Revenue from external customers	$288,083	$410,784	$457,645	$1,156,512
Segment operating income (loss)	$27,225	$(9,544)	$(57,591)	$(39,910)
Nine months ended December 31, 2016				
Revenue from external customers	$942,931	$1,347,857	$1,623,493	$3,914,281
Segment operating income	$128,440	$369,414	$411,743	$909,597
Total assets at December 31, 2017	$1,453,802	$1,327,382	$1,692,666	$4,473,850
Total assets at March 31, 2017	$1,110,111	$1,553,484	$1,857,054	$4,520,649

NOTE *6* - OPTIONS OUTSTANDING

On *September 2, 2015,* ADM granted *3,000,000* stock options to employees at an exercise price of *$0.20* per option and with a term of *three* years. The options were valued at *$598,699* using the Black Scholes option pricing model with the following assumptions: risk free interest rate of *2.03%,* volatility of *353%,* estimated useful life of *3* years and dividend rate of *0%.*

The following table summarizes information on all common share purchase options issued by us for the periods ended *December 31, 2017* and *March 31, 2017.*

	December 31, 2017		March 31, 2017	
	# of Shares	Weighted Average Exercise Price	# of Shares	Weighted Average Exercise Price
Outstanding, beginning of year period	*3,000,000*	$ *0.20*	*3,000,000*	$ *0.20*
Issued	-	$ -	-	$ -
Exercised	-	$ -	-	$ -
Expired	-	$ -	-	$ -
Outstanding, end of period	*3,000,000*	$ *0.20*	*3,000,000*	$ *0.20*
Exercisable, end of period	*3,000,000*	$ *0.20*	*3,000,000*	$ *0.20*

NOTE *7* - COMMITMENTS AND CONTINGENCIES

We lease our office and manufacturing facility under a non-cancelable operating lease, which expires on *June 30, 2018.* The Company's future minimum lease commitment at *December 31, 2017* is as follows:

For the twelve-month period ending December 31,	Amount
2018	$*52,313*
	$*52,313*

Rent and real estate tax expense for all facilities for the *three* and *nine* months ended *December 31, 2017* and *2016* was approximately *$28,000* and *$96,000,* respectively.

9

On *December 2, 2016,* the Company entered into a capital lease agreement with a commercial bank in the amount of *$85,680,* including *$6,930* in deferred interest, for the purchase of certain property and equipment. The lease has a term of *forty-eight* (*48*) months and is payable in *forty-eight* equal installments of *$1,785.* The balance of this obligation as of *December 31, 2017,* was *$57,422.*

On *December 2, 2016,* the Company entered into a capital lease agreement with a commercial bank in the amount of *$54,710,* including *$4,710* in deferred interest, for the purchase of certain property and equipment. The lease has a term of *forty-eight* (*48*) months and is payable in *forty-eight* equal installments of *$1,139.* The balance of this obligation as of *December 31, 2017,* was *$36,458*

NOTE *8* - INCOME TAXES

At *December 31, 2017,* the Company had federal net operating loss carry-forwards ("NOL")'s of approximately *$1,881,000,* 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 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.

The Company provides a partial valuation allowance for the deferred tax asset resulting from the uncertainty that the stock-based compensation will be deductible. During the *nine* months ended *December 31, 2017,* the Company utilized approximately *$407,000* in net operating losses and expects to utilize the entire *$1,881,000* before expiration.

The effective rates were approximately *97%* and *0%* for the *three* and *nine* months ended *December 31, 2017* and *2016,* respectively.

The Tax cuts and Job Acts, enacted on *December 22, 2017,* among other provisions, reduces the top corporate tax rate from *35%* to a flat *21%* and eliminates the Corporate Alternative Minimum Tax for tax years beginning after *January 1, 2018.* This new law change necessitated a discrete adjustment to reduce the deferred income tax asset by *$227,000.*

NOTE *9* – DUE TO STOCKHOLDER

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 *10* – SUBSEQUENT EVENTS

We evaluated all subsequent events from the date of the condensed consolidated balance sheet through the issuance date 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, 2017.

CRITICAL ACCOUNTING POLICIES

REVENUE RECOGNITION

We recognize revenue from engineering services on a project or monthly basis and contract manufacturing revenues are recognized after shipment of completed products. For the sale of our electronic products, revenues are recognized when they are shipped to the purchaser. 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.

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

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

The Company is a technology-based developer and manufacturer of diversified lines of products and derives revenue from the production and sale of electronics for medical devices and other applications; environmentally safe chemical products for industrial, medical and cosmetic uses; and, research, development, regulatory and engineering services.

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 subsidiary Sonotron Medical Systems, Inc. ("SMI").

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2017 AS COMPARED TO DECEMBER 31, 2016

For the Three Months Ended December 31, 2017

	Chemical	Electronics	Engineering	Total
Revenue	$432,803	$123,685	$464,554	$1,021,042
Cost of Sales	232,553	90,021	216,610	539,184
Gross Profit	200,250	33,664	247,944	481,858
Gross Profit Percentage	46%	27%	53%	47%
Operating Expenses	174,604	11,553	280,048	466,205
Operating Income (Loss)	25,646	22,111	(32,104)	15,653
Other income (expenses)	1,937	1,124	1,469	4,530
Income (loss) before benefit from income taxes	$27,583	$23,235	$(30,635)	$20,183

For the Three Months Ended December 31, 2016

	Chemical	Electronics	Engineering	Total
Revenue	$288,083	$410,784	$457,645	$1,156,512
Cost of Sales	114,772	304,204	180,632	599,607
Gross Profit	173,311	106,580	277,013	556,905
Gross Profit Percentage	60%	26%	61%	48%
Operating Expenses	146,086	116,124	334,605	596,815
Operating Income (Loss)	27,225	(9,544)	(57,591)	(39,910)
Other income (expenses)	(652)	(783)	(1,276)	(2,711)
Income (loss) before benefit from income taxes	$26,573	$(10,327)	$(58,867)	$(42,621)

Variance

	Chemical	Electronics	Engineering	Total
Revenue	$ 144,720	$ (287,099)	$ 6,909	$ (135,470)
Cost of Sales	117,781	(214,183)	35,978	(60,423)
Gross Profit	26,939	(72,916)	(29,069)	(75,047)
Gross Profit Percentage	-14 %	1 %	-7 %	-1 %
Operating Expenses	28,518	(104,571)	(54,557)	(130,610)
Operating Income (Loss)	(1,579)	31,655	25,487	55,563
Other income (expenses)	2,589	1,907	2,745	7,241
Income (loss) before benefit from income taxes	$ 1,010	$ 33,562	$ 28,232	$ 62,804

For the Nine Months Ended December 31, 2017

	Chemical	Electronics	Engineering	Total
Revenue	$ 1,051,914	$ 960,442	$ 1,224,747	$ 3,237,103
Cost of Sales	478,967	423,061	449,639	1,351,667
Gross Profit	572,947	537,381	775,108	1,885,436
Gross Profit Percentage	54 %	56 %	63 %	58 %
Operating Expenses	484,324	442,209	563,901	1,490,434
Operating Income (Loss)	88,623	95,172	211,207	395,002
Other income (expenses)	3,360	3,068	3,195	9,623
Income (loss) before benefit from income taxes	$ 91,983	$ 98,240	$ 214,402	$ 404,625

For the Nine Months Ended December 31, 2016

	Chemical	Electronics	Engineering	Total
Revenue	$942,931	$1,347,857	$1,623,493	$3,914,281
Cost of Sales	499,312	620,350	576,103	1,695,765
Gross Profit	443,619	727,507	1,047,390	2,218,516
Gross Profit Percentage	47 %	54 %	65 %	57 %
Operating Expenses	315,179	358,093	635,647	1,308,919
Operating Income (Loss)	128,440	369,414	411,743	909,597
Other income (expenses)	(505)	(573)	(1,016)	(2,094)
Income (loss) before benefit from income taxes	$127,935	$368,841	$410,727	$907,503

Variance

	Chemical	Electronics	Engineering	Total
Revenue	$108,983	$(387,415)	$(398,746)	$(677,178)
Cost of Sales	(20,345)	(197,289)	(126,464)	(344,098)
Gross Profit	129,328	(190,126)	(272,282)	(333,080)
Gross Profit Percentage	7 %	2 %	-1 %	2 %
Operating Expenses	169,145	84,116	(71,746)	181,515
Operating Income (Loss)	(39,817)	(274,242)	(200,536)	(514,595)
Other income (expenses)	3,865	3,641	4,211	11,717
Income (loss) before benefit from income taxes	$(35,952)	$(270,601)	$(196,325)	$(502,878)

Revenues for the three and nine months ended December 31, 2017 decreased by $135,470 and $677,178, respectively.

For the three months ended December 31, 2017, the decrease of $135,470 is a result of reduces sales of $287,099 in the electronics segment, partially offset by increased revenues in the chemical segment of $144,720 and increased revenue in the engineering segment of $6,609 . The decrease in the electronics segment and increase in the chemical segment is primarily the result of the changes in customer ordering patterns.

For the nine months ended December 31, 2017, the decrease of $677,178 is comprised of a $387,415 decrease in the electronics segment and a $398,746 decrease om the engineering segment, partially offset by a $108,983 increase in the chemical segment. The decrease in the engineering segment is primarily the result of decreased sales volume from one customer. The decrease in the electronics segment and increase in the chemical segment is primarily the result of the changes in customer ordering patterns.

Gross profit for the three months ended December 31, 2017 decreased by $75,047. Gross profit for the nine months ended December 31, 2017 decreased $333,080. The decrease in gross profit resulted from lower sales for the three and nine periods.

We are highly dependent upon certain customers. During the three months ended December 31, 2017, three customers accounted for 52% of our revenue. During the nine months ended December 31, 2017, three customers accounted for 59% of our revenue. During the three months ended December 31, 2016, one customer accounted for 71% of our revenue. During the nine months ended December 31, 2016, one customer accounted for 61% 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.

Income from operations for the three months ended December 31, 2017 increased by $55,563. Income from operations for the nine months ended December 31, 2017 decreased by $514,595. The reduction in operating income for the nine-month period is from reduces sales as described above coupled with increased operating expenses of $130,610 and increased operating expenses of $181,515, respectively.

For the three months ended December 31, 2017, operating expenses decreased due to a decrease in repairs and maintenance of approximately $40,000 and a decrease in engineering and consulting costs of approximately $107,000, partially offset by an increase in wages of approximately $19,000.

For the nine months ended December 31, 2017, operating expenses increase due to an increase in research and development of approximately $247,000, partially offset by decreases in the following: miscellaneous taxes of approximately $22,000, repairs and maintenance of approximately $32,000, office supplies of approximately of $9,000 and automobile expenses of approximately of $2,000.

Interest income increased $4,423 and $9,511 for the three and nine months ended December 31, 2017, respectively. The increase is due to increased funds invested in a money market account.

The foregoing resulted in net income for the three and nine months ended December 31, 2017 of $11,183 and $237,625, respectively. Earnings per share were $0.00 for both the three and nine month periods ended December 31, 2017. Earnings per share were ($0.00) and $0.01 for the three and nine months ended December 31, 2016, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2017, we had cash and cash equivalents of $1,624,338 as compared to $1,982,276 at March 31, 2017. The $357,938 decrease was primarily the result of cash used in operations during the nine-month period in the amount of $337,111, coupled by cash used in financing activities of $20,827. Our cash will continue to be used for increased marketing costs, and the related administrative expenses all in an attempt to increase our revenue, as well as increased expenditures for our internal R&D. We expect to have enough cash to fund operations for the next twelve months.

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 2018.

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 $1,624,338 as of December 31, 2017, 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 in operating activities was $337,111 for the nine months ended December 31, 2017, as compared to net cash provided by operating activities of $503,987 for the nine months ended December 31, 2016. The cash used during the nine months ended December 31, 2017 was primarily due to net income of $10,625 plus depreciation and amortization of $29,455 and deferred tax assetsof $389,000 coupled with a decrease in net operating liabilities of $36,597, coupled by a decrease in net operating assets of $729,594.

In addition, we have increased our internal R&D expenditures as we are now devoting more of our engineering resources to advance our own proprietary medical device technologies.

INVESTING ACTIVITIES

No cash was provided for or used in investing activities for the nine months ended December 31, 2017.

FINANCING ACTIVITIES

For the nine months ended December 31, 2017, net cash used in financing activities was $20,827. Cash was used for repayments on capital lease obligations.

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.

Cash and cash equivalents – For financial statement purposes, the Company considers as cash equivalents all highly liquid investments with an original maturity of three months or less at inception. The Company deposits cash and cash equivalents with high credit quality financial institutions and believes that any amounts in excess of insurance limitations to be at minimal risk. Cash and cash equivalents held at these accounts are current insured by the Federal Deposit Insurance Corporation ("FDIC") up to a maximum of $250,000. At December 31, 2017, approximately $1,421,000 exceeded the FDIC limit.

Our sales are materially dependent on a small group of customers, as noted in Note 4 of our condensed consolidated 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 not 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, 2017, 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.

The determination that our disclosure controls and procedures were not effective as of December 31, 2017, is a result of:

a. *Deficiencies in Internal Control Structure Environment.* During the current year, the Company’s focus was on expanding their customer base to initiate revenue production.

b. *Inadequate staffing and supervision within the accounting operations of our company.* The relatively small number of employees who are responsible for accounting functions prevents the Company from segregating duties within its internal control system. The inadequate segregation of duties is a weakness because it could lead to the untimely identification and resolution of accounting and disclosure matters or could lead to a failure to perform timely and effective reviews. The Company’s plan is to expand its accounting operations as the business of the Company expands.

The Company believes that the financial statements present fairly, in all material respects, the Company’s condensed consolidated balance sheets as of December 31, 2017, and March 31, 2017 and the related condensed consolidated statements of operations, and cash flows for the three and nine months ended December 31, 2017 and 2016, in conformity with generally accepted accounting principles, notwithstanding the material weaknesses we identified.

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.

16

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

During September 2017, a suit was filed by a vendor for $33,000 claiming non-payment for services regarding investor relations and marketing. The Company has filed a countersuit for $12,000 and 300,000 shares of its common stock, paid to the vendor due to lack of performance and other factors. The Company believes the suit is without merit and intends to vigorously pursue its counterclaims. As the lawsuit is in the initial stages, additional detail is not available 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, 2017.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. 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
February 14, 2018