

ADM TRONICS UNLIMITED, INC.

Form 10-Q

November 23, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

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

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(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:

67,008,502 shares of Common Stock, \$.0005 par value, as of November 20, 2015.

ADM TRONICS UNLIMITED, INC., AND SUBSIDIARYINDEX

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

| | September 30, 2015 (unaudited) | March 31, 2015 |
|--|---|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$942,143 | \$216,395 |
| Accounts receivable, net of allowance for doubtful accounts of \$25,000 for each period | 800,813 | 616,070 |
| Inventories | 193,749 | 137,704 |
| Prepaid expenses and other current assets | 21,595 | 16,595 |
| Restricted cash | 232,874 | 232,525 |
| Deferred tax asset | 410,000 | - |
| Total current assets | 2,601,174 | 1,219,289 |
| Property and equipment, net of accumulated depreciation of \$74,972 and \$74,070, respectively | 2,344 | 3,246 |
| Inventories - long-term portion | 74,639 | 88,257 |
| Intangible assets, net of accumulated amortization of \$154,365 and \$153,667, respectively | 13,784 | 14,481 |
| Other assets | 16,144 | 16,144 |
| Deferred tax asset | 447,000 | - |
| Total other assets | 553,911 | 122,128 |
| Total assets | \$3,155,085 | \$1,341,417 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Note payable - bank | \$108,966 | \$121,966 |
| Accounts payable | 238,754 | 329,291 |
| Accrued expenses and other current liabilities | 271,128 | 221,106 |

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| | | |
|---|--------------|--------------|
| Customer deposits | 99,102 | 99,102 |
| Due to shareholder | 249,606 | 223,849 |
| Total current liabilities | 967,556 | 995,314 |
| | | |
| Total liabilities | 967,556 | 995,314 |
| | | |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value; 5,000,000 shares authorized, no shares issued and outstanding | - | - |
| Common stock, \$.0005 par value; 150,000,000 authorized, 67,008,502 and 64,939,537 shares issued and outstanding at September 30, 2015 and March 31, 2015, respectively | 33,504 | 32,470 |
| Additional paid-in capital | 33,195,759 | 32,298,094 |
| Accumulated deficit | (31,041,734) | (31,984,461) |
| Total stockholders' equity | 2,187,529 | 346,103 |
| | | |
| Total liabilities and stockholders' equity | \$3,155,085 | \$1,341,417 |

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

| | Three months ended September 30, | | Six months ended September 30, | |
|---|-------------------------------------|------------|-----------------------------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net revenues | \$ 1,252,881 | \$ 748,593 | \$ 2,308,809 | \$ 1,372,267 |
| Cost of sales | 495,680 | 263,869 | 796,553 | 602,085 |
| Gross Profit | 757,201 | 484,724 | 1,512,256 | 770,182 |
| Operating expenses: | | | | |
| Research and development | 30,522 | 18,241 | 55,211 | 30,286 |
| Selling, general and administrative | 475,186 | 337,142 | 770,411 | 573,697 |
| Stock based compensation | 598,699 | - | 598,699 | - |
| Depreciation and amortization | 709 | 555 | 1,306 | 1,680 |
| Total operating expenses | 1,105,116 | 355,938 | 1,425,627 | 605,663 |
| Income (loss) from operations | (347,915) | 128,786 | 86,629 | 164,519 |
| Other income (expense): | | | | |
| Interest income | 248 | 1,325 | 569 | 2,372 |
| Interest expense | (830) | (740) | (1,471) | (1,693) |
| Total other income (expense) | (582) | 585 | (902) | 679 |
| Income (loss) before benefit for income taxes | (348,497) | 129,371 | 85,727 | 165,198 |
| Benefit for income taxes - deferred | 857,000 | - | 857,000 | - |
| Net income | \$ 508,503 | \$ 129,371 | \$ 942,727 | \$ 165,198 |
| Basic and diluted per common share: | \$ 0.01 | \$ 0.00 | \$ 0.01 | \$ 0.00 |
| Weighted average shares of common stock outstanding - basic | 66,176,418 | 64,939,537 | 65,561,357 | 64,939,537 |
| Weighted average shares of common stock outstanding - diluted | 66,994,600 | 65,539,537 | 66,379,539 | 65,539,537 |

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

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ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(Unaudited)

| | 2015 | 2014 |
|--|-----------|-----------|
| Cash flows from operating activities: | | |
| Net income (loss) | \$942,727 | \$165,198 |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock based compensation | 598,699 | - |
| Depreciation and amortization | 1,600 | 3,054 |
| Interest receivable | - | (2,106) |
| Deferred income tax | (857,000) | - |
| Increase (decrease) in cash flows as a result of changes in net assets and liabilities balances: | | |
| Accounts receivable | (184,743) | (164,620) |
| Inventories | (42,427) | (183,704) |
| Prepaid expenses and other current assets | (5,000) | (5,819) |
| Accounts payable | (90,538) | 51,282 |
| Customer deposit | - | 103,492 |
| Accrued expenses and other current liabilities | 50,022 | 60,369 |
| Due to shareholder | 25,757 | 57,894 |
| Total adjustments | (503,630) | (80,158) |
| Net cash provided by operating activities | 439,097 | 85,040 |
| Cash flows from investing activities: | | |
| Investment in Angiodroid | - | (1,000) |
| Restricted cash | (349) | (261) |
| Net cash used by investing activities | (349) | (1,261) |
| Cash flows provided (used) in financing activities: | | |
| Repayments on note payable - Bank | (13,000) | (7,000) |
| Sale of common stock | 300,000 | - |
| Net cash provided by (used) in financing activities | 287,000 | (7,000) |
| Net increase (decrease) in cash | 725,748 | 76,779 |
| Cash and cash equivalents - beginning of year | 216,395 | 83,156 |
| Cash and cash equivalents - end of year | \$942,143 | \$159,935 |

Cash paid for:

Interest

\$1,471

\$1,693

The accompanying notes are an integral part of these

condensed consolidated financial statements.

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ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

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 an engineering and manufacturing concern whose principal lines of business are engineering and manufacturing of electronics, primarily medical electronic devices, and the development, production and sale of chemical products.

The accompanying condensed consolidated financial statements as of September 30, 2015 (unaudited) and March 31, 2015 and for the three and six month periods ended September 30, 2015 and 2014 (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 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 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, 2015 as disclosed in our annual report on Form 10-K for that year. The operating results and cash flows for three and six months ended September 30, 2015 (unaudited) are not necessarily indicative of the results to be expected for the pending full year ending March 31, 2016.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of ADM Tronics Unlimited, Inc. and its 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 fiscal years ended March 31, 2015 and 2014. 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.

NET INCOME PER SHARE

Basic net income per share is calculated based on the weighted average number of common shares outstanding during the periods. Diluted net income per share is computed similar to basic income 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 net income amounted to \$0.01 for both the three and six months ended September 30, 2015 and \$0.00 for both the three and six months ended September 30, 2014. There were 3,600,000 and 600,000 common stock equivalents at September 30, 2015 and 2014, respectively.

RECLASSIFICATION

Certain items in the prior financial statements have been reclassified to conform to the current period presentation.

RECENT ACCOUNTING PRONOUNCEMENTS

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

NOTE 3 - INVENTORIES

Inventories at September 30, 2015 consisted of the following:

| | Current | Long Term | Total |
|----------------|-----------|--------------|-----------|
| Raw materials | \$170,822 | \$74,113 | \$244,935 |
| Finished Goods | 22,927 | 526 | 23,453 |
| | \$193,749 | \$74,639 | \$268,388 |

Inventories at March 31, 2015 consisted of the following:

| | Current | Long Term | Total |
|----------------|-----------|--------------|-----------|
| Raw materials | \$95,702 | \$87,638 | \$183,340 |
| Finished Goods | 42,002 | 619 | 42,621 |
| | \$137,704 | \$88,257 | \$225,961 |

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

NOTE 4 – CONCENTRATIONS

During the three month period ended September 30, 2015, one customer accounted for 42% of our revenue.

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

During the six month period ended September 30, 2015, one customer accounted for 42% of our revenue. As of September 30, 2015, one customer represented approximately 50% of our accounts receivable.

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

The Company's customer base is comprised of foreign and domestic entities with diverse demographics. Revenues from foreign customers represented \$98,411 of net revenue or 7.9% for the three months ended September 30, 2015 and \$90,540 of net revenue or 12.1% for the three months ended September 30, 2014.

Revenues from foreign customers represented \$199,638 of net revenue or 8.6% for the six months ended September 30, 2015 and \$130,635 of net revenue or 9.5% for the six months ended September 30, 2014.

As of September 30, 2015 and 2014, accounts receivable included \$35,241 and \$23,128, respectively, from foreign customers.

NOTE 5 - SEGMENT INFORMATION

Information about segments is as follows:

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| | Chemical | Electronics | Engineering | Total |
|---|--------------|-------------|--------------|--------------|
| Three months ended September 30, 2015 | | | | |
| Revenue from external customers | \$385,072 | \$202,374 | \$665,435 | \$1,252,881 |
| Segment operating (loss) | \$(141,767) | \$(62,222) | \$(143,926) | \$(347,915) |
| Six months ended September 30, 2015 | | | | |
| Revenue from external customers | \$751,016 | \$377,603 | \$1,180,190 | \$2,308,809 |
| Segment operating income (loss) | \$59,133 | \$(46,554) | \$74,050 | \$86,629 |
| Three months ended September 30, 2014 | | | | |
| Revenue from external customers | \$340,470 | \$318,203 | \$89,920 | \$748,593 |
| Segment operating income | \$67,924 | \$29,756 | \$31,106 | \$128,786 |
| Six months ended September 30, 2015 | | | | |
| Revenue from external customers | \$637,629 | \$560,413 | \$174,225 | \$1,372,267 |
| Segment operating income (loss) | \$155,403 | \$20,920 | \$(11,804) | \$164,519 |
| Total assets at September 30, 2015 | \$1,026,393 | \$516,007 | \$1,612,786 | \$3,155,085 |
| | \$509,732 | \$389,005 | \$442,680 | \$1,341,417 |

Total assets at
March 31,
2015

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NOTE 6 - OPTIONS OUTSTANDING

During 2013, ADM granted an aggregate of 5,600,000 stock options to employees and consultants expiring at various dates through March 2016. During 2014, 5,000,000 of the outstanding stock options were exercised.

On September 2, 2015, ADM granted an additional 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 as of September 30, 2015 and 2014.

| | 2015 | | 2014 | |
|--------------------------------|-------------|---------------------------------|-------------|---------------------------------|
| | # of Shares | Weighted Average Exercise Price | # of Shares | Weighted Average Exercise Price |
| Outstanding, beginning of year | 600,000 | \$ 0.02 | 5,600,000 | \$ 0.01 |
| Issued | 3,000,000 | \$ 0.20 | - | \$ - |
| Exercised | - | \$ - | (5,000,000) | \$ 0.01 |
| Expired | - | \$ - | - | \$ - |
| Outstanding, end of year | 3,600,000 | \$ 0.17 | 600,000 | \$ 0.02 |
| Exercisable, end of year | 3,600,000 | \$ 0.17 | 600,000 | \$ 0.02 |

NOTE 7 - COMMITMENTS AND CONTINGENCIES

We lease our office and manufacturing facility under a non-cancelable operating lease, which expires on June 30, 2019. The Company's future minimum lease commitment at September 30, 2015 is as follows:

| For the twelve month period ended September 30, | Amount |
|---|-----------|
| 2016 | \$104,625 |
| 2017 | 104,625 |
| 2018 | 78,469 |
| | \$287,719 |

Rent and real estate tax expense for all facilities for the six months ended September 30, 2015 and 2014 was approximately \$63,000 for each period.

MASTER SERVICES AGREEMENT

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

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

Effective October 1, 2013 the monthly amount to be paid by IHS for these services was \$3,000 plus additional amounts for individual projects requested from time to time by IHS. Pursuant to this agreement, revenues from engineering services to IHS were \$9,000 and \$18,000 for the three and six months ended September 30, 2015, respectively.

LEGAL PROCEEDINGS

NONE

NOTE 8 - INCOME TAXES

At September 30, 2015, the Company had federal and state net operating loss carry-forwards ("NOL")s of approximately \$3,692,000, which are due to expire through fiscal 2034. These NOLs may be used to offset future taxable income through their respective expiration dates and thereby reduce or eliminate our federal and state income taxes otherwise payable. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Ultimate utilization of such NOL's and credits is dependent upon the Company's ability to generate taxable income in future periods and may be significantly curtailed if a significant change in ownership occurs.

Due to the uncertainty related to future taxable income, the Company provides a partial valuation allowance for the deferred tax benefit resulting from the NOL's and depreciation and amortization. During the six months ended September 30, 2015, the Company utilized approximately \$700,000 in net operating losses and expects to utilize \$2,800,000 before expiration. For the three and six months ended September 30, 2015, the \$857,000 benefit for deferred income taxes results from a reduction in the valuation allowance.

NOTE 9 – DUE TO SHAREHOLDER

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

NOTE 10 – SUBSEQUENT EVENTS

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

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

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the "safe harbor" provisions under section 21E of the Securities and Exchange Act of 1934 and the Private Securities Litigation Act of 1995. We use forward-looking statements in our description of our plans and objectives for future operations and assumptions underlying these plans and objectives. Forward-looking terminology includes the words "may", "expects", "believes", "anticipates", "intends", "forecasts", "projects", or similar terms, variations of such terms or the negative of such terms. These forward-looking statements are based on management's current expectations and are subject to factors and uncertainties which could cause actual results to differ materially from those described in such forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Form 10-Q to reflect any change in our expectations or any changes in events, conditions or circumstances on which any forward-looking statement is based. Factors which could cause such results to differ materially from those described in the forward-looking statements include those set forth under "Item. 1 Description of Business – Risk Factors" and elsewhere in or incorporated by reference into our Annual Report on Form 10-K for the year ended March 31, 2015.

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

ADM is a corporation that was organized under the laws of the State of Delaware on November 24, 1969. During the six months ended September 30, 2015 and 2014, our operations are conducted through ADM Tronics Unlimited, Inc. ("ADM") and its subsidiary, Sonotron Medical Systems, Inc. ("SMI"). 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.

We are a technology-based engineering and manufacturing company with diversified lines of products in the following four areas: (1) electronic products for numerous industries, including therapeutic non-invasive electronic medical devices and electronic controllers for spas and hot tubs, (2) environmentally safe chemical products for industrial use, (3) cosmetic and topical dermatological products and (4) antistatic paint and coatings products.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2015 AS COMPARED TO SEPTEMBER 30, 2014

For the Three Months Ended September 30, 2015

| | Chemical | Electronics | Engineering | Total |
|--|-----------------|--------------------|--------------------|--------------|
| Revenue | \$385,072 | \$202,374 | \$665,435 | \$1,252,881 |
| Cost of Sales | 174,205 | 84,650 | 236,825 | 495,680 |
| Gross Profit | 210,867 | 117,724 | 428,610 | 757,201 |
| Gross Profit Percentage | 55 % | 58 % | 64 % | 60.4 % |
| Operating Expenses | 352,634 | 179,946 | 572,536 | 1,105,116 |
| Operating Income (Loss) | (141,767) | (62,222) | (143,926) | (347,915) |
| Other income (expenses) | (140) | (94) | (348) | (582) |
| Income (loss) before benefit from income taxes | \$(141,907) | \$(62,316) | \$(144,274) | \$(348,497) |

For the Three Months Ended September 30, 2014

| | Chemical | Electronics | Engineering | Total |
|--|-----------------|--------------------|--------------------|--------------|
| Revenue | \$340,470 | \$318,203 | \$89,920 | \$748,593 |
| Cost of Sales | 110,108 | 138,086 | 15,675 | 263,869 |
| Gross Profit | 230,362 | 180,117 | 74,245 | 484,724 |
| Gross Profit Percentage | 68 % | 57 % | 83 % | 65 % |
| Operating Expenses | 162,438 | 150,361 | 43,139 | 355,938 |
| Operating Income (Loss) | 67,924 | 29,756 | 31,106 | 128,786 |
| Other income (expenses) | 272 | 240 | 73 | 585 |
| Income (loss) before benefit from income taxes | \$68,196 | \$29,996 | \$31,179 | \$129,371 |

Variance

| | Chemical | Electronics | Engineering | Total |
|--|-----------------|--------------------|--------------------|--------------|
| Revenue | \$44,602 | \$(115,829) | \$575,515 | \$504,288 |
| Cost of Sales | 64,097 | (53,436) | 221,150 | 231,811 |
| Gross Profit | (19,495) | (62,393) | 354,365 | 272,477 |
| Gross Profit Percentage | -13 % | 2 % | -18 % | -4 % |
| Operating Expenses | 190,196 | 29,585 | 529,397 | 749,178 |
| Operating Income (Loss) | (209,691) | (91,978) | (175,032) | (476,701) |
| Other income (expenses) | (412) | (334) | (421) | (1,167) |
| Income (loss) before benefit from income taxes | \$(210,103) | \$(92,312) | \$(175,453) | \$(477,868) |

For the Six Months Ended September 30, 2015

| | Chemical | Electronics | Engineering | Total |
|--|-----------------|--------------------|--------------------|--------------|
| Revenue | \$ 751,016 | \$ 377,603 | \$ 1,180,190 | \$ 2,308,809 |
| Cost of Sales | 228,154 | 191,000 | 377,399 | 796,553 |
| Gross Profit | 522,862 | 186,603 | 802,791 | 1,512,256 |
| Gross Profit Percentage | 70 % | 49 % | 68 % | 65.5 % |
| Operating Expenses | 463,729 | 233,157 | 728,741 | 1,425,627 |
| Operating Income (Loss) | 59,133 | (46,554) | 74,050 | 86,629 |
| Other income (expenses) | (294) | (148) | (460) | (902) |
| Income (loss) before benefit from income taxes | \$ 58,839 | \$ (46,702) | \$ 73,590 | \$ 85,727 |

For the Six Months Ended September 30, 2014

| | Chemical | Electronics | Engineering | Total |
|--|-----------------|--------------------|--------------------|--------------|
| Revenue | \$ 637,629 | \$ 560,413 | \$ 174,225 | \$ 1,372,267 |
| Cost of Sales | 200,802 | 292,150 | 109,133 | 602,085 |
| Gross Profit | 436,827 | 268,263 | 65,092 | 770,182 |
| Gross Profit Percentage | 69 % | 48 % | 37 % | 56 % |
| Operating Expenses | 281,424 | 247,343 | 76,896 | 605,663 |
| Operating Income (Loss) | 155,403 | 20,920 | (11,804) | 164,519 |
| Other income (expenses) | 316 | 277 | 86 | 679 |
| Income (loss) before benefit from income taxes | \$ 155,719 | \$ 21,197 | \$ (11,718) | \$ 165,198 |

Variance

| | Chemical | Electronics | Engineering | Total |
|--|-----------------|--------------------|--------------------|---------------|
| Revenue | \$ 113,387 | \$ (182,810) | \$ 1,005,965 | \$ 936,542 |
| Cost of Sales | 27,352 | (101,150) | 268,266 | 194,468 |
| Gross Profit | 86,035 | (81,660) | 737,699 | 742,074 |
| Gross Profit Percentage | 1 % | 2 % | 31 % | 9 % |
| Operating Expenses | 182,305 | (14,186) | 651,845 | 819,964 |
| Operating Income (Loss) | (96,270) | (67,474) | 85,854 | (77,890) |
| Other income (expenses) | (610) | (425) | (546) | (1,581) |
| Income (loss) before benefit from income taxes | \$ (96,880) | \$ (67,899) | \$ 85,308 | \$ (79,471) |

Revenues for the three months ended September 30, 2015 increased by \$504,288, or 67% due to an increase in engineering revenue of \$575,515 coupled with an increase in sales in our chemical division of \$44,602 offset by a decrease in our electronic segment in the amount of \$115,829. The increase in engineering services is primarily the result of several projects for one customer.

Revenues for the six months ended September 30, 2015 increased by \$936,542 or 68% due to an increase in engineering revenue of \$1,005,965 coupled with an increase in sales in our chemical division of \$113,387 offset by a decrease in our electronic segment in the amount of \$182,810. The increase in engineering services is primarily the result of several projects for one customer.

Gross profit for the three months ended September 30, 2015 increased by \$272,477. Gross profit for the six months ended September 30, 2014 increased by \$742,074. The increase in gross profit in the electronics and chemical segments resulted from changes in the mix of products sold. The increase in gross profit in the engineering segment resulted from better utilization of labor due to the increased revenue from new projects from one customer.

We are highly dependent upon certain customers. During the three and six months ended September 30, 2015 one customer accounted for 42% of our revenue. During the three and six months ended September 30, 2014, one customer accounted for 18% 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 September 30, 2015 decreased by \$476,701 due to stock based compensation of \$598,699. Selling, general, and administrative expenses increased by \$153,685 or 48%, from \$321,501 to \$475,186 mainly due to an increase of \$28,884 wages, a \$23,560 increase in commission and royalty fees, \$39,860 in consulting fees, \$54,383 in engineering fees and \$13,437 in insurance.

Income from operations for the six months ended September 30, 2015 decreased by \$77,890. Selling, general, and administrative expenses increased by \$196,714 or 34% from \$573,697 to \$770,411 mainly due to an increase of \$40,021 in wages, \$63,944 in commission and royalty fees and an increase in contract services of \$37,974.

During the six months ended September 30, 2015, we had \$598,699 of stock based compensation related to 3,000,000 options granted to employees. There was no stock based compensation for the six months ended September 30, 2014.

Interest income decreased \$1,077 to \$248 in the three months ended September 30, 2015, from \$1,325 in the three months ended September 30, 2014 and interest income decreased \$1,803 to \$569 in the six months ended September 30, 2015 from \$2,372 in the six months ended September 30, 2014 due to decreased funds invested in a money market account.

For the three and six months ended September 30, 2015, the \$857,000 credit for deferred income taxes results from a reduction in the valuation allowance.

The foregoing resulted in net income for the three months ended September 30, 2015 of \$508,503, or \$0.01 per share, compared to net income for the three months ended September 30, 2014 of \$129,371 or \$0.00 per share.

The net income for the six months ended September 30, 2015 and 2014 was \$942,727 or \$0.01 per share and \$165,198 or \$0.00 per share, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2015, we had cash and cash equivalents of \$942,143 as compared to \$216,395 at March 31, 2015. The \$725,748 increase was primarily the result of cash provided in operations during the six month period in the amount of \$439,097 and cash provided in financing activities in the amount of \$287,000 offset by cash used in

investing activities of \$349. 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 \$108,966 at September 30, 2015, is secured and collateralized by restricted cash of \$232,874. This note bears an interest rate of 2% above the rate of the savings account. The interest rate at September 30, 2015 was 2.15% and is payable upon demand.

Future Sources of Liquidity:

We expect that growth in profitable revenues and continued focus on new customers will enable us to continue to generate cash flows from operating activities during fiscal 2016.

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 \$942,143 as of September 30, 2015 and other potential sources of cash will be sufficient to meet our cash requirements. Our ability to meet these requirements will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

OPERATING ACTIVITIES

Net cash provided by operating activities was \$439,097 for the six months ended September 30, 2015, as compared to net cash provided by operating activities of \$85,040 for the six months ended September 30, 2014. The cash provided during the six months ended September 30, 2015 was primarily due to net income of \$942,727, stock based compensation of \$598,699, deferred income tax of \$857,000 and decreases in operating liabilities of \$14,759, and net operating assets of \$232,170.

INVESTING ACTIVITIES

Cash was used in investing activities in the amount of \$349 from deposits in the restricted cash in the amount of \$349.

FINANCING ACTIVITIES

For the six months ended September 30, 2015 and 2014, net cash provided (used) in financing activities were \$287,000 and \$(7,000), respectively. For the six months ended September 30, 2015 and 2014, \$13,000 and \$7,000 respectively, was used for repayments on a note from a commercial bank to facilitate our acquisition of Action Industries Unlimited, Inc. (AIU).

Additionally, during the six months ended September 30, 2015, \$300,000 was provided for through the sale of common stock to a major customer.

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 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 Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were 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 September 30, 2015, 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 September 30, 2015 are 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 fairly present, in all material respects, the Company's condensed consolidated balance sheets as of September 30, 2015 and March 31, 2015 and the related condensed consolidated statements of operations, and cash flows for the three and six months ended September 30, 2015 and 2014, 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

NONE

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, 2015.

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
November 23, 2015