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MEGATECH CORP
Form 10-Q
May 03, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, DC. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2002 or

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

For the transition period from _____ to _____

Commission file number 0-9643

MEGATECH CORPORATION
(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of
incorporation of organization)

04-2461059
(IRS. Employer
Identification No.)

555 WOBURN Street, TEWKSBURY, MA
(Address of principal executive offices)

01876
(Zip Code)

(978) 937-9600
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal
year, if changed since last report)

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 []

There were 3,860,558 shares of common stock outstanding at April 30, 2002.

MEGATECH CORPORATION
QUARTERLY REPORT FORM 10-Q
March 31, 2002

PART 1. FINANCIAL INFORMATION

ITEM 1.	Financial Statements (Unaudited)	Page
	Balance Sheet - March 31, 2002 and December 31, 2001	3
	Statement of Operations- for the three months ended	4

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March 31, 2002 and March 31, 2001

Statement of Cash Flows- for the three months ended March 31, 2002 and March 31, 2001	5
Notes to Financial Statements- March 31, 2002	6
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	7
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	9
PART II. OTHER INFORMATION	
ITEM 1. Legal Proceedings	9
ITEM 2. Changes in Securities and Use of Proceeds	9
ITEM 3. Defaults Upon Senior Securities	9
ITEM 4. Submission of Matters to a Vote of Security Holders	9
ITEM 5. Other Information	9
ITEM 6. Exhibits and Reports on Form 8-K	9
Signature Page	10

2

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MEGATECH CORPORATION BALANCE SHEET

	MARCH 31, 2002 (UNAUDITED)	DEC. 31, 2001 (AUDITED)

ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47,045	\$ 64,138
Accounts receivable:		
Trade	214,831	254,061
Other	3,824	3,697
Inventories	494,323	216,506
Prepaid expenses	5,336	7,710

Total current assets	765,359	546,112
Property, plant and equipment, net	67,924	71,233
Other assets	7,666	7,666

Total Assets	\$ 840,949	\$ 625,011
	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities:
 Accounts payable:

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Trade	\$ 209,159	\$ 50,160
Affiliate	22,912	0
Accrued Liabilities	40,484	51,964
Line of credit	100,000	0
	-----	-----
Total current liabilities	372,555	102,124
	-----	-----
Long-Term Debt	37,500	37,500
	-----	-----
Stockholders' equity:		
Common Stock, par value \$.0143 per share, 5,000,000 shares authorized; 3,840,558 shares issued and outstanding,	54,920	54,920
Additional paid-in capital	4,016,948	4,016,948
Deficit	(3,640,974)	(3,586,481)
	-----	-----
Stockholders' equity net	430,894	485,387
	-----	-----
Total liabilities and stockholders' equity	\$ 840,949	\$ 625,011
	=====	=====

See notes to financial statements

3

MEGATECH CORPORATION STATEMENT OF OPERATIONS (UNAUDITED)

	QUARTER ENDED	
	MARCH 31, 2002	MARCH 31, 2001
	-----	-----
Sales	\$ 319,760	\$ 365,022
Cost of sales	110,004	172,104
	-----	-----
Gross profit	209,756	192,918
	-----	-----
Operating expenses:		
Selling	214,602	187,949
General and administrative	44,898	45,382
Research and development	3,809	5,564
	-----	-----
Total operating expenses	263,309	238,895
	-----	-----
Income (loss) from operations	(53,553)	(45,977)
	-----	-----
Other income (expense):		
Interest income	0	86
Interest expense	(750)	(881)
Other income (expense)	(190)	(190)
	-----	-----
Other income (expense), net	(940)	(985)
	-----	-----

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Net income (loss)	\$ (54,493)	\$ (46,962)
=====		
Net income (loss) per share - basic and diluted	\$ (0.014)	\$ (0.012)
=====		
Weighted average number of common shares outstanding	3,840,558	3,813,708
=====		

See notes to financial statements.

4

MEGATECH CORPORATION STATEMENT OF CASH FLOWS (Unaudited)

	QUARTER ENDED	
	MARCH 31, 2002	MARCH 31, 2001

Cash flows from operating activities:		
Net income (loss)	\$ (54,493)	\$ (46,962)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,700	4,617
Changes in operating assets and liabilities:		
Accounts receivable	39,103	54,110
Prepaid expenses	2,374	3,585
Inventories	(277,817)	(23,038)
Accounts payable	181,911	26,817
Accrued liabilities	(11,480)	4,286

Net cash provided by (used in) operating activities	(114,702)	23,415

Cash flows from investing activities:		
Purchases of property and equipment	(2,391)	(2,890)

Net cash used by investing activities	(2,391)	(2,890)

Cash flows from financing activities:		
Advances on line of credit	100,000	0

Net cash provided by financing activities	100,000	0

Net increase (decrease) in cash and cash equivalents	(17,093)	20,525
Cash & cash equivalents, beginning of period	64,138	27,585

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Cash & cash equivalents, end of period	\$ 47,045	\$ 48,110
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See notes to financial statements.

5

MEGATECH CORPORATION NOTES TO FINANCIAL STATEMENTS MARCH 31, 2002

1. BASIS OF PRESENTATION:

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows have been included. Operating results for interim periods are not necessarily indicative of the operating results that may be expected for the full year. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K.

Certain amounts in the statement of operations for the quarter ended March 31, 2001 have been reclassified to conform to the current quarter's presentation.

2. INVENTORIES:

Inventories consisted of the following:

	MARCH 31, 2002	DEC. 31, 2001
Raw materials	\$163,840	\$119,082
Work in process	262,237	37,096
Finished goods	68,246	60,328
	\$494,323	\$216,506

3. MAJOR CUSTOMER INFORMATION:

For the period ended March 31, 2002 and 2001, sales to one and three unrelated sales representatives comprised 81% and 75% of total sales, respectively.

6

ITEM 2.

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MEGATECH CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR QUARTERS ENDED MARCH 31, 2002 AND 2001

RESULTS OF OPERATIONS:

Quarter Ended March 31, 2002 compared to quarter ended March 31, 2001

Sales for the quarter ended March 31, 2002 were \$319,760, compared to \$365,022 for the same quarter last year. The decrease was primarily due to a decrease in international sales. Domestic sales in the quarter ended March 31, 2002 were \$317,730 or 99% of total sales, compared to \$325,802 or 89% of total sales for the same period last year. International sales in the quarter ended March 31, 2002 were \$2,030 or 1% of total sales, compared to \$39,220 or 11% of total sales for the same period last year.

Gross profit for the quarter ended March 31, 2002 was \$209,756 or 66% of sales, compared to \$192,918 or 53% of sales, for the same quarter last year. The increase as a percentage of sales is the result of lower materials and labor costs. Material costs decreased due to better purchasing decisions, and labor costs decreased due to changes in production staffing.

Selling and marketing expenses for the quarter ended March 31, 2002 were \$214,602 or 67% of sales, compared to \$187,949 or 51% of sales for the same period last year. The increase is due to increased commissions due to increased business with Snap On Corporation, as well as changes in marketing staff.

General and administrative expenses for the quarter ended March 31, 2002 were \$44,898 or 14% of sales, compared to \$45,382 or 12% of sales for the same period last year. No major changes in the level of general and administrative expenses were noted in comparison to the previous year.

Research and development expenses for the quarter ended March 31, 2002 were \$3,809 or 1% of sales, compared to \$5,564 or 1% of sales, for the same quarter last year. No major changes in the level of research and development expenses were noted in comparison to the previous year.

The net loss for the quarter ended March 31, 2002 was \$54,493 compared to a net loss of \$46,962 for the same quarter last year. The decrease is the result of the items discussed above.

7

LIQUIDITY AND CAPITAL RESOURCES:

Working capital as of March 31, 2002 was \$392,804 compared to \$443,988 in working capital at December 31, 2001. The decrease was attributable to the net loss for the quarter.

The company maintains a secured line of credit in the amount of \$200,000. At March 31, 2002, \$100,000 in borrowings were outstanding under this line. The company believes that cash generated from operations, together with existing sources of debt financing, will be sufficient to meet foreseeable cash requirements for the next twelve months.

The firm's backlog as of March 31, 2002 was approximately \$2,909,232

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compared to \$255,155 for the same period ended in 2001. The increase in backlog is the result of \$2.6 million in orders from Snap On Corporation for automotive trainers to be delivered to the Venezuelan government from April to June of 2002. Megatech began building products for these orders in March, 2002 which resulted in substantial increases in inventory, accounts payable, and the line of credit as of March 31, 2002.

Through Megatech's partnership with Snap On Corporation to market worldwide transportation trainers that are designed and manufactured by Megatech, the demand for Megatech trainers is increasing throughout the world. The fundamental strength of the partnership with Snap On is based on the synergism that exists between the two product lines. The Snap On product line combined with Megatech trainers makes a unique package which provides a training facility with it's tools from Snap On and it's trainers from Megatech.

8

MEGATECH CORPORATION

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings: None.

Item 2. Changes in Securities: None.

Item 3. Defaults Upon Senior Securities: None.

Item 4. Submission of Matters to a
Vote of Security Holders: None.

Item 5. Other Information: None.

Item 6. Exhibits and Reports on Form 8-K: None.

9

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MEGATECH CORPORATION
(Registrant)

April 30, 2002

/s/ Vahan V. Basmijian

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Date

Vahan V. Basmajian
President, Treasurer

10