Zacks Small-Cap Research

February 5, 2016

Steven Ralston, CFA
312-265-9426
sralston@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Cemtrex Inc. (CETX-NASDAQ)

CETX: Letter to Shareholders highlights achievements & opportunities

Current Recommendation	**Buy**
Prior Recommendation	N/A
Date of Last Change	05/25/2015
Current Price (02/04/16)	$2.15
Six- Month Target Price	**$4.75**

OUTLOOK

Cemtrex has achieved remarkable sales growth over the last five years by targeting markets poised for growth and through astute acquisitions. The company is well-positioned to benefit from the trends of outsourcing in the electronic contract manufacturing industry (ROB Cemtrex GmbH) and of enforcing regulations designed to reduce air pollution (Industrial Products & Services). In 2013, management opportunistically acquired a company twice its size at an extremely attractive valuation, and last December, Advanced Industrial Services was acquired, also at an exceptionally low valuation level. We maintain our Buy rating.

SUMMARY DATA

52-Week High	**$5.58**
52-Week Low	**$2.00**
One-Year Return (%)	**-33.96**
Beta	**2.58**
Average Daily Volume (shrs.)	**73,597**
Shares Outstanding (million)	**7.59**
Market Capitalization ($ mil.)	**$16.31**
Short Interest Ratio (days)	**0.24**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**65**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**76.8**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**5.4**
P/E using 2016 Estimate	**3.4**
P/E using 2017 Estimate	**2.5**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Pollution Control**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Dec)	Q2 (Mar)	Q3 (Jun)	Q4 (Sep)	Year (Sep)
2014	8.96 A	11.55 A	13.45 A	13.69 A	47.65 A
2015	13.84 A	14.33 A	14.67 A	14.05 A	56.89 A
2016					76.17 E
2017					98.79 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Dec)	Q2 (Mar)	Q3 (Jun)	Q4 (Sep)	Year (Sep)
2014	$0.06 A	$0.11 A	$0.11 A	$0.11 A	$0.39 A
2015	$0.06 A	$0.16 A	$0.14 A	$0.06 A	$0.40 A
2016					$0.63 E
2017					$0.85 E

Zacks Projected EPS Growth Rate - Next 5 Years % **25**

Quarterly EPS may not equal annual EPS total due to rounding.

© Copyright 2016, Zacks Investment Research. All Rights Reserved.

KEY POINTS

- Cemtrex Inc. is a **diversified industrial equipment** company that manufactures a range of engineered products and systems.
- The company operates two business segments: Environmental Products & Systems and Industrial Products & Services.
  - The **Environmental Products & Systems** (56% of revenues in fiscal 2015) sells air filtration and environmental control products through **Griffin Filters** and designs, assembles and sells emission monitors and systems for measurement of emissions of regulated air pollutants and also markets monitoring and analysis equipment for gas and liquid measurement for the oil & gas industry.
  - The **Industrial Products & Services** (44%) segment is composed of **ROB Cemtrex GmbH**, which offers contract electronic manufacturing services to original equipment manufacturers (OEMs), and in the first quarter of fiscal 2016, **Advanced Industrial Services** was acquired.
- Management is committed to growing Cemtrex, both organically and through acquisitions. The company has achieved 5-year top-line growth at a 76.7% CAGR. Cemtrex's impressive top-line growth has been achieved primarily through acquisitions.
- CEO Saagar Govil constantly evaluates potential acquisition candidates, both bolt on and new market candidates.
  - On October 28th, Cemtrex signed a **LOI to acquire an air filtration solutions provider.**
  - Cemtrex is exploring entering the emerging renewable energy sector in India. Management is currently in talks to set up solar power plants in India though the projects are still in the negotiation phase and will be subject to obtaining the necessary financing.
- The company's extremely robust revenue growth has been recognized by inclusion into **Deloitte's Technology Fast 500**™ in 2012 and more recently, in the **Richmond Club Index**.
  - In October 2015, Cemtrex's CEO, **Saagar Govil**, was ranked **#17 on the Silicon Alley Top 100 list** compiled by Business Insider.
  - In January 2016, Saagar Govil was selected by Forbes as one of its 2016 **30 Under 30** list in Industry & Manufacturing.
- Cemtrex **achieved profitability in mid-2010**, and since has remained profitable every quarter.
- Initially (from 2004 to 2012), management concentrated on environmental control systems and technologies that directly benefit from governmental pollution control regulations.
- In 2013, management opportunistically acquired the ROB Group (subsequently renamed **ROB Cemtrex GmbH**), an electronics design and manufacturing company in Germany. The acquisition increased the company's sales base by approximately 200%.
- In December 2015, **Advanced Industrial Services** was acquired for approximately $7.5 million.
- Over 64% of outstanding voting equity is beneficially held by Arun Govil (the company's prior CEO) and Saagar Govil (the current CEO).
- On June 25, 2015, Cemtrex began trading on the NASDAQ Capital Markets Exchange. The up-listing should benefit the company through better institutional investor awareness and increased share liquidity.
- We maintain our Buy rating.

RECENT NEWS

2015 Annual Letter to Shareholders

On February 3, 2016, CEO Saagar Govil issued his Annual Letter to Shareholders, in which he enumerated the company's financial achievements, along with the milestones realized. Saagar continues to execute the company's growth strategy citing potential upcoming opportunities.

Financial Achievements:

- Book value per share increased by $0.46.
- Net income increased 6% to $2,838,116.

Milestones:

- Cemtrex was uplisted from the OTC Exchange to the NASDAQ Capital Markets exchange.
- Acquisition of Advanced Industrial Services in December 2015.

Operational Updates:

The Environmental Products & Services Group grew dramatically in fiscal 2015, primarily from South East Asian demand, specifically in Indonesia, Malaysia, India, Thailand and Vietnam.

The Electronics Manufacturing Services Group experienced a decline in revenues primarily due to a decline in the exchange rate of Euro versus US Dollar. Also, a few customers deferred production from fiscal 2015 to fiscal 2016.

Opportunities:

The International Energy Agency estimates that **India** will add up to 1,200 GW of **additional new power generation capacity** by 2050, which will require infrastructure spending in certain industries (e.g. cement, steel, asphalt, chemicals, oil & gas, etc.). Cemtrex supplies the required environmental and air filtration equipment and emission monitors to these industries.

Several years ago, Cemtrex developed **VAMOX technology** for the sequestration of methane in coal mines. At a starting price of $2 million for a VAMOX system, the technology was economically viable (payback period of 3-to-4 years) under a cap and trade system, which unfortunately was never implemented in the US. In September 2015, China announced a carbon trading system will be developed to help reduce the country's greenhouse gas emissions, which would create an opportunity to market this proprietary technology. Management is closely monitoring the situation.

Financing:

Over the last several months, Cemtrex issued approximately $2 million convertible debentures in order to fund continued growth and the AIS acquisition. In order to continue executing the company's growth strategy, additional capital was needed despite the potential dilution to shareholders. If alternate funding methods are not available, management may pursue a shelf registered offering in order to be prepared if a compelling opportunity presents itself.

Acquisition of Advanced Industrial Services

On December 15, 2015, Cemtrex completed the acquisition of **Advanced Industrial Services** (AIS). Initially announced as a LOI to acquire a US-based industrial manufacturing and services company four months ago, Cemtrex has closed the purchase transaction of this privately-held company this week. During 2013 and 2014, AIS' **average annual revenue was approximately $23 million** which generated annual normalized EBITDA of $2.4 million. The **purchase price** was **approximately $7.5 million** ($5.0 million cash, $1.5 million debt and $1.0 million in stock). Management anticipates the acquisition will be highly accretive and contribute to margin improvement.

Based in York, PA, Advanced Industrial Services provides a multitude of industrial services enabling the company to offer turnkey services for the assembly, disassembly, relocation and placement of equipment and plants. The company's expertise in rigging, millwrighting, lifting (the companies Tri lifter has the ability to lift over 50 tons), piping (welded, threaded, soldered and mechanical jointed), electrical installation (wiring, controllers, panels, conduit), optical alignment and field fabrication permit AIS to provide a broad range of turnkey installation services as well as to deliver installation or assistance for

relocation, process piping, industrial control, power system, custom fabrication and precise geometric positioning projects. Also, AIS has experience installing industrial air filtration equipment similar to Cemtrex's offerings, which will allow for synergistic opportunities to provide installation services for Cemtrex products.

In addition, AIS owns a tractor fleet enabling the transportation not only of heavy equipment for relocation and installations, but also of containers from the ports of Baltimore and Philadelphia. Advanced Industrial Services has multiple warehouse locations for the storage of equipment, containers *et cetera* in either climate-controlled or non-climate-controlled warehouses. Other warehouse services include packaging/crating and loading for overseas shipments, equipment cleaning, maintenance, repairs, assembly and waterproofing. The broad base of industrial services provided by Advanced Industrial Services helps diversify the revenue base of Cemtrex in terms of both industries and geographies served.

Pending Potential Acquisitions

On October 28, 2015, Cemtrex signed a **Letter of Intent (LOI) to acquire an air filtration solutions provider** of clean air products and services for industrial, commercial, and municipal facilities located in California. Having provided the air quality systems for over 25 years, the target company generated **approximately $5 million in revenues** and about $500,000 in normalized EBITDA during 2014. The purchase price is approximately $1.55 million ($400,000 cash, $950,000 debt and $200,000 in stock). Management expects the acquisition to close by January 31, 2016. Currently, management is conducting due diligence on the target.

On September 1, 2015, Cemtrex announced plans to venture into the **renewable energy sector** (solar, wind and biomass) **in India**, which is expected to expand from 1,500 Megawatts in 2014 to above 100,000 Megawatts in 2022. Prime Minister Narendra Modi is especially targeting renewable energy to help attain the Indian government's goal of energy independence, and approximately $200 billion in investments will be required to achieve 175 GW in capacity. Cemtrex is in preliminary discussions with several state agencies in India which providing incentives towards the procurement of renewable energy sources. **Management plans** to create a wholly-owned subsidiary in India **to construct and operate a 100 MW solar power plant**.

New Order Announcement

On January 26, 2016, Cemtrex announced recent new orders totaling over $8 million over the last two months across both business groups. The **Industrial Products and Services group** (formerly the Environmental Products & Systems group but now with the addition of Advanced Industrial Services) received approximately $6 million in new orders directed towards the power, chemicals, automotive and construction industries. The **Electronics Manufacturing Services group** received approximately $2 million in orders from companies serving the medical device, industrial automation technology and heavy machinery equipment industries. Product deliveries are expected to span over the next 12 months.

Recognition of Growth Potential

In January 2016, Cemtrex's CEO, Saagar Govil, was selected by Forbes as one of its 2016 **30 Under 30** list in Industry & Manufacturing. The Forbes list is the magazine's selection of the brightest young entrepreneurs, breakout talents and change agents.

On October 8, 2015, Business Insider announced its annual of the **most inspiring and influential people in New York tech**. Cemtrex's CEO, Saagar Govil, was **ranked #17** on the Top 100 list.

On April 1, 2015, Cemtrex was included in the **Richmond Club Index**, an index of public companies that pass a rigorous, three-step process of top-down analysis, bottom-up analysis and a CEO interview that

attempts to identify undervalued companies with excellent growth potential. The Richmond Club Index has achieved 17%+ annualized performance since its inception in 2005.

Fiscal Year Results

On December 21, 2015, Cemtrex filed financial results for fiscal 2015 ending September 30, 2015. **Total revenues increased 19.4%** from $47,653,114 to $56,887,389. **Revenue of the Environmental Products and Systems segment increased 79.2%** from $17,642,831 to $31,622,344, primarily due to an increased demand for environmental products and services in Southeast Asian markets, especially Indonesia, Malaysia, India, Thailand, and Vietnam. However**, revenue of the Electronics Manufacturing Services segment declined 15.8%** from $ 30,010,283 to $25,265,045, primarily due to the 11.3% decline in the exchange rate of Euro versus US Dollar from $1.2692 to $1.1255. The gross profit margin compressed 403 basis points (bps) from 32.7% to 28.7% due to lower margin jobs being shipped during the fiscal year. Operating expenses increased 9.9% to $13,821,546, less than the rate of the top-line increase, indicating that **the company's cost structure is benefiting from economies of scale**. The company recorded income tax accruals of only $917. The majority of the company's operations are conducted by its foreign subsidiaries which are in lower tax jurisdictions and not subject to US taxation. For example, ROB Cemtrex GmbH located in Germany is owned by the company's Hong Kong subsidiary. **Net income increased 6.3%** to $2,838,116 from $2,668,886 in the comparable quarter last year. **EPS rose 1.9%** from $0.39 to $0.40 per diluted share as average shares outstanding increased 4.3% to 7,078,562 shares. During 2015, 371,069 shares were issued to satisfy $658,000 of convertible notes payable. Subsequently, since October 1st, a further 369,265 shares were issued pursuant to the conversion of $574,000 of convertible notes.

RECENT ORDER ANNOUNCEMENTS

New orders are the lifeblood of most industrial companies. Orders are not only an indicator of the competitiveness of a company's products and/or services, but also a precursor to future revenues. Periodically, Cemtrex announces the receipt of major orders or the accumulation of orders received.

Order Announcements - Last 2 Years

- February 12, 2014 - ROB Cemtrex GmbH receives $3.4 million order for advanced surgical device components to be used by a large European medical device manufacturer.
- March 26, 2014 - ROB Cemtrex GmbH receives $2.8 million order for electronic controllers used by a German industrial original equipment manufacturer.
- May 14, 2014 - Cemtrex receives over $4.0 million in new orders across three business divisions: Monitoring Instruments & Products, ROB Cemtrex and Environmental Systems.
- July 17, 2014 – Cemtrex receives over $7.0 million in new orders across two business divisions: Environmental Monitoring & Systems and Electronic Manufacturing Services.
- October 28, 2014 – Cemtrex receives over $3.0 million in new orders across two business divisions: Environmental Technologies and Electronics Manufacturing.
- January 20, 2015 - Cemtrex receives over $5.0 million in new orders in the electronics manufacturing business.
- April 1, 2015 - Cemtrex receives approximately $1.0 million in new orders to manufacture electronic components for wearable devices.
- July 16, 2014 - Cemtrex receives over $4.2 million in new orders across both business groups.
- October 28, 2015 - Cemtrex receives new orders over $3 million across both business groups.
- January 26, 2016 - Cemtrex receives over $8 million million in new orders across both business groups.

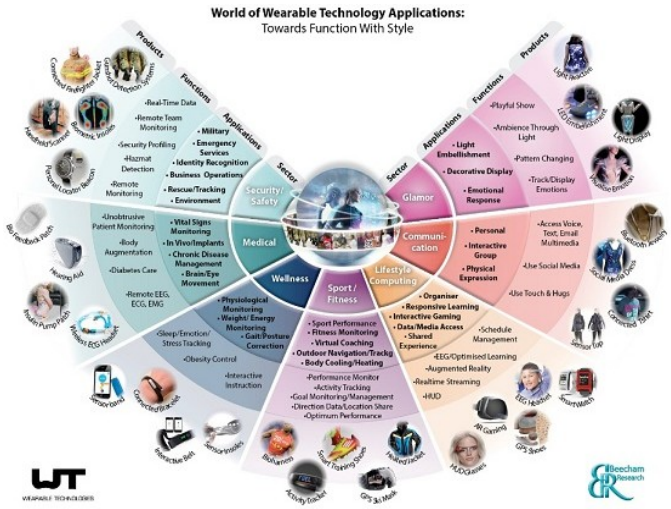
On January 26, 2016, Cemtrex announced recent new orders totaling over $8 million over the last two months across both business groups. The **Industrial Products and Services group** (formerly the Environmental Products & Systems group but now with the addition of Advanced Industrial Services) received approximately $6 million in new orders directed towards the power, chemicals, automotive and construction industries. The **Electronics Manufacturing Services group** received approximately $2 million in orders from companies serving the medical device, industrial automation technology and heavy machinery equipment industries. Product deliveries are expected to span over the next 12 months.

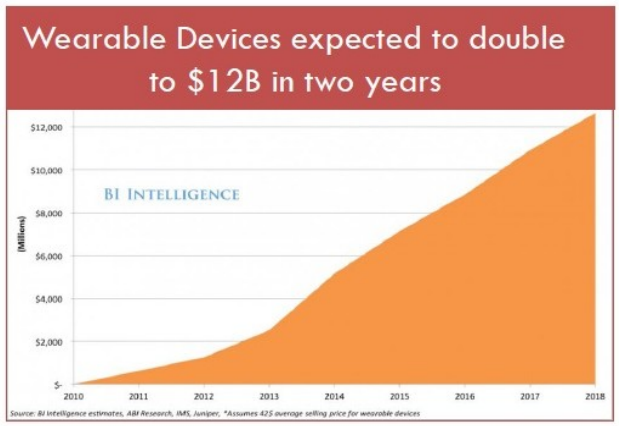
On October 28, 2015, Cemtrex announced recent new orders totaling over $3 million, primarily from existing customers across both business groups. The **Environmental Products & Systems group** received approximately $1.8 million in new orders for new projects in South and East Asia. The **Electronics Manufacturing Services group** received approximately $1.2 million in orders from a diverse set of existing European customers in wearable, medical and industrial markets. Product deliveries are expected to span over the next 12 months.

On July 16, 2015, Cemtrex announced the receipt of **new orders in excess of $4.2 million** across both business groups. The **Environmental Products & Systems group** received approximately $2.5 million in order for environmental products with deliveries expected over the next 12 months, primarily for projects located in Southeast Asia. The **Electronics Manufacturing Services group** received approximately $1.7 million in orders for a diverse set of existing European customers in medical, industrial, and automation industries, also with deliveries expected over the next 12 months.

On April 1, 2015, Cemtrex announced the receipt of **approximately $1,000,000 in new orders** to manufacture electronic components for **wearable devices**. The wearable electronics industry includes electronic devices or products which are worn by people in order to integrate computing into daily activities or work. Examples of wearable devices include watches (like Apple's iWatch), glasses (Google's Glass), contact lenses, e-textiles, smart fabrics, headbands, beanies, caps and jewelry. The wearable electronics is a high growth market which is experiencing short product cycles with quick deployment after product development. According to MarketsandMarkets, the global wearable electronics products market is expected to grow at a 24.56% CAGR from 2014 to 2020.

Cemtrex's order for wearable devices is specifically for a fast-growing European customer in the automotive industry. Deliveries are expected to begin in the second half of 2015 and continue for six to 12 months.





On January 20, 2015, Cemtrex announced that **over $5.0 million in new orders** had been received by its electronics manufacturing business. Deliveries to original equipment manufacturers (OEMs) are expected to start in early 2015 and continue for 12 months. Approximately half of the orders are related

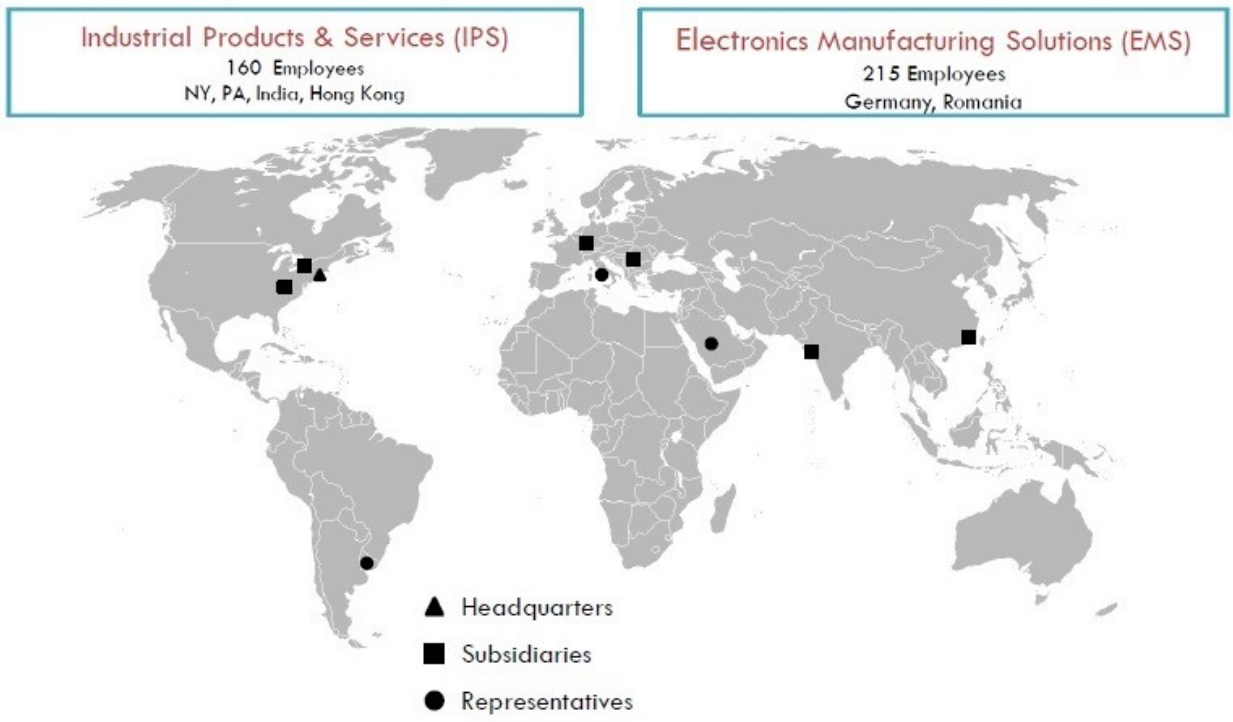
to the **medical devices** industry with other orders fulfilling demand from various industries including the **wearable electronics**, industrial and automotive industries.

OVERVIEW

Headquartered in Farmingdale, New York, Cemtrex Inc. is a diversified industrial equipment company that manufactures a range of engineered products and systems, including custom circuit board assemblies (through its ROB Cemtrex GmbH subsidiary), emissions monitors and instruments (Monitoring Instruments and Products Division) air filtration systems (Griffin Filters) and US industrial manufacturing and services (Advanced Industrial Services). The company provides its products and systems to a wide variety of industries.

Cemtrex operates two business segments: Environmental Products & Systems and Industrial Products & Services.

- ***Environmental Products & Systems*** (56% of revenues in fiscal 2015) sells air filtration and environmental control products (**Griffin Filters**); designs, assembles and sells emission monitors and systems for measurement of emissions of regulated air pollutants and also markets monitoring and analysis equipment for gas and liquid measurement for the oil & gas industry (**Monitoring Instruments and Products Group**).
- ***Industrial Products & Services*** (44% - prior to the acquisition of AIS) is the combination of prior Environmental Products & Systems group and the Advanced Industrial Services acquisition). The Environmental Products & Systems group designs, manufactures and services an array of electronic products including custom engineered printed circuit assemblies, cabling, wire harnessing and the assembly complete electronic products. The segment is composed of the operations of **ROB Cemtrex GmbH**, which offers contract electronic manufacturing services to original equipment manufacturers (OEMs) and other companies, primarily in the medical, industrial, automation and automotive industries. **Advanced Industrial Services** (AIS) is a provider of a multitude of industrial services enabling the AIS to offer turnkey services for the assembly, disassembly, relocation and placement of equipment and plants.



Starting in December 2004, Cemtrex has been built through a series of acquisitions, first in the air emissions market concentrating on monitoring equipment (**emission monitoring assets of Ducon Technologies**) and then diversifying into air filtration equipment (**Griffin LLC**). The product lines of the acquired companies subsequently have been enhanced. However, during fiscal 2012, revenues declined 11% to approximately $12.2 million from $13.7 million in fiscal 2011, primarily due to delays in enacting additional environmental legislation and the extension of enforcing existing emissions regulations. In an effort to become less dependent on the emissions monitoring business, the opportunistic acquisition of an electronics design and manufacturing company (ROB Group, now named **ROB Cemtrex GmbH**) was completed in 2013. In December 2015, Cemtrex completed the acquisition of **Advanced Industrial Services**.

Acquisition Timeline

- December 30, 2004 – acquire **emission monitoring assets** from Ducon Technologies for 325,000 shares[i]
- April 30, 2007 – acquire **Griffin Filters, LLC** for $2.75 million.
- October 30, 2012 – acquire a stake in **Pluto Technologies Inc**., a mobile app startup
- October 31, 2013 – acquire privately-held **ROB Group** (renamed ROB Cemtrex GmbH) for €4.2 million
- October 31, 2013 – acquire privately-held **ROB Group** (renamed ROB Cemtrex GmbH) for €4.2 million
- December 15, 2015 - acquisition of **Advanced Industrial Services** for approximately $7.5 million.

A **Letter of Intent** (LOI) has been announced concerning an **air filtration solutions provider** of clean air products and services for industrial, commercial, and municipal facilities in the western United States that generated approximately $5 million in revenues and about $500,000 in normalized EBITDA during 2014. The latter's purchase price is approximately $1.55 million ($400,000 cash, $950,000 debt and $200,000 in stock). Management is currently conducting due diligence and expects the acquisition to close within the first half of fiscal 2016.

Through the process of creating and expanding the company, extremely robust revenue growth has been achieved, which has been recognized by two organizations. In November 2012, Cemtrex became a member of **Deloitte's Technology Fast 500™**, a ranking of the 500 fastest-growing technology, media, telecommunication, life sciences and clean technology companies in North America. More recently, on April 1, 2015, Cemtrex was included in the **Richmond Club Index**, an index of public companies that pass a rigorous, three-step fundamental analysis process. Also, **Cemtrex achieved profitability in mid-2010, and has remained profitable every quarter thereafter**.

Management is currently pursuing an **opportunistic acquisition strategy** focused on operations complementary to the company's existing strategic product areas or in a technology industry with apparent potential. Management prefers businesses with:

1) favorable long term economic characteristics
2) attractive purchase price
3) operations in markets and industries understood by management
4) manifest methodologies to expedite higher growth and profitability

Cemtrex Uplisted to NASDAQ Capital Markets

On June 25, 2015, common shares of Cemtrex began trading on the NASDAQ Capital Markets under a new symbol: CETX. In honor of the milestone achievement, management rang the NASDAQ Stock Market's closing bell. The up-listing to NASDAQ CM should benefit the company through broadening the investor base to include additional institutional investors and hence increase share liquidity. The uplisting was achieved through both top-line and bottom-line growth, along with a 1 for 6 reverse stock split, which was effective April 15, 2015.

VALUATION

The valuation methodology for pollution control and related companies, including contract manufacturers, usually is based on the use of EV-to-EBITDA (Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization) reflecting the industry's characteristics of profitability and cash flow generation.

Industry Comparables	Pr Chg YTD	P/E CFY	EPS Gr 5Yr Est	Gross Margin	Price/ Book	Price/ Sales	Price/ CF	EV/ EBITDA
CEMTREX INC.	-8.9	3.5	25.0	28.7	2.2	0.3	4.3	7.9
Industry Mean	-1.5	16.7	15.9	36.3	2.2	3.1	11.9	11.0
Industry Median	-4.2	15.6	15.0	34.9	1.0	1.5	9.4	10.8
S&P 500	-6.4	15.3	10.8	N/A	6.3	3.7	14.8	N/A
ALBEMARLE CORP.	-4.4	13.7	16.2	25.2	1.8	1.8	9.6	14.4
CALGON CARBON	-6.4	15.6	7.0	34.9	2.1	1.5	10.7	8.2
CECO ENVIRONMENTAL	-1.4	7.9	15.0	27.6	1.0	0.8	31.9	9.7
IDEX CORP.	-6.2	19.7	13.0	46.5	3.8	2.7	15.4	11.9
FUEL-TECH INC.	-4.2	N/M	25.0	47.4	0.6	0.6	15.5	N/M
Recent Industry Acquisitions		Acquiror						
CYTEC INDUSTRIES INC.		Solvay SA	16.0	30.0	3.6	2.6	14.4	19.7
PALL CORP.		Danaher	12.5	50.2	8.3	4.8	19.3	20.3

Our valuation comparables for pollution control and related companies with gross margins above 25% are Albemarle (ALB), Calgon Carbon (CCC), CECO Environmental (CECE), IDEX (IEX) and Fuel-Tech (FTEK). The comparable pollution control and related companies have higher-than-average gross margins (above 25%), which are comparable to the gross margin Cemtrex is achieving.

The applicable valuation parameter for Cemtrex is enterprise value-to-EBITDA (EV/EBITDA) due the character of the company's enterprise, namely a small-capitalization company with a rapidly growing revenue profile that should continue to expand over time as management invests in the underlying businesses and deepens the company's presence in existing markets. This classic valuation parameter is known to be the highest correlated metric and relatively reliable determinant of stock price in Cemtrex's company universe. Though the risks associated with newer, smaller companies, such as Cemtrex, are greater than that for more established companies with longer track records, in our view, so are the growth prospects.

Comparable pollution control and related companies have gross margins above 25%. Also, as a reference, Cytec Industries was recently acquired by Solvay SA at 19.7 EV/EBITDA, and Pall Corp. was acquired by Danaher (DHR) at 20.3 EV/EBITDA. Utilizing an EV/EBITDA ratio of 17.5 on trailing twelve-month (TTM) EBITDA, our **share price target is $4.75.**

We are optimistic about Cemtrex. The company should experience an increase in revenues over the next few years as management pursues opportunities in the contract manufacturing industry and seeks to make accretive acquisitions.

RISKS

- Through Cemtrex buys parts and components to assemble and manufacture some of its equipment and products and also utilizes third-party suppliers to procure some components, the company is not dependent on any one supplier.
- The company faces considerable competition in all of its key markets, but especially in the emissions control industry. Almost all competitors are larger with greater financial resources than Cemtrex. However, management believes that company's reputation, which is built on the successful installation and operation of products and systems, is a key factor in winning contracts and generating orders with both existing and new customers.
- The company's environmental control business is dependent on the implementation and enforcement of environmental emissions regulations.
- Cemtrex has launched two efforts which subsequently were sidelined or abandoned: Green DCV (a line of energy efficiency products for commercial buildings) in August 2008 and an investment in Pluto Technologies (a mobile startup) in October 2012.
  - Green DCV (Direct Controlled Ventilation) optimizes the operation of HVAC control systems in commercial buildings. Green DCV can improve energy efficiency of up to 40% on both existing and new installations. However, initial demand diminished when lower energy prices lengthened pay-back periods for its adoption.
  - Cemtrex funded Pluto Technologies, a mobile technology startup with a team of software engineers in Pune, India. Pluto was developing software for both commercial and industrial markets until management's focus was diverted by the ROB acquisition, which resulted in the mobile app market no longer being pursued by the company.

INSIDER TRADING AND OWNERSHIP

Approximately 65% of outstanding voting equity is beneficially held by Arun Govil (Executive Director and the prior Chairman and CEO) and Saagar Govil (the current Chairman and CEO). Arun Govil beneficially controls 3,405,000 shares and Saagar Govil directly owns 1,333,333 shares. Saagar Govil, son of Arun Govil, became the Chief Executive Officer in December 2011 and Chairman in June 2014. Previously, Saagar Govil served as Vice President of Operations. Ravi Narayan, Vice President and Director, owns 133,333 shares while Renato Dela Rama, CFO and Director, owns 66,666 shares.

BALANCE SHEET & PROJECTED INCOME STATEMENT

Cemtrex, Inc.							
Fiscal Year ending September 30th	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015
ASSETS							
Cash and cash equivalents	356,552	41,139	415,369	333,045	66,963	146,095	1,486,737
Short-term investments	-	-	-	-	-	559,815	-
Accounts receivable	948,815	731,96	261,54	293,155	641,26	4,038,340	4,771,04
Trade receivables - related party	-	-	1,127,575	354,786	1,206,372	-	-
Inventory	334,102	387,62	317,89	250,844	159,348	6,270,327	6,369,51
Prepaid expenses and other assets	14,650	4,022	263,174	393,808	432,13	531,26	893,792
Total Current Assets	**1,654,119**	**1,164,75**	**2,385,56**	**1,625,63**	**2,506,07**	**11,545,839**	**13,521,08**
Investments	-	-	-	80,000	0	-	-
Property and Equipment, net	85,138	62,27	39,331	20,466	9,323	7,399,096	8,142,52
Goodwill	-	-	-	-	-	845,000	845,000
Due from related parties	-	-	-	-	354,150	-	-
Other	4,225	4,225	4,22	6,270	4,22	52,428	35,63
TOTAL ASSETS	**1,743,482**	**1,231,25**	**2,429,11**	**1,732,37**	**2,873,77**	**19,842,363**	**22,544,24**
Liabilities and Stockholders' Equity							
Accounts payable	876,799	911,84	650,401	320,709	571,48	2,721,705	4,386,57
Accrued expenses	387,877	191,38	148,45	38,522	63,625	440,436	309,130
Note Payable - Bank	-	250,000	-	-	-	2,355,264	2,129,71
Customer deposits	-	-	15,600	-	-	-	-
Accrued income taxes	-	-	-	-	-	62,032	73,74
Convertible notes payable	-	-	-	-	-	-	1,274,000
Current portion of long-term liabilities	-	-	-	-	-	689,769	654,020
Total Current Liabilities	**1,264,676**	**1,353,22**	**814,455**	**359,23**	**635,11**	**6,269,206**	**8,827,185**
Bank Loans	-	-	-	-	-	3,152,935	2,383,81
Mortgages	-	-	-	-	-	4,906,922	4,088,61
Notes - Shareholder	390,520	738,49	-	-	1,107,484	-	-
Notes - Related Party	-	-	-	-	-	1,869,791	119,055
Notes - Officer	-	-	1,520,178	476,458	-	-	-
Convertible Debenture	-	55,938	-	-	-	-	-
TOTAL LIABILITIES	**1,655,196**	**2,147,65**	**2,334,63**	**835,689**	**1,742,594**	**16,198,854**	**15,418,67**
Preferred Stock Series A	1,000	1,000	1,00	1,000	1,00	1,00	1,00
Common stock	39,723	39,82	39,82	40,599	40,599	40,59	7,158
Additional paid-in-capital	42,606	66,506	66,506	165,730	165,730	165,730	1,020,444
Retained Earnings (Accumulated Deficit)	4,957	(1,023,725)	(12,843)	689,356	923,853	3,592,739	6,430,855
Accumulated other comprehensive inc. (loss)	-	-	-	-	-	(156,559)	(333,88
Total Stockholders' Equity	**88,286**	**(916,396)**	**94,486**	**896,685**	**1,131,182**	**3,643,50**	**7,125,569**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**1,743,482**	**1,231,25**	**2,429,11**	**1,732,37**	**2,873,77**	**19,842,363**	**22,544,24**
Shares outstanding	6,620,477	6,637,14	6,637,18	6,766,522	6,766,52	6,766,52	7,158,08

Cemtrex, Inc.									
Income Statement Period ending	FY 2009 9/30/2009	FY 2010 9/30/2010	FY 2011 9/30/2011	FY 2012 9/30/2012	FY 2013 9/30/2013	FY 201 9/30/2014	FY 201 9/30/2015	FY 2016 E 9/30/2016	FY 2017 E 9/30/2017
Revenues	**6,967,992**	**3,304,055**	**13,732,153**	**12,162,046**	**13,673,531**	**47,653,114**	**56,887,389**	**76,173,177**	**98,790,495**
Cost of goods sold	4,067,677	1,912,271	11,600,741	10,731,918	12,528,549	32,057,846	40,564,819	54,844,688	71,623,109
Gross Profit	**2,900,315**	**1,391,784**	**2,131,412**	**1,430,128**	**1,144,982**	**15,595,268**	**16,322,570**	**21,328,490**	**27,167,386**
Operating expenses									
Research and Development	5,535	-	-	-	-	-	-	-	-
General & Administrative expenses	2,628,536	2,393,496	1,027,407	683,372	798,135	12,582,072	13,821,546	15,618,347	19,328,263
Total operating expenses	**2,634,071**	**2,393,496**	**1,027,407**	**683,372**	**798,135**	**12,582,072**	**13,821,546**	**15,618,347**	**19,328,263**
Operating gain (loss)	**266,244**	**(1,001,712)**	**1,104,005**	**746,756**	**346,847**	**3,013,196**	**2,501,024**	**5,710,143**	**7,839,123**
Other income (expense):									
Interest (expense)	(107,789)	(26,970)	(93,123)	(42,075)	(45,850)	(436,864)	(496,281)	(546,281)	(621,281)
Gain (loss) on disposal of fixed assets									
Gain (loss) on forgiveness of liabilities									
Other income (expense)	-	-	-	-	-	153,516	834,290	0	0
Total other income (expense)	**(107,789)**	**(26,970)**	**(93,123)**	**(42,075)**	**(45,850)**	**(283,348)**	**338,009**	**(546,281)**	**(621,281)**
Net Gain (Loss) before taxes	**158,455**	**(1,028,682)**	**1,010,882**	**704,681**	**300,997**	**2,729,848**	**2,839,033**	**5,163,862**	**7,217,842**
Recovery of (Accrual for) Income Taxes	(3,445)	0	0	(2,482)	(12,500)	(60,962)	(917)	0	0
Net Income (Loss)	**155,010**	**(1,028,682)**	**1,010,882**	**702,199**	**288,497**	**2,668,886**	**2,838,116**	**5,163,862**	**7,217,842**
Foreign currency translation gain (loss)	-	-	-	-	-	-	0	0	0
Comprehensive income (loss)	-	-	-	-	-	-	2,838,116	0	0
Net Earnings (Loss) per share:									
Diluted Earnings (Loss) per share	**0.02**	**(0.16)**	**0.15**	**0.11**	**0.04**	**0.39**	**0.40**	**0.63**	**0.85**
Wgted average diluted shares	6,232,890	6,628,810	6,637,188	6,666,244	6,766,522	6,766,522	7,058,562	8,150,000	8,450,000
Gross Margin	**41.6%**	**42.1%**	**15.5%**	**11.8%**	**8.4%**	**32.7%**	**28.7%**	**32.0%**	**34.0%**
Operating Margin	**3.8%**	**-30.3%**	**8.0%**	**6.1%**	**2.5%**	**6.3%**	**4.4%**	**7.5%**	**7.9%**

Cemtrex, Inc.

Income Statement Period ending	FY 2013 9/30/2013	1Q FY 201 12/31/2013	2Q FY 2014 3/31/2014	3Q FY 2014 6/30/2014	4Q FY 201 9/30/2014	FY 2014 9/30/2014
Revenues	**13,673,531**	**8,964,380**	**11,548,572**	**13,453,734**	**13,686,428**	**47,653,114**
Cost of goods sold	12,528,549	6,139,642	7,503,446	9,253,772	9,160,986	32,057,846
Gross Profit	**1,144,982**	**2,824,738**	**4,045,126**	**4,199,962**	**4,525,442**	**15,595,268**
Operating expenses						
General & Administrative expenses	798,135	2,367,061	3,212,987	3,364,778	3,637,246	12,582,072
Total operating expenses	**798,135**	**2,367,061**	**3,212,987**	**3,364,778**	**3,637,246**	**12,582,072**
Operating gain (loss)	**346,847**	**457,677**	**832,139**	**835,184**	**888,196**	**3,013,196**
Other income (expense):						
Interest (expense)	(45,850)	(54,358)	(88,838)	(148,261)	(145,407)	(436,864)
Other income (expense)		18,509	38,314	45,601	51,092	153,516
Total other income (expense)	**(45,850)**	**(35,849)**	**(50,524)**	**(102,660)**	**(94,315)**	**(283,348)**
Net Gain (Loss) before taxes	**300,997**	**421,828**	**781,615**	**732,524**	**793,881**	**2,729,848**
Recovery of (Accrual for) Income Taxes	(12,500)	(5,276)	(12,000)	(16,424)	(27,262)	(60,962)
Net Income (Loss)	**288,497**	**416,552**	**769,615**	**716,100**	**766,619**	**2,668,886**
Foreign currency translation gain (loss)	-	-	-	-	-	-
Comprehensive income (loss)	-	-	-	-	-	-
Net Earnings (Loss) per share:						
Diluted Earnings (Loss) per share	**0.04**	**0.06**	**0.11**	**0.11**	**0.11**	**0.39**
Wgted average diluted shares	6,766,522	6,766,522	6,766,522	6,766,522	6,766,522	6,766,522
Gross Margin	**8.4%**	**31.5%**	**35.0%**	**31.2%**	**33.1%**	**32.7%**
Operating Margin	**2.5%**	**5.1%**	**7.2%**	**6.2%**	**6.5%**	**6.3%**

Cemtrex, Inc.

Income Statement Period ending	FY 2014 9/30/2014	1Q FY 201 12/31/2014	2Q FY 2015 3/31/2015	3Q FY 2015 6/30/2015	4Q FY 201 9/30/2015	FY 2015 9/30/2015
Revenues	**47,653,114**	**13,842,789**	**14,330,940**	**14,665,748**	**14,047,912**	**56,887,389**
Cost of goods sold	32,057,846	9,819,732	10,086,432	10,413,546	10,245,109	40,564,819
Gross Profit	**15,595,268**	**4,023,057**	**4,244,508**	**4,252,202**	**3,802,803**	**16,322,570**
Operating expenses						
General & Administrative expenses	12,582,072	3,621,822	3,446,935	3,571,136	3,181,653	13,821,546
Total operating expenses	**12,582,072**	**3,621,822**	**3,446,935**	**3,571,136**	**3,181,653**	**13,821,546**
Operating gain (loss)	**3,013,196**	**401,235**	**797,573**	**681,066**	**621,150**	**2,501,024**
Other income (expense):						
Interest (expense)	(436,864)	(140,612)	(189,460)	(137,154)	(29,055)	(496,281)
Other income (expense)	153,516	57,549	452,060	383,693	(59,012)	834,290
Total other income (expense)	**(283,348)**	**(83,063)**	**262,600**	**246,539**	**(88,067)**	**338,009**
Net Gain (Loss) before taxes	**2,729,848**	**318,172**	**1,060,173**	**927,605**	**533,083**	**2,839,033**
Recovery of (Accrual for) Income Taxes	(60,962)	78,700	21,400	14,900	(115,917)	(917)
Net Income (Loss) per share:	**2,668,886**	**396,872**	**1,081,573**	**942,505**	**417,166**	**2,838,116**
Foreign currency translation gain (loss)		(85,943)	(182,659)	0	91,273	(177,329)
Comprehensive income (loss)		**310,929**	**898,914**	**942,505**	**508,439**	**2,660,787**
Net Earnings (Loss) per share:						
Diluted Earnings (Loss) per share	**0.39**	**0.06**	**0.16**	**0.14**	**0.06**	**0.40**
Wgted average diluted shares	6,766,522	6,784,007	6,789,006	6,882,870	6,896,636	7,058,562
Gross Margin	**32.7%**	**29.1%**	**29.6%**	**29.0%**	**27.1%**	**28.7%**
Operating Margin	**6.3%**	**2.9%**	**5.6%**	**4.6%**	**4.4%**	**4.4%**

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Steven Ralston, CFA, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, equity research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand USD per annum.

POLICY DISCLOSURES

Zacks SCR Analysts are restricted from holding or trading securities placed on the ZIR, SCR, or Zacks & Co. restricted list, which may include issuers in the Small-Cap Universe. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each

Zacks SCR Analyst has full discretion on the rating and price target based on his or her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1,239 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 25.6%, Hold/Neutral- 48.7%, Sell/Underperform – 20.2%. Data is as of midnight on the business day immediately prior to this publication.

[i] Originally, the amount was 1,950,000 shares, but to account for the 1 for 6 reverse split of April 2015, the payment is now 325,000 shares.