

CEMTREX, INC.

CTEI

Current Price (08/25/14)	\$0.88
52-Week High	\$1.05
52-Week Low	\$0.08
\$10k Invested 5 Years Ago	\$15,929
Beta	2.41
30 Day Average Volume (sh)	29,646
Shares Outstanding (mil)	79.4
Market Capitalization (\$mil)	\$36.5
Institutional Ownership (%)	NA
Tangible Book Value/Shr	\$0.03
Individual stakeholders	5.79%
Annual Cash Dividend	\$0.00
Dividend Yield (%)	0
PEG Ratio (5 yr expected)	-0.03
Sales (%)	12.42
Net Income %	-58.57
Net Margin %	2.12
Return on Equity	2.12
Trailing 12-Month P/E	17.2
P/E using 2014 Estimate	19.7

Risk Level *	Very High
Type of Stock	Small-Growth
Industry	Industrial Equipment and Components

* Definition / Disclosure on last page

Research Summary

We are initiating a Speculative Buy* which is substantial. We believe that the strategic acquisition of ROB will have a significant impact on CTEI. Cemtrex will be benefited from the extensive product portfolios of ROB which will also give an entry to less competitive new locations with less competition. The company has a strong order flow and we estimate the sales to grow at a 30% average compounding rate for next 5 years.

Revenue and EPS Estimates (in millions of \$)

	Revenue				
	1Q	2Q	3Q	4Q	Year
2014	8.96	11.5	13.4	14.5	48.51
2013	2.19	3.62	5.33	2.53	13.67
2012	2.02	1.67	3.67	4.8	12.16
2011	1.82	3.25	6	2.65	13.73
2010	0.89	1.02	0.65	0.74	3.3

	Earnings Per Share				
2014	0.01	0.02	0.02	0.02	0.018
2013	0.01	Nil	0.01	Nil	-0.01
2012	0.01	Nil	Nil	0.01	0.02
2011	0.01	0.01	0.01	Nil	0.02
2010	Nil	Nil	Nil	-0.02	-0.03

Company Overview

Cemtrex, Inc. (CTEI) provides electronic manufacturing services of printed circuit board assemblies, provides instruments for industrial processes, and provides industrial environmental control systems. CTEI through its wholly owned subsidiary **ROB Cemtrex GmbH**, provides electronic manufacturing services, which includes printed circuit board assemblies and completely assembled electronic products. In connection with the production of assembled products, the Company also provides services to its customers, including (i) automatic and manual assembly and testing of products; (ii) material sourcing and procurement; (iii) manufacturing and test engineering support; and (iv) prototype design services. The products produced by the Company are further incorporated into finished products sold in various industries, particularly automotive, telecommunications, appliance, consumer electronics, industrial automation and medical devices.

ROB Cemtrex also manufactures custom **designed cables, connectors, and wire harnesses** for various industrial, medical and automotive applications. ROB Cemtrex provides a broad range of electronic out-source manufacturing solutions to its customers. These solutions include the Company's knowledge and expertise to provide its customers with the most advanced & highly efficient manufacturing technologies, complete supply chain management, responsive customer service, along with product design, final test and engineering support. ROB Cemtrex provides manufacturing services through its network of facilities located in Neulingen, Germany and Sibiu, Romania.

CTEI through its Monitoring Instruments Products (**MIP**) division manufactures and sells **advanced instruments for emissions monitoring, process analysis, and controls for industrial applications** and compliance with environmental regulations. MIP emission monitoring systems are installed at the exhaust stacks of industrial facilities and are used to measure the outlet flue gas concentrations of a range of regulated pollutants.

MIP division also markets products for oil and gas markets including process analyzers for refinery applications to measure crude oil and natural gas properties and provide process optimization. Through its wholly owned subsidiary, **Griffin Filters**, the Company has been supplying since 1955, air filtration & product recovery equipment to a wide variety of industries including, power plants, refineries, chemical, steel, glass, and cement plants.

In addition, CTEI markets technologies for controlling **greenhouse gases** such as methane from coal mines. Cemtrex also markets **MCDR technology** for generating carbon credits from control of methane from coal mines. MCDR technology utilizes proprietary catalyst to oxidize methane at lower temperatures thus making it economical to destroy methane in ventilation air from coal mines. Cemtrex also designs, manufactures and sells an energy efficiency product line named Green DCV, which provides energy efficiency in HVAC systems for commercial buildings and industrial installations. Cemtrex's proprietary Green-DCV system accurately monitors CO2 levels inside a building, and then regulates the HVAC air-handling system to save energy and improve air quality.

Reasons To Buy

Effective Asset Unitization: Cemtrex Inc utilizes its assets nearly 6.79 percent, earning \$0.0679 for each dollar of assets held by the firm. An expanding assets utilization signifies that the company is being more effective with each dollar of assets it shows. It shows how effective it operates for each dollar spent on its assets. The management is highly effective and has a good execution capability. Last quarter there is a glimpse of the future of Cemtrex with an exceptional growth in sales and net income.

Positive Industry Outlook: Our positive 12-month fundamental outlook for the environmental & facilities services sub-industry is based on our view that market conditions will continue to gradually improve, with the industrial and commercial sectors starting to recover by mid-2014. We expect core pricing to continue to drive top-line organic growth despite a still-competitive environment. Commodity recycling prices should stabilize at low levels, in our view, before slowly moving higher later in 2014 as we believe China will lift its “Green Fence” ban on the import of contaminated recycling materials, and manufacturing in China will pick up. We look for solid free cash generation to continue to be targeted for share repurchases, debt reduction, strategic “tuck-in” acquisitions and dividend increases. CTEI is in a better position to gain from the expected growth.

Diverse Product Portfolio: The company’s consistent focus on brand building and its initiatives to include new products will be the key revenue drivers for the stock. The Company offers a range of products and systems, incorporating diverse technologies, to address the needs of a wide variety of industries and their environmental regulations. Management believes that the Company provides a single source responsibility for design, engineering, assembly, installation and maintenance of systems to its customers. The Company’s products are designed to operate so as to allow its users to determine their compliance with the latest governmental emissions regulations. The Company’s products measure the concentrations of various regulated pollutants in the flue gases discharging the exhaust stacks at various utilities and industries. With the increase in awareness and regulation control the future of the company looks very positive.

Strategic Acquisition: Cemtrex’s Acquisition of ROB is a significant step towards the organic growth. This acquisition represents a critical step forward in the long term success of Cemtrex. The acquisition gives Cemtrex a new Geography as well as a new product portfolio. There is a long term growth potential throughout the electronics manufacturing services industry, in which ROB has a reputation as a leader. The acquisition gives Cemtrex an entry to highly lucrative German Market. Germany continues to be the dominant country in the Eurozone in terms of manufacturing growth and economic strength. The German market for electronic manufacturing services is over \$180 Billion and growing at an annual rate of 10%. Cemtrex showed a tremendous increase in sales, net income attributed to the acquisition of ROB.

Reasons To Sell

Low Product Innovation: Product innovation in Cemtrex Inc is slow. The Company is slow to introduce new products or any enhancements to its existing products on a timely basis, or at all. They have similar products to cater to similar needs. There is a high risk of cannibalization of one product to other.

Competitive pressure: There is an intense competition in the market, with many large players competing for the bigger share in the same segment. The large players have better innovation capability and capital-power to produce better products than that of Cemtrex Inc. There is a high risk of competitors developing and marketing products with better features that may reduce demand for Cemtrex potential products.

Changes in Governmental Standard: The Company faces constant changes in governmental standards by which Cemtrex Inc products are evaluated. Unless the product meets a specific standards, it is rejected. There is a high rejection rate. R&D expenditure for developing a product is very high and incase it fails to meet the standard, Cemtrex may bankrupt. In the event our products fail to meet these ever-changing standards, some or all of the products may become obsolete leading to loss in revenue.

High Debt to Equity Ratio: The debt/Equity ratio is 6.4 which is very high for Cemtrex Inc. The high debt attributed to the recent acquisition. There's a risk of dilution in case the company is unable to clear the dues.

Low Institutional and Insider Holdings : Companies with the best prospects have strong insider ownership, which we define as 15% or more. When there is strong insider ownership, management is more likely to act in the best interest of the company, as their interests are right in line with that of the shareholders. The data is not available for CTEI. Hence, an opinion cannot be rendered. Institutional ownership is preferred, but there is no institution invested in Cemtrex. This may indicate that the Large long term investors are not bullish on Cemtrex.

Operational Overview

Income Statement Analysis & Financial Review

Revenues for the nine months ended June 30, 2014 were \$34 million vs. \$11.1 million in the prior year. Gross margin widened on higher revenues. General & administrative expenses were \$8.9 million, as opposed to \$0.9 million in 2013, and operating income was \$2.1 million, vs. \$0.4 million for last year. Income before taxes was \$1.9 million vs. \$0.3 million. Income taxes were \$33,700, against \$99,000, and for the first three quarters of FY 14 (Sept.), net income was \$1.9 million (\$0.05 a share), vs. \$0.2 million (\$0.01 a share) in FY 13.

In the third quarter, revenues were \$13.5 million vs. \$5.3 million in the prior year. Gross margin widened on higher revenues. General & administrative expenses were \$3.4 million, as opposed to \$0.3 million for the same period in 2013, and operating income for the quarter was \$0.8 million, vs. \$23,276 in the prior-year period. Income before taxes was \$0.7 million vs. \$10,968. Income taxes were \$16,424, against \$3,300 for last year, and net income was \$0.7 million (\$0.02 a share), vs. \$7,668 (nil a share) in the second quarter of FY 13.

Key Operating Information

At June 30, 2014, CTEI reported cash and cash equivalents of \$1.3 million, net cash used in operating activities was \$1.3 million, net cash used in investing activities was \$13.4 million, and net cash provided by financing activities was \$16 million. At June 30, 2014, CTEI reported total assets of \$24.1 million, total current liabilities of \$4.2 million, and total stockholders' equity of \$3.3 million.

Recent Developments

In July 2014, CTEI announced that the company has recently received new orders in excess of \$7,000,000 across its business divisions: Environmental monitoring and systems & Electronic manufacturing services. CTEI received approximately \$3 Million in environmental systems sales and deliveries are expected to ship in the next six to nine months. CTEI received approximately \$4 Million in new electronics manufacturing services orders and deliveries of these orders will take place primarily during fiscal year 2015.

In June 2014, CTEI announced that the company has entered into a Letter of Intent to purchase all the assets of a foreign, wastewater treatment and bio-energy plant technology company. The acquiree had annual sales of approximately \$14 million in 2013. Due to a confidentiality agreement in place the company's name and further details were not disclosed.

Competition

There is a significant competition among companies that provide emissions monitoring systems. Several companies market products that compete directly with CTEI products. Other companies offer products that potential customers may consider to be acceptable alternatives to CTEI products and services. CTEI faces direct competition from companies with far greater financial, technological, manufacturing and personnel resources, including Thermo Fisher Scientific Inc., Tekran Instruments Corporation, Altech Environment USA, Shaw Group, and Horiba Instruments Inc. in the emissions monitoring business. Many of the current competitors have substantially more engineering, sales and marketing capabilities and broader product lines than CTEI. The below comparison gives a clear picture on how CTEI stands against its competitors. The stock is volatile with a very high Beta. There is a medium risk of probability but the company is suffering from high debt ratio.

	CTEI	PH	PNR	WTS	B	NPO	TRS	MWA
Probability Of Bankruptcy	0.369	0.133	0.362	0.155	0.393	0.388	0.307	0.423
Beta	2.41	1.77	1.22	1.53	1.57	1.2	1.89	1.58
Operating Margin	0.046	0.111	0.149	0.090	0.127	0.074	0.084	0.095
Profit Margin	0.044	0.077	0.083	0.039	0.084	0.018	0.057	0.034
Current Ratio	3.92	1.77	1.78	2.75	1.78	1.57	2.23	3.80
Price to Book	16.67	2.65	2.10	2.04	1.58	2.36	2.58	3.79
Price to Earning	32.33	17.09	21.42	36.12	13.68	78.71	16.65	31.90
Return On Asset	0.068	0.071	0.059	0.051	0.048	0.037	0.058	0.054
Shares Owned by Insiders	N/A	0.009	0.003	0.058	0.148	0.017	0.079	0.042
Gross Profit	1.14 M	2.93 B	2.47 B	526.5 M	353.4 M	381.3 M	353.4 M	313.2 M
Price to Earnings To Growth	N/A	1.64	1.15	1.44	1.51	3.13	1.10	2.50
Return On Equity	0.702	0.171	0.105	0.062	0.094	0.033	0.189	0.153
One Year Low	0.08	99.75	59.89	51.22	31.22	53.39	30.73	7.29
Cash Flow from Operations	(1.35 M)	1.29 B	944.2 M	115.4 M	9.52 M	50.6 M	100.87 M	122.6 M
Shares Owned by Institutions	N/A	0.839	0.876	0.967	0.853	1.05	0.92	0.814
Shares Outstanding	40.6 M	148.94 M	194.7 M	35.12 M	54.36 M	22.72 M	45.23 M	159.32 M
Number of Shares Shorted	N/A	2.1 M	3.37 M	1.44 M	2.7 M	1.04 M	1.41 M	3.46 M
Working Capital	10.39 M	2.58 B	1.78 B	532.1 M	311.9 M	129.6 M	312.52 M	430.6 M
Debt to Equity	6.46	0.40	0.48	0.30	0.49	0.58	0.72	1.84
Cash per Share	0.03	14.07	0.90	6.96	1.15	2.83	0.70	0.66
Total Asset	21.54 M	13.1 B	11.77 B	1.72 B	2.13 B	1.43 B	1.35 B	1.28 B
Market Capitalization	39.38 M	17 B	12.39 B	2.02 B	1.87 B	1.48 B	1.43 B	1.23 B
Current Liabilities	3.56 M	3.37 B	1.53 B	307 M	286.26 M	354 M	253.7 M	153.7 M
Book Value Per Share	0.06	43.31	30.49	28.72	21.63	28.96	12.27	2.05
Short Ratio	N/A	3.50	2.60	6.70	13.70	6.30	7.40	2.60
Retained Earnings	2.11 M	8.95 B	1.95 B	512.3 M	897.82 M	174.6 M	(276.75 M)	(1.22 B)
EBITDA	1.44 M	1.8 B	1.36 B	184.9 M	227.7 M	142.6 M	168.67 M	164.2 M
Net Income	1.25 M	1.01 B	611.1 M	61.1 M	100.67 M	20.4 M	80.24 M	43.6 M
Total Debt	15.79 M	2.59 B	2.75 B	306.6 M	571.51 M	413 M	398.81 M	600.6 M
Price to Sales	1.43	1.31	1.68	1.36	1.56	1.36	1.01	1.08
Cash and Equivalents	1.37 M	2.1 B	174.4 M	244.3 M	62.24 M	64.9 M	31.82 M	105.1 M
Revenue	28.38 M	13.12 B	7.38 B	1.51 B	1.19 B	1.15 B	1.42 B	1.14 B
Current Asset	13.94 M	5.95 B	3.31 B	839.1 M	598.16 M	483.6 M	566.22 M	584.3 M
Earnings Per Share	0.03	6.68	2.97	1.59	5.08	0.83	1.90	0.24
Current Valuation	55.02 M	17.61 B	14.86 B	2.08 B	2.38 B	1.84 B	1.8 B	1.73 B

Disclosures & Definitions

The analysts contributing to this report do not hold any shares of CTEI. The EPS and revenue forecasts are TickerResearch's estimates. The Company's Common Stock currently trades on the Pink Sheets electronic quotation system under the symbol "CTEI.PK". The PinkSheets is a decentralized market regulated by the Financial Industry Regulatory Authority in which securities are traded via an electronic quotation system. There can be no assurance that a trading market for the Company's shares will continue to exist in the future, and there can be no assurance that an active trading market will develop or be sustained. The market price of the shares of Common Stock is likely to be highly volatile and may be significantly affected by factors such as actual or anticipated fluctuations in the Company's operating results, announcements of technological innovations, new products or new contracts by the Company or its competitors, developments with respect to proprietary rights, adoption of new government regulations affecting the environment, general market conditions and other factors. In addition, the stock market has from time to time experienced significant price and volume fluctuations that have particularly affected the market price for the common stocks of technology companies. These types of broad market fluctuations may adversely affect the market price of the Company's common stock.

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long-term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, non-payment for such services, diminished investor interest, or departure of the analyst.