
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended March 31, 2018

OR

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

For the transition period from _____ to _____

Commission File Number 001-37464



CENTREX, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

19 Engineers Lane, Farmingdale, New York
(Address of principal executive offices)

30-0399914
(I.R.S. Employer
Identification No.)

11735
(Zip Code)

631-756-9116
(Registrant's telephone number, including area code)

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 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 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
Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
As of May 8, 2018, the issuer had 11,566,147 shares of common stock issued and outstanding.

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Part I. Financial Information
Item 1. Financial Statements

Centrex, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

| | March 31, 2018 | September 30, 2017 |
|--|-----------------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash and equivalents | \$ 9,253,218 | \$ 10,442,857 |
| Restricted Cash | 1,605,856 | 1,531,895 |
| Accounts receivable, net | 13,232,964 | 15,461,139 |
| Inventory, net | 11,744,165 | 17,271,882 |
| Prepaid expenses and other current assets | 3,084,752 | 1,720,864 |
| Total current assets | <u>38,920,955</u> | <u>46,428,637</u> |
| Property and equipment, net | 26,422,504 | 20,118,311 |
| Goodwill | 3,322,818 | 3,322,818 |
| Investment in Vicon Technologies | 2,913,930 | - |
| Other assets | 577,076 | 311,607 |
| Total Assets | <u>\$ 72,157,283</u> | <u>\$ 70,181,373</u> |
| Liabilities & Stockholders' Equity (Deficit) | | |
| Current liabilities | | |
| Accounts payable | \$ 6,586,168 | \$ 6,945,153 |
| Credit card payable | 191,624 | 165,111 |
| Sales tax payable | - | 550,532 |
| Revolving line of credit | 3,289,332 | 4,466,218 |
| Accrued expenses | 1,937,705 | 3,614,415 |
| Deferred revenue | 1,243,477 | 463,022 |
| Accrued income taxes | 966,461 | 1,553,665 |
| Convertible notes payable | - | 220,000 |
| Current portion of long-term liabilities | 2,016,217 | 2,084,084 |
| Total current liabilities | <u>16,230,984</u> | <u>20,062,200</u> |
| Long-term liabilities | | |
| Loans payable to bank | 4,570,934 | 5,175,276 |
| Notes payable | 2,351,639 | 241,200 |
| Mortgage payable | 3,945,589 | 3,819,392 |
| Deferred tax liabilities | 1,894,020 | 1,891,000 |
| Total long-term liabilities | <u>12,762,182</u> | <u>11,126,868</u> |
| Total liabilities | <u>28,993,166</u> | <u>31,189,068</u> |
| Commitments and contingencies | - | - |
| Shareholders' equity | | |
| Preferred stock, \$0.001 par value, 10,000,000 shares authorized, Series A, 1,000,000 shares authorized, issued and outstanding at March 31, 2018 and September 30, 2017 | 1,000 | 1,000 |
| Series 1, 3,000,000 shares authorized, 1,822,660 shares issued and outstanding as of March 31, 2018 and September 30, 2017 | 1,823 | 1,823 |
| Common stock, \$0.001 par value, 20,000,000 shares authorized, 11,566,147 shares issued and outstanding at March 31, 2018 and 10,404,434 shares issued and outstanding at September 30, 2017 | 11,566 | 10,404 |
| Additional paid-in capital | 27,936,237 | 24,694,325 |
| Retained earnings | 15,573,707 | 14,418,245 |
| Accumulated other comprehensive income/(loss) | (360,216) | (133,492) |
| Total shareholders' equity | <u>43,164,117</u> | <u>38,992,305</u> |
| Total liabilities and shareholders' equity | <u>\$ 72,157,283</u> | <u>\$ 70,181,373</u> |

The accompanying notes are an integral part of these financial statements

Centrex, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income/(Loss)
(Unaudited)

| | For the three months ended March 31, | | For the six months ended March 31, | |
|---|---|-------------------|---------------------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | |
| Industrial Products & Services Revenue | \$ 9,567,785 | \$ 15,316,086 | \$ 21,506,584 | \$ 28,557,128 |
| Electronics Manufacturing Services Revenue | 11,033,427 | 15,188,897 | 31,476,528 | 31,345,112 |
| Total revenues | <u>20,601,212</u> | <u>30,504,983</u> | <u>52,983,112</u> | <u>59,902,240</u> |
| Cost of revenues | | | | |
| Cost of Sales, Industrial Products & Services | 6,530,914 | 11,287,322 | 15,200,367 | 20,889,689 |
| Cost of Sales, Electronics Manufacturing Services | 6,226,027 | 9,859,397 | 19,413,982 | 19,956,203 |
| Total cost of revenues | <u>12,756,941</u> | <u>21,146,719</u> | <u>34,614,349</u> | <u>40,845,892</u> |
| Gross profit | <u>7,844,271</u> | <u>9,358,264</u> | <u>18,368,763</u> | <u>19,056,348</u> |
| Operating expenses | | | | |
| General and administrative | 7,434,951 | 8,594,850 | 16,942,535 | 16,307,360 |
| Research and development | 245,797 | - | 395,014 | - |
| Total operating expenses | <u>7,680,748</u> | <u>8,594,850</u> | <u>17,337,549</u> | <u>16,307,360</u> |
| Operating income | <u>163,523</u> | <u>763,414</u> | <u>1,031,214</u> | <u>2,748,988</u> |
| Other income (expense) | | | | |
| Other Income (expense) | 506,946 | (294,752) | 798,713 | (236,548) |
| Interest Expense | (204,367) | (346,270) | (572,828) | (743,368) |
| Total other income (expense) | <u>302,579</u> | <u>(641,022)</u> | <u>255,855</u> | <u>(979,916)</u> |
| Net income before income taxes | <u>466,102</u> | <u>122,392</u> | <u>1,257,099</u> | <u>1,769,072</u> |
| Provision for income taxes | 42,631 | (291,076) | 101,637 | (50,089) |
| Net income | <u>423,471</u> | <u>413,468</u> | <u>1,155,462</u> | <u>1,819,161</u> |
| Preferred dividends paid | - | - | - | - |
| Net income available to common shareholders | <u>423,471</u> | <u>413,468</u> | <u>1,155,462</u> | <u>1,819,161</u> |
| Other comprehensive income/(loss) | | | | |
| Foreign currency translation gain/(loss) | (857,769) | (28,072) | (226,724) | (317,826) |
| Comprehensive income available to common shareholders | <u>\$ (434,298)</u> | <u>\$ 385,396</u> | <u>\$ 928,738</u> | <u>\$ 1,501,335</u> |
| Income Per Common Share-Basic | <u>\$ 0.04</u> | <u>\$ 0.04</u> | <u>\$ 0.11</u> | <u>\$ 0.18</u> |
| Income Per Common Share-Diluted | <u>\$ 0.04</u> | <u>\$ 0.04</u> | <u>\$ 0.11</u> | <u>\$ 0.18</u> |
| Weighted Average Number of Common Shares-Basic | <u>10,599,033</u> | <u>10,004,880</u> | <u>10,542,340</u> | <u>9,882,792</u> |
| Weighted Average Number of Common Shares-Diluted | <u>10,699,529</u> | <u>10,387,174</u> | <u>10,644,859</u> | <u>10,262,358</u> |

The accompanying notes are an integral part of these financial statements

Centrex, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

| | For the six months ended March 31, | |
|--|---------------------------------------|----------------------|
| | 2018 | 2017 |
| <u>Cash Flows from Operating Activities</u> | | |
| Net income | \$ 1,155,462 | \$ 1,819,161 |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 1,721,830 | 1,243,757 |
| Deferred revenue | 780,455 | (567,431) |
| Change in allowance for inventory obsolescence | 650,446 | - |
| Change in allowance for doubtful accounts | - | - |
| Interest expense on convertible debt | 109,144 | 90,965 |
| Deferred taxes | 3,020 | - |
| Changes in operating assets and liabilities net of effects from acquisition of subsidiaries: | | |
| Accounts receivable | 2,228,175 | (40,312) |
| Inventory | 4,877,271 | 456,523 |
| Prepaid expenses and other assets | (1,363,888) | 370,521 |
| Others | (265,469) | (78,832) |
| Accounts payable | (358,985) | (1,470,338) |
| Credit card payable | 26,513 | (40,066) |
| Sales tax payable | (550,532) | (169,905) |
| Revolving line of credit | (1,176,886) | (227,400) |
| Accrued expenses | (1,676,710) | (618,777) |
| Income taxes payable | (587,204) | 23,534 |
| Net cash provided by operating activities | 5,572,642 | 791,400 |
| <u>Cash Flows from Investing Activities</u> | | |
| Purchase of property and equipment | (7,950,122) | (289,928) |
| Net cash provided by (used by) investing activities | (7,950,122) | (289,928) |
| <u>Cash Flows from Financing Activities</u> | | |
| Proceeds from notes payable | 2,300,000 | - |
| Payments on notes payable | (244,321) | (700,666) |
| Proceeds/(payments) on affiliated loan | - | (120,061) |
| Payments on bank loans | (793,877) | (749,301) |
| Net proceeds from subscription rights offering | - | 12,817,300 |
| Dividends paid | - | (332,938) |
| Purchase and retirement of common stock | - | (1,344,593) |
| Net cash provided by (used by) financing activities | 1,261,802 | 9,569,741 |
| Net increase (decrease) in cash | (1,115,678) | 10,071,213 |
| Cash beginning of period | 11,974,752 | 6,743,980 |
| Cash end of period | \$ 10,859,074 | \$ 16,815,193 |
| <u>Supplemental Disclosure of Cash Flow Information:</u> | | |
| Cash paid during the period for interest | \$ 259,317 | \$ 311,643 |
| Cash paid during the period for income taxes | \$ 587,204 | \$ - |
| <u>Supplemental Schedule of Non-Cash Investing and Financing Activities</u> | | |
| Investment in Vicon Technologies | \$ 2,913,930 | \$ - |

The accompanying notes are an integral part of these financial statements

Centrex Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – ORGANIZATION AND PLAN OF OPERATIONS

Centrex was incorporated in 1998, in the state of Delaware and has evolved through strategic acquisitions and internal growth from a small environmental monitoring instruments company into a world leading multi-industry technology company that provides a wide array of solutions to meet today's consumer, commercial, and industrial challenges. Centrex manufactures advanced custom engineered electronics, extensive industrial services, integrated hardware and software solutions, proprietary IoT and wearable devices, and systems for controlling particulates and other regulated pollutants. Unless the context requires otherwise, all references to "we", "our", "us", "Company", "registrant", "Centrex" or "management" refer to Centrex, Inc. and its subsidiaries.

Electronics Manufacturing Services (EMS)

Centrex's Electronics Manufacturing Services (EMS) segment, provides end to end electronic manufacturing services, which includes product design and sustaining engineering services, printed circuit board assembly and production, cabling and wire harnessing, systems integration, comprehensive testing services and completely assembled electronic products.

Industrial Products & Services (IPS)

Centrex's Industrial Products and Services (IPS) segment, offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers in USA. The segment also sells a complete line of air filtration and environmental control products to a wide variety of customers in industries such as: chemical, cement, steel, food, construction, mining, & petrochemical worldwide.

Centrex works with industry leading OEMs in their outsourcing of non-core manufacturing services by forming a long-term relationship as an electronics manufacturing partner. We work in close relationships with our customers throughout the entire electronic lifecycle of a product, from design, manufacturing, and distribution. We seek to grow our business through the addition of new, high quality customers, the expansion of our share of business with existing customers, and participating in the growth of existing customers.

Using our manufacturing capabilities, we provide our customers with advanced product assembly and system level integration combined with test services to meet the highest standards of quality. Through our agile manufacturing environment, we can deliver low and medium volume and mix services to our clients. Additionally, we design, develop, and manufacture various interconnects and cable assemblies that often are sold in conjunction with our PCBAs to enhance our value to our customers. The Company also provides engineering services from new product introductions and prototyping, related testing equipment, to product redesigns.

We believe our ability to attract and retain new customers comes from our ongoing commitment to understanding our customers' business performance requirements and our expertise in meeting or exceeding these requirements and enhancing their competitive edge. We work closely with our customers from an operational and senior executive level to achieve a deep understanding of our customer's goals, challenges, strategies, operations, and products to ultimately build a long lasting successful relationship.

Recent Developments

In July 2017, Company set up a subsidiary named Centrex Advanced Technologies Inc. to leverage its existing design and engineering experience by directly developing and manufacturing its own proprietary advanced electronic products and for third parties for IoT applications. The Company plans to pursue collaborative partnerships with OEMs that are looking to incorporate intelligence and connectivity into their everyday products such as: furniture, consumer wearables, industrial safety wearables, and other enterprise and consumer devices. Centrex will look to focus on developing systems, hardware and software solutions for both consumer, business and industrial applications.

In December 2017, Company set up a subsidiary named Centrex Technologies Pvt. Ltd., by acquiring certain fix assets consisting of computers, hardware and proprietary software form a private third party located in Pune, India, to carry out software and prototype development work related to new Virtual & Augmented Reality applications and Smart Technology products to be produced by Centrex Advanced Technologies Inc., located in Farmingdale, NY.

In January 2018, the Company completed the consolidation of its two German EMS factories into one location in Neulingen, Germany to create economies of scale. Following the consolidation, the Company sold its subsidiary, ROB Centrex Automotive for a loss of approximately \$157,000. The Company lost two customers in Paderborn going into 2018, one as result of consolidation and other due to obsolescence of their product. The Company expects this will reduce its EMS revenues for the next few quarters; however, the Company remains optimistic about the long-term growth potential of this business across the different markets as it continues to win new business.

On March 23, 2018, in a private resale transaction, Centrex purchased 7,284,824 shares of common stock and a warrant to purchase an additional 1,500,000 shares of common stock of Vicon Industries, Inc. (NYSE American: VII), a global producer of video management systems for use in security, surveillance, safety and communication applications, from former Vicon Industries shareholder NIL Funding Corporation, pursuant to the terms of a Securities Purchase Agreement. Centrex's purchase of the Vicon Industries common stock and warrant resulted in its beneficial ownership of approximately 46% of the outstanding shares of common stock of Vicon Industries. Centrex purchased the shares of common stock and warrant of Vicon Industries in exchange for 1,012,625 shares of Centrex common stock. The Company's investment Vicon Industries will be accounted for using the equity method of accounting. Further disclosures regarding this transaction will be released in the form of an 8-K/A shortly.

Following the closing of the transaction, Saagar Govil, Centrex's Chairman and Chief Executive Officer, and Aron Govil, Centrex's Executive Director, joined the Vicon Industries Board of Directors and Saagar Govil assumed the position of Chief Executive Officer of Vicon Industries.

NOTE 2 – BASIS OF PRESENTATION AND CRITICAL ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying unaudited financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Annual Report on Form 10-K for the year ended September 30, 2017 ("2017 Annual Report") of Centrex Inc. ("Centrex" or the "Company"). A summary of the Company's significant accounting policies is identified in Note 2 of the notes to the consolidated financial statements included in the Company's 2017 Annual Report. There have been no changes in the Company's significant accounting policies subsequent to September 30, 2017.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X pursuant to the requirements of the U.S. Securities and Exchange Commission ("SEC"). 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 (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements, the disclosure of contingent assets and liabilities in the consolidated financial statements and the accompanying notes, and the reported amounts of revenues, expenses and cash flows during the periods presented. Actual amounts and results could differ from those estimates. The estimates and assumptions the Company makes are based on historical factors, current circumstances and the experience and judgment of the Company's management. The Company evaluates its estimates and assumptions on an ongoing basis.

The consolidated financial statements of the Company include the accounts of its 100% owned subsidiaries, Griffin Filters LLC, MIP Centrex Inc., Centrex Advanced Technologies Inc., Centrex Technologies Pvt. Ltd., Centrex Ltd., ROB Centrex GmbH, ROB Systems Srl, ROB Centrex Assets UG, ROB Centrex Logistics GmbH, and Advanced Industrial Services, Inc. All significant intercompany balances and transactions have been eliminated.

Significant Accounting Policies

Note 2 of the Notes to Consolidated Financial Statements, included in the annual report on Form 10-K for the year ended September 30, 2017, includes a summary of the significant accounting policies used in the preparation of the consolidated financial statements.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

NOTE 3 – LIQUIDITY

Our current strategic plan includes the expansion of the Company both organically and through acquisitions if market conditions and competitive conditions allow. Due to the long-term nature of investments in acquisitions and other financial needs to support organic growth, including working capital, we expect our long-term and working capital needs to periodically exceed the short-term fluctuations in cash flow from operations. Accordingly, we anticipate that we will likely raise additional external capital from the sale of common stock, preferred stock, and debt instruments as market conditions may allow in addition to cash flow from operations to fund our growth and working capital needs.

To the extent that our internally-generated cash flow is insufficient to meet our needs, we are subject to uncertain and ever-changing debt and equity capital market conditions over which we have no control. The magnitude and the timing of the funds that we need to raise from external sources also cannot be easily predicted.

In January and February 2017, the Company received aggregate gross proceeds of \$14,018,750 through the issuance of 1,401,875 shares of its series 1 preferred stock, paying cumulative dividends at the rate of 10% of the purchase price per year, and 2,803,750 series 1 warrants to purchase shares of common stock at \$6.31 per share for five years.

NOTE 4 – SEGMENT INFORMATION

The Company reports and evaluates financial information for two segments: Electronics Manufacturing Services (EMS) segment and the Industrial Products and Services (IPS) segment. The EMS segment provides end to end electronic manufacturing services, which includes product design and sustaining engineering services, printed circuit board assembly and production, cabling and wire harnessing, systems integration, comprehensive testing services and completely assembled electronic products. This segment also sells software development services for mobile, web, virtual reality, and PC applications. The IPS segment offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers in USA. The segment also sells a complete line of air filtration and environmental control products to a wide variety of customers in industries such as: chemical, cement, steel, food, construction, mining, & petrochemical worldwide.

The following tables summarize the Company's segment information:

| | For the three months ended | | For the six months ended | |
|---|----------------------------|-------------------|--------------------------|-------------------|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Revenues form external customers | | | | |
| Industrial Products & Services | \$ 9,567,785 | \$ 15,316,086 | \$ 21,506,584 | \$ 28,557,128 |
| Electronics Manufacturing Services | 11,033,427 | 15,188,897 | 31,476,528 | 31,345,112 |
| Total revenues | <u>20,601,212</u> | <u>30,504,983</u> | <u>52,983,112</u> | <u>59,902,240</u> |
| Gross profit | | | | |
| Industrial Products & Services | 3,036,871 | 4,028,764 | 6,306,217 | 7,667,439 |
| Electronics Manufacturing Services | 4,807,400 | 5,329,500 | 12,062,546 | 11,388,909 |
| Total gross profit | <u>7,844,271</u> | <u>9,358,264</u> | <u>18,368,763</u> | <u>19,056,348</u> |
| Operating (loss) income | | | | |
| Industrial Products & Services | 245,871 | 688,039 | 567,202 | 1,693,180 |
| Electronics Manufacturing Services | (82,348) | 75,375 | 464,012 | 1,055,808 |
| Total operating (loss) income | <u>163,523</u> | <u>763,414</u> | <u>1,031,214</u> | <u>2,748,988</u> |
| Other income (expense) | | | | |
| Industrial Products & Services | 39,218 | 62,443 | 103,726 | 13,324 |
| Electronics Manufacturing Services | 263,361 | (703,465) | 122,159 | (993,240) |
| Total other income (expense) | <u>302,579</u> | <u>(641,022)</u> | <u>255,885</u> | <u>(979,916)</u> |
| Depreciation and Amortization | | | | |
| Industrial Products & Services | 403,933 | 294,071 | 809,788 | 489,064 |
| Electronics Manufacturing Services | 476,042 | 347,283 | 912,042 | 754,693 |
| Total depreciation and amortization | <u>879,975</u> | <u>641,354</u> | <u>1,721,830</u> | <u>1,243,757</u> |
| | | March 31, 2018 | September 30, 2017 | |
| Identifiable Assets | | | | |
| Industrial Products & Services | \$ | 43,847,206 | \$ | 39,115,299 |
| Electronics Manufacturing Services | | 28,310,077 | | 31,066,074 |
| Total Assets | \$ | <u>72,157,283</u> | \$ | <u>70,181,373</u> |

NOTE 5 – FAIR VALUE MEASUREMENTS

The Company complies with the provisions of ASC 820 “Fair Value Measurements and Disclosures” (“ASC 820”). Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

The Company had no assets reportable under ASC 820 at March 31, 2018 and 2017.

NOTE 6 – RESTRICTED CASH

A subsidiary of the Company participates in a consortium in order to self-insure group care coverage for its employees. The plan is administrated by Benecon Group and the Company makes monthly deposits in a trust account to cover medical claims and any administrative costs associated with the plan. These funds, as required by the plan are restricted in nature and amounted to \$1,605,856 as of March 31, 2018. The Company also records a liability for claims that have been incurred but not recorded at the end of each year. The amount of the liability is determined by Benecon Group. The liability recorded in accrued expenses amounted to \$ 100,512 as of March 31, 2018.

NOTE 7 – ACCOUNTS RECEIVABLE, NET

Trade receivables, net consist of the following:

| | March 31, 2018 | September 30, 2017 |
|---------------------------------|----------------------|----------------------|
| Accounts receivable | \$ 13,351,672 | \$ 15,759,847 |
| Allowance for doubtful accounts | (298,708) | (298,708) |
| | <u>\$ 13,232,964</u> | <u>\$ 15,461,139</u> |

Accounts receivable include amounts due for shipped products and services rendered.

Allowance for doubtful accounts include estimated losses resulting from the inability of our customers to make required payments.

NOTE 8 – INVENTORY, NET

Inventory, net, consist of the following:

| | March 31, 2018 | September 30, 2017 |
|--|----------------------|----------------------|
| Raw materials | \$ 8,445,020 | \$ 10,653,963 |
| Work in progress | 1,617,596 | 2,600,229 |
| Finished goods | 2,743,096 | 4,428,791 |
| | <u>12,805,712</u> | <u>17,682,983</u> |
| Less: Allowance for inventory obsolescence | (1,061,547) | (411,101) |
| Inventory –net of allowance for inventory obsolescence | <u>\$ 11,744,165</u> | <u>\$ 17,271,882</u> |

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

| | March 31, 2018 | September 30, 2016 |
|--------------------------------|----------------------|----------------------|
| Land | \$ 1,303,684 | \$ 1,241,720 |
| Building | 5,427,318 | 5,229,075 |
| Furniture and office equipment | 4,047,046 | 1,678,936 |
| Computers and software | 2,039,963 | 1,723,408 |
| Machinery and equipment | 22,028,172 | 17,176,599 |
| | <u>34,846,183</u> | <u>27,049,738</u> |
| Less: Accumulated depreciation | (8,423,679) | (6,931,427) |
| Property and equipment, net | <u>\$ 26,422,504</u> | <u>\$ 20,118,311</u> |

Depreciation expense for the six months ended March 31, 2018 and 2017 were \$1,721,830 and \$1,243,757 respectively.

NOTE 10 – PREPAID AND OTHER CURRENT ASSETS

On March 31, 2018, the Company had prepaid and other current assets consisting of prepayments on inventory purchases of \$992,219 and other current assets of \$2,092,533. On March 31, 2016 the company had prepaid and other current assets consisting of prepayments on inventory purchases of \$1,583,996 and other current assets of \$520,887.

NOTE 11 – CONVERTIBLE NOTES PAYABLE

As of March 31, 2018, the Company has satisfied all outstanding convertible notes payable, to various unrelated third parties.

For the six months ended March 31, 2018, 149,088 shares of the Company's common stock were issued to satisfy \$220,000 of convertible notes payable.

NOTE 12 – LONG-TERM LIABILITIES

Loans payable to bank

On October 31, 2013, the Company obtained a loan from Sparkasse Bank of Germany in the amount of €3,000,000 (\$4,006,500, based upon the exchange rate on October 31, 2013) in order to fund the purchase of ROB Cemtrex GmbH. Of these proceeds, \$2,799,411 was used to purchase ROB Cemtrex GmbH and \$1,207,089 funded operations. This loan carries interest of 4.95% per annum and is payable on October 30, 2021.

On May 28, 2014, the Company financed an upgrade of the information technology infrastructure for ROB Cemtrex GmbH. The purchase was fully financed through Sparkasse Bank of Germany for €200,000 (\$272,840 based upon the exchange rate on May 28, 2014). This loan carries interest of 4.50% and is payable over 4 years.

On December 15, 2015, the Company obtained a loan from Fulton Bank in the amount of \$5,250,000 in order to fund the purchase of Advanced Industrial Services, Inc. \$5,000,000 of the proceeds went to direct purchase of AIS. This loan carries interest of LIBOR plus 2.25% per annum and is payable on December 15, 2022.

Mortgage payable

On March 1, 2014, the Company completed the purchase of the building that ROB Cemtrex GmbH occupies in Neulingen, Germany. The purchase was fully financed through Sparkasse Bank of Germany for €4,000,000 (\$5,500,400 based upon the exchange rate on March 1, 2014). This mortgage carries interest of 3.00% and is payable over 17 years.

Notes payable

On December 15, 2015, the Company issued notes payable to the sellers of Advanced Industrial Services, Inc. for \$1,500,000 to fund the purchase of AIS. These notes carry interest of 6% and are payable over 3 years.

On November 15, 2017, the Company issued a note payable to an unrelated third party, for \$2,300,000. This note carries interest of 8% and is due after 18 months.

NOTE 13 – RELATED PARTY TRANSACTIONS

On February 9, 2017, the outstanding principal and accrued interest owed on notes payable to Ducon Technologies, Inc., of \$3,339,833 were exchanged for 333,983 shares of the Company's series 1 preferred stock and 667,967 series 1 warrants.

The Company leases its principal office at Farmingdale, New York, 6,000 square feet of office and warehouse/shop space on a month to month lease in a building owned by Aron Govil, Executive Director of the Company, at a monthly rental of \$4,000.

NOTE 14 – STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue 10,000,000 shares of Preferred Stock, \$0.001 par value. As of March 31, 2018, and September 30, 2017, there were 2,822,660 shares issued and outstanding.

Series A Preferred stock

Each issued and outstanding Series A Preferred Share shall be entitled to the number of votes equal to the result of: (i) the number of shares of common stock of the Company issued and outstanding at the time of such vote multiplied by 1.01; divided by (ii) the total number of Series A Preferred Shares issued and outstanding at the time of such vote, at each meeting of shareholders of the Company with respect to any and all matters presented to the shareholders of the Company for their action or consideration, including the election of directors. Holders of Series A Preferred Shares shall vote together with the holders of Common Shares as a single class.

During the six-month periods ended March 31, 2018 and 2017, the Company did not issue any Series A Preferred Stock.

As of March 31, 2018, and September 30, 2017, there were 1,000,000 shares of Series A Preferred Stock issued and outstanding.

Series 1 Preferred Stock

Dividends

Holders of the Series 1 Preferred will be entitled to receive cumulative cash dividends at the rate of 10% of the purchase price per year, payable semiannually on the last day of March and September in each year. Dividends may also be paid, at our option, in additional shares of Series 1 Preferred, valued at their liquidation preference. The Series 1 Preferred will rank senior to the common stock with respect to dividends. Dividends will be entitled to be paid prior to any dividend to the holders of our common stock.

Liquidation Preference

The Series 1 Preferred will have a liquidation preference of \$10.00 per share, equal to its purchase price. In the event of any liquidation, dissolution or winding up of our company, any amounts remaining available for distribution to stockholders after payment of all liabilities of our company will be distributed first to the holders of Series 1 Preferred, and then *pari passu* to the holders of the series A preferred stock and our common stock. The holders of Series 1 Preferred will have preference over the holders of our common stock on any liquidation, dissolution or winding up of our company. The holders of Series 1 Preferred will also have preference over the holders of our series A preferred stock.

Voting Rights

Except as otherwise provided in the certificate of designation, preferences and rights or as required by law, the Series 1 Preferred will vote together with the shares of our common stock (and not as a separate class) at any annual or special meeting of stockholders. Except as required by law, each holder of shares of Series 1 Preferred will be entitled to two votes for each share of Series 1 Preferred held on the record date as though each share of Series 1 Preferred were 2 shares of our common stock. Holders of the Series 1 Preferred will vote as a class on any amendment altering or changing the powers, preferences or special rights of the Series 1 Preferred so as to affect them adversely.

No Conversion

The Series 1 Preferred will not be convertible into or exchangeable for shares of our common stock or any other security.

Rank

The Series 1 Preferred will rank with respect to distribution rights upon our liquidation, winding-up or dissolution and dividend rights, as applicable:

- senior to our series A preferred stock, common stock and any other class of capital stock we issue in the future unless the terms of that stock provide that it ranks senior to any or all of the Series 1 Preferred;
- on a parity with any class of capital stock we issue in the future the terms of which provide that it will rank on a parity with any or all of the Series 1 Preferred;
- junior to each class of capital stock issued in the future the terms of which expressly provide that such capital stock will rank senior to the Series 1 Preferred and the common stock; and
- junior to all of our existing and future indebtedness.

As of March 31, 2018, and September 30, 2017, there were 1,822,660 shares of Series 1 Preferred Stock issued and outstanding.

For the fiscal year ended September 30, 2017, \$1,200,871 worth of dividends have been paid to holders of Series 1 Preferred Stock.

Reverse Stock Split

On April 3, 2015, our Board of Directors approved a reverse split of our common stock, par value \$0.001, at a ratio of one-for-six. This reverse stock split became effective on April 15, 2015 and, unless otherwise indicated, all share amounts. Per share data, share prices, exercise prices and conversion rates set forth in this Report and the accompanying consolidated financial statements have, where applicable, been adjusted retroactively to reflect this reverse stock split.

Listing on NASDAQ Capital Markets

On June 25, 2015, the Company's common stock commenced trading on the NASDAQ Capital Market under the symbol "CETX".

Common Stock

The Company is authorized to issue 20,000,000 shares of common stock, \$0.001 par value. As of March 31, 2018, there were 11,566,147 shares issued and outstanding and at September 30, 2017, there were 10,404,434 shares issued and outstanding.

During the six-month period ended March 31, 2018, the Company issued 1,161,713 shares of common stock.

On February 12, 2016, the Company granted a stock option for 200,000 shares to Saagar Govil, the Company's Chairman and CEO. These options have an exercise price of \$1.70 per share, 50% of the options vest each year and they expire after six years. As of March 31, 2018, none of these options have been exercised.

On December 5, 2016, the Company granted a stock option for 200,000 shares to Saagar Govil, the Company's Chairman and CEO. These options have an exercise price of \$4.24 per share, 50% of the options vest each year and they expire after six years. As of March 31, 2018, none of these options have been exercised.

On December 18, 2017, the Company granted a stock option for 200,000 shares to Saagar Govil, the Company's Chairman and CEO. These options have an exercise price of \$2.64 per share, 50% of the options vest each year and they expire after six years. As of March 31, 2018, none of these options have been exercised.

On April 19, 2017 the Company's Board of Directors declared a cash dividend on common stock to shareholders of record on March 31, 2017.

During the fiscal year ended September 30, 2014, the Company granted stock options for 100,000 shares to employees of the Company. These options have a call price of \$1.80 per share, vest over four years, and expire after six years. As of March 31, 2018, options to purchase 62,500 shares have been exercised and none have expired or have been cancelled.

During the fiscal year ended September 30, 2017 the Company acquired and retired 363,528 shares of its common stock at a cost of \$1,344,593 purchased under the share repurchase authorization that Cemtrex's board of directors approved in 2016 for the repurchase of up to one million outstanding shares over a 12-month period, depending on market conditions.

For the six months ended March 31, 2018, 149,088 shares of the Company's common stock have been issued to satisfy \$220,000 of convertible notes payable (see NOTE 11).

On March 23, 2018, in a private resale transaction, Cemtrex purchased 7,284,824 shares of common stock and a warrant to purchase an additional 1,500,000 shares of common stock of Vicon Industries, Inc. in exchange for 1,012,625 shares of Cemtrex common stock (see NOTE 1).

Subscription Rights Offering

In December 2016, we commenced a subscription rights offering to our stockholders to raise up to \$15.0 million through the sale of units, each consisting of one share of our series 1 preferred stock, paying cumulative dividends at the rate of 10% of the purchase price per year, and two five-year series 1 warrants, upon the exercise of subscription rights at \$10.00 per unit. On February 2, 2017, Cemtrex, Inc. (the "Company") completed the final closing of its rights offering. With the final closing, the total subscription proceeds received by the Company in its rights offering and related standby placement amounted to \$14,018,750, before payment of the dealer-manager fee and other offering expenses.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Our IPS segment leases (i) approx. 5,000 square feet of office and warehouse space in Liverpool, New York from a third party in a five year lease at a monthly rent of \$2,200 expiring on March 31, 2018, (ii) approximately 25,000 square feet of warehouse space in Manchester, PA from a third party in a seven year lease at a monthly rent of \$7,300 expiring on December 13, 2020, (iii) approximately 43,000 square feet of office and warehouse space in York, PA from a third party in a ten year lease at a monthly rent of \$22,625 expiring on March 23, 2026, (iv) approximately 15,500 square feet of warehouse space in Emigsville, PA from a third party in a one year lease at a monthly rent of \$4,337 expiring on August 31, 2018.

Our EMS segment owns a 70,000 square-foot manufacturing building in Neulingen. The EMS segment also leases (i) a 10,000 square foot manufacturing facility in Sibiu, Romania from a third party in a ten year lease at a monthly rent of €8,000 expiring on May 31, 2019, (ii) approximately 86,000 square feet of office, warehouse and manufacturing space in Paderborn, Germany at monthly rental of €29,470 which expires on June 30, 2018,

NOTE 16 – RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, The FASB issued ASU 2016-02 (Topic 842), “Leases”. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This new standard would be effective for the Company beginning January 1, 2019 with early adoption permitted. The Company is currently evaluating the effect of adoption of this standard on the Consolidated Financial Statements.

NOTE 17 - SUBSEQUENT EVENTS

Centrex evaluated subsequent events up to the date the consolidated financial statements were issued. Centrex concluded that the following subsequent events have occurred and require recognition or disclosure in the consolidated financial statements.

In April 2018 the Company paid \$915,808 worth of dividends on its Series 1 Preferred Stock in the form of Series 1 Preferred Stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Except for historical information contained in this report, the matters discussed are forward-looking statements that involve risks and uncertainties. When used in this report, words such as "anticipates", "believes", "could", "estimates", "expects", "may", "plans", "potential" and "intends" and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. Among the factors that could cause actual results to differ materially are the following: the effect of business and economic conditions; the impact of competitive products and their pricing; unexpected manufacturing or supplier problems; the Company's ability to maintain sufficient credit arrangements; changes in governmental standards by which our environmental control products are evaluated and the risk factors reported from time to time in the Company's SEC reports, including its recent report on Form 10-K. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.

General Overview

Cemtrex was incorporated in 1998, in the state of Delaware and has evolved through strategic acquisitions and internal growth from a small environmental monitoring instruments company into a world leading multi-industry technology company that provides a wide array of solutions to meet today's consumer, commercial, and industrial challenges. Cemtrex manufactures advanced custom engineered electronics, extensive industrial services, integrated hardware and software solutions, proprietary IoT and wearable devices, and systems for controlling particulates and other regulated pollutants. Unless the context requires otherwise, all references to "we", "our", "us", "Company", "registrant", "Cemtrex" or "management" refer to Cemtrex, Inc. and its subsidiaries.

Electronics Manufacturing Services (EMS)

Cemtrex's Electronics Manufacturing Services (EMS) segment, provides end to end electronic manufacturing services, which includes product design and sustaining engineering services, printed circuit board assembly and production, cabling and wire harnessing, systems integration, comprehensive testing services and completely assembled electronic products.

Industrial Products & Services (IPS)

Cemtrex's Industrial Products and Services (IPS) segment, offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers in USA. The segment also sells a complete line of air filtration and environmental control products to a wide variety of customers in industries such as: chemical, cement, steel, food, construction, mining, & petrochemical worldwide.

Cemtrex works with industry leading OEMs in their outsourcing of non-core manufacturing services by forming a long-term relationship as an electronics manufacturing partner. We work in close relationships with our customers throughout the entire electronic lifecycle of a product, from design, manufacturing, and distribution. We seek to grow our business through the addition of new, high quality customers, the expansion of our share of business with existing customers, and participating in the growth of existing customers.

Using our manufacturing capabilities, we provide our customers with advanced product assembly and system level integration combined with test services to meet the highest standards of quality. Through our agile manufacturing environment, we can deliver low and medium volume and mix services to our clients. Additionally, we design, develop, and manufacture various interconnects and cable assemblies that often are sold in conjunction with our PCBAs to enhance our value to our customers. The Company also provides engineering services from new product introductions and prototyping, related testing equipment, to product redesigns.

We believe our ability to attract and retain new customers comes from our ongoing commitment to understanding our customers' business performance requirements and our expertise in meeting or exceeding these requirements and enhancing their competitive edge. We work closely with our customers from an operational and senior executive level to achieve a deep understanding of our customer's goals, challenges, strategies, operations, and products to ultimately build a long lasting successful relationship.

Recent Developments

In July 2017, Company set up a subsidiary named Cemtrex Advanced Technologies Inc. to leverage its existing design and engineering experience by directly developing and manufacturing its own proprietary advanced electronic products and for third parties for IoT applications. The Company plans to pursue collaborative partnerships with OEMs that are looking to incorporate intelligence and connectivity into their everyday products such as: furniture, consumer wearables, industrial safety wearables, and other enterprise and consumer devices. Cemtrex will look to focus on developing systems, hardware and software solutions for both consumer, business and industrial applications.

In December 2017, Company set up a subsidiary named Cemtrex Technologies Pvt. Ltd., by acquiring certain fixed assets consisting of computers, hardware and proprietary software from a private third party located in Pune, India, to carry out software and prototype development work related to new Virtual & Augmented Reality applications and Smart Technology products to be produced by Cemtrex Advanced Technologies Inc., located in Farmingdale, NY.

In January 2018, the Company completed the consolidation of its two German EMS factories into one location in Neulingen, Germany to create economies of scale. Following the consolidation, the Company sold its subsidiary, ROB Cemtrex Automotive for a loss of approximately \$157,000. The Company lost two customers in Paderborn going into 2018, one as result of consolidation and other due to obsolescence of their product. The Company expects this will reduce its EMS revenues for the next few quarters; however, the Company remains optimistic about the long-term growth potential of this business across the different markets as it continues to win new business.

On March 23, 2018, in a private resale transaction, Cemtrex purchased 7,284,824 shares of common stock and a warrant to purchase an additional 1,500,000 shares of common stock of Vicon Industries, Inc. (NYSE American: VII), a global producer of video management systems for use in security, surveillance, safety and communication applications, from former Vicon Industries shareholder NIL Funding Corporation, pursuant to the terms of a Securities Purchase Agreement. Cemtrex's purchase of the Vicon Industries common stock and warrant resulted in its beneficial ownership of approximately 46% of the outstanding shares of common stock of Vicon Industries. Cemtrex purchased the shares of common stock and warrant of Vicon Industries in exchange for 1,012,625 shares of Cemtrex common stock. The Company's investment in Vicon Industries will be accounted for using the equity method of accounting. Further disclosures regarding this transaction will be released in the form of an 8-K/A shortly.

Following the closing of the transaction, Saagar Govil, Cemtrex's Chairman and Chief Executive Officer, and Aron Govil, Cemtrex's Executive Director, joined the Vicon Industries Board of Directors and Saagar Govil assumed the position of Chief Executive Officer of Vicon Industries.

Liquidity

In December 2016, we commenced a subscription rights offering to our stockholders to raise up to \$15.0 million through the sale of units, each consisting of one share of our series 1 preferred stock, paying cumulative dividends at the rate of 10% of the purchase price per year, and two five-year series 1 warrants, upon the exercise of subscription rights at \$10.00 per unit. On February 2, 2017, the Company completed the final closing of its rights offering. With the final closing, the total subscription proceeds received by the Company in its rights offering and related standby placement amounted to \$14,018,750, before payment of the dealer-manager fee and other offering expenses.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon the accompanying unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Although these estimates are based on our knowledge of current events, our actual amounts and results could differ from those estimates. The estimates made are based on historical factors, current circumstances, and the experience and judgment of our management, who continually evaluate the judgments, estimates and assumptions and may employ outside experts to assist in the evaluations.

Certain of our accounting policies are deemed “critical”, as they are both most important to the financial statement presentation and require management’s most difficult, subjective or complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. For a discussion of our critical accounting policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended September 30, 2017.

Results of Operations - For the three months ending March 31, 2018 and 2017

Total revenue for the three months ended March 31, 2018 and 2017 was \$20,601,212 and \$30,504,983, respectively, a decrease of \$9,903,771, or 32%. Net income for the three months ended March 31, 2018 and 2017 was \$423,471 and \$413,468, respectively, an increase of \$10,003, or 2%. Total revenue in the second quarter decreased, as compared to total revenue in the same period last year, due to the loss of two customers in the EMS segment going into 2018, one as result of consolidation and other due to obsolescence of their product and lower sales in the IPS segment due to the softening demand for environmental products. Net income increased in the second quarter due to lower expenses as a result of the consolidation of two German factories into one location in Neulingen, Germany to create economies of scale and lower expenses in the IPS segment in response the softening demand for environmental products.

Revenues

Our IPS segment revenues for the three months ended March 31, 2018 decreased by \$5,748,301 or 38%, to \$9,567,785 from \$15,316,086 for the three months ended March 31, 2017. The decrease was primarily due to decreased demand for environmental products as result of deregulation of emission standards by the current administration.

Our EMS segment revenues for the three months ended March 31, 2018 decreased by \$4,155,470 or 27% to \$11,033,427 from \$15,188,897 for the three months ended March 31, 2017. The primary reason for decreased sales was due to due to the loss of two customers in the EMS segment going into 2018, one as result of consolidation and other due to obsolescence of their product .

Gross Profit

Gross Profit for the three months ended March 31, 2018 was \$7,844,271 or 38% of revenues as compared to gross profit of \$9,358,264 or 31% of revenues for the three months ended March 31, 2017. Gross profit as a percentage of revenues in the three months ended March 31, 2018 increased as compared to the three months ended March 31, 2017 as the Company works to achieve economies of scale and lower expenses. The Company’s gross profit margins vary from product to product and from customer to customer.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2018 decreased \$1,159,899 or 13% to \$7,434,951 from \$8,594,850 for the three months ended March 31, 2017. General and administrative expenses as a percentage of revenue was 36% and 28% of revenues for the three-month periods ended March 31, 2018 and March 31, 2017. The dollar for dollar decrease in operating expenses was due to the Company’s work on achieving economies of scale and lower expenses, while the percentage of revenues increase was due to the decrease in the Company’s revenues for the three months ended March 31, 2018 as compared to the same period in the prior year.

Research and Development Expenses

Research and Development expenses for the three months ended March 31, 2018 was \$245,797. Research and Development expenses have developed due to the development of the Company's Smart Desk by the recently formed subsidiaries Centrex Advanced Technologies, Inc. and Centrex Technologies Pvt Ltd.

Other Income/(Expense)

Interest and other income/(expense) for the second quarter of fiscal 2018 was \$302,579 as compared to \$(641,022) for the second quarter of fiscal 2017. Other income/(Expense) for the three months ended March 31, 2018 was primarily due to a one-time income on debt forgiveness as a result of the consolidation of the manufacturing facilities in Germany.

Provision for Income Taxes

During the second quarter of fiscal 2018 we recorded an income tax provision of \$42,631 compared to a provision of \$291,076 for the second quarter of fiscal 2017. The provision for income tax is based upon the projected income tax from the Company's various U.S. and international subsidiaries that are subject to their respective income tax jurisdictions.

Net Income/Loss

The Company had net income of \$423,471 or 2% of revenues, for the three-month period ended March 31, 2018 as compared to net income of \$413,468 or 1% of revenues, for the three months ended March 31, 2017. Net income in the second quarter increased, as compared to net income in the same period last year, due the reduction of general and administrative expenses and other income described above.

Results of Operations - For the six months ending March 31, 2018 and 2017

Total revenue for the six months ended March 31, 2018 and 2017 was \$52,983,112 and \$59,902,240, respectively, a decrease of \$6,919,128, or 12%. Net income for the six months ended March 31, 2018 and 2017 was \$1,155,462 and \$1,819,161, respectively, a decrease of \$663,699, or 36%. Total revenue in the first and second quarters decreased, as compared to total revenue in the same period last year, due to lower sales in the IPS segment due to the softening demand for environmental products. Net income decreased in the first and second quarters due to lower IPS segment sales, increased expenses in research and development and increased sales & marketing expenses.

Revenues

Our IPS segment revenues for the six months ended March 31, 2018 decreased by \$7,050,544 or 25%, to \$21,506,584 from \$28,557,128 for the six months ended March 31, 2017. decreased demand for environmental products.

Our EMS segment revenues for the six months ended March 31, 2018 increased by \$131,416 or less than 1% to \$31,476,528 from \$31,345,112 for the six months ended March 31, 2017. The Company lost two customers in Paderborn going into 2018, one as result of consolidation and other due to obsolescence of their product. The Company expects this will reduce its EMS revenues throughout the remainder of the fiscal year.

Gross Profit

Gross Profit for the six months ended March 31, 2018 was \$18,368,763 or 35% of revenues as compared to gross profit of \$19,056,348 or 32% of revenues for the six months ended March 31, 2017. Gross profit as a percentage of revenues in the six months ended March 31, 2018 increased as compared to the six months ended March 31, 2017 as the Company works to achieve economies of scale and lower expenses. The Company's gross profit margins vary from product to product and from customer to customer.

General and Administrative Expenses

General and administrative expenses for the six months ended March 31, 2018 increased \$635,175 or 4% to \$16,942,535 from \$16,307,360 for the six months ended March 31, 2017. General and administrative expenses as a percentage of revenue was 32% and 27% of revenues for the six-month periods ended March 31, 2018 and March 31, 2017. The increase in operating expenses as a percentage of revenues and on a dollar basis was due to increased expenses in sales and marketing activities.

Research and Development Expenses

Research and Development expenses for the six months ended March 31, 2018 was \$395,014. Research and Development expenses have developed due to the development of the Company's Smart Desk by the recently formed subsidiaries Centrex Advanced Technologies, Inc. and Centrex Technologies Pvt Ltd.

Other Income/(Expense)

Interest and other income/(expense) for the first and second quarters of fiscal 2018 was \$255,885 as compared to \$(979,916) for the first and second quarters of fiscal 2017. Other income/(Expense) was due to a one-time income on debt forgiveness as a result of the consolidation of the manufacturing facilities in Germany.

Provision for Income Taxes

During the first and second quarters of fiscal 2018 we recorded an income tax provision of \$101,637 compared to a provision of \$50,089 for the first and second quarters of fiscal 2017. The provision for income tax is based upon the projected income tax from the Company's various U.S. and international subsidiaries that are subject to their respective income tax jurisdictions.

Net Income/Loss

The Company had net income of \$1,155,462 or 2% of revenues, for the six-month period ended March 31, 2018 as compared to net income of \$1,819,161 or 3% of revenues, for the six months ended March 31, 2017. Net income in the first and second quarters decreased, as compared to net income in the same period last year, due to increased expenses in research and development and sales and marketing activities and reduced revenues.

Effects of Inflation

The Company's business and operations have not been materially affected by inflation during the periods for which financial information is presented.

Liquidity and Capital Resources

Working capital was \$22,689,971 at March 31, 2018 compared to \$26,366,437 at September 30, 2017. This includes cash and equivalents and restricted cash of \$10,859,074 at March 31, 2018 and \$11,974,752 at September 30, 2017, respectively. The decrease in working capital was primarily due to net decreases in our current assets of \$7,507,682 and net decreases in our current liabilities of \$3,831,216.

Accounts receivable decreased \$2,228,175 or 14% to \$13,232,964 at March 31, 2018 from \$15,461,139 at September 30, 2017. The decrease in accounts receivable is largely attributable to decreased sales.

Inventories decreased \$5,527,717 or 32% to \$11,744,165 at March 31, 2018 from \$17,271,882 at September 30, 2017. The decrease in inventories is attributable to an increase in the allowance for inventory obsolescence of \$650,446, the execution of in-house orders, and reductions in purchases of raw materials during the period.

Operating activities provided \$5,572,642 of cash for the six months ended March 31, 2018 compared to providing cash of \$791,400 of cash for the six months ended March 31, 2017. The increase in operating cash flows was primarily due to the execution of in-house orders, and decreases in expenditures, as compared to the same period a year ago.

Investment activities used \$7,950,122 of cash for the six months ended March 31, 2018 compared to using cash of \$289,928 during the six-month period ended March 31, 2017. Investing activities for the first quarter of 2018 were primarily driven by the Company's investment in fixed assets for Cemtrex Advanced Technologies and Cemtrex Technologies Pvt. Ltd..

Financing activities provided \$1,261,802 of cash in the six-month period ended March 31, 2018 as compared to providing cash of \$9,569,741 in the six-month period ended March 31, 2017. Financing activities were primarily driven by proceeds from the note payable issued for \$2,300,000 (See Note 12).

Our current strategic plan includes the expansion of the Company both organically and through acquisitions if market conditions and competitive conditions allow. Due to the long-term nature of investments in acquisitions and other financial needs to support organic growth, including working capital, we expect our long-term and working capital needs to periodically exceed the short-term fluctuations in cash flow from operations. Accordingly, in addition to the net proceeds received from the Company's recently-completed rights offering and standby purchase, we anticipate that we will likely raise additional external capital from the sale of common stock, preferred stock, and debt instruments as market conditions may allow in addition to cash flow from operations to fund our growth and working capital needs. There is no guarantee that cash flow from operations and/or debt and equity vehicles will provide sufficient capital to meet our expansion goals and working capital needs.

To the extent that our internally-generated cash flow is insufficient to meet our needs, we are subject to uncertain and ever-changing debt and equity capital market conditions over which we have no control. The magnitude and the timing of the funds that we need to raise from external sources also cannot be easily predicted.

In January and February 2017, the Company received aggregate gross proceeds of \$14,018,750 through the issuance of 1,401,875 shares of its series 1 preferred stock, paying cumulative dividends at the rate of 10% of the purchase price per year, and 2,803,750 series 1 warrants to purchase shares of common stock at \$6.31 per share for five years. For the fiscal year ended September 30, 2017, \$1,200,871 worth of dividends have been paid to holders of Series 1 Preferred Stock. In April 2018 the Company paid \$915,808 worth of dividends in the form of Series 1 Preferred Stock.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures reporting as promulgated under the Exchange Act is defined as controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Vice President of Finance (“VPF”), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our CEO and our VPF have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2018 and have concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2018.

In connection with the preparation of the current 10-Q filing, our management, identified a deficiency in reporting a one-time complex transaction of the sale of a foreign subsidiary. Our management corrected this deficiency and has provided correct reporting of this sale transaction as of March 31, 2018.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. The company is currently working to add additional accounting staff for review and recording of such complex transactions.

Changes in Internal Control Over Financial Reporting

There was no change in the Company’s internal control over financial reporting during the Company’s last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II Other Information

Item 1. Legal Proceedings.

Three alleged securities class action complaints were filed against the Company and certain of its executive officers in the U.S. District Court for the Eastern District of New York on February 24, 2017. Under the requirements of the Private Securities Litigation Reform Act of 1995, these three alleged class actions, as well as any further related actions, will be consolidated into a single lawsuit following decisions on motions to consolidate filed with the Court on April 25, 2017. A follow-on, related derivative complaint also was filed against the Company and its executive officers and directors in New York State court on April 10, 2017. That derivative action has been stayed by agreement of the parties until after the motion to dismiss process in the consolidated alleged class actions has run its course.

The allegations in all four complaints are based on the assertions contained in a blog post published on an internet website that challenged various aspects of the Company's stock trading and relationships. The Company denies these assertions, and filed a lawsuit seeking damages in the amount of \$170 million, against the blogger on March 4, 2017 in the U.S. District Court for the Eastern District of New York. The Company voluntarily dismissed that lawsuit on June 12, 2017, because it was unable to serve the defendant blogger within the required time, but the Company has reserved the right to re-file its claims against him at a later date.

The Company believes the alleged class action and derivative litigations are without merit and intends to defend itself vigorously. The Company has retained Doug Green of Baker Hostetler, a nationally renowned law firm with no previous relationship to the Company, to defend the litigations, and intends to seek dismissal of the litigations at the earliest possible stage. The Company has to wait until the courts decide to consolidate the all actions into a single lawsuit and hence the Company cannot predict the time table of this litigation. Regardless of the merit of the claims, litigation is inherently unpredictable and may be costly, time consuming and disruptive to the Company's business. Although the Company has an insurance policy with a \$150,000 deductible in place, which covers this class action lawsuit, the Company could incur judgments or enter into settlements of claims that could adversely affect its business, operating results or cash flows

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the six months ended March 31, 2018, the Company issued an aggregate of 149,088 shares of common stock in exchange for aggregate consideration of \$220,000, which was used for working capital. Such shares were issued pursuant to the exemption contained under Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 6. Exhibits

| Exhibit No. | Description |
|--------------------|--|
| 2.1 | Securities Purchase Agreement, dated March 23, 2018, by and between Cemtrex, Inc. and NIL Funding Corporation (10) |
| 3.1 | Certificate of Incorporation of the company.(1) |
| 3.2 | By Laws of the company.(1) |
| 3.3 | Certificate of Amendment of Certificate of Incorporation, dated September 29, 2006.(1) |
| 3.4 | Certificate of Amendment of Certificate of Incorporation, dated March 30, 2007.(1) |
| 3.5 | Certificate of Amendment of Certificate of Incorporation, dated May 16, 2007.(1) |
| 3.6 | Certificate of Amendment of Certificate of Incorporation, dated August 21, 2007.(1) |
| 3.7 | Certificate of Amendment of Certificate of Incorporation, dated April 3, 2015.(3) |
| 3.8 | Certificate of Designation of the Series A Preferred Shares, dated September 8, 2009.(2) |
| 3.9 | Certificate of Designation of the Series 1 Preferred Stock.(6) |
| 3.10 | Certificate of Amendment of Certificate of Incorporation, dated September 7, 2017 (8) |
| 4.1 | Form of Subscription Rights Certificate. (5) |
| 4.2 | Form of Series 1 Preferred Stock Certificate. (5) |
| 4.3 | Form of Series 1 Warrant. (5) |
| 10.1 | Nonstatutory Stock Option Agreement entered into as of December 5, 2016 between Cemtrex, Inc. and Saagar Govil (7) |
| 10.2 | Exchange Agreement dated as of February 1, 2017 and effective February 9, 2017 by and between Cemtrex Inc. and Ducon Technologies, Inc.(6) |
| 10.3 | Nonstatutory Stock Option Agreement entered into as of December 18, 2017 between Cemtrex, Inc. and Saagar Govil (11) |
| 14.1 | Corporate Code of Business Ethics.(4) |
| 31.1* | Certification of Chief Executive Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Vice President of Finance and Principal Financial Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification of Vice President of Finance and Principal Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.1 | Letter from Bharat Parikh & Associates regarding securities class action complaints. (9) |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase |

* Filed herewith

- (1) Incorporated by reference from Form 10-12G filed on May 22, 2008.
- (2) Incorporated by reference from Form 8-K filed on September 10, 2009.
- (3) Incorporated by reference from Form 8-K filed on August 22, 2016.
- (4) Incorporated by reference from Form 8-K filed on July 1, 2016.
- (5) Incorporated by reference from Form 8-K filed on January 24, 2017.
- (6) Incorporated by reference from Form 8-K filed on February 10, 2017.
- (7) Incorporated by reference from Form 10-Q filed on February 14, 2017.
- (8) Incorporated by reference from Form 8-K filed on September 8, 2017.
- (9) Incorporated by reference from Form 10-K filed on December 13, 2017
- (10) Incorporated by reference from Form 8-K filed on March 27, 2018.
- (11) Incorporated by reference from Form 10-Q filed on February 14, 2018.

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 hereunto duly authorized.

Centrex, Inc.

Dated: May 15, 2018

By: /s/ Saagar Govil

Saagar Govil
Chief Executive Officer

Dated: May 15, 2018

/s/ Renato Dela Rama

Renato Dela Rama
Vice President of Finance and Principal Financial Officer

**CERTIFICATION PURSUANT TO RULE 13A/15D OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Saagar Govil, certify that:

1. I have reviewed this report on Form 10-Q of Centrex, Inc. and subsidiaries (the “registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Saagar Govil

Saagar Govil
Chief Executive Officer

Dated: May 15, 2018

**CERTIFICATION PURSUANT TO RULE 13A/15D OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Renato Dela Rama, certify that:

1. I have reviewed this report on Form 10-Q of Centrex, Inc. and subsidiaries (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Renato Dela Rama

Renato Dela Rama
Vice President of Finance and Principal Financial Officer

Dated: May 15, 2018

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Centrex, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Saagar Govil, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Saagar Govil

Saagar Govil
Chief Executive Officer

Dated: May 15, 2018

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Centrex, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Renato Dela Rama, Vice President of Finance and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Renato Dela Rama

Renato Dela Rama
Vice President of Finance
and Principal Financial Officer

Dated: May 15, 2018
