

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 June 30, 2010  
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 000-53238  
CENTREX, INC.

(Exact name of small business issuer as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)

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

19 Engineers Lane,  
Farmingdale, New York 11735  
(Address, including zip code, of principal executive offices)

631-756-9116  
(Issuer's telephone number)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  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 August 14, 2010, the issuer the registrant had 39,722,862 shares of common stock issued and outstanding.

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## CENTREX, INC.

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**Part I. Financial Information**  
**Item 1. Financial Statements**

Centrex, Inc. and Subsidiary  
Consolidated Balance Sheets

	(UNAUDITED) June 30, 2010	September 30, 2009
<b>Assets</b>		
<b>Current Assets</b>		
Cash & Equivalents	\$ -	\$ 356,552
Accounts Receivable	759,000	948,815
Inventory	297,151	334,102
Prepaid Expenses & Other Assets	-	14,650
<b>Total Current Assets</b>	<u>1,056,151</u>	<u>1,654,119</u>
Property & Equipment, Net	68,008	85,138
Other	135,765	4,225
<b>Total Assets</b>	<u>\$ 1,259,924</u>	<u>\$ 1,743,482</u>
<b>Liabilities &amp; Stockholders' Equity (Deficit)</b>		
<b>Current Liabilities</b>		
Cash Overdraft	\$ 53,259	\$ -
Accounts Payable	505,931	876,799
Accrued Expenses	186,223	387,877
Provision for Income Taxes	3,445	-
Bank Line of Credit	250,000	-
Convertible Note, net of discount	23,283	-
Derivative Liability	32,655	-
<b>Total Current Liabilities</b>	<u>1,054,796</u>	<u>1,264,676</u>
<b>Non-Current Liabilities</b>		
Notes Payable-Related Party	397,828	390,520
<b>Total Non-Current Liabilities</b>	<u>397,828</u>	<u>390,520</u>
<b>Total Liabilities</b>	<u>\$ 1,452,624</u>	<u>\$ 1,655,196</u>
<b>Commitments &amp; Contingencies</b>		
	-	-
<b>Stockholders' Equity (Deficit)</b>		
Preferred Stock Series A, \$0.001 par value, 10,000,000 shares authorized, 1,000,000 shares issued and outstanding, respectively	\$ 1,000	\$ 1,000
Common Stock, \$0.001 par value, 60,000,000 shares authorized, 39,822,862 and 39,722,863 shares issued and outstanding, respectively	39,823	39,723
Additional Paid-in Capital	66,506	42,606
Retained Earnings (Accumulated Deficit)	<u>(300,029)</u>	<u>4,957</u>
<b>Total Stockholders' Equity (Deficit)</b>	<u>(192,700)</u>	<u>88,286</u>
<b>Total Liabilities &amp; Stockholders' Equity (Deficit)</b>	<u>\$ 1,259,924</u>	<u>\$ 1,743,482</u>

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

CENTREX, INC. AND SUBSIDIARY  
Consolidated Statement of Operations (Unaudited)  
(IN US\$)

	For the Three Months Ended June 30,		For the Nine Months Ended, June 30,	
	2010	2009	2010	2009
Revenues	\$ 654,721	\$ 1,700,131	\$ 2,559,972	\$ 5,674,754
Cost of Goods Sold	288,578	1,086,725	1,182,027	3,333,261
Gross Profit	366,143	613,406	1,377,945	2,341,493
Operating Expenses	478,374	697,739	1,671,969	2,083,989
Operating Income (Loss)	(112,231)	(84,333)	(294,024)	257,504
Other Income (Expense)				
Other Income		-		-
Interest Expense	(2,539)	(26,001)	(12,063)	(81,747)
Total Other Income (Expense)	(2,539)	(26,001)	(12,063)	(81,747)
Net Income (Loss) Before Income Taxes	(114,770)	(110,334)	(306,087)	175,757
Provision for Income Taxes	-	-	-	-
Net Income (Loss)	\$ (114,770)	\$ (110,334)	\$ (306,087)	\$ 175,757
Income (Loss) Per Share-Basic and Diluted	\$ -	\$ -	\$ (0.01)	\$ 0.01
Weighted Average Number of Shares	39,822,862	34,327,862	39,799,462	34,327,862

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

CENTREX, INC. AND SUBSIDIARY  
Consolidated Statements of Cash Flows (Unaudited)

	For the Nine Months Ended June 30,	
	2010	2009
<b>Cash Flows from Operating Activities</b>		
Net Income (Loss)	\$ (306,087)	\$ 175,757
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation & Amortization	17,520	21,370
Amortization of Debt Discount	11,876	-
Stock Issued for Services	24,000	-
Reserve for Doubtful Accounts	150,000	-
Changes in operating assets and liabilities:		
Accounts Receivable	39,815	527,580
Inventory	36,951	89,836
Prepaid Expenses & Other Assets	14,650	(224,000)
Other Assets	(131,540)	-
Accounts Payable	(395,485)	70,196
Accrued Expenses	(198,209)	(222,290)
Derivative Liability	32,655	-
Net Cash Provided (Used) in Operating Activities	(703,854)	438,449
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and Equipment	13,452	-
Cash Received on Sale of Equipment	-	68,048
Net Cash Provided (Used) in Investing Activities	13,452	68,048
<b>Cash Flows from Financing Activities</b>		
Increase in Cash Overdraft	53,259	-
Line of Credit	250,000	-
	23,283	-
Convertible Note & Other Loans		
Net Loans from Shareholders	7,308	(443,484)
Net Cash Provided by Financing Activities	333,850	(443,484)
Net Increase (Decrease) in Cash	(356,552)	63,013
Cash Beginning of Period	356,552	60,610
Cash End of Period	\$ -	\$ 123,623
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash Paid during the period for interest	\$ -	\$ -
Cash Paid during the period for income taxes	\$ -	\$ -

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

**CEMTREX, INC. AND SUBSIDIARY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**(UNAUDITED)**

**Note 1 – Organization, Business & Operations**

Cemtrex, Inc. and its wholly-owned subsidiary Griffin Filters, LLC (collectively the “Company”), is engaged in manufacturing and selling the most advanced instruments for emission monitoring of particulate, opacity, mercury, sulfur dioxide, nitrogen oxides, etc. Cemtrex also provides turnkey services for carbon creation projects from abatement of greenhouse gases pursuant to Kyoto protocol and assists project owners in selling of carbon credits globally. Company's products are sold to power plants, refineries, chemical plants, cement plants & other industries including federal and state governmental agencies. Through its wholly-owned subsidiary, Griffin Filters, the Company designs, manufactures and sells air filtration equipment and systems to control particulate emissions in a variety of industries.

Cemtrex, Inc. was incorporated as Diversified American Holding, Inc. on April 27, 1998. On December 16, 2004, the Company changed its name to Cemtrex, Inc. On April 30, 2007, Cemtrex, Inc. acquired Griffin Filters, LLC (see Note 5 – Business Combination and Related Party Transactions).

**Note 2 - Going Concern and Management's Plans**

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the company as a going concern. However, as of June 30, 2010, the Company has an accumulated deficit of \$300,029 and has losses year to date totaling \$306,087. The Company's current business plan requires additional funding beyond its anticipated cash flows from operations. These and other factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon its ability to raise additional capital and achieve profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

**Note 3 - Summary of Significant Accounting Policies**

**Interim financial statements**

The accompanying unaudited condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and should be read in conjunction with the Company's audited financial statements and footnotes thereto for the year ended September 30, 2009 included in the Company's Form 10-K filed on January 22, 2010. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. The financial statements reflect all adjustments (consisting primarily of normal recurring adjustments) that are, in the opinion of management necessary for a fair presentation of the Company's financial position and results of operations. The operating results for the three and nine months ended June 30, 2010 are not necessarily indicative of the results to be expected for any other interim period of any future year.

## **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Cemtrex, Inc. and its wholly subsidiary Griffin Filters, LLC (collectively the "Company"). All significant inter-company accounts and transactions have been eliminated in consolidation.

The acquisition of Griffin Filters, LLC by Cemtrex, Inc. was treated as a business combination due to the fact that the acquired entity and purchased entity were owned by the same individual. Therefore, these consolidated financial statements have been retrospectively adjusted for all periods presented.

## **Accounting Method**

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a September 30 year-end.

## **Cash and cash equivalents**

The Company considers all liquid investments with a maturity of three months or less from the date of purchase that are readily convertible into cash to be cash equivalents.

## **Concentrations of Credit Risk - Cash**

The Company maintains its cash with various financial institutions, which may exceed federally insured limits throughout the period.

## **Inventories**

Inventories are comprised of replacement parts, system components and finished systems, which are stated at lower of cost or market. Cost is determined on a first-in, first-out (FIFO) basis.

## **Property and Equipment**

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives, generally five to seven years. Leasehold improvements are amortized over the shorter of the useful life or the remaining lease term. Upon retirement or other disposition of these assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in operations. Expenditures for maintenance and repairs are charged to operations as incurred. Renewals and betterments are capitalized.

## **Impairment of long-lived assets**

In July 2009, the Company adopted FASB ASC Topic 360, "Accounting for the Impairment or Disposal of Long-Lived Assets" (previously "SFAS 144"). This topic addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with this topic. This topic requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

## **Basic and Diluted Net Income per Share**

Basic earnings per share is calculated using the weighted-average number of common shares outstanding during the period without consideration of the dilutive effect of stock warrants and convertible notes. Diluted earnings per share is calculated using the weighted-average number of common shares outstanding during the period after consideration of the dilutive effect of stock warrants and convertible notes.

### **Revenue recognition**

Sales of products and related costs of products sold are recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price is fixed or determinable and (iv) collectability is reasonably assured. These terms are typically met upon shipment of finished goods to the customer.

### **Allowance for doubtful accounts**

We provide an allowance for estimated uncollectible accounts receivable balances based on historical experience and the aging of the related accounts receivable. As of June 30, 2010 and September 30, 2009, the Company has reserved \$350,000 and \$200,000 for doubtful accounts, respectively.

The Company expenses advertising costs as incurred. There were no advertising costs for the periods ended June 30, 2010 and 2009, respectively.

### **Income Taxes**

In July 2009, the Company adopted FASB ASC 749 "Accounting for Income Taxes" (previously SFAS 109). Under this topic the Company accounts for income taxes using the liability method where deferred tax assets and liabilities are determined based on differences between their financial reporting and tax basis of assets and liabilities.

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, the Company considers all available evidence including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that the Company changes its determination as to the amount of deferred tax assets that can be realized, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

As of June 30, 2010, The Company has a net operating loss carryforward of \$300,029 expiring in the year 2024. The Company has reserved against any tax benefit in full as it is unsure if it can ultimately benefit from the loss. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

### **Research and development costs**

Expenditures for research & development are expenses as incurred. Such costs are required to be expensed until the point that technological feasibility is established. The Company incurred \$0 and \$31,246 in research and development costs for the nine months ended June 30, 2010 and 2009, respectively.

### **Stock-based compensation**

In July 2009, the Company adopted FASB ASC Topic 718, "Share-Based Payment" (previously "SFAS 123(R)"). This topic requires that companies account for awards of equity instruments issued to employees under the fair value method of accounting and recognize such amounts in their statements of operations. Under this topic, we are required to measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in our consolidated statements of operations over the service period that the awards are expected to vest.

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of FASB ASC Topic 718, "Share-Based Payment" (previously "SFAS 123(R)"). Under this topic Common stock issued to non-employees in exchange for services is accounted for based on the fair value of the services received.



### **Fair value of financial instruments**

In July 2009, the Company adopted FASB ASC Topic 825, "Disclosures about Fair Value of Financial Instruments" (previously SFAS No. 107). This topic requires that the Company disclose estimated fair values of financial instruments. The carrying amounts reported in the statements of financial position for current assets and current liabilities qualifying as financial instruments are a reasonable estimate of fair value.

### **Reclassifications**

Certain items in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current period's presentation. These reclassifications have no effect on the previously reported income (loss).

### **Recently Issued Accounting Pronouncements**

The adoption of these accounting standards had the following impact on the Company's statements of income and financial condition:

- FASB ASC Topic 855, "Subsequent Events". In May 2009, the FASB issued FASB ASC Topic 855, which establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this Statement sets forth : (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This FASB ASC Topic should be applied to the accounting and disclosure of subsequent events. This FASB ASC Topic does not apply to subsequent events or transactions that are within the scope of other applicable accounting standards that provide different guidance on the accounting treatment for subsequent events or transactions. This FASB ASC Topic was effective for interim and annual periods ending after June 15, 2009, which was June 30, 2009 for the Corporation. The adoption of this Topic did not have a material impact on the Company's financial statements and disclosures.
- FASB ASC Topic 105, "The FASB Accounting Standard Codification and the Hierarchy of Generally Accepted Accounting Principles". In June 2009, the FASB issued FASB ASC Topic 105, which became the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this FASB ASC Topic, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-SEC accounting literature not included in the Codification will become non-authoritative. This FASB ASC Topic identify the sources of accounting principles and the framework for selecting the principles used in preparing the financial statements of nongovernmental entities that are presented in conformity with GAAP. Also, arranged these sources of GAAP in a hierarchy for users to apply accordingly. In other words, the GAAP hierarchy will be modified to include only two levels of GAAP: authoritative and non-authoritative. This FASB ASC Topic is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this topic did not have a material impact on the Company's disclosure of the financial statements

FASB ASC Topic 320, "Recognition and Presentation of Other-Than-Temporary Impairments". In April 2009, the FASB issued FASB ASC Topic 320 amends the other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FASB ASC Topic does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The FASB ASC Topic shall be effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. Earlier adoption for periods ending before March 15, 2009, is not permitted. This FASB ASC Topic does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FASB ASC Topic requires comparative disclosures only for periods ending after initial adoption. The adoption of this Topic did not have a material impact on the Company's financial statements and disclosures.

The Company is evaluating the impact that the following recently issued accounting pronouncements may have on its financial statements and disclosures.

FASB ASC Topic 860, "Accounting for Transfer of Financial Asset", In June 2009, the FASB issued additional guidance under FASB ASC Topic 860, "Accounting for Transfer and Servicing of Financial Assets and Extinguishment of Liabilities", which improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The Board undertook this project to address (i) practices that have developed since the issuance of FASB ASC Topic 860, that are not consistent with the original intent and key requirements of that statement and (ii) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. This additional guidance requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. Enhanced disclosures are required to provide financial statement users with greater transparency about transfers of financial assets and a transferor's continuing involvement with transferred financial assets. This additional guidance must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This additional guidance must be applied to transfers occurring on or after the effective date.

FASB ASC Topic 810, "Variables Interest Entities". In June 2009, the FASB issued FASB ASC Topic 810, which requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics: (i) The power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (ii) The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. This FASB Topic requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, which was based on determining which enterprise absorbs the majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both. This FASB ASC Topic shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

- FASB ASC Topic 820, “Fair Value measurement and Disclosures”, an Accounting Standard Update. In September 2009, the FASB issued this Update to amendments to Subtopic 82010, “Fair Value Measurements and Disclosures”. Overall, for the fair value measurement of investments in certain entities that calculates net asset value per share (or its equivalent). The amendments in this Update permit, as a practical expedient, a reporting entity to measure the fair value of an investment that is within the scope of the amendments in this Update on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity’s measurement date, including measurement of all or substantially all of the underlying investments of the investee in accordance with Topic 820. The amendments in this Update also require disclosures by major category of investment about the attributes of investments within the scope of the amendments in this Update, such as the nature of any restrictions on the investor’s ability to redeem its investments at the measurement date, any unfunded commitments (for example, a contractual commitment by the investor to invest a specified amount of additional capital at a future date to fund investments that will be made by the investee), and the investment strategies of the investees. The major category of investment is required to be determined on the basis of the nature and risks of the investment in a manner consistent with the guidance for major security types in GAAP on investments in debt and equity securities in paragraph 320-10-50-1B. The disclosures are required for all investments within the scope of the amendments in this Update regardless of whether the fair value of the investment is measured using the practical expedient. The amendments in this Update apply to all reporting entities that hold an investment that is required or permitted to be measured or disclosed at fair value on a recurring or non recurring basis and, as of the reporting entity’s measurement date, if the investment meets certain criteria The amendments in this Update are effective for the interim and annual periods ending after December 15, 2009. Early application is permitted in financial statements for earlier interim and annual periods that have not been issued.
- FASB ASC Topic 740, “Income Taxes”, an Accounting Standard Update. In September 2009, the FASB issued this Update to address the need for additional implementation guidance on accounting for uncertainty in income taxes. The guidance answers the following questions: (i) Is the income tax paid by the entity attributable to the entity or its owners? (ii) What constitutes a tax position for a pass-through entity or a tax-exempt not-for-profit entity? (iii) How should accounting for uncertainty in income taxes be applied when a group of related entities comprise both taxable and nontaxable entities? In addition, this Updated decided to eliminate the disclosures required by paragraph 740-10-50-15(a) through (b) for nonpublic entities. The implementation guidance will apply to financial statements of nongovernmental entities that are presented in conformity with GAAP. The disclosure amendments will apply only to nonpublic entities as defined in Section 740-10-20. For entities that are currently applying the standards for accounting for uncertainty in income taxes, the guidance and disclosure amendments are effective for financial statements issued for interim and annual periods ending after September 15, 2009.

#### **Note 4 - Inventory**

The Company values its inventory under the FIFO method of costing under the lower of cost or market pricing model. The Company reviews its product for old and or obsolete items and adjusts accordingly. The Company’s inventory consists of finished and raw material product.

## Note 5- Property and Equipment

At June 30, 2010 and September 30, 2009, property and equipment are comprised of the following:

	(UNAUDITED)	
	June 30, 2010	September 30, 2009
Furniture and Office Equipment	\$ 83,687	\$ 97,611
Computer Software	14,080	13,609
Machinery and Equipment	68,943	68,942
Less: Accumulated Depreciation	(98,702)	(95,024)
Net Property & Equipment	<u>\$ 68,008</u>	<u>\$ 85,138</u>

Depreciation for the nine months ended June 30, 2010 and 2009 was \$17,520 and \$14,247, respectively.

## Note 6 – Business Combination and Related Party Transactions

On April 30, 2007, the Company purchased, through a business combination, all of the issued and outstanding membership interests of Griffin Filters LLC, (“Griffin”) a company established since 1971 and engaged in the design, engineering & supplying of industrial air filtration equipment from its President. Aron Govil, the Chairman, Chief Executive Officer, Treasurer and President of the Company, was the owner of 100% of the issued and outstanding membership interests of Griffin. The Company purchased 100% ownership in Griffin for a purchase price of \$2,750,000.00. The Company completed the Griffin purchase by (i) paying cash of \$700,000; (ii) issuing 20,000,000 shares of common stock valued at \$750,000; and (iii) issuing a four year convertible debenture in the amount of \$1,300,000 (see Note 7). Griffin had sales and net income of \$3,297,409 and \$145,981 respectively for fiscal year ended September 30, 2006. Griffin is now a wholly-owned subsidiary of the Company.

The Company recorded the combination of Griffin Filters, LLC as a “As is Pooling” because of the related party interest as follows:

Accounts Receivable	\$ 530,506
Inventory	49,668
Property & Equipment, Net	67,018
Other Assets	4,225
Accounts Payable	(600,348)
Additional Paid-in-Capital	2,698,931
Total	<u>\$ 2,750,000</u>

These consolidated financial statements have been retrospectively adjusted for all periods presented.

In addition, the Company had the following related party transactions:

- The Company sold to Ducon Technologies India product totaling \$450,000. Ducon is an enterprise owned by the majority stockholder of the Company.
- The Company leases space from Ducon Technologies, a related party, on a month to month basis.

#### **Note 7 – Note Payable Related Party**

Note Payables to a shareholder and related entity totaling \$269,226 is due October 1, 2011 and accrues interest at 5% per annum.

#### **Note 8 – Bank Line of Credit**

On Feb 1, 2010, Cemtrex entered into a \$250,000 Commercial line of Credit with JP Morgan Chase Bank. The note carries a variable interest rate at 3.75% over the LIBOR rate. Accrued interest and fees are payable monthly, with the entire principle balance due at maturity on February 1, 2011.

#### **Note 9 – Convertible Note, net of Discount and Derivative Liability**

On Feb 12, 2010, Cemtrex issued a \$50,000 convertible debenture to an unrelated third party, Asher Enterprises Inc., that bears interest at 8% per year and matures on December 12, 2010 at which time it is convertible into Cemtrex common shares at a conversion price equaling 65% of the average trading price during the past ten days from the maturity date.

Per EITF 00-19, paragraph 4, this convertible note does not meet the definition of a “conventional convertible debt instrument” since the debt is not convertible into a fixed number of shares. The debt can be converted into common stock at a conversion price that is a percentage of the market price; therefore, the number of shares that could be required to be delivered upon “net-share settlement” is essentially indeterminate. Therefore, the convertible debenture is considered “non-conventional,” which means that the conversion feature must be bifurcated from the debt and shown as a separate derivative liability. The Company recognized a derivative liability of \$32,655 on February 12, 2010, with an offset to debt discount in the same amount.

#### **Note 10– Stockholders’ Equity**

##### **Series A Preferred Stock**

The Company is authorized to issue 10,000,000 shares of Series A Preferred Stock, \$0.001 par value. As of June 30, 2010 and September 30, 2009, there were 1,000,000 shares issued and outstanding.

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.

On September 8th, 2009, the Company issued 1,000,000 Series A Preferred Shares to Arun Govil, the Chairman, Chief Executive Officer, Treasurer and President of the Company, in conjunction with the conversion of a convertible note (see Note 7).

## **Common Stock**

The Company is authorized to issue 60,000,000 shares of common stock, \$0.001 par value. As of June 30, 2010 and September 30, 2009, there were 39,822,862 and 39,722,862 shares issued and outstanding, respectively.

During the nine months June 30, 2010, the Company issued 100,000 common shares for marketing services totaling \$24,000.

On September 8, 2009, the Company issued 2,500,000 common shares to Arun Govil, the Chairman, Chief Executive Officer, Treasurer and President of the Company, in conjunction with the of the conversion of a convertible note (see Note 7). In addition, the Company issued 2,895,000 common shares for cash totaling \$8,525.

## **Note 11 – Commitments & Contingencies**

### **Lease Obligations**

The Company leases its principal office at Farmingdale, New York, 4000 square feet of office and warehouse/shop space in a single story commercial structure on a month to month lease from Ducon Technologies Inc., at a monthly rental of \$2,157.

The Company's subsidiary Griffin Filters LLC leases approx. 10,000 sq. ft. of office and warehouse space in Liverpool, New York from a third party in a five year lease at a monthly rent of \$4,225 expiring on March 31, 2012.

### **Legal Proceedings**

A Demand for Arbitration was filed on December 19, 2009 by Sindicatum Carbon Technology Limited, a U.K. company before the JAMS arbitration and mediation society in New York City. In the SCT claim, SCT alleges breaches of contract by the Company. The Company has filed counter claims against SCT for breaches of contract. Currently SCT's counsel is drafting a motion to dismiss the Company's counterclaims, and the Company anticipates that such motion shall be served on or about May 24, 2010. The Company has approximately \$488,000 in a receivable due from SCT relating to this contract and has provided a reserve for doubtful accounts of \$250,000 to cover, what management believes to be the expected loss.

### **Note 12 - Subsequent Events**

The Company has evaluated all subsequent events through August 18, 2010, the date this Quarterly Report on Form 10-Q was filed with the SEC. There were no recognized or unrecognized events requiring disclosure as significant subsequent events.

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

### FORWARD-LOOKING STATEMENTS

Statements in this report may be "forward-looking statements." Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those described above and those risks discussed from time to time in this report, including the risks described under "Risk Factors" in our Form 10 filed June 19, 2008 and any risks described in any other filings we make with the SEC. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this report.

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate these estimates, including those related to useful lives of real estate assets, cost reimbursement income, bad debts, impairment, net lease intangibles, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

### OVERVIEW

Cemtrex Inc. ("Cemtrex" or the "Company") is a Delaware corporation that designs, engineers, assembles and sells emission monitoring equipment and instruments through its MIP division to measure opacity, mercury, sulfur oxides, hydrocarbons, nitrogen oxides, ammonia, carbon dioxide and oxygen in flue gases discharging the stacks in industries such as: chemicals, pulp and paper, steel, power, cement, coal and petrochemical. Cemtrex provides consulting services on projects that create carbon credits, and also markets technologies for controlling greenhouse gases such as Methane from coal mines. The Company sells energy efficiency product called Green DCV, which creates energy efficiency in an existing HVAC system in commercial and industrial facilities by monitoring carbon dioxide levels. The Company through its Griffin Filters subsidiary, supplies air filtration and environmental control systems for industrial applications.

On April 27, 1998, the Company was incorporated in the state of Delaware under the name "Diversified American Holdings, Inc." The Company subsequently changed its name to "Cemtrex Inc." on December 16, 2004.

On April 30, 2007, the Company purchased all of the issued and outstanding membership interests of Griffin Filters LLC, ("Griffin") a company established since 1971 and engaged in the design, engineering & supplying of industrial air filtration equipment from Arun Govil, the Chairman, Chief Executive Officer, Treasurer and President of the Company, who was the 100% owner of the issued and outstanding membership interests of Griffin. The purchase price of \$ 2,750,000.00 was paid by (i) paying cash of \$700,000.00, (ii) issuing 20,000,000 shares of common stock valued at \$750,000.00 and (iii) issuing a four year convertible debenture in the amount of \$1,300,000.00, paying interest of 8.0% per year and convertible into 30,000,000 shares of common stock. Griffin had sales and net income of \$3,297,409 and \$145, 981 respectively for fiscal year ended As of September 30, 2006. Griffin is now a wholly-owned subsidiary of the Company.

On September 8, 2009, the Company entered into a letter agreement with Arun Govil, the Chairman, Chief Executive Officer, Treasurer and President of the Company. Pursuant to the letter agreement Arun Govil agreed to cancel the convertible promissory note, held by him, dated April 30, 2007 (the " Note "). The principal balance of the Note was \$1,300,000. Pursuant to the terms of the Note, the outstanding amount was convertible into 30,000,000 shares of our common stock. Pursuant to the letter agreement, in return for cancelling the Note, the Company issued Arun Govil 2,500,000 shares of our common stock and 1,000,000 shares of our Series A Preferred Stock. Pursuant to the Certificate of Designation of the Preferred Stock, each issued and outstanding Preferred Stock shall be entitled to the number of votes equal to the result of: (i) the number of shares of Common Stock issued and outstanding at the time of such vote multiplied by 1.01; divided by (ii) the total number of Preferred Stock 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. In consideration of the issuance of the Common Stock and Preferred Stock described above pursuant to the letter agreement, Mr. Govil agreed to forfeit 27,500,000 shares of our common stock issuable as per the original terms of the Note.

The Company designs, engineers, assembles and sells emission monitoring equipment and instruments to the chemicals, pulp and paper, steel, power, coal and petrochemical industries, as well as to municipalities, hospitals, and state and federal governments. Our emission monitoring systems are installed at the exhaust stacks of industrial facilities and are used to measure the outlet flue gas concentrations of regulated pollutants, such as sulfur dioxide, hydrogen chloride, hydrogen sulfide, nitrous oxides, ammonia, nitrogen oxide, carbon dioxide, carbon monoxide and other regulated pollutants. Through use of our equipment and instrumentation, our clients can monitor the exhausts to the atmosphere from their facilities and comply with Environmental Protection Agency and state and local emission regulations on dust, particulate, fumes, acid gases and other regulated pollutants into the atmosphere.

The Company is also involved in providing turnkey services for carbon credit projects from abatement of greenhouse gases pursuant to Kyoto protocol and assists project owners in selling of carbon credits globally. Carbon Credits are emission offsets that are generated from greenhouse gases abatement, renewable energy such as solar & wind, and energy efficiency projects which displace carbon emissions from traditional fossil fuel sources like coal, oil or gas with the subsequent reduction in greenhouse gas emissions. Companies, agencies and governments buy, sell, bank and trade Carbon Credits called Certified Emission Reductions or CERs. Cemtrex provides consulting services for such projects and arranges for investment equity and the sales of CERs for its customers. Company also markets MCDR technology for generating carbon credits from control of Methane from coal mines.

The Company has recently developed an energy efficiency product line named Green DCV, which provides energy efficiency in HVAC systems for commercial buildings and industrial installations. Cemtrex's Green-DCV system uses carbon dioxide (CO<sub>2</sub>) sensors to monitor CO<sub>2</sub> levels inside a building, and then regulate the HVAC air-handling system to save energy and improve air quality. Cemtrex's Green-DCV can provide significant energy savings in buildings where occupancy fluctuates during a 24-hour period, such as: office buildings, government facilities, shopping malls, movie theaters, restaurants & schools.

The Company through its subsidiary Griffin Filters provides a complete line of air filtration and environmental control equipment to industries such as: chemical, cement, steel, food, construction, mining, & petrochemical. Griffin's equipment is used to: (i) remove dust, corrosive fumes, mists, hydrocarbons, volatile organic compounds, submicron particles and particulate from industrial exhausts and boilers; (ii) clean noxious and acid gases such as sulfur dioxide, hydrogen chloride, hydrogen sulfide, chlorides, and organics from industrial exhaust stacks prior to discharging to the atmosphere; (iii) control emissions of coal, dust, sawdust, phosphates, flyash, cement, carbon black, soda ash, silica, etc. from construction facilities, mining operations and dryer exhausts.



## INDUSTRY BACKGROUND

The market for environmental control systems and technologies is directly dependent upon governmental regulations and their enforcement. During the past three decades, federal, state and local governments have realized the contaminated air poses significant threats to public health and safety, and, in response, have enacted legislation designed to curb emissions of a variety of air pollutants. Management believes that the existence of governmental regulations creates demand for Company's emission monitoring equipment and environmental control systems.

These governmental regulations affect nearly every industrial activity. The principal federal legislation that was created is the Clean Air Act of 1970, as amended (9th Clean Air Act). This legislation requires compliance with ambient air quality standards and empowers the Environmental Protection Agency (EPA) to establish and enforce limits on the emissions of various pollutants from specific types of facilities. The states have primary responsibility for implementing these standards and, in some cases, have adopted standards more stringent than those established by the EPA. In 1990, amendments to the Clean Air Act were adopted which address, among other things, the country acid rain problem by imposing strict control on the emissions of sulfur dioxide from power plants. During 1997, EPA approved regulations for ozone related emissions and in 1998 EPA issued regulations requiring utilities in 22 states to significantly reduce Nitrogen oxides emissions.

According to certain scientists, the Earth's surface has risen in temperature by about 1 degree Fahrenheit in the past century. There is increasing evidence that certain human activities are contributing to this change in temperature through activities that increase the levels of greenhouse gases, primarily carbon dioxide, methane, and nitrous oxide, in the atmosphere. Greenhouse gases trap heat that would normally escape back into the atmosphere, thus increasing the earth's natural greenhouse effect and increasing temperature over time.

The earth's climate is predicted by certain scientists to change because human activities are altering the chemical composition of the atmosphere through the buildup of greenhouse gases—primarily carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (NO<sub>x</sub>). The heat-trapping property of these gases is undisputed. Although uncertainty exists about exactly how earth's climate responds to these gases, global temperatures are rising.

### EPA Clean Air market Programs

EPA's Clean air market programs include various market-based regulatory programs designed to improve air quality. Clean air markets include various market-based regulatory programs designed to improve air quality by reducing outdoor concentrations of fine particles, sulfur dioxide, nitrogen oxides, mercury, ozone and other significant air emissions. The most well-known of these programs are EPA's Acid Rain Program and the NO<sub>x</sub> Trading Programs, which reduce emissions of sulfur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>)—compounds produced by fossil fuel combustion.

### Acid Rain Program

The goal of the Acid Rain Program is to achieve significant environmental and public health benefits through reductions in emissions of sulfur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>), the primary causes of acid rain. To achieve this goal at the lowest cost to society, the program employs both traditional and innovative, market-based approaches for controlling air pollution. In addition, the program encourages energy efficiency and pollution prevention.

"Acid rain" is a broad term referring to a mixture of wet and dry deposition (deposited material) from the atmosphere containing higher than normal amounts of nitric and sulfuric acids. The precursors, or chemical forerunners, of acid rain formation result from both natural sources, such as volcanoes and decaying vegetation, and man-made sources, primarily emissions of SO<sub>2</sub> and NO<sub>x</sub> resulting from fossil fuel combustion. In the United States, roughly 2/3 of all SO<sub>2</sub> and 1/4 of all NO<sub>x</sub> come from electric power generation that relies on burning fossil fuels, like coal. Acid rain occurs when these gases react in the atmosphere with water, oxygen, and other chemicals to form various acidic compounds. The result is a mild solution of sulfuric acid and nitric acid. When sulfur dioxide and nitrogen oxides are released from power plants and other sources, prevailing winds blow these compounds across state and national borders, sometimes over hundreds of miles.

## **NO<sub>x</sub> Trading Program**

The goal of the NO<sub>x</sub> Trading Program is to reduce the transport of ground-level ozone across large distances. The Ozone Transport Commission (OTC) NO<sub>x</sub> Budget Program was implemented from 1999 to 2002 and was replaced by the NO<sub>x</sub> Budget Trading Program—also known as the “NO<sub>x</sub> SIP Call”—in 2003. The NO<sub>x</sub> SIP Call Program is a market-based cap and trade program created to reduce emissions of nitrogen oxides (NO<sub>x</sub>) from power plants and other large combustion sources in the eastern United States. NO<sub>x</sub> is a prime ingredient in the formation of ground-level ozone (smog), a pervasive air pollution problem in many areas of the eastern United States. The NO<sub>x</sub> Budget Trading Program was designed to reduce NO<sub>x</sub> emissions during the warm summer months, referred to as the ozone season, when ground-level ozone concentrations are highest.

## **Clean Air Interstate Rule (CAIR)**

On March 10, 2005, EPA issued the Clean Air Interstate Rule (CAIR). This rule provides states with a solution to the problem of power plant pollution that drifts from one state to another. CAIR covers 28 eastern states and the District of Columbia. The rule uses a cap and trade system to reduce the target pollutants—sulfur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>)—by 70 percent.

The goal of the Clean Air Interstate Rule (CAIR) is to permanently cap emissions of SO<sub>2</sub> and NO<sub>x</sub> in the eastern U.S. States must achieve the required emission reductions using one of two compliance options: (1) meet the state’s emission budget by requiring power plants to participate in an EPA-administered interstate cap and trade system, or (2) meet an individual state emissions budget through measures of the state’s choosing.

## **Clean Air Mercury Rule (CAMR)**

On March 15, 2005, EPA issued the Clean Air Mercury Rule (CAMR) to permanently cap and reduce mercury emissions from coal-fired power plants for the first time ever. This rule makes the United States the first country in the world to regulate mercury emissions from utilities.

The goal of the Clean Air Mercury Rule (CAMR) is to reduce mercury emissions from coal-fired power plants through “standards of performance” for new and existing utilities and a market-based cap and trade program.

CAMR establishes “standards of performance” limiting mercury emissions from new and existing coal-fired power plants, and creates a market-based cap and trade program that will reduce nationwide utility emissions of mercury in two distinct phases. The first phase cap is 38 tons and emissions will be reduced by taking advantage of “co-benefit” reductions—that is, mercury reductions achieved by reducing sulfur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>) emissions under Clean Air Interstate Rule (CAIR). In the second phase, due in 2018, coal-fired power plants will be subject to a second cap, which will reduce emissions to 15 tons upon full implementation.

## **EPA Emission Monitoring Requirements**

EPA’s emissions monitoring requirements are designed to ensure the compliance with its current regulations pursuant to various programs. The emission monitoring requirements ensure that the emissions data collected is of a known, consistent, and high quality, and that the mass emissions data from source to source are collected in an equitable manner. This is essential to support the Clean Air Markets Program’s mission of promoting market-based trading programs as a means for solving air quality problems

Continuous emissions monitoring (CEM) is instrumental in ensuring that the mandated reductions of SO<sub>2</sub>, NO<sub>x</sub> mercury and other pollutants are achieved. While traditional emissions limitation programs have required facilities to meet specific emissions rates, the current Program requires an accounting of each ton of emissions from each regulated unit. Compliance is then determined through a direct comparison of total annual emissions reported by CEM and allowances held for the unit.

CEM is the continuous measurement of pollutants emitted into the atmosphere in exhaust gases from combustion or industrial processes. EPA has established requirements for the continuous monitoring of SO<sub>2</sub>, volumetric flow, NO<sub>x</sub>, diluent gas, and opacity for units regulated under the Acid Rain Program. In addition, procedures for monitoring or estimating carbon dioxide (CO<sub>2</sub>) are specified. The CEM rule also contains requirements for equipment performance specifications, certification procedures, and recordkeeping and reporting.

The Acid Rain Program uses a market-based approach to reduce SO<sub>2</sub> emissions in a cost-effective manner. (One allowance is an authorization to emit 1 ton of SO<sub>2</sub> during or after a specified calendar year; a utility may buy, sell, or hold allowances as part of its compliance strategy.) Complete and accurate emissions data are key to implementing this market-based approach.

An essential feature of smoothly operating markets is a method for measuring the commodity being traded. The CEM data supplies the gold standard to back up the paper currency of emissions allowances. The CEM requirement, management believes, instills confidence in the market-based approach by verifying the existence and value of the traded allowance.

The owner or operator of a unit regulated under the Acid Rain Program must install CEM systems on the unit unless otherwise specified in the regulation. CEM systems include:

- An SO<sub>2</sub> pollutant concentration monitor.
- A NO<sub>x</sub> pollutant concentration monitor.
- A volumetric flow monitor.
- An opacity monitor.
- A diluent gas (O<sub>2</sub> or CO<sub>2</sub>) monitor.
- A computer-based data acquisition and handling system (DAHS) for recording and performing calculations with the data.

All CEM systems must be in continuous operation and must be able to sample, analyze, and record data at least every 15 minutes. All emissions and flow data will be reduced to 1-hour averages. The rule specifies procedures for converting the hourly emissions data into the appropriate units of measure.

The following is a summary of monitoring method requirements and options:

- All existing coal-fired units serving a generator greater than 25 megawatts and all new coal units must use CEMs for SO<sub>2</sub>, NO<sub>x</sub>, flow, and opacity.
- Units burning natural gas may determine SO<sub>2</sub> mass emissions by: (1) measuring heat input with a gas flowmeter and using a default emission rate; or (2) sampling and analyzing gas daily for sulfur and using the volume of gas combusted; or (3) using CEMs.
- Units burning oil may monitor SO<sub>2</sub> mass emissions by one of the following methods:
  1. daily manual oil sampling and analysis plus oil flow meter (to continuously monitor oil usage)
  2. sampling and analysis of diesel fuel oil as-delivered plus oil flow meter
  3. automatic continuous oil sampling plus oil flow meter
  4. SO<sub>2</sub> and flow CEMs.
- Gas-fired and oil-fired base-loaded units must use NO<sub>x</sub> CEMs.
- Gas-fired peaking units and oil-fired peaking units may either estimate NO<sub>x</sub> emissions by using site-specific emission correlations and periodic stack testing to verify continued representativeness of the correlations, or use NO<sub>x</sub> CEMS. The emission correlation method has been significantly streamlined in the revised rule.
- All gas-fired units using natural gas for at least 90 percent of their annual heat input and units burning diesel fuel oil are exempt from opacity monitoring.
- For CO<sub>2</sub> all units can use either (1) a mass balance estimation, or (2) CO<sub>2</sub> CEMs, or (3) O<sub>2</sub> CEMs in order to estimate CO<sub>2</sub> emissions.

## PRODUCTS

The Company's MIP division 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.

The MIP division's current products include the following:

Opacity monitor: Compliance & non-compliance types

Management believes that the Company's Laser Opacity monitor provides the highest accuracy and long-term reliability available for stack opacity and dust measurements. An EPA-compliant monitoring system, the monitor is a lightweight, efficient solution for determining opacity or dust concentration in stack gases. Proven in many installations worldwide, it advances the state of opacity monitoring with higher levels of accuracy, flexible installation and reduced long-term maintenance

Extractive Continuous Emission Monitors (CEMS)

Cemtrex provides direct-extractive and dilution-extractive CEMS equipment & systems that are applicable for utilities, industrial boilers, FGD systems, SCR-NOx control, furnaces, gas turbines, process heaters, incinerators, and process controls. In addition to traditional CEMS designed for maximum reliability and minimal maintenance in monitoring criteria pollutants, the Company can also accurately quantify other gaseous compounds through in-situ or extractive FTIR systems. The Company's Extractive CEMS can be configured to monitor for one or all of the following: • NOx • SO2 • CO2 • O2 • CO • THC • Mercury • H2S • HCl & HF Acid • NH3 • Particulate • Opacity • Volumetric Flow and Moisture.

Ammonia Analyzer

The flue gas stream which contain ammonia, nitrogen oxides and in some cases sulfur dioxide utilize Ultra Violet radiation techniques for measurements. All these components absorb UV radiation, and therefore can be monitored by process analyzers that utilize UV absorbance techniques for detection.

Mercury Analyzer

The EPA Clean Air Mercury rule requires that all coal fired power plants must provide continuous mercury monitoring by 2009. Management believes that Cemtrex's SM4 mercury monitor, a result of 10 years experience in mercury monitoring business, provides reliable online measurements at a much lower cost than any other competing model in the market. Cemtrex SM4 is the first instrument working on a thermo catalytic principle avoiding wet chemical sample treatment. As a consequence, the Company has found that maintenance demand has been drastically minimized. We believe that it is the only monitor that required no maintenance at a coal fired utility wet stack, no carrier gases, no water and 95% data availability. SM4 uses straight extractive Teflon sheathed Hastelloy probe with no plugging or corrosion.

The Company's carbon Credits division provides consulting services for carbon credit projects from abatement of greenhouse gases pursuant to Kyoto protocol and assists project owners in developing such projects globally. Carbon Credits are emission offsets that are generated from greenhouse gases abatement, renewable energy such as solar & wind, and energy efficiency projects which displace carbon emissions from traditional fossil fuel sources like coal, oil or gas with the subsequent reduction in greenhouse gas emissions. Companies, agencies and governments buy, sell, bank and trade Carbon Credits called Certified Emission Reductions or CERs. The Company provides complete services such as registering the project to be eligible to generate carbon credits and arrange for the required funding. The Company also markets MCDR technology for generating carbon credits from control of Methane from coal mines.

Company's energy Efficiency division has recently developed an energy efficiency product line named Green DCV, which provides energy efficiency in HVAC systems for commercial buildings and industrial installations. Cemtrex's Green-DCV system uses carbon dioxide (CO2) sensors to monitor CO2 levels inside a building, and then regulate the HVAC air-handling system to save energy and improve air quality. Cemtrex Green-DCV can provide significant energy savings in buildings where occupancy fluctuates during a 24-hour period, such as: office buildings, government facilities, shopping malls, movie theaters, restaurants & schools.

The Company through its subsidiary, Griffin Filters, provides a complete line of air filtration and environmental control equipment to industries such as: chemical, cement, steel, food, construction, mining, & petrochemical. Griffin's equipment is used to: (i) remove dust, corrosive fumes, mists, hydrocarbons, volatile organic compounds, submicron particles and particulate from industrial exhausts and boilers; (ii) clean noxious and acid gases such as sulfur dioxide, hydrogen chloride, hydrogen sulfide, chlorides, and organics from industrial exhaust stacks prior to discharging to the atmosphere; (iii) control emissions of coal, dust, sawdust, phosphates, flyash, cement, carbon black, soda ash, silica, etc. from construction facilities, mining operations and dryer exhausts.

#### **PRODUCT DEVELOPMENT**

The Company is currently in the process of developing technology for economically controlling carbon dioxide emissions from power plant flue gases that already have installed wet limestone scrubbers utilizing a proprietary chemical. The Company is carrying out an in-house pilot test program to develop this technology for carbon dioxide reduction.

The Company is not dependent on, nor expects to become dependent on, any one or a limited number of suppliers. The Company buys parts and components to assemble its equipment and products. The Company does not manufacture or fabricate its own products or systems. The Company relies on sub-suppliers and third party vendors to procure from or fabricate its components based on its design, engineering and specifications. The Company also enters into subcontracts for field installation, which the Company supervises; and the Company manages all technical, physical and commercial aspects of the performance of the Company contracts. To date, the Company has not experienced difficulties either in obtaining fabricated components and other materials and parts or in obtaining qualified subcontractors for installation work.

#### **PARTS, REPAIR AND REFURBISHMENT SERVICES**

The Company also provide replacement and spare parts and repair and refurbishment services for our emission monitoring systems following the expiration of our warranties which generally range up to 12 months. The Company has experienced only minimal costs from its warranties.

The Company's standard terms of sale disclaim any liability for consequential or indirect losses or damages stemming from any failure of our products or systems or any component thereof. The Company seeks indemnification from its subcontractors for any loss, damage or claim arising from the subcontractors' failure to perform.

#### **COMPETITION**

The Company faces substantial competition in each of its principal markets. Most of its competitors are larger and have greater financial resources than the Company; several are divisions of multi-national companies. The Company competes on the basis of price, engineering and technological expertise, know-how and the quality of our products, systems and services. Additionally, the Company's management believes that the successful performance of the Company's installed products and systems is a key factor in gaining business as customers typically prefer to make significant purchases from a company with a solid performance history.

We obtain virtually all our contracts through competitive bidding. Although price is an important factor and may in some cases be the governing factor, it is not always determinative, and contracts are often awarded on the basis of the efficiency or reliability of products and the engineering and technical expertise of the bidder. Several companies market products that compete directly with our products. Other companies offer products that potential customers may consider to be acceptable alternatives to our products and services. We face 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.

## **INTELLECTUAL PROPERTY**

Over the years, the Company has developed proprietary technologies that give us an edge in competing with its competitors. Thus, the Company relies on a combination of trade secrets and know-how to protect its intellectual property. The Company has not filed any patents.

## **MARKETING**

The Company relies on manufacturing representatives, distributors, direct salespersons, magazine advertisements, internet advertising, trade shows, trade directories and catalogue listings to market our products and services. The Company uses more than eight manufacturing sales representatives in the United States backed by our senior management and technical professionals. The Company's arrangements with independent sales representatives accord each a defined territory within which to sell some or all of our products and systems, provide for the payment of agreed-upon sales commissions and are terminable at will. The Company's sales representatives do not have authority to execute contracts on the Company's behalf.

The Company's sales representatives also serve as ongoing liaison function between us and our customers during the installation phase of our products and systems and address customers' questions or concerns arising thereafter. The Company selects representatives based upon industry reputation, prior sales performance including number of prospective leads generated and sales closure rates, and the breadth of territorial coverage, among other criteria.

Technical inquiries received from potential customers are referred to our engineering personnel. Thereafter, the Company's sales and engineering personnel jointly prepare a budget for future planning, a proposal, or a final bid. The period between initial customer contact and issuance of an order is generally between two and twelve months.

## **CUSTOMERS**

The Company's principal customers are engaged in refining, power, chemical, mining and metallurgical processing. Historically, most of our customers have purchased individual products or systems which, in many instances, operate in conjunction with products and systems supplied by others. For several years, the Company has marketed its products as integrated custom engineered emission monitoring systems and environmental management solutions. No one single customer accounts for a large percentage of our annual sales.

On most projects, the Company is responsible to its customers for all phases of the design, assembly, supply and, if included, field installation of its products and systems. The successful completion of a project is generally determined by a successful operational test of the supplied equipment conducted by our field service technician in the presence of the customer.

## **TECHNOLOGY**

The Company has developed a broad range of emission monitoring technological base. The Company's equipment and instruments are used to measure: (i) particulate, carbon dioxide, nitrogen oxides, mercury and sulfur dioxide from coal-fired power plants, (ii) particulate from cement plants, (iii) hydrocarbons, particulate and sulfur dioxide from refineries, (iv) hydrogen sulfide, carbon monoxide, ammonia, hydrocarbons and other regulated pollutants from chemical plants, steel plants, incinerators and other industrial exhausts. Our emission monitors are capable of meeting all current federal and local emission monitoring standards. Company also markets technologies for control of Methane from coal mines and creating energy efficiency in HVAC systems through monitoring of carbon dioxide for commercial buildings and industrial installations. The Company has not filed any patents with respect to its technology.

## **BONDING AND INSURANCE**

While only a very few of our contracts require the Company to procure bid and performance bonds, such requirements are prevalent for large projects or projects partially or fully funded by federal, state or local governments. A bid bond guarantees that a bidder will execute a contract if it is awarded the job and a performance bond guarantees performance of the contract. The Company does not presently have a bank credit line to back bid or performance bonds. Thus, the Company cannot bid on certain contracts.

In certain cases, the Company is able to secure large contracts by accepting progress payments with retention provisions in lieu of bonds.

The Company currently maintains different types of insurance, including general liability and property coverage. The Company does not maintain product liability insurance with respect to its products and equipment. Management believes that the insurance coverage that it is adequate for our current business needs.

## **GOVERNMENT REGULATION**

Significant environmental laws, particularly the Federal Clean Air Act, have been enacted in response to public concern about the environment. The Company believe that compliance with and enforcement of these laws and regulations create the demand for our products and systems and largely determine the level of expenditures that customers will make to monitor the emissions from their facilities. The Federal Clean Air Act, initially adopted in 1970 and extensively amended in 1990, requires compliance with ambient air quality standards and empowers the EPA to establish and enforce limits on the emission of various pollutants from specific types of industrial facilities. States have primary responsibility for implementing these standards, and, in some cases, have adopted more stringent standards.

The 1990 amendments to the Federal Clean Air Act require, among other matters, reductions in the emission of sulfur oxides, believed to be the cause of "acid rain," in the emission of 189 identified hazardous air pollutants and toxic substances and the installation of equipment and systems which will contain certain named toxic substances used in industrial processes in the event of sudden, accidental, high-volume releases. Such amendments also extend regulatory coverage to many facilities previously exempt due to their small size and require the EPA to identify those industries which will be required to install the mandated control technology for the industry to reduce the emission of hazardous air pollutants from their respective plants and facilities. The Montreal Protocol, adopted in 1987, as well as EPA regulations issued in 1992, call for the phase-out of CFCs. In addition, regulations promulgated by the EPA in 1993 further limit the concentration of pollutants, such as hydrogen chloride, sulfur dioxide, chlorine, heavy metals and hazardous solid substances in the form of extremely fine dust, from sewage sludge incinerators. Sewage sludge facilities are required to comply with these regulations. Compliance with all these regulations can only be achieved by first monitoring the pertinent emission levels.

## **EMPLOYEES**

The Company employs nineteen (19) full time and one part time employee, consisting of three executive officers, three managers, seven (7) technical engineers, and six clerical and administrative support persons. None of our employees are represented by a labor union. In addition, the Company utilizes commission sales personnel and contract design engineers, on an as needed basis. There are no employment agreements.

## FACILITIES

The Company does not own any real estate.

The Company leases its principal office at Farmingdale, New York, 4000 square feet of office and warehouse/shop space in a single story commercial structure on a month to month lease from Ducon Technologies Inc., at a monthly rental of 2,157.00. The Company's subsidiary Griffin Filters LLC leases approx. 10,000 sq. ft. of office and warehouse space in Liverpool, New York from a third party in a five year lease at a monthly rent of \$ 4,858.00 expiring on March 30, 2012. The Company has no plans to acquire any property in the immediate future. The Company believes that its current facilities are adequate for its needs through the next six months, and that, should it be needed, suitable additional space will be available to accommodate expansion of the Company's operations on commercially reasonable terms, although there can be no assurance in this regard. There are no written agreements.

## FINANCIAL CONDITION

The following table sets forth selected historical consolidated financial data from our consolidated financial statements and should be read in conjunction with our consolidated financial statements including the related notes and this "Management's Discussion and Analysis of Financial Condition and Results of Operations" section hereof.

For the three month period ended June 30, 2010, we generated revenues of \$654,721 which is a decrease of \$1,045,410 from the three month period ended June 30, 2009. For the three month period ended June 30, 2010, we generated a net loss of \$114,770. For the three month period ended June 30, 2009, we had a net loss of \$ 110,334. The following table summarizes these results:

	For the Three Months Ended		
	June 30		
	2010	2009	
Revenues	\$ 654,721	\$ 1,700,131	
Operating Expenses	\$ 769,491	\$ 1,810,465	
Net Income (Loss)	\$ (114,770)	\$ (110,334)	
Income (Loss) Per Share-Basic and Diluted	0.00	0.00	
Weighted Average Number of Shares	39,822,862	34,328,862	
		As at	As at
		June	September
		30	30
		2010	2009
Current Assets	\$ 1,056,151	\$ 1,654,119	
Total Assets	\$ 1,259,924	\$ 1,743,482	
Total Liabilities	\$ 1,452,624	\$ 1,655,196	
Total Stockholders' Equity	\$ (300,029)	\$ 88,286	



## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following discussion and analysis is based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses, and assets and liabilities during the periods reported. Estimates are used when accounting for certain items such as revenues, allowances for returns, early payment discounts, customer discounts, doubtful accounts, employee compensation programs, depreciation and amortization periods, taxes, inventory values, and valuations of investments, goodwill, other intangible assets and long-lived assets. We base our estimates on historical experience, where applicable and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions. We believe that the following critical accounting policies affect our more significant judgments and estimates used in preparation of our consolidated financial statements.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We base our estimates on the aging of our accounts receivable balances and our historical write-off experience, net of recoveries.

We value our inventories at the lower of cost or market. We write down inventory balances for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and the estimated market value based upon assumptions about future demand and market conditions.

Goodwill is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the Company's carrying amount is greater than the fair value. In accordance with SFAS 142, the Company examined goodwill for impairment and determined that the Company's carrying amount did not exceed the fair value, thus, there was no impairment.

Generally, sales are recognized when shipments are made to customers. Rebates, allowances for damaged goods and other advertising and marketing program rebates are accrued pursuant to contractual provisions and included in accrued expenses. Certain amount of our revenues fall under the percentage-of-completion method of accounting used for long-term contracts. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. Sales and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified.

## RESULTS OF OPERATIONS

*Net Sales:* Net sales for three months ended June 30, 2010 decreased by \$1,045,410 or 62%, to \$654,721 from \$1,700,131 for the three months ended June 30, 2009. Sales growth decreased during the three month period ended June 30, 2010 primarily due to decreased sales in the MIP division and due to economic and market downturn which affect the company as a whole..

*Gross Profit:* Gross profit for the three months ended June 30, 2010 was \$366,143 which made up 56% of net sales as compared to \$613,406 for the three months ended June 30, 2009, which was 36% of net sales. The higher gross margin in the three months ended June 30, 2010 was a direct result of high profit margin jobs booked and shipped as compared to the previous quarter and also due to the direct results of the higher margin products mix shipped during the period.

*Operating Expenses:* Operating expenses for the three months ended June 30, 2010 decreased \$219,365, or 32%, to \$478,374 from \$697,739 for the three months ended June 30, 2009. Operating expenses as a percentage of sales increased in the three month period ended June 30, 2010 to 73% from 41% in the three month period ended June 30, 2009. The increase in operating expenses in the current quarter were primarily due to marketing expenses for promoting Company's green DCV and ventilation air methane MCDR product lines.

*Net Income/Loss:* The Company had net loss of \$114,770 which was 18% of net sales, for the three month period ended June 30 2010 as compared to a net income of \$110,334 which was 7% of net sales, for the three month ended June 30, 2009. The loss in the current quarter as compared to the previous quarter a year ago was a result of high marketing expenses for promoting Company's green DCV and ventilation air methane MCDR product lines. The net loss percentage in this period as compared to the previous one was a result of higher operating expenses due to higher marketing expenses for promoting Company's green DCV and ventilation air methane MCDR product lines.

*Provision for Income Taxes:* There is no provision for income for this period due net loss of \$114,770.

#### **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 \$1,355 at June 30, 2010 compared to \$389,443 at September 30, 2009. This include cash and cash equivalent of \$0 at June 30, 2010 and \$356,552 at September 30,2009, respectively. The reason for the decrease in working capital was due to non profitability of operations during this period.

Trade receivables decreased \$189,815 or 20% at June 30, 2010 to \$759,000 at June 30, 2009 from \$948,815 at September 30, 2009. The decrease in accounts receivable is attributable to terms and timing of order shipments from customers.

Inventories decreased \$36,951 or 11% to \$297,151 at June 30, 2010 from \$334,102 at September 30, 2009. The decrease inventory was due to timing of order shipment from customers and receipt of fresh inventories.

Continuing operations provided \$703,854 of cash for the three months ended June 30, 2010, compared to usage of \$438,449. The increase in cash flows was primarily related to payments of account payable and collection of account receivables timing. Investing activities for continuing operations generated \$13,452 of cash during the three months ended June 30, 2010, compared to use of \$68,048 cash during the three months ended June 30, 2009. The financing activities during the three months ended June 30, 2010 used up \$333,850 in cash from repayment of loans to shareholder and provided \$443,484 in cash for the three month period ended June 30, 2009 from loan proceeds.

We believe that our cash on hand, cash generated by operations, is sufficient to meet the capital demands of our current operations during the 2010 fiscal year. Any major increases in sales, particularly in new products, may require substantial capital investment. Failure to obtain sufficient capital could materially adversely impact our growth potential.

#### **Outlook**

We anticipate that the outlook for our products and services remains quite strong and we are positioned well to take advantage of it.

We believe there is currently a gradually increasing public awareness of the issues surrounding air quality and that this trend will continue for the next several years. We also believe there is an increase in public concern regarding the effects of air quality on society and future generations, as well as an increase in interest by standards-making bodies in creating specifications and techniques for detecting, defining and solving air quality problems. As a result, we believe there will be an increase in interest in our mercury monitors, opacity monitors, carbon credits and air filtration products of subsidiary Griffin Filters.

President Obama has promised to invest \$150 billion over 10 years in renewable energy and environmental control technologies as part of a wider plan to increase US energy security amid fear of oil shortages, while also reducing the country's carbon emissions in a bid to tackle global warming - and create jobs during an economic downturn. A report from a leading US-based research firm predicts that while the global carbon market will contract 29% this year to just \$84 billion, it will recover quickly over the next four years, growing at an average of 68% a year to be worth \$669 billion by 2013. According to official budget figures released by the Obama administration earlier this year, it expects to raise \$646 billion between 2012 and 2019 for the US treasury through the auctioning of carbon allowances.

This Outlook section, and other portions of this document, include certain "forward-looking statements" within the meaning of that term in Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, including, among others, those statements preceded by, following or including the words "believe," "expect," "intend," "anticipate" or similar expressions. These forward-looking statements are based largely on the current expectations of management and are subject to a number of assumptions, risks and uncertainties. Our actual results could differ materially from these forward-looking statements. Important factors to consider in evaluating such forward-looking statements include those discussed in "Risk Factors" as well as:

- the shortage of reliable market data regarding the emission monitoring & air filtration market,
- changes in external competitive market factors or in our internal budgeting process which might impact trends in our results of operations,
- anticipated working capital or other cash requirements, changes in federal and state regulations and laws;
- changes in our business strategy or an inability to execute our strategy due to unanticipated changes in the market,
- product obsolescence due to the development of new technologies, and
- various competitive factors that may prevent us from competing successfully in the marketplace.

In light of these risks and uncertainties, there can be no assurance that the events contemplated by the forward-looking statements contained in this Form 10Q will in fact occur.

### **Item 3. Quantitative & Qualitative Disclosures about Market Risks**

Not applicable.

#### **Item 4. Controls and Procedures**

##### **(a) Evaluation of Disclosure and Procedures**

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2010. This evaluation was carried out under the supervision and with the participation of our President (Chief Executive Officer), Arun Govil and our Vice President of Finance, Renato Dela Rama. Based upon that evaluation, our Chief Executive Officer and Vice President of Finance concluded that, as of June 30, 2010, our disclosure controls and procedures were and concluded that it is effective as of such date. Any internal control system, no matter how well designed, will have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Vice President of Finance, to allow timely decisions regarding required disclosure.

##### **(b) Changes in Internal Controls over financial reporting**

There have been no changes in our internal controls over financial reporting during our last fiscal quarter, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **Part II Other Information**

### **Item 1. Legal Proceedings**

The Company is not currently a party to any threatened or pending legal proceedings, other than incidental litigation arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

### **Item 1A Risk Factors**

#### **RISKS RELATED TO OUR BUSINESS**

##### **RISK FACTORS**

An Investment in our common stock involves risks. You should carefully consider the following risks, as well as the other information contained in this quarterly report. If any of the following risks actually occur, our business could be materially harmed.

o We are substantially dependent upon the success and market acceptance of our technology. The failure of the emissions monitoring and controls market to develop as we anticipate, would adversely affect our business.

The Company's success is largely dependent on increased market acceptance of our emission monitoring equipment and control systems. . If acceptance of emissions monitoring equipment does not continue to grow, then the Company's revenues may be significantly reduced.

o If we are unable to develop new products, our competitors may develop and market products with better features that may reduce demand for our potential products. The Company may not be able to introduce any new products or any enhancements to its existing products on a timely basis, or at all. In addition, the introduction by the Company of any new products could adversely affect the sales of certain of its existing products. If the Company's competitors develop innovative emissions testing technology that are superior to the Company's products or if the Company fails to accurately anticipate market trends and respond on a timely basis with its own innovations, the Company may not achieve sufficient growth in its revenues to attain profitability.

o We have incurred losses for the three months ended June 30, 2010 and for the fiscal year ending September 30, 2007, and we may incur losses for the foreseeable future.

We had a net loss of \$114,770 for the three months ended June 30, 2010 and a net loss of \$157,300 for the three months ended March 31, 2010. These losses have resulted principally from higher marketing expenses of new product lines and expenses incurred in the extensive demonstration testing of its new SM4 compliance mercury monitors at various utility sites and the low gross margin product line of Griffin Filters. We may continue to incur significant expenditures related to research and development, selling and marketing and general and administrative activities as well as capital expenditures and anticipate that our expenses and losses may increase in the foreseeable future as we expand our business; however, for the year ended September 30, 2009, we generated a net profit of \$155,010. Further, as a public company we will also incur significant legal, accounting and other expenses that we did not incur as a private company. To achieve sustained profitability, we will need to generate significant additional revenues with significantly improved gross margins. It is uncertain when, if ever, we will return to profitability. We might not be able to return to, sustain or increase profitability on a quarterly or annual basis.

o The Company faces constant changes in governmental standards by which our products are evaluated.

The Company believes that, due to the constant focus on the environment and clean air standards throughout the world, a requirement in the future to adhere to new and more stringent regulations both domestically and abroad is possible as governmental agencies seek to improve standards required for certification of products intended to promote clean air. In the event our products fail to meet these ever-changing standards, some or all of our products may become obsolete.

o The future growth of our business depends, in part, on enforcement of existing emissions-related environmental regulations and further tightening of emission standards worldwide.

The Company expects that the future business growth will be driven, in part, by the enforcement of existing emissions-related environmental regulations and tightening of emissions standards worldwide. If such standards do not continue to become stricter or are loosened or are not enforced by governmental authorities, it could have a material adverse effect on our business, operating results, financial condition and long-term prospects.

o We may incur substantial costs enforcing our proprietary information, defending against third-party patents, invalidating third-party patents or licensing third-party intellectual property, as a result of litigation or other proceedings relating to patent and other intellectual property rights.

The Company considers its technology and procedures proprietary. In particular, the Company depends substantially on its flexibility to develop custom engineered solutions for various applications and be responsive to customer needs. The Company has not filed for any patents for its technologies.

The Company may be notified of claims that it has infringed a third party's intellectual property. Even if such claims are not valid, they could subject the Company to significant costs. In addition, it may be necessary in the future to enforce the Company's intellectual property rights to determine the validity and scope of the proprietary rights of others. Litigation may also be necessary to defend against claims of infringement or invalidity by others. An adverse outcome in litigation or any similar proceedings could force the Company to take actions that could harm its business. These include: (i) ceasing to sell products that contain allegedly infringing property; (ii) obtaining licenses to the relevant intellectual property which the Company may not be able to obtain on terms that are acceptable, or at all; (iii) indemnifying certain customers or strategic partners if it is determined that the Company has infringed upon or misappropriated another party's intellectual property; and (iv) redesigning products that embody allegedly infringing intellectual property. Any of these results could adversely affect the Company's business, financial condition and results of operations. In addition, the cost of defending or asserting any intellectual property claim, both in legal fees and expenses, and the diversion of management resources, regardless of whether the claim is valid, could be significant.

o Product defects could cause the Company to incur significant product liability, warranty, repair and support costs and damage its reputation which would have a material adverse effect on its business.

Although the Company rigorously tests its products, defects may be discovered in future or existing products. These defects could cause the Company to incur significant warranty, support and repair costs and divert the attention of its research and development personnel. It could also significantly damage the Company's reputation and relationship with its distributors and customers which would adversely affect its business. In addition, such defects could result in personal injury or financial or other damages to customers who may seek damages with respect to such losses. A product liability claim against the Company, even if unsuccessful, would likely be time consuming and costly to defend.

o The markets in which we operate are highly competitive, and many of our competitors have significantly greater resources than we do.

There is significant competition among companies that provide emissions monitoring systems. Several companies market products that compete directly with our products. Other companies offer products that potential customers may consider to be acceptable alternatives to our products and services. We face 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. Newly developed products could be more effective and cost efficient than our current or future products. Many of the current and potential future competitors have substantially more engineering, sales and marketing capabilities and broader product lines than we have.

- o The Company's results may fluctuate due to certain regulatory, marketing and competitive factors over which we have little or no control.

The factors listed below, some of which we cannot control, may cause our revenue and results of operations to fluctuate significantly:

- the existence and enforcement of government environmental regulations. If these regulations are not maintained or enforced (or they are modified) then the market for Company's products could deteriorate;
  - Retaining and keeping qualified employees and management personnel;
  - Ability to upgrade our products to keep up with the changing market place requirements;
  - Ability to keep up with our competitors who have much higher resources than us;
  - Ability to find sub suppliers and sub contractors to assemble and install our products;
  - General economic conditions of the industry and the ability of potential customers to spend money on setting up new industries that require our products;
  - Ability to maintain or raise adequate working capital required for the operations and future growth; and
  - Ability to retain our CEO and other senior key personnel.
- o The loss of our senior management and failure to attract and retain qualified personnel in a competitive labor market could limit our ability to execute our growth strategy, resulting a slower rate of growth.

We depend on the continued service of our senior management. Due to the nature of our business, we may have difficulty locating and hiring qualified personnel and retaining such personnel once hired. The loss of the services of any of our key personnel, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could limit our ability to execute our growth strategy resulting in a slower rate of growth.

- o General economic downturns in general would have a material adverse effect on the Company's business, operating results and financial condition.

The Company's operations may in the future experience substantial fluctuations from period to period as a consequence of general economic conditions affecting consumer spending. Therefore, any economic downturns in general would have a material adverse effect on the Company's business, operating results and financial condition.][need to revise based upon current financials.

#### **Risks related to investment in the common stock of the Company**

- o We may need additional funds in the future. We may be unable to obtain additional funds or if we obtain financing it may not be on terms favorable to us. You may lose your entire investment.

Based on our current plans, we believe our existing cash and cash equivalents along with cash generated from operations will be sufficient to fund our operating expenses and capital requirements through December 31, 2010, although there is no assurance of this result, we may need funds in the future. If our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds. If we are unable to obtain additional funds on terms favorable to us, we may be required to cease or reduce our operating activities.

- o If we raise additional funds by selling additional shares of our capital stock, the ownership interests of our stockholders will be diluted.

- o Our stock trades on the Over the Counter Bulletin Board (OTCBB) electronic quotation system.

The Company's Common Stock currently trades on the Over the Counter Bulletin Board (OTCBB) electronic quotation system under the symbol "CTEI.OB". The OTCBB 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. *See* Risk Factor "Our stock price may be highly volatile" below.

- o Our shares of common stock are thinly traded, so stockholders may be unable to sell at or near ask prices or at all if they need to sell shares to raise money or otherwise desire to liquidate their shares.

Our common stock has from time to time been "thinly-traded," meaning that the number of persons interested in purchasing our common stock at or near ask prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we become more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give stockholders any assurance that a broader or more active public trading market for our common shares will develop or be sustained, or that current trading levels will be sustained.

- o Our common stock will be subject to "penny stock" rules which may be detrimental to investors.

If our common stock is not listed on a national exchange or market, the trading market for our common stock may become illiquid. Our common stock trades on the over-the-counter electronic bulletin board and, therefore, is subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, which require additional disclosure by broker-dealers in connection with any trades involving a stock defined as a "penny stock". The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) of less than \$5.00 per share or an exercise price of less than \$5.00 per share. The securities will become subject to rules that impose additional sales practice requirements on broker-dealers who sell such securities. For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchaser of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a disclosure schedule prepared by the Securities and Exchange Commission relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, among other requirements, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the "penny stock" rules may restrict the ability of shareholders to sell the Common Stock offered hereby in the secondary market.

- o We do not anticipate paying any dividends.



No dividends have been paid on the common stock of the Company. The Company does not intend to pay cash dividends on its common stock in the foreseeable future, and anticipates that profits, if any, received from operations will be devoted to the Company's future operations. Any decision to pay dividends will depend upon the Company's profitability at the time, cash available and other relevant factors.

o Our stock price may be volatile.

The market price of our common stock, like that of many other technology companies, has been volatile and may continue to be so in the future due to a wide variety of factors, including:

- announcements of technological innovations by us, our collaborative partners or our present or potential competitors;
- our quarterly operating results and performance;
- developments or disputes concerning patents or other proprietary rights;
- acquisitions;
- litigation and government proceedings;
- adverse legislation;
- changes in government regulations;
- economic and other external factors; and
- general market conditions.

In addition, potential dilutive effects of future sales of shares of common stock by shareholders and by the Company could have an adverse effect on the market price of our shares.

o Our principal shareholder has significant influence over our company which could make it impossible for the public stockholders to influence the affairs of the Company.

Approximately 65% of our outstanding voting equity (common stock and preferred stock) is beneficially held by Arun Govil, the Company's Chairman, Chief executive officer, President and Treasurer, as a result of Mr. Govil's common stock and Series A preferred stock ownership. Consequently, Mr. Govil will be able to control substantially all matters requiring approval by the stockholders of the Company, including the election of all directors and approval of significant corporate transactions. This makes it impossible for the public stockholders to influence the affairs of the Company.

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

**Item 3. Defaults upon Senior Securities:**

None

**Item 5. Other Information:**

None

**Item 6. Exhibits**

- |          |  |
|----------|--|
| 31.1 (2) | 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 (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(2)  | 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 (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.                               |

**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.

CEMTREX, INC.  
(Registrant)

Dated: August 20, 2010

By /s/ Arun Govil  
Arun Govil, Chairman of the Board, Chief Executive Officer  
and President (Principal Executive Officer)

Dated: August 20, 2010

By /s/ Renato Dela Rama  
Renato Dela Rama, Vice President of Finance (Principal  
Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, I, Arun Govil, certify that:

1. I have reviewed this report on Form 10-Q of Cemtrex, Inc., for the nine month period ended June 30, 2010;
  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 am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15)) for the registrant's 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's, 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 principals;
    - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures 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 small business issuer'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 small business issuer's other certifying officer(s) 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):
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(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.

Date: August 20, 2010

/s/ Arun Govil

Arun Govil

Chief Executive Officer, Principle Executive Officer

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CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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., for the nine month period ended June 30, 2010;
  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 am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15)) for the small business issuer 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 small business issuer, 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 principals;
    - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures 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(s) 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.

Date: August 20, 2010

/s/ Renato Dela Rama

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Renato Dela Rama

Principal Financial Officer

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**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 nine month period ended June 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arun 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/ Arun Govil

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Arun Govil  
Chief Executive Officer  
and principal executive officer  
August 20, 2010

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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**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 nine month period ended June 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Renato Dela Rama, 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

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Renato Dela Rama  
Principal Financial Officer  
August 20, 2010

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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