



## Centrex sees Nasdaq listing as springboard for growth

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Farmingdale-based Centrex Inc. hit a milestone last summer when it was listed on the Nasdaq stock exchange.

The company, which provides emissions monitoring services for manufacturers, oil companies and utilities, began trading in June under the symbol CETX on the Nasdaq, a decade after it first joined the over-the-counter (OTC) exchange. "Once you are on the Nasdaq it is like a welcome party," Centrex's chief executive Saagar Govil said. "It [gets] us into the next level . . . In order to grow your company, you need more money. Ultimately, that is just a fundamental requirement. And having investors allows you the ability to do that."

Govil, 29, who last week made Forbes' 2016 "30 under 30" list of the brightest young talents, said Centrex will use the expanded capital base to grow through continued acquisitions and global expansion.

Acquiring other firms is a solid growth strategy, an expert said, as long as the deals fit the company's mission and don't add undue financial burdens.

To get listed on the Nasdaq, Centrex had to meet valuation, revenue, equity and auditing requirements. "Listing on Nasdaq has a certain implied stability," said Alon Kapen, a partner at the Uniondale law firm Farrell Fritz who counsels entrepreneurs and emerging growth companies. "The upside is greater exposure and a higher-profile market. There are a lot more people trading on the Nasdaq. The flip side is Nasdaq has much stricter listing standards that have to be met."

Centrex, which manufactures custom engineered electronics and provides equipment for monitoring and controlling hazardous gases such as methane, carbon dioxide and nitrogen, counts PSEG, Exxon, BP, Shell and Chevron among its customers. Govil said it is well positioned to benefit from global initiatives to curtail carbon emissions and reduce air pollutants. The Environmental Protection Agency "requires [you] to monitor different types of processes, so if you are burning coal, you have harmful gases that could be emitted into the atmosphere, so the EPA mandates that you monitor and report all this data to them," he said.

Centrex, originally a subsidiary of Ducon Technologies Inc., a privately held company run by Saagar Govil's father, Aron Govil, was spun out into a separate entity in 2003. After graduating from Stony Brook University in 2008, Saagar Govil joined Centrex as an engineer servicing

field equipment. He became the company's general manager in 2010 and then chief executive in 2011. In "2011 we grew from \$3 million to \$13 million in sales in one year," Saagar Govil said.

Last month, Cemtrex reported revenue for the fiscal year ended Sept. 30, 2015, of \$56.9 million, up 19 percent from \$47.7 million the prior year. Net income increased 6 percent to \$2.84 million. Cemtrex's success hasn't been without challenges. In 2007 the company had spent close to \$2 million developing technology to capture methane, which is more potent than carbon dioxide among greenhouse gases. But the investment became fruitless when Congress failed to pass legislation to cut back greenhouse gas emissions, Govil said. "This was a very innovative technology, but our business plan for [it] didn't materialize, so we had to adjust our strategy and focus on markets that we knew would be growing over the next few years," Govil said.

Cemtrex began expanding globally in 2010, turning to China, India, Indonesia and the Philippines, as well as Europe and the Middle East. About 80 percent of its current business comes from outside the United States, with about 40 percent from Asia. "There are more concerns about the environment now because there is a growing middle class [in Asia], so they demand better environmental regulations from the government," Govil said.

In the last eight years Cemtrex has completed three acquisitions, including the 2007 purchase of an industrial air filtration company, Griffin Filters, in Syracuse, and the 2013 takeover of the ROB Group, an electronics manufacturing company in Germany. Both were related businesses that are part of Cemtrex's strategy to diversify its portfolio.

Last month, Cemtrex closed a \$7.5 million deal to acquire Advanced Industrial Services Inc., a York, Pennsylvania, company that assembles industrial equipment and installs air filtration systems. The addition of the company will give Cemtrex installation capabilities that it didn't have before. Cemtrex is also expected to close on another acquisition of an industrial air filtration company in the next two months.

Acquisitions allow companies to increase their revenue and market share and expand product offerings, but they also add financial costs and can distract companies from their core business, said mergers and acquisitions expert [Bruce Newman](#), president of [Protegrity Advisors](#) in Ronkonkoma. "The acquisitions strategy is a good one for many companies," Newman said. "It could make the company more competitive by eliminating a competitor that they acquire and increase [their] customer base."

With the acquisition of Advanced Industrial, Cemtrex's revenue is projected to grow by 50 percent and its workforce to expand from 240 to 375 employees. "When we have opportunities to acquire companies we are going to do that," said Govil, adding Cemtrex is interested in related companies servicing industrial and manufacturing markets. "It allows us to be more competitive globally."