

**EQUITY INVESTMENT OPPORTUNITY**  
**Settlement through NCLT.**

**BSE and NSE Listed 45 Years Old Business**  
**GEI INDUSTRIAL SYSTEMS LIMITED**

**By**  
**Cormorant Advisory Pvt. Ltd.**

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## ***HISTORY & BUSINESS OVERVIEW***

# Background of Company

GEL Industrial Systems Limited (GEL), established in 1970, is listed on BSE, NSE since 1994.

GEL is innovation driven & it specializes in design, manufacture, fabrication, testing, erection & commissioning of air cooled heat exchangers for Oil & Gas industry with limited domestic competition

100% subsidiary GEL Power Limited, established in 2009, has designed & manufactures air cooled vacuum steam condensers.

Both GEL & GEL Power have eco-friendly substitutes saving on water

GEL at its peak commanded Market-cap of -Rs. 500 Crores ,Topline of Rs. 358 Crores & EBITDA of Rs. 64 Crores, (2011)

Promoter C. E. Fernandes, a man of highest integrity brings 45 years impeccable record with Customers and Banks.

GEL is victim of stress in the Power Sector - cascading effect of cancellation of coal allocation in 2012.

Present proposal is under operational leadership of GEL Founder & a Team of Experts.

## KEY CUSTOMERS

### DOMESTIC MARKET

- BHEL
- IOCL
- BPCL, HPCL
- ONGC
- GAIL
- Nuclear Power Corporation of India
- Engineers India Limited
- Larsen & Tubro
- Reliance Petroleum Limited
- Ultratech Cements
- Shree Cement Limited
- TOYO Engineering India Ltd.

### INTERNATIONAL MARKET

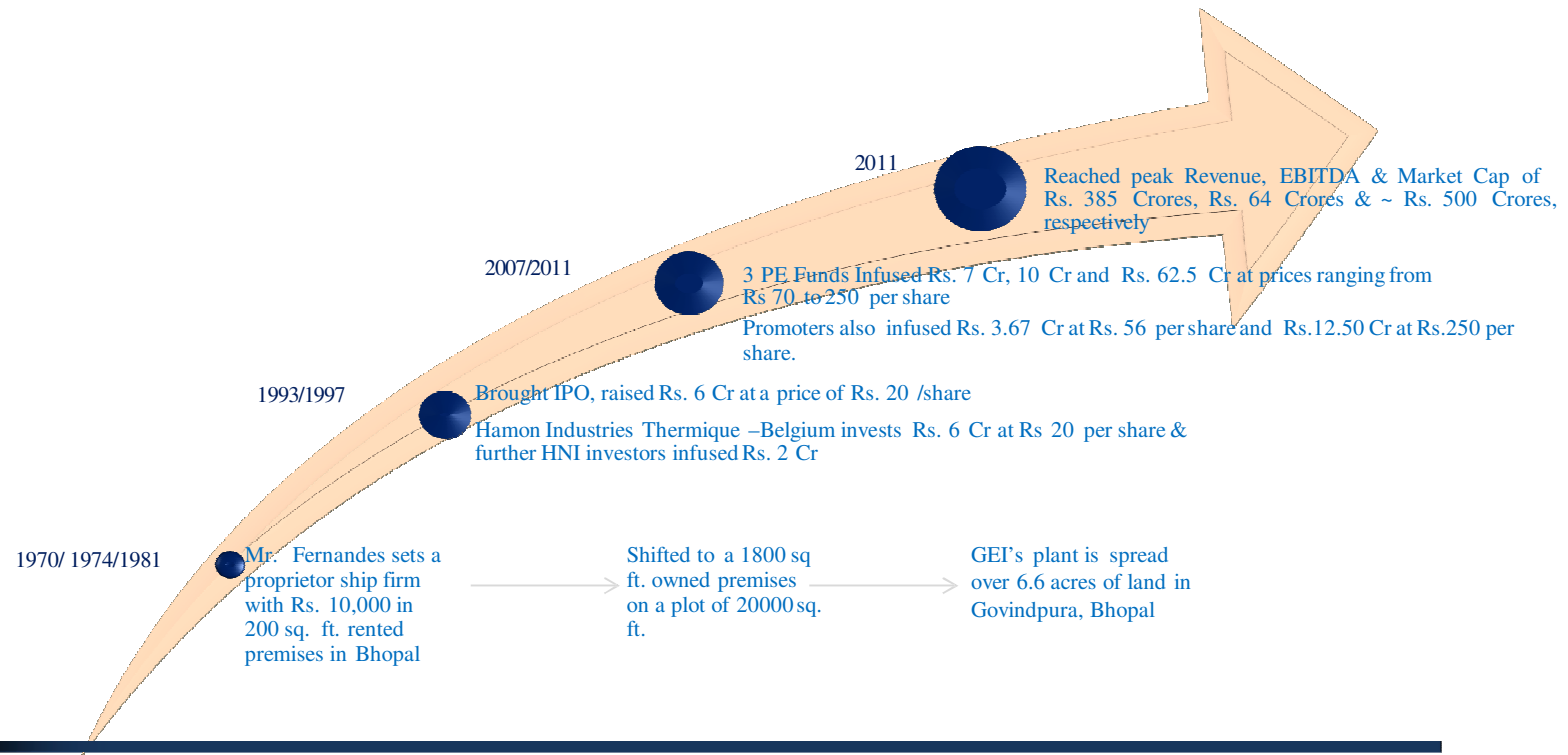
- General Electric, USA
- Siemens, Germany
- Atlas Copco, USA
- Petroleum Development Organisation, Oman
- Kuwait national Petroleum Corporation, Kuwait

## Journey in Product Innovation & Market Expansion

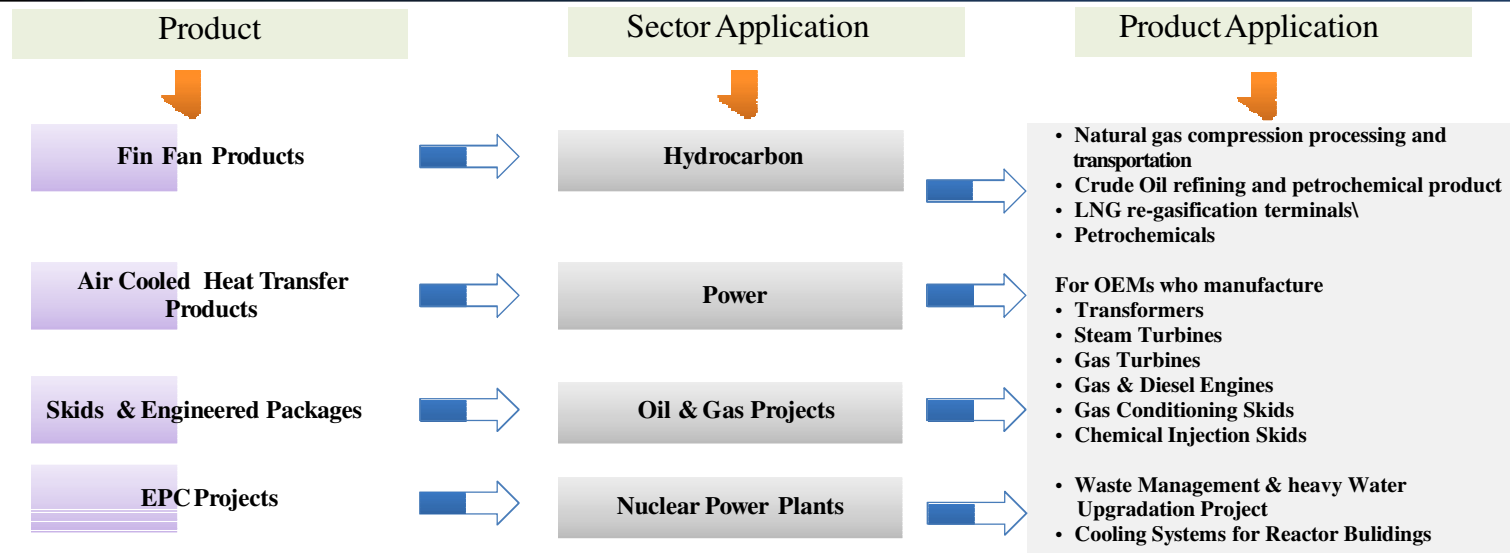


**Cancellation of Coal Blocks by Supreme Court in 2012 led to Power Project Builders not lifting equipment & failing to pay for delivered equipment - GEI referred to NCLT in Aug 2017 by an Operational Creditor**

# Shareholder Value Curve



# Products & their Applications



**GEI an Innovative Engineering Manufacturer & capable to cater to wide-range of tailored engineering products for defence, automobile, general engineering etc. .**

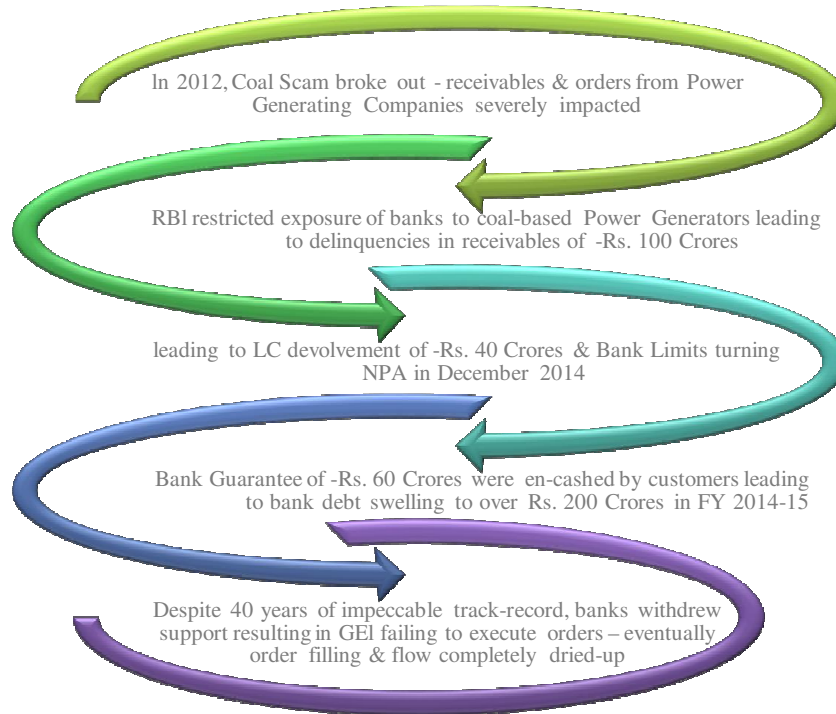




## **REASONS FOR STRESS**



## Factors Leading Company to NCLT



**Operations continued until December 2015- with working capital totally dried-up, GEI failed to execute orders on hand and the operations came to standstill leading to admission into NCLT in 2017**

## Key Dates in NCLT

Date	Court Proceedings /Developments in Hearing	Key Outcome (s) in Court Hearing
20-7-2017	Case Admitted	IRP appointed, on August 2, 2017
08-09-2017	Resolution Professional Confirmed Mr. Naveen Sood	
20-4-2018	RP recommended for Liquidation as Resolution Plan submitted could not be discussed with COC as 270 days period exceeded & no further extension sought by RP	ICICI Bank recommended to RP to convene a COC meeting on April 13, 2018 but instead, RP filed the closing Report on April 20, 2018 recommending Liquidation
10-6-2018	On the basis of modification of Sec 29 A of IBC Code, Promoter has requested NCLT to grant 2 months time for submission of Resolution Plan by him	Next date of hearing on January 23 , 2020
7-9-2018	Some more claim submitted by other Creditors like Nuclear Power Corporation & Commissioner Public Provident Fund	As court has to study these fresh claims, hence Next date of hearing fixed for January 23, 2020
09.10.2018	NCase hearing adjourned	Next date is January 23 , 2020




## **MARKET COMPETITION AND POTENTIAL**

## Competition – Air Cooled Heat Exchangers for Oil & Gas Sector

Competitor	GEI	BGR	Patel Air Temp	Paharpur
Manufacturing Capacity	Largest	Second Largest	Small	Third
Special Alloys	About 5 Alloys	Three Alloys	Nil	Nil
Installations & References	Maximum	Lesser	Minimum	Lesser
Offshore References	13	2	Nil	Nil
Air Heaters for LNG Terminals	2	1	Nil	Nil
High Pressure Coolers $\geq 150$ bar	40 Units	No reference	No reference	No reference

Source: Grand Thornton Report

## Competition- Air Cooled Steam Condensers for Steam Turbines

Competitor 	GEI	BGR	Patel Air Temp	Paharpur
Operating References in India	125	50	Nil	50
Largest Operating Unit – India	150 MW	65 MW	Nil	Nil
Principals/Technology Provider	Innospin Switzerland	GEA Germany	Nil	SPX USA
Principal's References	Less References	Maximum References	Not Available	Second best
Largest Reference of Principal	800 MW	800 MW	Nil	800 MW
Manufacturing Capacity	Largest	Second	Nil	Medium

Source: Grand Thornton Report

## Order Book Plan for next 5 years

Sno.	Industry Segment	Products	Type	FY2020	FY2021	FY2022	FY2023	FY2024
1	Oil & Gas (Exploration & Production)	Process Gas Coolers	ACHE	5.25	10.63	29.46	41.36	71.43
2	Liquefied Natural Gas (LNG)	Ambient Air Heaters	AAHR	35.00	53.13	42.72	62.87	35.71
3	Petroleum Refining & Petrochemicals	AirFin Coolers	ACHE	17.50	42.50	55.98	74.45	111.43
4	Power Generation- Thermal & Gas Based	Air Cooled Steam Condensers (Upto 80 MW)	ACSC	11.67	19.13	30.94	62.87	54.29
5	Power Generation- Thermal & Gas Based	Cooling Water Modules, Air Blast Oil Coolers	ACHE	0.23	2.13	1.47	3.31	1.43
6	Power Generation- Nuclear Power	FM Vault Coolers, Pump Room Coolers, WMP & UGP	WCHE	-	-	44.20	33.09	21.43
7	Steel Making	Compressed Air Coolers	WCHE	0.35	-	1.47	3.31	4.29
Total Expected Order Book for GEI				70.00	127.50	206.25	281.25	300.00

### Notes

ACHE Air Cooled Heat Exchangers

AAHR Ambient Air Heater

ACSC Air Cooled Vacuum Steam Condensers

WCHE Water Cooled Heat Exchanger

**Market share of GEI is filled by small players & imports  
Customers will return to GEI due to proven & dependable track-record**

*Basis for order book continued on next page.....*

## Basis for Order Book - continued

1	Process Gas Coolers	Enquiries in hand from export to Middle East from Exterrain, GPS & Other Compressor Packagers supplying for the NG sector Enquiries under discussions with L&T Mumbai for Oil & Gas Projects of ONGC namely Neelam Project
2	Ambient Air Heaters	New LNG Terminals being setup at Chhara Gujarat by Shaporjee-Pallonjee, LNG Projects at Mangalore & Ennore are under development Other LNG Terminals coming up at Ganagavaram, Mundra, Kakinada & Paradip
3	Air Fin Coolers	Refineries of Numaligarh, HPCL Vizag & BPC Kochi are going for major expansion by doubling the capacities. Tenders are already out 11 Refineries of IOCL going for fuel upgradation projects from Bharat-IV to Bharat VI. Tenders under preparation. New grass root refinery is being setup at Barmer, Rajasthan jointly by the state Government & HPCL. All the above projects have already been ordered on Engineers India Ltd
4	Air Cooled Vacuum Steam Condensers	Requirements from Ultratech Cements for ACC units based on waste heat recovery at their cement plants for captive generation including those taken over from Jaypee Captive Power Plants at Steel Plants A Process Steam Condensers for Enhanced Oil & Gas Recovery from old CC units for export to Middle East for Gas-Thermal Based Combined Cycle Power Plants fields- Brown Field Projects
5	Cooling Water Modules, Air Blast Oil Coolers	Export to Middle East, Africa & South East Asia through orders from Gas Turbine majors like GE, Siemens and Engine mfrs like Rolls Royce, MAN, Warstila, Caterpillar..
6	FMV Vault & PR Coolers, WMP & UGP	10 Projects cleared by the Govt. Soon to be setup are Kundamkulam, Jitapur, Klapakkam & Westinghouse (AP)
7	Compressed Air Coolers	GEI approved by Supply Chain of Siemens Duisberg and Atlas Copco Koln. Continuous requirements for global & indigenous projects for Steel & fertilizers industries



# **REVIVAL STRATEGY**



Name of the Creditors	Total Payment Lodged	Payment One Time Settlement	Sr.No	Proposed Means	Amount
	Rs. In Crs.				
<u>Financial Creditors</u>	416.34	45.00	1	Fresh Equity – from new investor	25.00
<u>Operational Creditors</u>	10.96	0.11	2	Secured Borrowings (Deferred Payment )	26.06
<u>Workers/Employees</u>	44.91	2.74	3	Subordinated Debt	13.50
<u>Statutory Dues</u>	23.02	1.56			
Sub-Total		49.41			
<b>Grand Total - Requirement of Funds</b>		<b>64.56</b>		<b>Total</b>	<b>64.56</b>
Notes:					
1. Total proposed payment of Rs. 49.41 Crs to Creditors comprising of upfront payment of Rs. 45.00 Crores to Financial Creditors and Payment of Rs.4.41 Crs. to Operational Creditors/Workers/Employees and Statutory Dues within 30 days of receipt of NCLT Order approving the Resolution Plan.					
2. Secured debt of Rs. 26.06 Cr (3 years term)					
3. Subordinate debt of Rs. 13.50 Cr (5 year's maturity).					
4. Secured debt to be serviced out of operational surplus of first 3 years.					

## Proposed Settlement – Value of Assets

Sr. No.	Company Assets	Current Value (In Rs.)	Total Debt & Equities (Post Settlement)	Net Enterprise Value
1	Land	26,00,00,000	Debt	26,06,00,000
2	Building	15,00,00,000	Subordinated Debt	13,50,00,000
3	Plant & Machinery	28,00,00,000	Equity	25,00,00,000
4	Current Assets	40,00,00,000		
	Total	1,09,00,00,000	Value for Equity Investor →	69,44,00,000

**Equity of Rs.25 Cr against Assets of Rs.109 Cr makes it a Value Proposition on Day One**



# **FINANCIAL OVERVIEW**

## GEI Financials Projections

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
New Orders Procured	70.00	127.50	206.25	281.25	300.00
Unfilled order value at the end of year	35.75	89.38	134.06	178.75	178.75
<b>INCOME</b>					
Sales	34.25	73.88	161.56	236.56	300.00
Other Income	-	-	-	-	-
<b>Total Revenue</b>	<b>34.25</b>	<b>73.88</b>	<b>161.56</b>	<b>236.56</b>	<b>300.00</b>
<b>EXPENDITURE</b>					
Cost of material consumed	39.60	72.10	120.38	166.63	186.00
Other Expenses	7.13	14.06	23.75	33.75	40.00
Cost of Production	46.73	86.16	144.13	200.38	226.00
Add: Opening WIP	-	17.96	43.54	61.65	77.50
<b>Sub-total</b>	<b>46.73</b>	<b>104.12</b>	<b>187.67</b>	<b>262.02</b>	<b>303.50</b>
Less: Closing WIP	17.96	43.54	61.65	77.50	69.50
<b>Sub-total</b>	<b>28.77</b>	<b>60.58</b>	<b>126.02</b>	<b>184.52</b>	<b>234.00</b>
<b>EBITDA</b>	<b>5.48</b>	<b>13.30</b>	<b>35.54</b>	<b>52.04</b>	<b>66.00</b>
<b>EBITDA Margin</b>	<b>16%</b>	<b>18%</b>	<b>22%</b>	<b>22%</b>	<b>22%</b>
Depreciation	2.46	2.34	2.22	2.11	2.00
Amortization of Start-up expenses	0.70	0.70	0.70	0.70	-
<b>EBIT</b>	<b>2.32</b>	<b>10.26</b>	<b>32.62</b>	<b>49.23</b>	<b>64.00</b>
Interest	2.14	3.92	5.21	6.11	6.06
<b>PBT</b>	<b>0.18</b>	<b>6.34</b>	<b>27.41</b>	<b>43.12</b>	<b>57.94</b>
<b>PAT</b>	<b>0.18</b>	<b>5.17</b>	<b>22.34</b>	<b>32.34</b>	<b>40.56</b>

\*The repayment of subordinate debt is not factored since the same will be retired by funds from public offerings in 4<sup>th</sup> or 5<sup>th</sup> year

## Past Key Financials

Particulars	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15
Gross Revenues	214.54	242.18	385.33	364.5	166.89	69.37	30.57
EBITDA	30.22	35.17	64.18	42.22	(11.91)	(14.62)	(9.20)
%Margin	14.09%	14.52%	16.66%	11.58%	-7.14%	-21.08%	-30.09%
PBT	17.14	20.78	38.09	2.07	(51.80)	(50.24)	(32.41)
%Margin	8.00%	8.60%	9.90%	0.60%	-31.00%	-72.40%	-106.00%
PAT	22.87	14.28	24.39	0.11	(48.42)	(50.24)	(32.41)
Net Cash Available	24.68	16.6	26.78	2.66	(45.42)	(46.25)	(25.83)

## Working Capital Requirement – Next 5 Years

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
<u>Fund Based</u>					
Cash Credit	2.50	12.00	13.00	11.00	-
Bill Discounting	7.03	10.90	18.46	25.49	28.13
<b>Total FBWC</b>	<b>9.53</b>	<b>22.90</b>	<b>31.46</b>	<b>36.49</b>	<b>28.13</b>
<u>Non-fundbased</u>					
Letter of Credit	12.33	29.88	43.42	57.89	57.89
Bank Guarantee	11.50	34.83	52.92	71.25	80.42
<b>Total NFBWC</b>	<b>23.83</b>	<b>64.71</b>	<b>96.34</b>	<b>129.14</b>	<b>138.31</b>
<b>Total WC Requirement</b>	<b>33.36</b>	<b>87.61</b>	<b>127.79</b>	<b>165.63</b>	<b>166.43</b>
<b>WC Margin</b>	<b>4.77</b>	<b>7.43</b>	<b>5.30</b>	<b>4.54</b>	<b>-</b>
<b>Source of Margin</b>					
<b>Equity Infusion</b>	<b>4.77</b>	<b>5.23</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internal Accruals</b>	<b>-</b>	<b>2.20</b>	<b>5.30</b>	<b>4.54</b>	<b>-</b>

### Investment- 2020

- Equity Infusion of Rs. 25 Crores for controlling stake
- Pre-leveraged deal with 37 Crores Soft Debt
- BSE & NSE listed – Liquid Investment with significant upside potential
- Proven track-record of product innovation, engineering capabilities being reinforced with financial management expertise

### Exit - 2023

- Projected PAT Rs. 22.24 Cr in Mar 22, GEI Market cap may easily exceed -Rs. 200 Cr by Sept 2021
- Investor Exit possibility through Strategic acquisition by Overseas Strategic partner ( list of potential investors provided in next slide)

## Potential Overseas Investors – In-house Expertise

### Potential Overseas Investors

1. AIR FINS LIMITED, **UK**
2. AIRCOFIN BV, **NETHERLANDS**
3. ALFA LAVAL CORPORATE AB **SWEDEN/OLMI SPA ITALY**
4. BABCOCK & WILCOX SPIG, **ITALY**
5. BELLELI ENGINEERING SRL, **ITALY**
6. BEMBANA COSTRUZIONI INDUSTRIALI, **ITALY**
7. BORSIG GROUP, **GERMANY**
8. BRONSWERK HEAT TRANSFER BV, **NETHERLANDS**
9. CHARLES THOMPSON, **UK**
10. HEAT TRANSFER EQUIPMENT, **TULSA OKLAHAMA**
11. HUDSON PRODUCTS, **TULSA**
12. NUOVO PIGNONE, **ITALY (now GE OIL & GAS)**
13. INDUSTRIAL HEAT TRANSFER INC. **WI USA**
14. ENERQUIP LLC. **WI USA**
15. MASON MANUFACTURING LLC **IL USA**
16. HT INDUSTRIAL **IN USA**
17. FAMET, **POLAND**
18. ALZ GMBH DORSTEN **GERMANY**
19. CE-AIR UK LIMITED **HYDE UK**
20. OGE GROUP DUSSELDROF **GERMANY**



Thank You



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