



Research



GEI Industrial System Ltd: Result Update:-Accumulate

Target - 170

CMP: 149.45

Date::31st July 2010

Accumulate

STOCK INFO TTM Basis

Sector	Engineering
Market cap	248.39cr
Face value	10
Book value	53.58
EPS	8.94
Cash EPS	11.03
Price/Book value	2.79
Sales Growth	19.5%
Dividend	10%
Incorporation	1993
52 week H/L	161.75/53.15
Avg Daily Vol	214000(2Wkavg)
Chairman	CE Fernandes
Equity Capital	16.62cr
Promoter Holding	41.41%
FII's/MF Holding	21.32/8.57%

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Fairwealth Research Desk initiated a Buy on GEI Industrial System (GEI) at ₹ 129.5 on 18th May 2010, it has made a high of ₹ 161.75.

We recommend accumulating the stock with a target price of ₹ 170, as the business of the company shows potential.

COMPANY PROFILE

GEI Industrial Systems Ltd is a leader in Heat Transfer Technology .The Company specializes in design, engineering, manufacturing, installation and commissioning of extended surface heat transfer equipment and systems.

The company is engaged in machining, fabrication activities and has specialized in the manufacture of air-cooled heat exchangers and finned tubes. It provides air cooled heat exchangers for crude oil refineries, petrochemical plants and LNG and CNG processing stations and air cooled vacuum steam condensing package for thermal power stations.

Key Investment Rationale:

Robust Order Book Position:

GEI has a strong order book of ₹ 550cr (standalone), which is 2.25 times of its FY10 annual sales amounting to ₹ 243.68cr, leading to a good earning visibility for the company.

Market Leader in Product Segment:

The company is the market leader in Air Cooled Heat Exchangers with more than 45% market share in the Oil & Gas sector and more than 70% share in Power sector.

Strong Demand Visible:

GEI Industrial Systems Ltd is well placed to reap rich dividends from booming power, petroleum and gas transportation sectors as India is poised to be the next refinery hub in Asia-Pacific region. Booming businesses provide clear earning visibility over next few years.

RESULT ANALYSIS

Particular (₹ Cr)	Jun-10	Jun-09	Var (%) Y-o-Y	Mar-10	Var (%) Q-o-Q
Net Sales	49.56	39.07	26.85%	84.01	-41.01%
Other Operating Income	0.77	0	-	3.64	-78.85%
Other Income	0.24	0.19	26.32%	0.2	20.00%
Total Income	50.57	39.26	28.81%	87.85	-42.44%
Total Expenditure	41.87	32.39	29.27%	76.86	-45.52%
PBIDT	8.7	6.87	26.64%	10.99	-20.84%
Interest	2.69	2.88	-6.60%	3.32	-18.98%
PBDT	6.01	3.99	50.63%	7.67	-21.64%
Depreciation	0.52	0.46	13.04%	0.55	-5.45%
Tax	1.37	0.78	75.64%	2.94	-53.40%
Reported Profit After Tax	4.12	2.75	49.82%	4.18	-1.44%
EPS	2.48	1.93	28.50%	2.51	-1.20%
CEPS	2.79	1.93	44.55%	2.85	-1.90%
OPM (%)	17.07	17.10	-	12.84	-
NPM (%)	8.31	7.04	-	4.98	-

During the quarter ended 30th June, 2010, the net sales of the company reported an increment of 26.85% on y-o-y basis to ₹ 49.56cr as against ₹ 39.07cr during the corresponding quarter last year. However on sequential basis the company performance was awful, the net sales declined 41.01% from ₹ 84.01cr.

On operating front, the EBIDTA registered a growth of 26.64% to ₹ 8.7cr from ₹ 6.87cr as against corresponding period last year, while on sequential basis EBIDTA registered a decline of 20.84% from ₹ 10.99cr. However, the company has been able to maintain its margins over 17% flat on y-o-y basis, up by 423bps on sequential basis to 17.07% from 12.84%, largely because other operating expenses as a % of sales for the company fell to 12% from 16% on sequential basis.

The net profit of the company saw an increment of 49.82% YoY to ₹ 4.12cr as against ₹ 2.75cr during the corresponding quarter, while on Q-o-Q basis the net profit fell marginally by 1.44% from ₹ 4.18cr. The better-than-expected bottom-line performance of the company was mainly contributed by fall in effective interest rates by 150bps to 11% as against 12.5% during the corresponding period last year, resulting in lower interest cost for the company at ₹ 2.69cr coupled with stable depreciation cost for the quarter at ₹ 0.52cr.

Notes: Figures are sourced from www.bseindia.com & capital market

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