

**August 30, 2018**

**Manager, DCS**  
**The Bombay Stock Exchange Ltd.**  
Phiroze jeejeebhoy Towers,  
Dalal Street,  
Mumbai

**Scrip Code: - 530655**

**The Manager**  
**National Stock Exchange of India Ltd.**  
Exchange Plaza, C-1, Block G,  
Bandra Kurla Complex,  
Bandra (E), Mumbai – 400 051

**Scrip Code: - GOODLUCK**

Dear Sir/ Madam,

**Sub: Transcript of Investors and Analysts Conference Call**

Dear Sir/ Madam,

As earlier informed, a Conference Call for the investors and analysts held on Thursday, 16<sup>th</sup> August, 2018 at 02.00 P.M. IST to discuss the Q1FY19 Earnings of the Company.

Please find attached herewith the transcript of the aforesaid call.

This is for your information and record.

Thanking You

**For Goodluck India Limited**  
**Director**

Encls: as above



**“Goodluck India Limited Q1 FY19 Earnings  
Conference Call”**

**August 16, 2018**

**MANAGEMENT: MR. MAHESH CHANDRA GARG – CHAIRMAN,  
GOODLUCK INDIA LIMITED  
MR. RAM AGGARWAL – CEO, GOODLUCK INDIA  
LIMITED  
MR. SANJAY BANSAL – CFO, GOODLUCK INDIA  
LIMITED**

**MODERATOR: MR. VIKRAM SURYAVANSHI – PHILLIP CAPITAL  
(INDIA) PRIVATE LIMITED.**

**Moderator:** Ladies and gentlemen, good day and welcome to the Goodluck India Ltd Q1 FY19 Earnings Conference Call hosted by Phillip Capital India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you over to you Sir.

**Vikram Suryavanshi:** Good morning and very warm welcome to everyone thank you, you all for being on the call of Goodluck India Ltd. From management, we have with us Mr. Mahesh Garg – Chairman, Mr. Ram Aggarwal - CEO, Mr. Sanjay Bansal - CFO. Now I hand over the call to the management for their opening comments and then we will have question and answer session, over to you Sir.

**Sanjay Bansal:** Good afternoon everybody, at the outset I, Sanjay Bansal - CFO on behalf of Goodluck welcome you all for joining us for the conference on performance of the company in Quarter 1 of FY 2019 vis-à-vis FY 2018. Regarding Quarter 1 performance, total income from operations was increased to Rs. 379.27 crores as against Rs. 334.65 crores during Quarter 1 of previous year registering a growth of 13%. However, EBITDA for the quarter stood at Rs. 29.69 crores as against Rs. 27.23 crores during Quarter 1 of FY 2018, registered a growth in the EBITDA margin at the rate of 9% on year on year basis, profit before tax including other comprehensive incomes was at Rs. 9.33 crores in Quarter 1 of 2019 as compared to Rs. 8.31 crores in Quarter 1 2018 however, the performance of company in Quarter 1 of current fiscal is improved substantially as compared to Quarter 4 of previous year, sales have been increased by 25%. EBITDA margin has improved by Rs. 6.39 crores with EBITDA margin during Quarter 1 of current fiscal at 7.80% as against 7.7% during Quarter 4 of FY 18. PBT margin has also improved by Rs. 4.91 crores.

The earnings per share has been at Rs. 2.47 paisa per share in Quarter 1 of 2019 as against Rs. 1.86 per share during Quarter 1 of previous year however, performance of company has improved in current fiscal as compared to Quarter 3 and 4 of FY 18. This improvement in working would continue due to stabilization of GST, more over advert impact of demonetization of currency notes since fully nullified.

On financial front, our interest cost has marginally gone up during Quarter 1 due to non-receipt of IGST refunds against export from IGST.

Thank you very much, now I will hand over to Shree Mahesh Chandra Garg – our Chairman.

**Mahesh Chand Garg:** Good afternoon everybody. I welcome you to this con call, I am happy to tell you that our plant at Bhuj was commissioned before time and the commercial production started on 11<sup>th</sup> of July and the initial results are very encouraging and things are happening as per our DPR,

better than DPR. Our verticals are doing well; auto tube had good orders and good performance, forging is doing well, then our structure division is fully booked with orders. The only challenge remains is our old unit with low value additions and high value-item remains a challenge for us. It is not a challenge for us, it is a challenge for the industry because of unprincipled price policy of HR manufacturers is causing lot of disruption in supply chain. Otherwise, we are confident that in quarter coming due to the order book, seeing the order book in position in almost all verticals, we are confident that we should be able to do better in coming quarters, thank you. Now we are opened to Q&A.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Navnit Bahiya as an individual investor. Please go ahead.

**Navnit Bahiya:** First of all, I wanted to know does the US tariff on steel impact Goodluck India by any means because you have a lot of exports and some of those exports are to the US?

**Management:** There was a definite concern when the duty was imposed but fortunately US market is booming, and they want material at any cost, so it has not impacted. So is a marginal increase of exports to USA during the last two months and customer there are ready to pay by increased duties and it has not impacted at all for margins.

**Navnit Bahiya:** Okay, so there are no substitute replacement manufacturers in US, so they are willing to pay the additional price and import your goods over there.

**Management:** Yes, you can say so but we enjoy a reputation of a consistent and committed delivery and quality. So we expect to reap the benefit of our consistency and commitment and quality.

**Navnit Bahiya:** So if I may ask, what is the duty that they have imposed on your products and what is the quantum of exports that you have done in FY18 to the US market?

**Management:** It is roughly 1000 tons every month we are doing, and we still continue to do the same per month.

**Navnit Bahiya:** Sorry 1000 tons per month?

**Management:** So, almost Rs. 8 crores per month

**Navnit Bahiya:** Okay, so Rs. 96 crores annually and what is the duty that they have imposed?

**Management:** They have imposed duty of 25%.

**Navnit Bahiya:** Okay, sir your new plant will also be exporting to the US?

- Management:** Immediately no, but we aim to develop CDW tubes there in very near future, then we will be exporting.
- Navnit Bahiya:** Okay, so initially you will start by supplying to India only?
- Management:** No, we will be exporting other tubes like galvanized pipes and supplying auto tubes to domestic industries initially, which we have started doing.
- Navnit Bahiya:** Okay, in Q1 sir, is there any sales contribution from your new plant, you said it started on 7<sup>th</sup> of July commercial production, so there will be nothing in Q1, right?
- Management:** No.
- Navnit Bahiya:** Okay and the interest cost in the depreciation would also not reflect capitalization of the plant in Q1, so there will be incremental interest costs?
- Management:** Since the plant is capitalized on 11<sup>th</sup> of July, so no interest costs and depreciation included in these results.
- Navnit Bahiya:** So, what would be the impact from Q2 onwards or on a sustainable basis how much is currently being capitalized?
- Management:** This will be reflecting in Q2 results.
- Navnit Bahiya:** I was just asking how much interest is currently being capitalized or what is the debt portion for this plant?
- Management:** The debt portion of this plant is Rs. 52 crores, so interest being capitalized till 11<sup>th</sup> of July, on that loan.
- Navnit Bahiya:** Sir you were mentioning about your structure division being full of orders and then you mentioned about I think your CR tubes division, could you give us more details on that as in what is the order book because even I have been hearing that in the Telecom industry, the transmission tower industry, there is a lot of demand that is coming in, so how do we see Goodluck benefiting from these demands?
- Management:** The demand is benefiting compared to last year, our order book position is healthy, margins are better than last year, so we are benefiting to the traction in demand.
- Navnit Bahiya:** This is for your structure division?
- Management:** Telecom and Transmission line are part of that only.

- Moderator:** Thank you. The next question is from the line of Varun Gupta from Philips India Limited. Please go ahead.
- Varun Gupta:** Sir, I have couple of questions, my first question is on the finance cost, so if you see the quarter on quarter numbers, there is an increase of finance cost of about Rs. 2 crores, so what is the reason for this increase and there is a sudden increase in the other expenses also; around Rs. 10 crores, so is there any one-off expenses in Other expenses or this is a normal jump in the expenses?
- Management:** This is normal increase, if you compare the Finance cost as against quarter 4 of previous year; it was 4.36% of the sales. During this quarter it is only 4.06% of the sales. Same thing is in the case of other expenses.
- Varun Gupta:** But you have said in your opening remarks that this increase is due to the non-receipt of IGST receivable from Government of India
- Management:** Part of these but overall increase is due to turnover but part of the increase non-timely receipt of IGST refund from Government against exports.
- Varun Gupta:** So, initially I think couple of quarters back, the company was facing problem of working capital due to this non-receipt of IGST from the government, now what is the amount of IGST receivable from the government as on 30<sup>th</sup> of June?
- Management:** As on 30<sup>th</sup> of June, it is about Rs. 30 crores.
- Moderator:** Thank you. We have the next question from the line of Vishal Sonawane from KK Securities Ltd. Please go ahead.
- Vishal Sonawane:** Sir we see this year EBITDA margin of 7.8, so this margin will sustain over the year or this will be going to change, any comment on that?
- Management:** There would be, it seems the margin would increase in coming days. So, it will be on increasing trend for current financial year.
- Vishal Sonawane:** Sir can you give me some product mix, so value added products margins and other non value-added margins?
- Management:** Right now, not possible to give you but you kindly send us your phone number, contact details, so we will let you know.
- Vishal Sonawane:** Sir can you give some focus on the industry outlook, what is your take on that?
- Management:** Can you repeat the question sir?

**Vishal Sonawane:** Can you give some light on industry, how you look industry going ahead, we see US importing, China and lot of things happening globally, so how do you look at the industry in FY19?

**Management:** FY19 is a challenging situation, what is happening is unpredictable as on date. So far US tariff related to our product have not affected us at all.

**Vishal Sonawane:** And HR Coil prices sir?

**Management:** HR Coil prices are more or less stable as on date but the Turkey turmoil, US duties of and on, on different countries are going to definitely disrupt the normal business movement about over. It is very difficult to predict how it will but the kind of volume we have got, kind of market we have got, kind of product we are making; we see the minimum adverse impact on our margins.

**Moderator:** Thank you. We have the next question from the line of Mayur Jain as an Individual Investor. Please go ahead.

**Mayur Jain:** Actually, I want to know that basically currently the US Dollar is stronger against our Rupee, so how much impact we will get in our business right now?

**Management:** It is definitely going to add our margins in export business and export will remain the main interest area from our new plant as well as all over the regions of forging and auto tube. It is going to impact us positively, definitely.

**Mayur Jain:** And Sir from our new plant what capacity utilization level we are predicting?

**Management:** We are definitely within next few months; we should come to 85% capacity utilization.

**Mayur Jain:** And Sir what is our current debt position level?

**Management:** Current debt position, our term debt as on date is around Rs. 140 crores and working capital debt is Rs. 300 crores.

**Moderator:** Thank you. The next question is from the line of Arpit Saluja from Phillips. Please go ahead.

**Arpit Saluja:** I have two questions with me just now. As you mentioned to the participant before this that there shall be an approximately 85% capacity utilization in the new plant, so what approximate sale sub size are we expecting on a monthly or a quarterly basis from that?

**Management:** Around Rs. 25 crores.

**Arpit Saluja:** Thank you and my other question is; if I see it from the last quarter or from the June quarter last year, the other operating income has gone up significantly by more than 50% from last

year so is that some exceptional item that is impacted the EBITDA margins for current quarter?

**Management:** No, in fact see Indian AS started to applicable with effect from financial year 2018, so this is the bifurcation of the income. We are exporting about 30% of the product, so whatever duty drawback, etc., other export receivables, other export income are being classified under income from other sources.

**Arpit Saluja:** There is no one time impact this quarter?

**Management:** There is no one time impact, it will continue in the same manner.

**Moderator:** Thank you. We take a follow up question from the line of Navnit Bahiya as an individual investor. Please go ahead.

**Navnit Bahiya:** Sir just one clarification; the Rs. 25 crores incremental top line is monthly right from the new plant or quarterly?

**Management:** The plant has started only last month, if we take three months to ramp up to this capacity utilization and then once it is have Rs. 25 crores per month then we will continue.

**Navnit Bahiya:** That is what I wanted to check. What is your capacity utilization of existing plants right now, Sir?

**Management:** Is around 80%.

**Navnit Bahiya:** And you have sufficient orders for this to continue or improve over the next few quarters?

**Management:** As on date, the order book is healthy.

**Navnit Bahiya:** Okay, so do you span out how much orders you have to the investors, how many months orders you have?

**Management:** It will be difficult to give the figure right now but if you have the query then we will reply you.

**Navnit Bahiya:** No problem, any further CAPEX plans right now or do you plan to reduce your debt with the profits of the business now?

**Management:** We do not have any CAPEX plan as on date.

**Navnit Bahiya:** Okay, so you will be repaying debt as per scheduled dates now using your surplus cash flows.

**Management:** Correct.

- Moderator:** Thank you. We have the next question from the line of Anmol Das from Stewart and Mackertich. Please go ahead.
- Anmol Das:** I just wanted to inquire regarding your product portfolio. Can you give us a breakup of which product lines you have now, how much of capacity like a galvanized pipe, how much of that in volume terms do you make and CR coils, forgings, etc.?
- Management:** You see we are making various products, so we have very little capacity. We are manufacturing five, six products, very little capacities and we will let you know of this detail working, you kindly share with us your contact details.
- Moderator:** Thank you. We have the follow up question from the line of Mayur Jain as an Individual Investor. Please go ahead.
- Mayur Jain:** Sir please explain about hedging policy because we are also importing and exporting, both things are there. So how we hedge our foreign currency fluctuations?
- Management:** We have only one hedging policy, all our receivables are hedged the way we have the confirmed order. We do not have any open exposure, depending on the situation, today we will not hedge our receivables due to the weakness in the rupee, but imports are hedged completely, no stipulation in exports forex business.
- Mayur Jain:** So how many months we hedge, like we are done for some forward contract for three months, six months. So, what is our time period?
- Management:** We do generally three months to a year depending on our perception of rupee stability but to the extent only, of our guaranteed export business only.
- Mayur Jain:** I am listening right around 3 months to 1 year, our fluctuations.
- Management:** Yes.
- Moderator:** Thank you. We have the next question from the line of Vikram Suryavanshi. Please go ahead.
- Vikram Suryavanshi:** Sir, how is the impact of the steel price for us on Y-o-Y basis or how much they have increased on per tonne basis and secondly the working capital or debtor situation in particularly structure business? One is that; how much is the steel price increases on Y-o-Y basis; rupees per tonne?
- Management:** It is almost Rs. 12 per kg, Rs. 12,000 a tonne one year, two-year basis compared to the first quarter of the last year to this quarter.

- Vikram Suryavanshi:** Okay and second question was on working capital situation in structure business; how is the debtor position and overall working capital business?
- Management:** As of now, we are very tight on extending the credit to the structure buyers and we are trying to manage our debts, the credit in a very disciplined manner, they are all concerns but not a stress at all.
- Vikram Suryavanshi:** And are we seeing the projects are being executed on time or there has been a delay in execution of these projects?
- Management:** I feel there is a lot of improvement in execution of the projects and our deliveries of course are in time, but I find the lot of improvement in the projects' execution at there end also.
- Moderator:** Thank you. We have the next question from the line of Varun Gupta from Phillip India Limited. Please go ahead.
- Varun Gupta:** If you see the prices of zinc in last three months, there is a sudden drop in the zinc prices. So, what will be the impact of this lowering zinc prices in the coming quarters on our EBITDA margins?
- Management:** It will improve our EBITDA margins.
- Varun Gupta:** Our contracts are fixed contracts, or it is going to benefit us?
- Management:** The contract which we have, generally take, only steel into account, zinc prices are not factor. If zinc prices go up, they affect our EBITDA margins adversely, if zinc prices go down they affect our EBITDA margins positively.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Vikram Suryavanshi for closing comments. Thank you and over to you Sir.
- Vikram Suryavanshi:** We thank the management of Goodluck India for giving us an opportunity to host the call and taking time out for interacting with the stakeholders. Thank you all for being on the call.
- Management:** Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of PhillipCapital (India) Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.