GOODLUCK

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January 24, 2022

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Dalal Street,
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The Manager
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Ref: Scrip Code: - 530655

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 **Wednesday, 19th January, 2022 at 11:30 AM IST** to discuss the Q3 and 9 Months FY22 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

GOODLUCK INDIA LIMITED

DIRECTOR

Encl: as above

“Goodluck India Limited Q3 and 9 Months FY22 Earnings Conference Call”

January 19, 2022

MANAGEMENT: MR. MAHESH CHANDRA GARG – CHAIRPERSON
MR. RAM AGGARWAL – CEO
MR. SANJAY BANSAL – CFO

Moderator: Ladies and Gentlemen, Good day and welcome to the Q3 and 9 Months FY22 Earnings Conference Call of Goodluck India Limited.

This Conference Call may contain forward-looking statements about the Company which are based on the beliefs, opinions, and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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. Mahesh Chandra Garg – Chairman of the Goodluck India Limited. Thank you and over to you, Sir.

Mahesh Chandra Garg: This is MC Garg. Good morning everyone. Welcome to Goodluck India Limited Earning Conference Call for 3rd quarter and the 9 months ending 31st December. I would like to begin by expressing my gratitude to you all for taking the time to join us. On this call with me today, Mr. Ram Aggarwal – Chief Executive Officer and Mr. Sanjay Bansal – CFO and Bridge IR, our Investor Relations Partners.

The Company when established manufacture of engineering precision products incorporated in the year 1986. It is headquartered in Ghaziabad with 3,26,000 metric ton per annum capacity, this capacity is spread across 6 facilities 5 near Delhi in Uttar Pradesh and one in Kutch, Gujarat employing almost 3,000 personnel with over three generations of hands-on experience of promoters.

Goodluck started as a manufacturer of ERW tubes. Owing to our engineering background we always wanted to be in the value-added segments. So, over a period of time we got into Forging activity after which we decided to add another vertical Precision Tube manufacturing which comprised of both ERW and CDW technologies. We thereafter added the Precision Engineering Fabrication as another segment. Solar is another area where we see huge potential for supply of value-added fabrication and services. Another segment that we have been focusing is on Defense and Aerospace. We have crossed few major milestones as valued supplier to many of the prestigious defense projects. Our CEO – Mr. Ram Aggarwal will talk about the segment in details.

Last four to five years have been particularly significant for the Company. We have undertaken important CAPEX, penetrated strategic markets, expanded product portfolio, and diversified value-added offerings. We have set few goals for ourselves that include increasing the share of value-added products, target, and EBITDA per ton of roughly 8,000 per ton, reduction of debt, and expand our geographical reach.

The global market offer a great deal of opportunity for us in the various segments. We have been evolving strategy to take care of such opportunities. As for the solar segment US is a big market now with its focus on renewable energy. With our presence there we are confident of penetrating in the US market, we are seeing similar demand accruing from other geographies of the world.

The high-speed railway corridor projects of Government of India and requirement of new age segregation offers huge opportunities and with our expertise, we are sure of having a significant market share here.

We are on course of making the Goodluck a world class manufacturing organization with greater focus on value addition. We would like to see ourselves evolving as a partner of choice for high-end engineering and fabrication player in the infrastructure and manufacture of the best class precision tube. A formidable player in the area of defense and aerospace, we are on course of our goal towards evolving into a solution provider from just being a manufacturing company.

I would now like to hand over the floor to Mr. Ram Aggarwal who will be talking about the business in detail. Thank you.

Ram Aggarwal: I welcome all of you on this call after the opening remarks by Mr. Garg. I would like to take you through Company in a bit more details.

As you know Company caters through diverse product range with high level of customization. The products are divided into four major categories – Engineering Structures and Precision Fabrication. The other is Forgings, Precision pipes and Auto tubes and the fourth division is CR coil pipe and hollow sections.

Company is strategically has been focusing more on high margin, value-added products, and high growth sectors like auto, solar, railways and defense. This is most likely to start reflecting from current fiscal in terms of margins.

I would like to dwell on each of the segments in detail starting with engineering structures and precision fabrication:

This is one of the key segments not only in terms of our engineering expertise and passion, but also in terms of growth opportunities. In this we are evolving to provide both fabrication and services for infra solutions – be it roads, bridges, or smart city structure or super critical bridges for high-speed railway corridors.

Primary and secondary structure for boilers, turbine generators, launching girders for steel and concrete girders, building structures and technology structures. Company has a total installed capacity of 60,000 metric ton per annum for this segment. Recently as you know the Company was awarded prestigious LOI of Rs. 198 crores by L&T for the bullet train corridor under high-speed railway corridor for supply and fabrication of bridges on Mumbai-Ahmadabad bullet train route. Under the Goodluck Steel works alongside Japanese engineers for first of its train bridges to be constructed in India. There is a huge scope of growth and expansion in this segment and we envision an order book of over 1,000 crores in next two to three years.

Another of our focus is solar power. We provide structure for the solar panels; we have developed structures which is quite engineering expertise and have high demand across the world. We already have a lot of enquiries; we are soon going to start exporting. The Government's initiatives of 100-gigawatt solar energy is likely to boost Company's solar support structure capacity. Here again, we can foresee huge opportunity as Reliance has just given a statement in Gujarat that they will like to put 100-gigawatt solar energy parks.

Now we come to the next segment which is the Forging:

We specialize in stainless steel, duplex, carbon, alloy steel forgings and flanges which is applied in more than 100 products. Company caters through various and wide industries like automotive and truck, HCV, agriculture machinery, equipment, valves, fittings, petrochemical applications, hardware, Off-road, railway equipment, general industrial equipment, aerospace and defense. Forging for defense and aerospace has successfully made marks across the industry. The process of adding new machinery to increase capacity of forging single piece to 14,000 kg from 7,000 kg and total capacity per annum to 30,000 metric ton enabling manufacturing of highly value-added products is almost complete.

The production would commence in February, with this we will be in a position to manufacture and supply high value-added products which would result in greater profitability. We have suppliers to some of the biggest name across Indian aerospace and defense DRDO, L&T defense, Godrej Aerospace, BrahMos Missile, and tracked howitzer deal. As of now defense contributes approximately 2% of the forging revenue, but this is only the beginning as negotiations and ramp up of order book within these have a long gestation period. We are also in discussion with various organizations for increasing our association with several other projects. We are pretty sure that we are at the inflection point. The third segment is precision pipes and auto tubes here we offer products that require high engineering expertise. We are amongst the very few players who manufacture high quality CDW tubes, Cold Drawn Welded tubes.

Our products are one of the leading products in terms of quality and consistency resulting in high customer satisfaction and repeat orders. This segment is a substantial contributor of export volume to the Company. We have supplier to some of the most respected brands across the world both on road and off-road auto segment. The other segment is CR coils pipes and tubes this is the oldest segment of Goodluck. Our coils and pipes are demanded all over the country, chiefly in automobile components, consumer durable items, ERW pipes and tubes, find application, precision tubes, support structures. These are used in chassis for vehicles, earth moving equipments, galvanized sheets, construction of railway coaches, drums and barrels, material handling equipments, in paid agriculture equipments and many other items.

Apart from these products our excellent range of products and services have enabled us fully geographic bounds and register strong presence in 100 countries across the globe with a base of over 600 customers. We have extended our reach to the customers with a valid networks 57 and 43 is the split of our products between domestic and global markets as of 9 months of FY22 that is all from my side. I shall now hand over this call to Mr. Sanjay Bansal who will talk about the financials in detail.

Sanjay Bansal: Thank you Mr. Aggarwal. I, Sanjay Bansal, welcome you all to this call. Now coming to our consolidated financial performance.

Financial highlights for third quarter ending 31st December 2021.The volume stood at 72,273 tons as against 61,827 tons in Q3 of financial year 21. The growth was 16.90% being our highest ever quarterly volume so far. Revenue from operations stood at Rs.705.80 crores in Q3 of current fiscal as against Rs.420.17 crores in Q3 of previous year. Growth was 67.98% mainly on account of higher exports. Export sales for Q3 of current fiscal stood at 32.42% of total revenue. EBITDA for the quarter was at Rs.47.39 crores as against Rs. 32.47 crores in Q3 of previous year. Increase was 45.95%. EBITDA per ton for the quarter stood at Rs. 6,557 as against Rs. 5,251 in Q3 of financial 21. Profit during current Q3 stood at Rs.20.16 crores as against profit of Rs.11.06 crores in Q3 of previous year. Increase was 82.29%.

Financial highlights for 9 months ending 31st December 2021.

The volume stood at 1,92,752 tons as against 1,65,760 tons in 9 months of previous year. Growth was 16.28%, revenue from operations stood at Rs. 1,912.42 crores in 9 months of current financial year as against Rs. 1,091.29 crores in 9 months of previous year. Growth was 72.24% mainly on account of higher exports. EBITDA stood at 130.66 crores as against 88.73 crores in 9 months of previous year increase was 47.25 %. EBITDA per ton for 9 months stood at Rs. 6,779 as against Rs. 5,353 in 9 months of previous year. Profit during current 9 months stood at Rs.50.72 crores as against profit of Rs. 21.87 crores in previous year 9 months. Company is also focused on minimizing finance cost which is reflected in the quarter as well as in 9 months. Finance cost for Q3 current financial year was at 2% as against 2.77% in Q3 of previous fiscal year and 2.28% during current 9 months as against 3.71% in 9 months of previous year that is all from my side.

We can now open for floor for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parthav Jonsa from NVS Brokerage. Please go ahead.

Parthav Jonsa: Sir I have just got a couple of questions and they are all quite broad-based questions actually so the first question is now we are almost at the end of January and only two months to go what kind of top line in margins would you be achieving during the current financial year and the year going forward that is in FY23?

Mahesh Chandra Garg: Likely to be in line with the last three-quarter performance.

Parthav Jonsa: So, the third quarter performance right?

Mahesh Chandra Garg: Yes.

Parthav Jonsa: Sir your debt is almost your long term is around Rs. 105 crore and your working capital is about Rs. 376 crore that is almost about Rs. 480 crore kind of crores and you are paying almost Rs. 60 odd crores in finance cost, any plans to reduce your debt during the current year?

Sanjay Bansal: You see we have reduced our finance cost drastically by better utilization of working capital. Our focus is to further reduce the debt so our net 12 months repayment would be about 48 crores. So, definitely in next financial year about 50 crores would be long term debt would be reduced.

Parthav Jonsa: In 23 basically?

Sanjay Bansal: Yes.

Parthav Jonsa: Sir with this you know you have actually got letter of intent for this 200 crores for the bullet train and you said you are expecting another 1,000 crores from the project in coming couple of years am I right?

Ram Aggarwal: Yes.

Parthav Jonsa: Sir my question is the bullet train project is quite a bit in distant future so how confident are you this is practically a very high value-added product what you will be supplying, so how confident are you in achieving that kind of numbers because the 1,000 crores would practically mean almost 1.5 quarters of a revenue for you?

Ram Aggarwal: Basically, what we have projected in this concall that is not 1,000 crores of high-speed rail that is all of fabrication projects, it will be high-speed rail, it will be rapid rail what we are doing near Ghaziabad it is RRTS . So, for every railway projects are coming so that will be the outlook for next two to three years.

Parthav Jonsa: Sir this precision tubes order book of 300 megawatt what you have what is the value of order book for that?

Ram Aggarwal: The order book basically this is the 300 megawatt in this the structure part is almost 10% to 12% only.

Parthav Jonsa: And what would be the value up for that?

Ram Aggarwal: So, for that you can say it will be almost Rs. 30 lakh per megawatt.

Parthav Jonsa: Rs. 30 lakh per megawatt by you said 30 megawatt?

Ram Aggarwal: Yes right.

Parthav Jonsa: So, almost in Rs. 9 to Rs. 10 crore?

Ram Aggarwal: Yes.

Parthav Jonsa: This quarter you have actually drastically improved the margins and everything would this continue going forward in future?

Ram Aggarwal: Yes.

Moderator: Thank you. The next question is from the line of Kalpesh Gothi from Valentis Advisors. Please go ahead.

Kalpesh Gothi: Sir can you share the details of the L&T LOI?

Ram Aggarwal: Basically this LOI is for the manufacturing of the combined bridges for the Mumbai-Ahmadabad high-speed railway corridor. So, L&T has taken this LOI for national high-speed railways and in turn they have given this order to us for manufacturing this. However erection and other work L&T will be doing. So, a test sample is under fabrication at the plants and once it gets cleared from the Japanese counterparts then the actual production will start.

Kalpesh Gothi: So when it starts generating contributing in the revenue?

Ram Aggarwal: I hope in the first quarter of the next financial it should start.

Kalpesh Gothi: Can you share which are the top contributing clients domestically and globally and who are our top two, three competitor in the industry?

Mahesh Chandra Garg: It is very difficult to name the customer as on date. However, there are different competitor and different segments like in auto tubes our very old established pioneer TI; in structure, in forging, they are brand names who are established for long and our competitor and our peer not to say competitor because there is enough room for everybody and everybody have supplied so we do not take them as a competitor, but they are the peers in the industry into every room we are competing.

Kalpesh Gothi: So, last quarter we faced some raw material availability issue do that ease out in Q3?

Mahesh Chandra Garg: It eased out a bit in Q3 however supply still remains a concern in HR Coil due to various factors prevailing in the market not many suppliers are available in India. However of late government has removed all import restrictions, removed all anti-dumping on HR coil import so problem of supply should ease quite a bit. However, demand for this product remains strong as on date and we have been able to get better supplies of raw material in a third quarter compared to the second quarter.

Kalpesh Gothi: So, there is some supply side problem, raw material side issue which is not ease out yet and you know we see the sharp jump in credit cost also?

Mahesh Chandra Garg: I should explain there are no issues. It is no easy supply route. We have a customized customer base and product base. So, this issue will always remain. It is not a vanilla product we do not make all the vanilla product. We have to have the material and get it produced by HR manufacturer as per customer requirement. This will always remain an issue and fortunately for us our relationship with our suppliers is par excellent and we are getting full corporation in spite of shortages we have got our supplies whatever we needed.

Kalpesh Gothi: So, what is our debt repayment for the 9 month?

Sanjay Bansal: Our debt repayment during first 9 months was 34 crores.

Kalpesh Gothi: So, still we are targeting the long-term debt free?

Mahesh Chandra Garg: In next three years we are targeting debt free Company.

Kalpesh Gothi: That can be achieved in next 2 years?

Mahesh Chandra Garg: Next three years.

Kalpesh Gothi: Sir what are our ROCE target for current year?

Mahesh Chandra Garg: ROCE target is 15% in next two years.

Moderator: Thank you. The next question is from the line of Aniket Wadkar an Individual Investor. Please go ahead.

Aniket Wadkar: Sir I have couple of questions. As we can see the solar sector seems to be very focus area right now, so what are our plans and targets for the order book and the margin?

Ram Aggarwal: Basically, you are talking of the solar sector so right now you are seeing everywhere everybody is talking about the renewable energy and solar is the greater part of it like government of India start getting 100-gigawatt, Reliance a private Company they are also targeting 100 gigawatt and since the time that international players in India solar they all have given a commitment that by 2030 they have to put down the carbon inprints. So, what I look forward they will everywhere demand for the solar products what we are getting that is the solar support structures and we see as a demand increases margins will increase because capacity is still limited.

Aniket Wadkar: Sir my second question basically which geographies we are targeting for our segments particularly?

Ram Aggarwal: Basically, you see now everywhere if you take a example of US, US is also targeting because their fossil fuel consumption is more. So, they have to put more pressure on the solar and renewable. It is solar wind combined, hybrid. So, these geographies around US and allies countries there is a good geographical area where demand is likely to come.

Aniket Wadkar: So can we say US is the high growth potential geography right now as we are targeting most?

Ram Aggarwal: Right now, it seems.

Aniket Wadkar: Sir as Company is focusing more on the value-added segment so how you see the contribution of various value-added segment going in future and what are our plans for these value-added segments?

Ram Aggarwal: Basically, what we are doing right now our infrastructure, our auto tubes, and our forgings, these are the value-added part which we consider where the EBITDA margins are more than 10% we consider it a value-added and we are going towards it. Every quarter we try our aim is 75-25, but till now we have not achieved it, but in next two - three years we want to achieve it.

Aniket Wadkar: Sir one more question as we can see the raw material availability was an issue in the last quarter, so how do you see it going forward and what are our plans for the raw material issue in continuously increase in the raw material prices?

Mahesh Chandra Garg: Raw material prices are bit stabilized of late for last one month we see stability in steel prices whether there is a little correction has come in the prices I do not see any crash coming into the prices, but price stabilizing slightly at the lower level, availability is likely to improve.

Aniket Wadkar: Sir one more last question what is the cash flow and free cash flow status right now?

Sanjay Bansal: Considering the good profitability cash flow status is very good as on date.

Moderator: Thank you. The next question is from the line of Chintan Desai from Param Capital. Please go ahead.

Chintan Desai: I have two broad questions one is pertaining to what is the ROCE and working capital cycle if we want to split across these four segments that we operate in and when we speak of regular product versus the engineered value products what could be the EBITDA per ton between these two segments?

Mahesh Chandra Garg: Can you repeat the question sir again.

Chintan Desai: So, my first question is across these four segments that we operate in what would be their ROCEs and working capital cycles in days and secondly when we say that around 38% of our products business mix is towards regular products and rest of engineered value what would be the EBITDA per ton between these two segments?

Mahesh Chandra Garg: EBITDA per ton in 30% is around 3% and in another product is around 10% to 11% and other question was ROCE as a Company I can tell you, but segment wise I have not worked out.

Chintan Desai: And working capital cycle across at least this four segments how do they work?

Mahesh Chandra Garg: Working capital cycle average is 30 days.

Chintan Desai: So, all the four segments have a similar working cycle can we say that?

Mahesh Chandra Garg: Working capital cycle for domestic and export are different. Working capital cycle for export is about 20 days while for the domestic it is 35 days.

Moderator: Thank you. The next question is from the line of Krishna Mundra**,** an Individual Investor. Please go ahead.

Krishna Mundra: Sir my question is what are your future CAPEX plan and you are saying that your solar sector area the capacity is limited, so is there any specific CAPEX in that area and the current capacity utilization?

Mahesh Chandra Garg: Our current capacity utilization is around 78%.

Krishna Mundra: The Company overall.

Mahesh Chandra Garg: Overall, but we do not have any CAPEX plan as of date. However, it will be picking up after the end of the year we will see what CAPEX plan we have immediate we do not have any plan for the CAPEX.

Moderator: Thank you. The next question is from the line of Rohan Mehta an Individual Investor. Please go ahead.

Rohan Mehta: Sir just to add on a couple of questions that you addressed earlier the working capital cycle that is there right now do we have any targets in mind or can we expect the working capital cycle to be around the same level as it is right now?

Mahesh Chandra Garg: We have a target to improve our working capital cycle depending on the market situation you know when the slow down comes when the demand remains muted, working capital cycle increases. As in second quarter of working capital cycle it came down to 22 days, but in the end of the third quarter there was a slowdown in the market so working capital cycle increased. However, we will be satisfied till it comes to around 20 days to 25 days that is our target.

Rohan Mehta: Sir we have seen good export performance so is it also likely to continue I mean what would be your ideal share of exports in the total revenue?

Mahesh Chandra Garg: Total revenue is around 35% is our exports we are achieving and we expect it to continue at least in the immediate future I do not see any threat to this.

Rohan Mehta: Because if export increase then I believe working capital will also overall improve because like you mentioned earlier exports have a short-term working capital cycle?

Mahesh Chandra Garg: You are right.

Rohan Mehta: And sir any targets do you have even say rough targets for the defense side of the business or any new products that might be in the pipeline for that?

Mahesh Chandra Garg: We do not have any target for the defense you know it is a difficult area there are lot of anti-barrier, lot of approvals are required we are just starting and we aim to go big on this once our new project get commissioned we will be going big in the project and we will try to get more business of course we do not have any target immediately that how much we can achieve in how much time, it depends after the plant is commissioned how it plays out we will see.

Rohan Mehta: For the forging segment what would be the status of the CAPEX that is going on there?

Mahesh Chandra Garg: It will be on trial within the first week of February and the revenue will start flowing from March on full fledge in the first quarter of the next year.

Rohan Mehta: So, what can be expected like you said maybe the synergy will start coming in from Q1 of next fiscal year?

Mahesh Chandra Garg: Yes.

Rohan Mehta: Sir just one more question for each of the individual segments do we have a separate target or sort of like a roadmap for the individual four divisions?

Ram Aggarwal: Yes we do have, but it is a internal system where we make the target for the next year. So, in March after reviewing all the sectors we will definitely set the target for the new year and we will let you know in the next concall.

Rohan Mehta: Sir any guidance on the next initial quarters of the next year top line and profit margin?

Mahesh Chandra Garg: Sir this fourth quarter guidance we can give you, to be in line with the last three quarters and it is all depends on budget comes in February the policy decisions in the budget is going to favorably or adversely affect the business environment. We are expecting it will be better for us with the elections around the corner, budget coming in, government proactive basis policies, I see lot of business prospects in time to come.

Rohan Mehta: Sir just one long term vision question we had around a target of 5,000 crore top line would be achievable by which fiscal year?

Mahesh Chandra Garg: Next five years.

Rohan Mehta: And profit margins in that stage would be similar to today's level or around what levels would the profit margin be at?

Mahesh Chandra Garg: One should not be saying it is better than the today's margin can I ask you this question. We hope for the better one.

Rohan Mehta: Do you see any competition in the domestic or export market that is of significance?

Mahesh Chandra Garg: We do not have monopoly anyway competitor will always remain and we will face the competition. We are confident.

Rohan Mehta: So, which would be your top competitors are in the ye market India and the US say for example?

Ram Aggarwal: Sir truly speaking in our all the segments we are in many segments, but fortunately, unfortunately we are having very reasonable or very small market share. So, it seems no threat to us we have just to improve market is too big for us.

Rohan Mehta: In a way it is a good thing that there is a lot of scope for growth also?

Mahesh Chandra Garg: Definitely I look forward.

Moderator: Thank you. As there are no further questions I would now like to hand the conference over to Mr. Mahesh Chandra Garg for closing comments.

Mahesh Chandra Garg: I would like to take this opportunity to thank each member of Goodluck family. I would also like to thank our clients, creditor, bank, financial institutions, and other stakeholders. For any further queries or information please get in touch with our investor relation team. Thank you.

Moderator: Thank you. On behalf of Goodluck India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.