



“Goodluck India Limited  
Q2 and H1 FY2022 Conference Call”

October 26, 2021



**MANAGEMENT: MR. MAHESH CHANDRA GARG – CHAIRPERSON –  
GOODLUCK INDIA LIMITED  
MR. RAM AGGARWAL – CHIEF EXECUTIVE OFFICER –  
GOODLUCK INDIA LIMITED  
MR. SANJAY BANSAL – CHIEF FINANCIAL OFFICER –  
GOODLUCK INDIA LIMITED**



*Goodluck India Limited  
October 26, 2021*

**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 and H1 FY2022 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 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 Garg, Chairperson of Goodluck India Limited. Thank you and over to you, Sir!

**Mahesh Chandra Garg:** Good afternoon everyone. Welcome to Goodluck India Limited earning conference call for Q2 and half year ended September 30, 2021. I would like to begin by expressing gratitude to all of you by taking your time to join us.

On this call with me today are, Mr. Ram Agarwal, CEO, Mr. Sanjay Bansal, Chief Financial Officer, and Bridge IR, our Investor Relations Partner. Since this is our maiden earnings call, before we get into the business and financial performance of the half year, I would like to share a brief insight into our company.

The company is an established manufacturer of engineered steel products incorporated in the year 1986. It is headquartered in Ghaziabad with 326,000 metric tonnes per annum manufacturing capacity. This capacity is spread across six facilities; five in Uttar Pradesh, in NCR and one in Kutch, Gujarat, employing over 3000 employees with over three generations of hands on experience of promoters.

Goodluck started as a manufacturer of ERW tubes, which were at that time a value added product and very much in demand but gradually over a period of time, this has become commoditized product. Owing to our engineering background, we always wanted to be in the value added manufacturing and as a policy of a company we have always extended into value added segments. So we got into the forging activity manufacturing core products. We then decided to move forward with our engineering started and got into precision tube manufacturing with comprised of both of ERW and CDW tubes.

With a lot of hard work, we were able to begin exporting of precision tube to highly rated European auto OEMs and to other geographies like US. We have also added pressure engineer fabrication is another segment. Here we have been catering to telecom towers and bridges, when we obtained our first LOI for supply and fabrication of bridge for the bullet



*Goodluck India Limited  
October 26, 2021*

train track been laid between Mumbai and Ahmedabad, which required huge engineering capabilities and engineering skills. Solar is another area where we have huge potential used for the supply of value added fabricated structure and there we are in it for export of solar fabricated structure in a big way.

Another segment we have been focusing is the defense and aerospace where we have tested prototypes supplied it and we have been quite successful in this to cater and capitalize on this future potential. We are expanding our capacity in forging by putting away 6000 press which is likely to be commissioned by the month of December.

Just to sum up the company, we are amongst the leading manufacturer of wide range of engineering structure, Precision and auto tubes, forging for defense, aerospace and engineering, CR products and GI pipes.

The company is not only in steel product manufacturing but also provider of engineering solutions. We are on course of making Goodluck a world class manufacturing organization with better focus on value addition. We would like to see ourselves as a part of choice of high engineering fabrication player in infrastructure, as manufacture of best in class precision manufacture, a formidable player in the area of defense and aerospace, which is likely to be with the commissioning of our press, we will be there and we will be respected supplier of these products.

Our goal is to migrate from merely manufacturing company to a solution provider and we are very much on the path of it. Having explained the vision of the company, I like to hand over the floor to Mr. Ram Agarwal who will be talking about business in detail.

**Ram Aggarwal:**

Thank you everybody and I welcome all of you all to this call. After the opening remarks by Mr. Garg as to how do the management wants the company to be viewed in the near future and its focus on value addition and providing engineering solutions. I would like to take you through the company in a bit more detail.

The company caters to diverse product range with high level of customization; products are divided into four major divisions; engineering structures and fabrication. The other one is forging. the precision pipes & auto tubes and CR foils, pipes & hollow sections. The company strategically has been focusing more on high margins value added products and high growth sectors like auto tubes, solar structures, railways and defense. This is most likely to start reflecting from our current fiscal in terms of EBITDA per tonne as it is evident from the current half yearly in this discussion. I would like to dwell that on each on the segment now.

We are starting with the engineering structures and precision fabrication. It is one of the key segments not only in terms of our engineering expertise and fashion but also in terms of growth opportunities. In this we are evolving to provide both fabrication and services for infrastructure solution be it roadways, be it Railway Bridge or smart city structure or the latest one is supercritical bridges for high speed railway corridor, which is being made in India first time, primary and secondary structures for boilers and turbine generators, launching girders for steel and concrete girders, buildings structure and technological structures.

The company has a total manufacturing capacity of 60,000 MT per annum. Recently as Mr. Garg has told you that the company was awarded a prestigious LOI of Rs.198 Crores by L&T for the bullet train under high speed railway corridor for supply and fabrication of build on Mumbai and Ahmedabad corridor; it is a first in India and the second one is coming from Delhi to Varanasi.

Under this Goodluck will work alongside the Japanese engineers for first of its kind bridge to be constructed in India. We will be only supplying the fabricated bridges in the guidance of the Japanese partners. There is a huge scope of growth and expansion in this segment and we envision an order book of almost Rs.1000 Crores in the next two to three years.

Another area of focus is the solar power field. We provide MNN structures solar panel. We have developed structures which require engineer expertise and high demand across the world. We already have a lot of enquires and we have started exporting here again we can foresee huge opportunity.

The next segment is forging. We specialize in stainless, duplex, carbon, alloy steel forging and flanges which is supplied more than 100 grade products. The company caters to various and wide industries, machine equipment, walls, fittings, petrochemical applications, highway and rail road equipments, general industrial equipments, marine, aerospace and for a little bit defense, forging for these critical areas has successfully made mark in the industry.

Now your company is in the process of adding new machineries, which will increase capacity of forging, single piece to 14 tonnes from 7 tonnes at present and total capacity per annum to 30000 MT. It will be in the enabling manufacturing of high value added products. It will be using less material in turn adding to our bottomline. With this we will be in position to manufacture and supply high value added products, which will result in greater profitability. As defense and aerospace everybody knows it is a strategic area of focus, I would like to talk something about it separately.



*Goodluck India Limited  
October 26, 2021*

What we are doing right now we are getting enlisted with some of the biggest names across Indian aerospace and defense, DRDO, L&T Defense, Godrej Aerospace, Brahmos Aerospace and as of now defense contribute insignificantly. Currently, it is contributing 1% to 2% of the revenue, but this is only the beginning. As negotiations and ramp of order book within these have a big gestation period. We are also in discussion with various organizations for increasing our association with several other projects. We are pretty sure that we have to usher in this area.

Our third segment is precision pipes and auto tubes. Here we offer products that require high engineering expertise. We are among the very few players to manufacture high quality CDW tubes. Our products are one of the leading products in terms of quality and consistently resulting in high customer satisfaction and repetition of orders. This segment is substantial contributor of export revenue to your company.

We are suppliers to some of the most respected brands across the world in both on road and off road auto segment. The other sector which is adding volume to our basket that is the CR coils, pipes and tubes the oldest segment of Goodluck. Our coils are demanded all over the country, mainly in automobile components, consumer durable items and many other items. ERW pipes and tubes, fine application and precision tubes, support structure these are being used mainly for vehicle chassis, earth moving equipments, roffing sheets, construction of railway coaches, drums and barrels, material handling equipments, industrial equipment and many others.

Apart from these products our excellent range of product and services have enabled us to leap geographical boundaries and register our strong presence in more than hundred countries across the globe with range of over 600 customers. We are extending our reach to the customers worldwide with a well network. That is all from my side. I shall now like to hand over this call to Mr. Sanjay Bansal our CFO who will talk about the financial details. Thanks.

**Sanjay Bansal:**

Thank you Sir and welcome all of you to this call. Now coming to financial performance. The financial highlight for Q2 ending September 30, 2021. Revenue from operations stood at Rs.636 Crores in Q2 of current financial year as against Rs.420 Crores in Q2 of the previous year.

EBITDA for the quarter was Rs.44 Crores as against Rs.34 Crores in Q2 of FY2021. Q2 profit stood at Rs.17 Crores as against profit of Rs.10 Crores in Q2 during the previous year. Financial highlights for half year ending September 30, 2021.



*Goodluck India Limited  
October 26, 2021*

Revenue from operation stood at Rs.1207 Crores in H1 of current financial year as against Rs.671 Crores in the previous year during the same period. EBITDA for the first half was at Rs.85 Crores as against Rs.57 Crores in first half of the previous year.

H1 PAT stood at Rs.31 Crores as against Rs.11 Crores in the first half of previous year. The company has also paid interim dividend at the rate of 75% that is Rs.1.5 per share.

That is all from my side. We can now open for floor question.

**Moderator:** Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Nitin Agarwal an Individual Investor. Please go ahead.

**Nitin Agarwal:** I want to ask a question to the chairman of the company? How much has been the export from the turnover of Rs.1200 Crores in H1 and how the freight rates have impacted the profitability of the company and how the company wish to overcome this extra cost on freight in the quarters to come?

**Mahesh Chandra Garg:** Exports in the first half of this year are roughly Rs.550 Crores as against Rs.200 Crores last year. What was further query? I did not get it rightly. Can you repeat your question please?

**Nitin Agarwal:** How the increased freight cost in the last half year impacted the profitability of the company?

**Mahesh Chandra Garg:** It impacted greatly. We have been negotiating with our customers to pass on the freight, but we are an exporter of the last 20 years so we have to honor our commitments and some of the customers have obliged us. Of course, it will in the subsequent times the freight they will have to pay but for some time we have taken a hit on the freight also.

**Nitin Agarwal:** Thank you so much.

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

**Kalpesh Gothi:** Good afternoon Sir. Can you please share the revenue split between the product portfolio and which are going to contribute?

**Mahesh Chandra Garg:** Your voice is not clear.

**Kalpesh Gothi:** I want to know what is the revenue split in terms of product portfolio?

- Ram Aggarwal:** In terms of the H1 volume we are having five verticals already as I told you. The structure is 10% almost and our CDW tube is almost 14% and the forging is almost 12%, Precision tube again is 15% and our regular product is 30% to 35%, the revenue distribution of this quantity.
- Kalpesh Gothi:** What is the total in terms of volume in Q2 and H1?
- Ram Aggarwal:** Volume in H1 is almost 125,000 tonnes and in Q2 it is 63,000 tonnes almost.
- Kalpesh Gothi:** Can you also share the realization for the respective segment?
- Ram Aggarwal:** Realization wise, we can talk of the EBITDA. The structure is almost 10% EBITDA and our CDW Tube it is 14%, forging again 14% to 15% and the precision tube section it takes 9% to 10% and our regular volume product, it gives almost 2% to 3%.
- Kalpesh Gothi:** Can you share the EBITDA per tonne if possible?
- Ram Aggarwal:** EBITDA basically you know our product basket is very diverse, but however if you take with the mathematical calculation, it will come almost 6800 overall product ratio.
- Kalpesh Gothi:** What will be EBITDA per ton for value added product?
- Ram Aggarwal:** For different products it can be told, but like if you talk of structures it will be almost Rs.7000. If you talk of average value added should be almost Rs.10,000.
- Kalpesh Gothi:** What is the total contribution of value added product in your revenue?
- Ram Aggarwal:** It is almost 65%.
- Kalpesh Gothi:** 65%, is it going to be go up further?
- Ram Aggarwal:** Yes we intend to be 75%, but it will take time.
- Kalpesh Gothi:** Can you share as you said in the initial remark you are in L1 in the 198 Crores order from L&T you got. Any such kind of order we are looking or have we already bid for the same?
- Mahesh Chandra Garg:** Basically that order in India, high speed train is coming first time. So now government is planning for other areas as well like Delhi-Varanasi and many other Delhi-Ahmedabad many other train government is trying to make, but this is the first of its kind, so once it

starts getting the executed the other lines will come and we will be there to participate in this.

**Kalpesh Gothi:** So this L&T order going to be confirmed by what time? L&T order we got we are in the LOI. So is it confirmed order?

**Ram Aggarwal:** Yes it is a confirmed order but as far as L&T procedure it takes one and half months to issue the formal PO but the work has already started. L&T along with Japanese they have visited the plant and now we are going ahead with the civil foundations and the other works, machinery order is going on.

**Kalpesh Gothi:** Have we got any advance for the sale?

**Ram Aggarwal:** Once the PO is issued then only we will be able to take advance.

**Kalpesh Gothi:** Do we Sir require need to do a capex for this project?

**Ram Aggarwal:** Yes it is almost Rs.10 to Rs.12 Crores capex needs to be done which we are doing from our internal accruals at our Kutch plant.

**Kalpesh Gothi:** Sir what is the timeline of the execution?

**Ram Aggarwal:** Execution it is a tricky question. Why because L&T is doing first time. Japanese are doing in India first time, but it is slated to start from January and it will be spawned almost two years.

**Kalpesh Gothi:** So majority of you revenue will be coming next year.

**Ram Aggarwal:** Yes revenue will start from April 22.

**Kalpesh Gothi:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Rohan Mehta individual investor. Please go ahead.

**Rohan Mehta:** Good afternoon Sir and congratulations on a good quarter. Good afternoon Sir. I just had some questions. In terms of our value added products versus volume driven segment what kind of products would you categorize since we have talked about it in the presentation also, which products are value added and what was the contribution in revenue during this last quarter or half year?



**Ram Aggarwal:** Basically it is auto tubes, our engineering structure division and forgings these we classify into value added products and other CR coils and pipes which give volume to our system that says less value added products but it gives the volume and has I already told you it is almost 65 to 35%, value added versus non value added.

**Rohan Mehta:** Sir in terms of our exports would you see any particular countries or geographies as the key drivers of export revenue like where demand is more?

**Mahesh Chandra Garg:** Demand is there for our forgings and auto tubes mainly Europe and USA.

**Rohan Mehta:** Europe and USA. Okay so would the revenues split between export and domestic revenue remain similar at current level or would it change in the next coming quarters?

**Mahesh Chandra Garg:** We were doing export last year only 25%. This year it has grown almost 38% and we expect this to remain around this level. Total sales percentage will be around the same level.

**Rohan Mehta:** We get higher operating margins from the export revenue?

**Mahesh Chandra Garg:** Yes.

**Rohan Mehta:** Sir already it has been asked, but in terms of capex for precision tubes how much capacity was added approximately by when is commercial production expected to start for that?

**Mahesh Chandra Garg:** Auto tube expansion was taken by internal accruals with a very little investment and our capacity had been running at 20% for CW tubes.

**Rohan Mehta:** Sir for aerospace and defense category of our end application currently I guess it is around 2% odd of revenue coming in from there and we have mentioned that we plan to increase it up to 8% or so, any sort of any timeline or any plan as to how we will be able to increase that share from that segment?

**Mahesh Chandra Garg:** As we explained earlier our press is under commissioning, when the press comes into operation by the end of December there are big line up of orders. Already we have approval from listed agencies those who approved for aerospace and defense. Our products have been tested on central basis for defense, for missile system and we expect to go big once our press is commissioned.

**Rohan Mehta:** Sir this has already been talked about raw material we all know that it has been a pain point for all companies in this sector so any timeline as to when you expect that the effect of this increase in metal prices would sort of wean off and come down to normal levels?

**Mahesh Chandra Garg:** Very jokingly telling you, I think we have to learn to think of it as normal. It is the new normal in the prices. We have to learn to live with the pricing.

**Rohan Mehta:** So I guess that then we will only gradually pass it on to the customer like increase the price of our product right?

**Mahesh Chandra Garg:** Absolutely it needs to be passed down. It is being passed down and it will be passed out.

**Rohan Mehta:** Just one last question I had now that apex of the pandemic in lockdown and everything are going back. I mean it is reducing and almost industries are going back to normal. Do you think the current growth right now it is relatively higher because the last year was totally hit by COVID but once the entire effects have gone by would growth be at par with pre-COVID levels or would it continue to be at higher level as it was right now?

**Mahesh Chandra Garg:** It will definitely it will exceed the pre COVID level. All economy has to achieve the pre COVID level there after growth has to come with government reform push. The government has done with so many restructuring of the financial system government has done. It will have an overall impact on the economy, emphasis on infrastructure in which we are there in a big way. It is going to definitely very positive for our industry and we look forward for a growth in exports with China problems today we are looking at the export has a very growth engine for the company. With China problem the world over, most of the geography are very averse to deal with China so we stand a good chance everywhere.

**Rohan Mehta:** Thank you so much Sir. Thanks a lot and all the best.

**Moderator:** Thank you. The next question is from the line of Shiv Kumar individual investor. Please go ahead.

**Shiv Kumar:** Good afternoon Sir. I have two questions. Couple of questions; one is that what is the current capacity that we have achieved and what is the expected capacity that we think we are going to go ahead and achieve in this next few quarters and is there a need for capex which is substantial for any growth from now onwards that is the first questions. The second is that given I think the question which was asked earlier also is that what is the new normal in terms of the EBITDA percentage given the higher cost of the raw materials that we expect and is there a possibility that all the cost of increase of raw material can be passed on to the consumers is that possibility still there or is it something which is going to go against with the company which will have an impact on the EBITDA? It was 35% volume of one of your volume business is already 2% and the margin obviously is pretty low, so just wanted to check on that counter, so these are the two questions.

**Maresh Chandra Garg:** Let me answer your question one by one. Our capacity utilization today is around 76% and without any capex we are aiming to achieve around 85% to 87% with more availability of raw material. If we were able to get full quantity of raw material we would have achieved that number one. Number two, your question of the increased cost are being passed on. It definitely happens with a time lag and once the rate stabilize the cost will be definitely passed on to the buyer there is no doubt about it.

**Shiv Kumar:** Just an add-on question is the current EBITDA around 8.5% overall. Could we somewhere around 10% being achieved over the next three, four quarters gradually is that expectation right?

**Maresh Chandra Garg:** I did not get your question rightly. Please can you repeat?

**Shiv Kumar:** I am saying that current EBITDA. Overall is EBITDA is about 8.5% am I right?

**Maresh Chandra Garg:** No it is around 7%.

**Shiv Kumar:** So gradually once the raw material issue settles down are we expecting to go ahead and improve it to less than 8.5% that is what I am looking at in the next two quarters?

**Maresh Chandra Garg:** Number one I should clarify the EBITDA percentage has gone down due to cost push. Once the cost push goes away then EBITDA will improve definitely. It is bound to improve. How much it will improve depends on how the business shapes out, but EBITDA is bound to improve. Our EBITDA has gone down. There was a lot of cost push. All input costs have gone up, freight cost have gone up which have dragged the EBITDA percentage downwards, but things have to normalize one day sooner than later it cannot go on increasing every day. We are well within control and things are bound to improve.

**Shiv Kumar:** One final question if I may. Sir our inventory currently is at reasonable levels or is that still an issue that you need to address?

**Maresh Chandra Garg:** I do not think this is an issue. We are at a normal limit.

**Shiv Kumar:** Okay great. Thank you.

**Moderator:** Thank you. The next question is from the line of Aniket Redkar individual investor. Please go ahead.

**Aniket Redkar:** Congratulations for good set of numbers. Sir I have a couple of questions. Can you guide us where do we see our revenue by the end of this year and for the coming next three years?

**Maresh Chandra Garg:** For this year, I am expecting revenue to be around in the range of 2400 Crores against last year revenue 1572 Crores and the year ahead I am expecting 10% growth.

**Aniket Redkar:** Sir what is the export contribution in the first half of the year and which are the key countries contributing to most of the revenue?

**Maresh Chandra Garg:** I think almost 550 Crores as I told against 1200 Crores so, percentage you can take almost 48%.

**Aniket Redkar:** Sir as we can see the different segment the order book driven so what is the current order book and how is resulting in the revenue visibility?

**Ram Aggarwal:** Basically, as I have already told, we are having a basket of products so some products where we can talk of the order book as an engineering structure we have told, right now we have order book of 400 Crores in the coming two to three years as per the Indian system we can hope of 1000 Crores in the next two three years but in the other segments it is a visibility of orders. Once we supply the older quantity then the new quantities come in. We have a reason of almost six month to one year like in our auto division, like in our forging division, we have a certain forecast available with us on which we plan but it is not like that all the orders have come one year back and now we are executing in the coming one year. It is only possible in the infra projects because they are the long time taking projects.

**Aniket Redkar:** Sir what are your top two, three competitors in the industry and who are the top contributing clients domestic and globally?

**Maresh Chandra Garg:** Sir to talk of competitors with us, to name is totally not desirable at this moment. We can talk of ourselves.

**Aniket Redkar:** Which are the top contributing clients right now we have domestic as well as global?

**Maresh Chandra Garg:** I can tell you one thing, it will be difficult to name my top customers as on the conference call, but we have dedicated customers with us who are standing for a long time, 80% of our customers have a long association with us in business, whether it is auto tube, whether it is forging, whether it is structure.

**Aniket Redkar:** Do we have any plans to raise further funds?

**Ram Aggarwal:** Right now currently we do not have any plan to raise further funds.

**Aniket Redkar:** Thank you.



*Goodluck India Limited  
October 26, 2021*

- Moderator:** Thank you. The next question is from the line of Kalpesh Gothi from Valentis Advisors. Please go ahead.
- Kalpesh Gothi:** You talked for defense. What kind of revenue visibility you have for this year and next year?
- Ram Aggarwal:** As we have already told this sector is very critical and it has a very long gestation period and you know what India is talking for the last 10 years that we will make this, we will make this but every programme if you talk of, any missile, any planes it takes 10 years, it takes decade so we have started enlisting with all the customers but it will again take two to three years to get the work from them and then we can talk of what we have planned to get more turn over in this sector, it will come in two to three years. Fresh installation is the starting of the cycle.
- Kalpesh Gothi:** Thank you Sir.
- Moderator:** Thank you. As there are no further questions, I would like to hand the conference over to Mr. Mahesh Garg for closing comments. Thank you and over to you Sir!
- Mahesh Chandra Garg:** I would like to take this opportunity to thank each member of Goodluck family. I would like to thank all our clients, creditor, bank, financial institutions, and other stakeholders and everyone who had participated in this concall. For any further queries or information please get in touch with our investor relation team and we will be happy to answer them. Thank you very much.
- Ram Aggarwal:** I just want to clarify one thing, the best of looking at us in term of EBITDA per ton and not in terms of EBITDA percentage. We are putting in all efforts to take this per ton matrix higher in the coming quarters. Thank you.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Goodluck India Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.