GOODLUCK

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February 09, 2024

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

Ref: 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

Sub: Earning Call Transcript

Dear Sir/ Madam,

As earlier informed, a Conference Call for the investors and analysts held on Tuesday, 06th February, 2024 at 04:00 PM IST to discuss the Q3 FY 2024 & 9M FY2024 earnings of the Company.

Please find attached herewith the transcript of the aforesaid Earning call.

This is for your information and record.

Thanking You,

For Goodluck India Limited

RAMESH CHANDRA GARG
Digitally signed by RAMESH CHANDRA GARG
Date: 2024.02.09 15:56:06 +05'30'

RAMESH CHANDRA GARG
DIRECTOR

Encl: as above

Goodluck India Limited
Q3 FY24 Earnings Conference Call
February 06, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Goodluck India Limited Q3 and 9-month FY24 Earnings Conference Call.

We have with us today MC Garg – Chairperson, Mr. Ram Aggarwal – Chief Executive Officer and Mr. Sanjay Bansal. Chief Financial Officer.

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.

I now hand the conference over to Mr. MC Garg – Chairperson, Good Luck India Limited. Thank you and over to you, sir.

MC Garg: Hello, good evening. On behalf of everyone and Goodluck India Limited it is my pleasure to welcome all of you on this call.

The quarter ended 31st December 2023 or Q3 FY24 continued to be a very rewarding one. The results are already in your hand. Efforts pulled diligently by the teams into fortifying and expanding the business, although not bearing fruits, which we will discuss a little later in the call. Q3 FY24 continued to be an eventful one.

We have been improving our product mix by expanding our footprint into value added high margin product, this needed a steady stream of working capital. One of the critical areas we just successfully strengthened in the past three quarters. In the past quarter, we successfully closed our QIP around of Rs. 200 crore with good support from investors like names such as Bank of America and Morgan Stanley. They have participated in the around, the quality of investor on board is heartening and will continue to motivate us to sustain our growth momentum in the future. We witnessed the positive momentum on the demand side, going to the robust economy, rising CAPEX is spending by the government, China plus strategy on the export side and our momentum towards offering value added products, export being our thirst area for the last 20 years. Our exports are roughly in value terms, almost 25%.

Our export there has been a worldwide slowdown in export, but we have been able to maintain our momentum and our export will close, although the same level than last year in spite of countries export declining. This encouraged us. It has been a fortune for us that our additional capacity which we installed in our Gujarat plant just came into production just in time when the demand was declining, and we are able to make up a shortage by additional production. This gives us confidence. that we are going to do once things turn around we are going to increase our export the new plant in Sikandrabad, which is coming for hydraulic cooling, will also primarily mean for export and it will give a good boost to the exports. Besides that, in the last two quarters, we have already gone into defense and every place also four weeks the site development work has started, and we should be in production in the first quarter over the next financial year. We will be producing forging components. Besides that, I have few things to add. We are into a one body section. We may the Government of India decided to replace hard diesel buses in the urban Renewal Mission program. All the buses will be replaced by electrical vehicles and there is going to be huge demand for the tube which we manufacture. The big consumer like Ashok Leyland, SMN and one extra are our prime customer, and we hope this will give a good boost to our value-added segment. As you see in the results, our margins have improved because our continuous effort, we have been adding value with volume which has helped us to maintain our march towards a sustainable growth in the seat and I take this opportunity to thank my team, my investor, shareholder and my clients for improving us with their trust and support.

I would now request Mr. Ram Aggarwal, – Chief Executive Officer, to discuss in detail about the company performance in Q3 and 9 months FY24 over to you Ram.

Ram Aggarwal: Thank you sir. First of all, I would like to thank everyone for taking out time for attending today's call. As pointed by Mr. Garg, India is at the cusp of tremendous growth and well poised towards becoming third largest economy with the GDP of $5 trillion. Government focused on Gati Shakti Jal Jeevan mission infrastructure spending Rs. 11.1 lakh crore announced in budget 2 crore houses for middle class, 1 crores houses rooftop solar, 2.6 lakh crore for railway making four corridors roads by NHAI at top speed, defense outlay increased, nothing is left where development scope is there. So, your company is well poised to ride on the wave of development as we are in the auto, defense and infra sectors. In last two years, your company has expanded in infra by making first bullet train project under a joint workshop of L&T, IHI Japan and Good Luck at Bhuj, Gujarat. Having the first mover advantage, we have completed almost 7000-ton fabrication.

In the auto sector if you see we are entering construction industry machines such as hydra those are while making hydraulic tubes of 15 mm thickness virtually replacing seamless tubes. We will be one of the fewest plants in the world. In forging sector as Mr. Garg has told we have incorporated a subsidiary, Goodluck Defense And Aerospace Limited where we will make those parts for Artillery and aerospace sector. We have consistently assessed and enhanced our production facilities, conducting R&D for new projects with the same asset base which is our USP. Mechanizing and digitalizing our manufacturing operations collectively is our aim. In all vertical with the new software we have installed, market analysis has taken a central stage in helping and tapping new markets. We are upgrading our tube mills for new shape and sizes to meet international demand. Our employees are our biggest asset and companies initiating steps to help them grow and become our partner in company growth story, sustainability is our aim. As we had told in the last concall as well, company is continuously investing in measures which will offset millions of KG of CO2 emissions during the project lifetime. In a strategic development, company has made significant inroads in road safety sector by adopting European design and subsequently reducing cost of crash barriers, company is planning to introduce design in India as well as overseas in association with our overseas partner, Qatar Stadium is one of the example of our joint efforts. With all the above initiatives, we feel much more is yet to be done. It is a continuous evolution process to enable us to remain ahead of our competitors.

At the end, I would like to emphasize our aim invest in equilibrating equipment to enhance our productivity with financial prudence. Going forward, the rising demand for steel and infra favored government policies and conductive business environments are expected to result into an even brighter future for our engineering precision products. Thank you. Now I hand over the call to Mr. Sanjay Bansal, our CFO.

Sanjay Bansal: Thank you. I welcome on behalf of good Luck India Limited. At the outset I, Sanjay Bansal, welcome you all for joining us for a conference on the performance of the company in Q3 and 9 months of the Financial Year 2024. Regarding Q3 performance stand alone, the sales was increased to Rs. 878.27 crores as against 705.94 crores during Q3 of previous year, registering a growth of 24%. However, EBITDA for the quarter stood at the rate of 8.62% of sales amounting Rs.75.66 crores as against Rs. 53.37 crores during Q3 of previous year. The profit before tax including other comprehensive income was at Rs. 31.75 crores in Q3 of current year as compared to 18.40 crores in Q3 of previous year. The performance of the company in 9 months of current financial year, the sales has been increased by 14%. EBITDA margins have improved 2 Rs. 220.21 crores with EBITDA margin percentage 8.40% of this as against 6.85% during 9 months of last year. However, PAT margins have been increased to Rs. 95.04 crores registering a growth of more than 60% as compared to the 9-month period of previous year. The earning per share has been at Rs. 11.36 per share in Q3 of 2024 as against 7.02 per share during Q3 of previous year. However, EPS of the company in nine months of current fiscal for a standalone was 34.58 per share. On the financial front, our interest cost and other expenses have almost fallen flat due to increase in level of activity during nine months period of current year as compared to previous year. Thank you very much. We may now start question and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ayush C from Rawas Capital. Please go ahead.

Ayush C: Could you just elaborate on the segment wise revenue for each of your segment?

Management: Segment wise revenue was as under our general product structure, pipes etcetera contributes 50% of the sales. Structure division contributes 10% of revenue. CDW and DRW precision contribute 25% and forging division contribute 15%. Thank you.

Ayush C: Yeah. Just one more question also, are we on track for the guidance given for FY26?

Management: Yes, we are definitely we are on the track. For the guidance we had given it is as per our planning.

Ayush C: Alright. Thank you, all the best.

Moderator: Thank you. The next question is from the line of Harsh from Kriis PMS. Please go ahead.

Harsh: Wanted to understand the new policy for the government for rooftop solar, would our products be useful in those structures as well?\

Management: Yes, definitely, because in every solar product, whether it is ground based or rooftop base, there is a part of the structure on which the modules are mounted. So, with this, there will be a good demand of the structures which the company is manufacturing.

Harsh: Got it. Perfect and on the subsidiary which has been created for defense, how fast do we see that subsidiary, you know, getting EBITDA positive and getting into a significant revenue proportions say 10% revenue contribution?

Management: It should be possible by third quarter of the next year.

Harsh: OK. So, so we are expecting 10% revenue from defense.

Management: So, basically from defense, when it will be at the full capacity, it will be giving a revenue of 350 crores to 400 crores.

Harsh: Got it and that would be in the third quarter next year?

Management: It will be almost H1 of the FY25.

Moderator: Thank you. The next question is from the line of Rakesh Roy from Omkara Capital. Please go ahead.

Rakesh Roy: My first question regarding the defense business. Can you explain now what type of equipment or what type of material we are supplying to defense companies and who are our major client?

Management: Basically, what we are doing, we are making postings forgings which can be used in all the artilleries which can be used in helicopters, which can be used in their guns. So, but we are not known. We don't know in which part it will be used. We get the drawings and then we supply.

Rakesh Roy: Okay, so forging is especially forging for like titanium or just a normal steel or stainless steel.

Management: It is a mix of the material. It may be a carbon material, it may be a Inconel, it may be titanium, it may be aluminum, any kind of material it is As for the DRDO specification.

Rakesh Roy: No, my question is how much defense product we have currently validated till now till date from different companies and how much is the address from market for next one or two years?

Management: Basically, what we are doing in defense and in defense, we are supplying from our forging division and it is not a significant revenue. It's hardly 2 to 3% revenue of the country, but with the coming out, with the incorporation of this new subsidiary, we will be making significant supplies to the government as well as the exports for the defense purpose or both.

Rakesh Roy: OK, exactly. All correct sir. So, how much we are looking from the domestic and how much we are looking from the export market for defense business?

Management: Right now it is very difficult to tell because geopolitical conditions are changing very fast. Till one year back India was an importer, but today India is trying to become an exporter for most missile. So, this all will depend when our full production comes then what will be the geopolitical condition then it will decide the share of domestic as well as the international demand, but demand is very high, right?

Rakesh Roy: OK. So, just 350 to 400 crores is the annual revenue.

Management: Definitely.

Rakesh Roy: Yes sir and my next question regarding any plan to you are targeting 400 crores annually that this will go like 400 to 500 and 600 in next 5 to 6 years. What is the plan sir.

Management: Basically, right now we cannot tell it because it is all in the future. Right now, as per the capacity this is our estimation as we move on, we can let it know.

Rakesh Roy: Okay and who are our major or big kind in different business in POC or private?

Management: This cannot be told because it is the defense, so it is a thing which we cannot declare.

Rakesh Roy: I agree, right. Last question from defense, any plan to hive up your defense business in near future so because you are targeting 400 and this will go to nearby 700 and 800, so next three to four years you are you planning to hive up this defense business to get the value?

Management: No, it is already a new company. It is already our subsidiary. So, I do not that it will be required.

Moderator: Thank you. The next question is from the line of Arjun Agarwal from Investo. Please go ahead.

Arjun Agarwal: First of all, congratulations on a very good set of results. I have got a couple of questions. The first one is what measures are we are taking as a company to reduce the power cost?

Management: What company is doing right now everybody is talking of the sustainability. Everybody is talking about reducing carbon fuel, carbon footprints. So, your company is also thinking in this direction. The company is already taking action because we have taken almost 30 MW solar power for our total plant and it is almost 30 to 40% of our demand. So, this way our power bill will be reduced in the coming future. This year also it will have an impact. Sir not only this, we have entered into an agreement for the UK Government policy 10 MW, so we will take solar power and the rate Rs. 3.4 per unit for the next 25 years that agreement is being signed. Already we have signed an agreement of 6 MW. It has been enhanced to 10 megawatts. So, the power cost will drastically reduce. Those are producing solar power; they have been allowed to give a preference to the consumer in UK.

Arjun Agarwal: Sir, one more question I just want to ask that based on the things that are going globally based on the Red Sea scenario that we are facing. So, are there any issues with the exports cost means logistic costs that we are facing right now as of now?

Management: So, there is a problem, but fortunately for us, 25% of exports are to the areas which are not covered by Red Sea. Only 80% area, 75% export remain which is affected by. Out of that almost out of 70% is we have FOB contract, so we are not affected. Only marginally we are affected where we will be definitely affected. But the affect will be minimal most of compared to Europe and America are FOB basis.

Arjun Agarwal: Ok, glad to hear that sir. The last question from my side is like based on that we have the news that is floating around that based renovation of all the railway stations and the foot over bridges that has been planned by the government especially by railway ministry. So, what are the applications I just want to know is there any application of our products in the foot over bridges and all other things that railway has proposed.

Management: Yes, we are doing all the FOBs. There is a new trend of stainless-steel FOBs. So, we have already entered into this. We are making one FOB of stainless steel in Vishakhapatnam. So, in all the FOBs and all the bridges and the railway station buildings, yes, because some new New Delhi railway station building is coming up. So, we are bidding with L&T and if L&T and these other big players get it, so we will get a good portion of fabrication in that.

Arjun Agarwal: Ok glad to hear that sir and all the best for your future. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Piyush Arora from SOIC Research. Please go ahead.

Piyush Arora: Sir my question was, what is the margin profile of the defense business?

Management: Margin profile right now we are doing only 3 to 4% business, but I expect in the field which we are going there margin profile should be 20% plus EBITDA margin should be more than 20%.

Piyush Arora: 20%, Sir. Ok sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Anuj Gupta from IIFL Securities. Please go ahead.

Anuj Gupta: So, just want some basic understanding. So, let's say if you can give a breakup of your existing revenues in terms of end segment, let's say what portion it will be auto, what portion will be export, what portion would be infrastructure or construction industry. If you can just break break up your revenues broadly in that way?

Management: Basically, our infrastructure section which you talk, it is almost 60% now and our auto section, it is almost 25% and our forging division is almost 15%. This is a breakup.

Anuj Gupta: Ok and in the infrastructure segment, it is basically the ERW tubes which you supply, right?

Management: No, infrastructure sections. It contains many things. Number one if you call it, it is structure tubing. Structure tubing which is being used in the bus bodies. It is a solar power so we are we are giving solar structures and in railways, we are giving FOB, we are giving railway bridges like we are supplying to this bullet train first bullet train from Ahmedabad to Mumbai. We are talking of electrical towers talking of telecom towers. So, all kind of this encompasses the total structure division.

Anuj Gupta: Understood and similarly, if you can maybe give some picture on how is the profitability difference across these segments, auto versus infra versus third segment exports also?

Management: Basically, in infrastructure, if we talk about the railways and the electrical lines, there is normally 9 to 10% EBITDA and in the structural tubing because it is a general type of thing. So, there the margins may be 3 to 4%. In CDW it is normally 12 to 15%. In forging again it is 12 to 15%.

Anuj Gupta: Okay and you had mentioned initially that you are also going in some hydraulic tubing.

Management: This is the part of the CDW.

Anuj Gupta: Ok, so that will go into the infrastructure equipment, right, the heavy equipments which are made by.

Management: No it will go in the CDW because we will be making the hydraulic tubes. I have just told that it will be used in the construction machinery.

Anuj Gupta: Understand. So, there also the margins should be similar to what you do in CDW or auto segment.

Management: They will be good margins but let it come in the production then it will show in the balance sheet.

Anuj Gupta: Okay that's helpful, sir. Thank you.

Moderator: Thank you. The next question is from the line of Tanika Keimani from Ufri Capital. Please go ahead.

Tanika Keimani: Hi actually I want to know what kind of top line growth are we expecting in the next 2-3 years and accordingly the margins for it like with the different company and everything do we expect the margin increase or is it going to be on the same line?

Management: This year the top line should be almost 3500 plus and in the next year it should be 4000 plus and by FY26 it should be 4500 plus. This is what we expect in coming two years.

Tanika Keimani: Okay and the margin remains the same like is it sustainable with defense and everything coming in?

Management: Defense and aerospace it will come only in FY26. So, by that time the margins we are expecting. right now we are we are almost at 8.4% EBITDA and next year we are expecting almost 9% and in FY26 without defense we are expecting 9.5% plus and the defense margin when it comes into the opposition that it will be added to that.

Moderator: Thank you. The next question is from the line of Anupam Gupta from IIFL Securities. Please go ahead.

Anupam Gupta: Sir again, can you give a picture on the export? Is it mostly for auto or where does the export cater to and which geographies broadly?

Management: Over 85% of exports are to the developed market like Australia, Europe and America. It is not only auto, it is general purpose by generalized pipe. Each segment has a spacing requirement, but we fortunately have established a brand that we are most preferred supplier of our product in all these markets.

Anupam Gupta: Ok. I understand. Thank you.

Moderator: Thank you. The next question is from the line of Piyush Arora from SOIC Research. Please go ahead.

Piyush Arora: Sir, I think this question was asked earlier this week reconfirming. When that defense capacity is is going live and you I think told about 350 to 400 crore revenue. When do we expect that which financial year? Sir, I think this question was also asked earlier, so the defense capacity, when do they go live and when do we expect the 350 to 400 crore top line to come back?

Management: Well, it will take almost because it will be started in the first half of the next year, next financial year and two ramp of the capacity it will take time.

Piyush Arora: From FY26 onwards.

Management: Yes.

Piyush Arora: Ok. Thank you so much, sir.

Management: Thank you. The next question is from the line of Arjun Agarwal from Investor. Please go ahead.

Arjun Agarwal: Hello Sir. I just want to ask one more question regarding the high speed rail corridor, the order that we got from L&T. Sir, can you just give a break up cost if possible that how much order we have delivered or it's in the pipeline and how much is under the production?

Management: Basically, we have completed one third of the order and balance two third is under production and some more orders are expected from L&T because we are the only one who have completed this quantity so far.

Arjun Agarwal: Regarding sir high speed rail corridor or some other railway?

Management: high speed rail corridor, you were specific about the high-speed rail corridor.

Arjun Agarwal: Yes, I was asking. Ok. Yes, sir. Thank you and just sir I just want to know one more thing about the business, if it's ok. I don't know whether I am correct or not, but sir are there any opportunities for our products in the dedicated freight corridor also?

Management: Yes, definitely in dedicated freight corridors, there are the steel bridges, and it was for the WDFC Western dedicated freight corridors. We had given almost 12,000 tons of steel, 12,000 tons of steel bridges and the new corridors which have been announced in the budget, I hope we will have very good quantities from there.

Arjun Agarwal: Ok. Thank you for your answer.

Management: Thank you. The next question is from the line of Anupam Gupta from IIFL Securities. Please go ahead.

Anupam Gupta: Sir, when you when you say that you have got these large orders from L&T and you expect orders from DFCC as well and when you say that you make bridges as well. So, how does this work? Do you only supply the material or are you also responsible for construction of it or and who takes the working capital risk here? How does the contract work with the L&T let's say?

Management: In this particular contract, L&T is giving us the material. So, on the working capital side, L&T has to take it. We are only for fabricating and supplying in this particular contract. The election has to be done by some other agency, but in general, when we do the build work at many places we supply the material, we erect the material, but as far as construction civil is concerned, we are not in that business.

Anupam Gupta: Ok, so when you say erect use you will take the working capital risk as well till the project is complete.

Management: Normally we do not take working capital risk because our 70% of the bridge parties, they give the the material unless and until they finance the working capital.

Anupam Gupta: OK. In the sense that they will basically buy out the HR coil for you and you will do the conversion effectively.

Management: No. It is made by the plates basically which is purchased from the Steel Authority, JSPL and JSW and those plates are fabricated and painted by years and supplied to the site.

Anupam Gupta: Understand. Ok and when in the CDW segment, it is primarily for auto where it will be more like ongoing contract with Direct Pass through raw material or there it is not short term contract there?

Management: We have schedules of week wise. So, we have visibility even for six months, one year, but definitely sizes keeps on coming on monthly basis. So, we supply accordingly. HR is the raw material for the same what you wanted to know.

Management: Thank you. The next question is from the line of Rakesh Roy from Omkara Capital. Please go ahead.

Rakesh Roy: Sir one question you have guided for FY25, you are targeting 4,000 of 4000 plus and FY26 you are targeting 4500 plus. So, this includes the defense revenue also.

Management: No, no, it does not include.

Moderator: Thank you. So, there are no questions in the queue. Shall we close it, Sir?

Management: Yeah. I wish to thank all participants for joining us on call today in past half an hour. I hope that we have been able to answer all your queries and could also throw some light on the way forward for GoodLuck India Limited. In case you have more queries, we request you to please e-mail us on investor@goodluckindia.com. Thank you and have a good day.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of GoodLuck India Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.