

# Goodluck India

**Rs 1042***Focused on value added growth*

Sensex: 71,595

Nifty: 21,783

## FINANCIALS SUMMARY

	SALES	OPM (%)	OP	OTHER INCOME	PBIT	INTEREST	PBDT	DEPRECIATION	PBT	TAX	PAT	EPS (Rs)*
2103 (12)	1,572.11	7.4	116.49	5.88	122.37	54.68	67.69	27.5	40.19	10.14	30.05	9.5
2203 (12)	2,613.21	7	183	3.89	186.89	57.35	129.54	28.97	100.57	25.56	75.01	23.6
2303 (12)	3,072.01	6.7	204.37	14.79	219.16	65.52	153.64	32.59	121.05	33.25	87.8	27.7
2403 (12P)	3,555.03	8.2	292.48	5.7	298.18	81.29	216.89	35.76	181.13	48.86	132.27	41.7
2503 (12P)	4,337.14	8.2	355.65	6.56	362.2	91.86	270.34	39.33	231.01	62.37	168.64	53.1

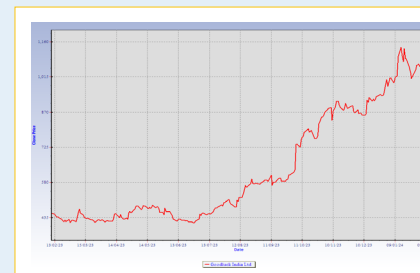
\* EPS is on current equity of Rs 6.35 crore, Face value of Rs 2, Excluding extraordinary items. # EPS is not annualised. P: Projections. Figures in Rs crore  
Source: Capitaline Databases

Established in 1986 and promoted by Mr. Mahesh Chandra Garg, a first-generation entrepreneur, Goodluck India (GIL) is India's pioneer and leading specialised engineering products company, engaged in converting basic steel into quality engineering products. The company is engaged in manufacturing and exporting of a wide range of speciality engineering structures, precision/auto tubes, forging for defence & aerospace, CR (cold rolled) products and GI (galvanized iron) pipes. The products are being used worldwide by end-customers like automobile manufacturers, infrastructure, engineering industries, defence, aerospace, oil & gas industries etc. The exemplary products and services have enabled the company to bridge geographical bounds and register a strong presence in 100 countries across the globe with a well-knit global network. In the fiscal 2023, fiscal 2022 and fiscal 2021, 30.37%, 41.12% and 30.25%, respectively, of its consolidated revenue from operations were from exports. The company is ISO 9001:2008 certified and has a state-of-the-art NABL (National Accreditation Board for Testing and Calibration Laboratories) (ISO / IEC17025) accredited quality testing Lab.

The company specializes in manufacturing and exporting a diverse range of products, including electric resistance welded (ERW), precision & cold drawn welded (CDW) tubes, forged flanges, and custom forgings, heavy engineering structure, power & telecom towers, solar structures, ERW hot dip galvanized pipes, black pipes, black & GI hollow sections, CR coils, cold rolled close annealed (CRCA), road safety product galvanized plain & corrugated sheets.

The company manufactures and exports engineering products globally and domestically with a wide range of galvanised and cold-rolled coils/sheets, galvanised and black steel tubes and hollow sections, forgings & flanges, cold drawn welded & precision tubes, engineering fabricated structures for towers, bridges, walkways, girders, boiler support structures, pipe rack structures, chimney structures and secondary support structures, and other cold rolled value-added products.

The company has 6 state-of-the-art manufacturing facilities, of which 5 are located at Sikandrabad and Dadri in Uttar Pradesh, and 1 in Kutch, Gujarat. The structures for special steel bridges for bullet train project are being supplied from Kutch plant. The company's total manufacturing capacity stands at 4,12,000 tonne. Goodluck India is a high value engineered steel products manufacturer present in precision tubes, forging, structures and GI pipes business.



## STOCK DATA

BSE Code	:	530655
BSE Group	:	B
NSE Code	:	GOODLUCK
Bloomberg	:	GLIN IN
Reuters	:	GLST.BO
Par Value	:	Rs 2
52-week High/Low	:	Rs 1169 / 366
Sector	:	Steel

## SHAREHOLDING PATTERN\*

Category	% of equity
Foreign	: 7.52
Institutions	: 2.16
Govt Holding	: 0.00
Corporate Holding	: 5.31
Promoters	: 54.44
Public & Others	: 30.58
Totals	: 100

\* as on 17/01/2024. Source: Capitaline Databases

### Diversified product profile

The company has a diversified product profile across four key segments, engineering structures and precision fabrication, forgings, precision pipes and auto tubes, and cold-rolled coil pipes and hollow sections. It specialises in stainless steel, duplex, carbon, alloy steel forgings and flanges, which are used in more than 100 products. The end-user industry base is well-diversified, and includes players from various segments, such as automotives and trucks, heavy commercial vehicles, agriculture machinery, equipment, valves, fittings, petrochemical applications, hardware, off-road, railway equipment, general industrial equipment, aerospace and defence.

### Timely capacity addition to drive volumes in Tubes segment

The company supplies tubes to major automotive segments (spread over 6 acres land) such as 4W passenger cars, commercial vehicles and 2wheelers. Other industries being catered are aerospace, construction equipment, earth moving, general engineering, oil & gas, railways, wind energy etc. The overall product portfolio consists of auto tubes, CDW/ ERW tubes, boiler tubes, transformer tubes etc. It is second largest auto grade precision steel tube manufacturers in India with capacity of 85 thousand tonne per annum (tpa). Although there are many other tier- II suppliers of tubes in India, however supplies to OEM requires stringent approvals which is the key entry barrier for this business. GIL is seeing strong traction from automotive OEMs and is preferred category II vendor to various marquee global clients viz. BMW, Audi, Mercedes etc.

GIL's existing unit of 85 thousand tpa capacity is already running at over 90% capacity utilization and is setting up another unit near existing plant at Sikandrabad of around 50 thousand tpa capacity. Overall capex for this expansion is Rs 170 crore and it is expected to get commissioned by Q1FY25. The company expects strong 15% CAGR (compounded annual growth rate) in volume over next few years.

### Rising share of VAP to drive margins in forging segment

GIL forging unit located near Dadri (UP) has capacity of around 32 thousand tpa catering to critical components of oil & gas, automotive (HCV), general industrial equipment, marine, aerospace and defence. It specializes in steel, duplex, carbon, alloy steel forgings & flanges supplied in more than 100 grade products. The company recently got empaneled with leading global Offshore drilling company to supply few of its sub-sea forged components and expects to receive orders from Europe in the near term. It has also started supplying material to various prestigious programs of DRDO (Defence Research and Development Organisation) such as BrahMos. As the product mix from these new high value added businesses will increase, margin is also expected to improve. Current forging capacity is 30000 tonne which the company expects to go up to 50000 tonne in one and half years.

### Indian Infrastructure Capex driving growth in structures

The company is category-1 supplier to critical components required for various marquee projects of L&T in the domestic infrastructure space. In September 2021, it received letter of intent (LOI) for Rs 200 crore by L&T for the upcoming first bullet train in India for supply and fabrication of special bridges on National High Speed Rail Track between Mumbai and Vapi. The set up structures unit at Kutch (Gujarat) and supply of material to L&T has already started. It has also received orders from other industries such as steel, metro (Chennai Metro) for supply and

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fabrication of heavy duty structures. With proven expertise and track record, the company expects to continue to receive such orders for other upcoming bullet trains and metro projects in India.

#### **GIL expects strong traction for tracker tube business over next few years in GI pipes**

GI pipes are dragging the consolidated Ebitda per tonne, as this segment has maximum competition and relatively less value added products. However, the company is focusing to add value added products by converting GI lines to produce tracker tubes required in solar energy business as it is gaining strong traction for the product from leading domestic as well as overseas clients. As world is moving towards green energy, investment in solar energy is increasing at rapid pace and GIL expects strong traction for tracker tube business over next few years. This business is expected to drive Ebitda per ton of this segment from Rs 2,500-3,000 to over Rs 5,000 per tonne led by rising high margin tracker tubes volumes. The company is also increasing its own share of renewable usage over the years to reduce power costs. GIL is drawing around 25-30% of the power required from solar plants which is expected to translate into Rs 6 crore of savings per year.

#### **Transitioning from steel processing to offering engineering solutions**

Its operations are spread across 4 operational verticals i.e. Precision Pipes & Auto Tubes (Auto Tubes, CDW/ERW Tubes, Boiler Tubes, Transformer Tubes, Air Heater Tubes); Forging (Forged flanges, Gear rings, Gear shanks, Forged shafts, Railway products, Defence, Aerospace); Engineering Structures & Precision Fabrication (Transmission & Telecom towers, Fabricated steel structures, Railway & Road Bridges, Solar Mounting Structure) and CR Coils, Pipes & Hollow Sections (C.R Sheet/Coil G.P.G.C Sheet/Coil C.R.C.A Sheet/Coil Road Safety Products Pipes, etc) with aggregate capacity of the verticals being 80000 tpa; 30000 MTPA, 60000 MTPA and 194000 MTPA respectively as end of March 31, 2023.

In FY23, revenue contribution from Sheets & ERW Pipes, Precision Tubes segment, Forgings and Engineering Structures stood at 47%, 24%, 14% and 15% respectively. However with non sheets/ERW pipes margin being higher the contribution of it to the EBITDA in FY23 is about 80% with that of ERW pipes/sheets being 20%. The Company is targeting to increase its revenue contribution from Forging, Precision Tubes and Precision Fabrication segments, which have a higher EBITDA impact.

Entered into Road Safety products by collaborating with a European Company in 2022-23. Expand market share in renewable energy, road safety and infrastructure (railways and highways) segments and enhance visibility in newer market areas. The company bagged prestigious contract of special bridges for Ahmedabad-Mumbai Bullet Train project.

Focus on capacity addition within high VAP segments and value addition across the high volume low margin GI pipe business. Added new machinery for increasing the capacity of forging single piece to 14,000 Kgs and total capacity per annum to 30,000 MT. Similarly the company is actively investing Rs 170 crore to expand its auto tubes capacity from 80,000 MTPA to 1,30,000 MTPA as Auto Tubes of higher diameter and thickness (such as Hydraulic Tubes) will remain its top priority in next 3 years given its domestic and global potential.

#### **Strong growth in Indian steel Industry**

India is currently the world's second-largest producer of crude steel with an output

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The end-user industry base is well-diversified, and includes players from various segments, such as automotives and trucks, heavy commercial vehicles, agriculture machinery, equipment, valves, fittings, petrochemical applications, hardware, off-road, railway equipment, general industrial equipment, aerospace and defence

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of 125.32 mtpa in FY 2022-23 with the government's continued focus on infrastructure development ensuring long-term growth in the steel industry. Positive government policies and initiatives like public private partnership (PPP) model and National Steel Policy are expected to help India increase its crude steel production capacity to 300 million tonnes per annum (mtpa) by 2030. Steel demand is expected to be 128.9 MT in FY 2023-24, up from 119.9 MT in the previous year, according to Indian Steel Association. The infrastructure push, the bid for developing more affordable housing and the Indian Railways capex are all demand drivers for production and consumption of steel across India. As per NITI (National Institution for Transforming India) Aayog's report, India is set to become the world's production centre for green steel at 15-20 million tonne by 2030, paving the way for worldwide adoption of green steel.

#### **Automotive, aerospace and defence, industrial machinery to drive growth in forging market**

The global metal forging market, valued at US\$ 83.4 billion in 2022, is projected to double at US\$ 168 billion by 2032, growing by a CAGR of 7.2%, with Asia-Pacific dominating the market. The industry has grown significantly owing to a surge in demand for forged metal components from automotive, aerospace and defence, industrial machinery and other sectors. The India metal forging market is seen growing by 10.69% CAGR during 2022-29 to reach US\$ 8.80 billion by 2029, up from US\$ 3.86 billion in 2021. India's market share of automotive forging is nearly 58% of total forging production due to rapid growth in the automotive sector, while the market is also segmented into defence, railway, industrial, machinery and other sectors such as agriculture, power, mining and construction. Demand for lightweight stainless steel forged parts in aerospace and defence is also driving growth.

#### **Domestic water infrastructure, oil exploration and transportation, construction, irrigation, infrastructure, and expansion of gas pipelines drive growth in steel pipes and tubes industry**

The steel pipes and tubes industry is one of the most important verticals in the Indian steel industry, with an 8% contribution to India's steel consumption. The domestic steel pipe market is estimated to have reached a market size of Rs 50,000-55,000 crore. with its major growth drivers being demand from domestic water infrastructure, oil exploration and transportation, construction, irrigation, infrastructure, and expansion of gas pipelines. The government's push to provide drinking water to every household is expected to drive water pipeline demand for the next 3-4 years. The initiative Nal se Jal scheme aims to provide piped drinking water to every rural home by 2024. This scheme has the potential to boost the demand for pipe in three broad pipe categories: HSAW (helical submerged arc welded) pipes, ductile iron (DI) pipes and HDPE/PVC (High Density Polyethylene/ Polyvinyl chloride) pipes. India will see double-engine growth from the gas grid as well as from water-pipeline demand for the next 3-4 years (19,000 km of oil/gas pipeline and potential demand of 5-6 million tpa for water pipeline).

#### **Unaffected by volatile steel prices**

Being a secondary steel processor GLIN has pass through arrangement with its customers for any rise in raw material prices which protects it from the steel price volatility.

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### Robust Q3

Goodluck India consolidated net sales increased 24% to Rs 878.27 crore in Q3FY24 compared to Q3FY23. Net profit increased 73% to Rs 31.77 crore. Operating profit margin of the company was higher at 8.5% compared to 6.8% leading to 54% rise in operating profit to Rs 74.23 crore. Provision for interest rose 24% to Rs 21.07 crore. PBDT increased 50% to Rs 54.62 crore. Provision for depreciation rose 3% to Rs 8.54 crore. PBT was up 64% to Rs 46.08 crore. Provision for tax increased 48% to Rs 14.31 crore compared to Rs 9.65 crore.

During 9MFY24 net sales of the company increased 14% to Rs 2622.28 crore compared to 9MFY23. Operating profit margin of the company was 8.2% compared to 6.3% leading to 47% growth in operating profit to Rs 215.99 crore. Provision for interest was up 24% to Rs 62.19 crore. PBDT increased 46% to Rs 158.05 crore. Provision for depreciation rose 8% to Rs 25.89 crore. PBT was up 56% to Rs 132.16 crore. Provision for tax increased 50% to Rs 37.11 crore compared to Rs 24.77 crore. Net profit increased 59% to Rs 95.05 crore.

### Outlook

The company expects its sales volume to increase and margins to improve further moving forward backed by a good demand and increased capacities. Goodluck defence and aerospace Private Limited, a subsidiary of Goodluck India Limited caters to the extensive needs of defence & aerospace industry. It foresees a huge growth potential in the segment particularly with the government's increasing thrust on Make in India, Aatmanirbhar Bharat.

The company is also focusing on capacity addition in high value-added product segments, which will be helpful in generating high margins.

The company expects Ebitda margin of 8.5% in FY24 and aims to reach 9.5% in 2-3 years.

Defence contributes about 2% of revenue which it expects to reach around 10% in four years.

Over the next two years, the company aims to increase its revenue from Tubes to 25-30% to further improve margin profile.

Factors such as global transition towards green energy, increasing investment in solar energy and the US new policy of increasing investment in renewable energy may boost demand for steel tubes.

Installation of telecom towers to facilitate 5G services in India will provide a huge opportunity for the engineering structure segment.

The expansion of India's oil & gas sector with an estimated Rs 1.11 lakh crore capex in FY 2022-23 will lead to expansion and upgradation of facilities and will open new markets for boilers, steel tubes and pipes.

Due to the China Plus One strategy and with global companies looking to diversify their supply base to reduce reliance on China, India is well positioned to emerge as an alternative manufacturing hub and expand its global market share by leveraging its strength of low-cost manufacturing, technological advancement, and favourable government policies. This will boost domestic manufacturing and increase export opportunities for India.

Investment in capacities especially high margin value added products and measures undertaken to turnaround GI business, the company is well positioned to benefit

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from the Government's planned infrastructure spending over the next few years. Overall high margin, value-added products and high growth sectors to drive business expansion and improve the bottom line.

### Valuation

In FY 2024 we expect the company to register sales and net profit of Rs 3555.03 crore and Rs 132.27 crore respectively. The sales and net profit is expected to increase to Rs 4337.14 crore and Rs 168.64 crore in FY2025. EPS works out to Rs 53.1 for FY2025. The scrip trades at Rs 1042. P/E on FY 2025 projected EPS works out to 20 times.

### GOODLUCK INDIA : CONSOLIDATED RESULTS

PARTICULARS	2312 (03)	2212 (03)	VAR.(%)	2312 (09)	2212 (09)	VAR.(%)	2303 (12)	2203 (12)	Var.(%)
Net Sales	878.27	705.94	24	2,622.28	2,307.46	14	3,072.01	2,613.21	18
OPM (%)	8.5	6.8		8.2	6.3		6.7	7.0	
OP	74.23	48.22	54	215.99	146.49	47	204.37	183	12
Other Inc.	1.46	5.15	-72	4.25	12.37	-66	14.79	3.89	280
PBIDT	75.69	53.37	42	220.24	158.86	39	219.16	186.89	17
Interest	21.07	17.04	24	62.19	50.24	24	65.52	57.35	14
PBDT	54.62	36.33	50	158.05	108.62	46	153.64	129.54	19
Depreciation	8.54	8.28	3	25.89	24.01	8	32.59	28.97	12
PBT	46.08	28.05	64	132.16	84.61	56	121.05	100.57	20
Taxation	14.31	9.65	48	37.11	24.77	50	33.25	25.56	30
PAT	31.77	18.4	73	95.05	59.84	59	87.8	75.01	17
EPS (Rs)*	#	#		#	#		27.7	23.7	

\* EPS is on current equity of Rs 6.35 crore, Face value of Rs 2, Excluding extraordinary items. # EPS is not annualised. Figures in Rs crore.  
Source: Capitaline Databases