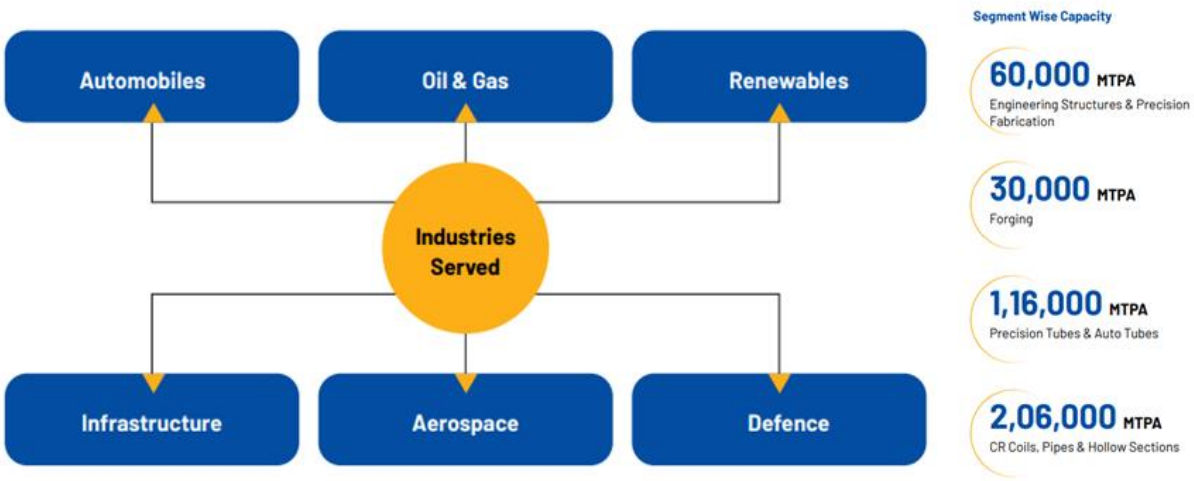
MoneyWorks4Me
Successful Investing...Delivered

# Goodluck India: Initiating Coverage

Date: 30-09-2024

## About the Company

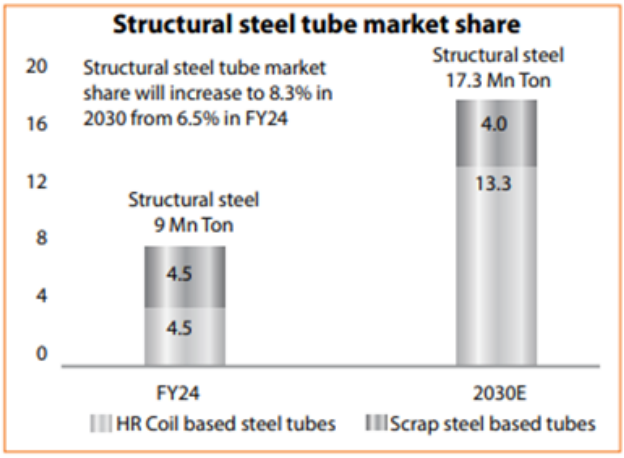
Incorporated in 1986, Goodluck India Limited (GLIN) is a precision engineering and steel products company with over three decades of experience. Headquartered in Ghaziabad, GLIN operates six manufacturing units with a combined capacity of 412,000 metric tons per annum (MTPA). These manufacturing facilities are located in Sikandrabad, Uttar Pradesh, and Kutch, Gujarat. The company's business can be classified into four segments: (a) Engineering Structures and Precision Fabrication, (b) Forging, (c) Precision Tubes & Auto Tubes, and (d) CR Coils, Pipes and Hollow Sections.

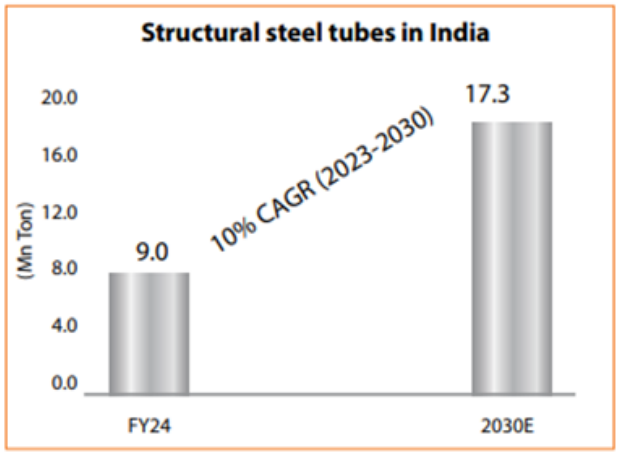


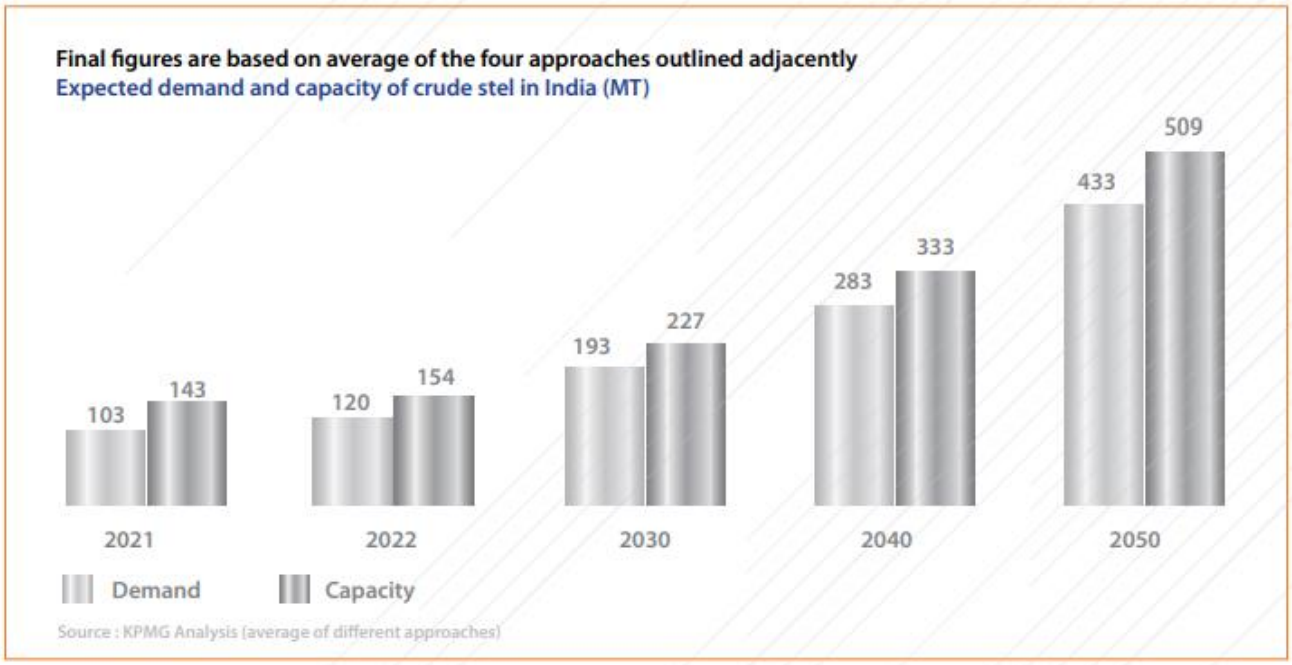

## Industry:

### Structural Steel Tubes:

The Indian Structural Steel Tube market size in FY24 was 9 million tonnes, with the Primary structural steel tube manufacturers, using HR steel as their input, manufacturing 4.5 million tonnes and the secondary structural steel tube manufacturers, using scrap and Patra steel as their input, manufacturing 4.5 million tonnes. Over the next 3-5 years, India expects 15 million tonnes of HR steel capacity to become operational, reducing the demand for secondary steel tubes in favour of primary steel tubes, aided by a reduction in HR steel prices. By FY30, the market for HR Coil based steel tubes is expected to increase to 13.3 million tonnes. The volume growth between FY24 and FY30 is therefore expected to be around 20%.




**Forging:**

The Indian metal forging market is projected to grow at a CAGR of 9.8%, reaching USD 9.75 billion by 2030, up from USD 5.08 billion in 2023. The automotive sector accounts for approximately 58% of India's total forging production, mirroring the global trend, due to its rapid growth. The market is also segmented into various sectors, including defence, railway, industrial, machinery, agriculture, power, mining, and construction. Market demand is further driven by the increasing demand for high-quality, lightweight metal and stainless-steel forged parts in the aerospace and defence sectors.

## Business Segments

| GOODLUCK INDIA LIMITED | | | | |
|---|---|---|---|---|
| **Key Vertical** | Precision Pipes & Auto Tubes | Forging | Engineering Structures & Precision Fabrication | CR Coils, Pipes & Hollow Sections |
| **Products** | • Auto Tubes<br>• CDW/ERW Tubes<br>• Boiler Tubes<br>• Transformer Tubes<br>• Air Heater Tubes | • Forged Flanges<br>• Gear Rings<br>• Gear Shanks<br>• Forged Shafts<br>• Railway Products<br>• Defence<br>• Aerospace | • Transmission & Telecom Towers<br>• Fabricated Steel Structures<br>• Railway & Road Bridges<br>• Solar Mounting Structures | • CR Sheet/Coil<br>• GPGC Sheet/Coil<br>• CRCA Sheet Coil<br>• Road Safety Products<br>• Pipes |
| **Capacity** | 1,16,000 MTPA | 30,000 MTPA | 60,000 MTPA | 2,06,000 MTPA |
| **Addition** | 50,000 MTPA (Completed) | 11,000 MT (Q1FY26 Operational) | | |

### 1. CR Coils, Pipes & Hollow Sections:

The Company manufactures cold-rolled coils and sheets, corrugated sheets, hollow sections and galvanised iron (GI) pipes as their main products. The clientele comprises public sector and private sector OEMs, and central and state governments. This division faces high competitive intensity due to the low value additive nature of the products. The company has a monthly visibility for these products and is the most susceptible to raw material price fluctuation.

This segment has the highest capacity at 2,06,000 MTPA and has the highest revenue contribution at 36%. However, this division is the lowest value adding segment with an estimated EBITDA per ton of Rs. 2,000 and EBITDA margin of 2-3%.

### 2. Forging:

The metal forging process involves shaping and forming metals using compressive force through hammering, pressing, stressing, and rolling. Forging units supply critical components for industries such as oil & gas, automotive, general industrial equipment, marine, aerospace, and defence. They specialize in producing steel, duplex, carbon, and alloy steel forgings and flanges in over 100 grades. The company has a 3 to 4 month order book visibility in this division. It has a production capacity of 30,000 MTPA and an estimated EBITDA per ton of over Rs. 25,000 and is highly value-additive, with EBITDA margins of around 14%.

Goodluck India supplies to prestigious defence programs including the Pralay Missiles, HAL's HTFE program, BrahMos Missiles, Pinaka Rockets, Indigenous Rocket Launcher, K9 Vajra tracked howitzer, and Talwar Class frigates.

### Clients:


**3. Engineering Structures:**

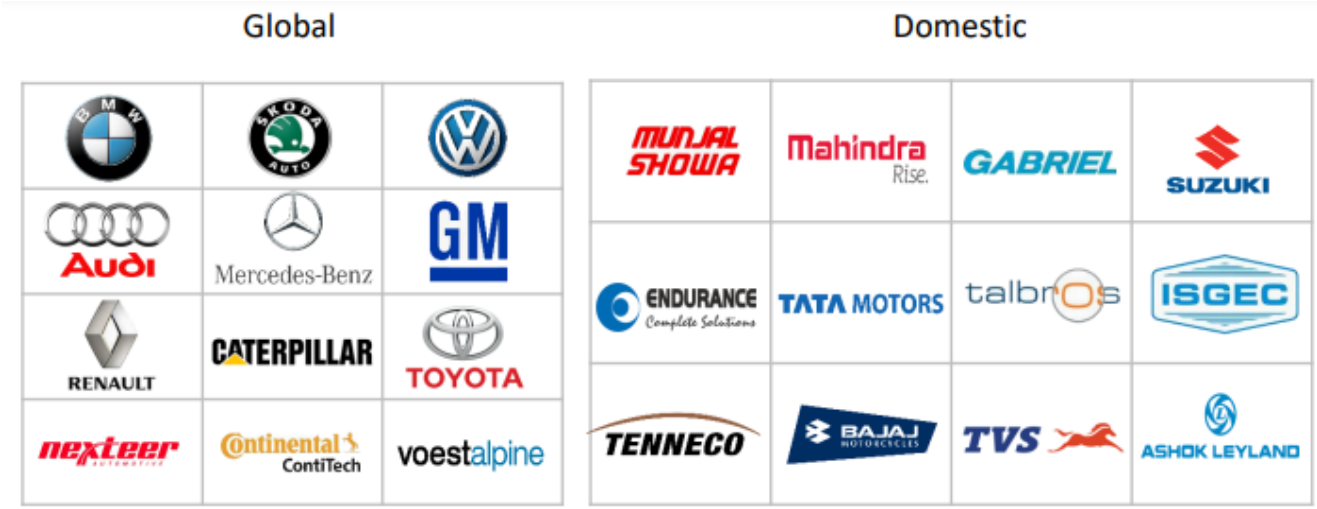
GLIN is a Category-1 supplier of critical components for various marquee projects by L&T in the domestic infrastructure space. In FY2022, the company received a Letter of Intent from L&T for India's first bullet train project, and subsequently secured an order for the supply and fabrication of special bridges on the National High Speed Rail Track between Mumbai and Vapi, and have completed almost 40% of the project fabrication. Additionally, GLIN has received orders from other industries, including Steel (Arcelor Mittal / Nippon Steel) and Railway (Chennai Metro), for the supply and fabrication of heavy-duty structures. The company has a 9 to 10 month order book visibility in this division. This segment has a production capacity of 60,000 MTPA.

**Clients:**


**4. Precision Pipes and Auto Tubes:**

In this segment, Goodluck India manufactures cold drawn welded tubes, electric resistant welded tubes, boiler tubes, and air heater tubes. The company is the second-largest auto grade precision steel tube manufacturer in India, supplying tubes to major automotive segments such as 4-wheeler passenger cars, commercial vehicles, and 2-wheelers. Goodluck India has gained traction from automotive OEMs and is a preferred Category-2 supplier to overseas clients. This segment is highly value-additive, with EBITDA margins of around 14%. It has a production capacity of 80,000 MTPA and an EBITDA per ton in the range of Rs. 13,000-14,000, outperforming its biggest competitor due to a higher export share. This segment accounts for 60% of the company's exports. The business has significant barriers to entry, as suppliers need to be approved, a process that can take a long time due to stringent quality standards. The company has a weekly order book visibility in this division.

**Clients:**




## Financial Performance

| In Rs. Crores | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | 5Y CAGR | 3Y CAGR |
|---|---|---|---|---|---|---|---|---|
| Sales | 1,661 | 1,636 | 1,572 | 2,613 | 3,072 | 3,525 | 16% | 31% |
| Sales Volume | 226,439 | 240,259 | 219,903 | 264,419 | 316,718 | 383,796 | 11% | 20% |
| COGS | 1,250 | 1,168 | 1,120 | 1,883 | 2,243 | 2,582 | | |
| Gross Profit | 411 | 468 | 452 | 730 | 829 | 942 | 18% | 27% |
| Gross Profit Margin | 25% | 29% | 29% | 28% | 27% | 27% | | |
| EBITDA | 126 | 128 | 116 | 183 | 204 | 280 | 17% | 34% |
| EBITDA per ton | 5571 | 5322 | 5297 | 6921 | 6453 | 7296 | 6% | 11% |
| EBITDA Margin | 8% | 8% | 7% | 7% | 7% | 8% | | |
| PAT | 31 | 34 | 30 | 75 | 88 | 132 | 33% | 63% |
| PAT Margin | 1.9% | 2.1% | 1.9% | 2.9% | 2.9% | 3.8% | | |

Over the last 5 years, the company has grown due to both volume and value addition. The increase in EBITDA per ton can be attributed to the increase in value added segments of precision tubes and

forging. The precision tube segment has an EBITDA per ton of Rs. 13,000 to Rs. 14,000, while the forging business has an EBITDA per ton of over Rs. 25,000. On the other hand, the CR Coil, Pipes and Hollow Sections has a low EBITDA per ton of approximately Rs. 2000. The engineering Structures division is margin neutral with an EBITDA per ton of Rs. 7000 to Rs. 8000.

| Revenue Contribution | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | 5Y CAGR | 3Y CAGR |
|---|---|---|---|---|---|---|---|---|
| CR Sheet & Pipes | 631 | 638 | 597 | 941 | 1,444 | 1,257 | 15% | 28% |
| Engineering Structure | 449 | 474 | 472 | 575 | 461 | 784 | 12% | 18% |
| Forging | 249 | 278 | 267 | 340 | 430 | 518 | 16% | 24% |
| Precision Tubes | 332 | 245 | 236 | 758 | 737 | 926 | 23% | 57% |

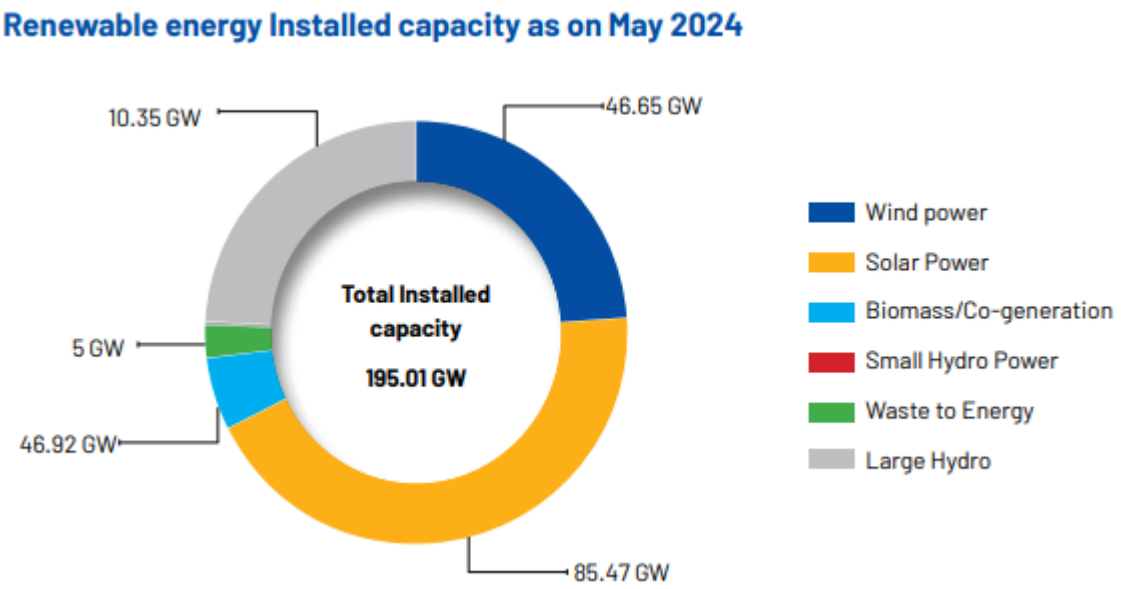
## Opportunity:

**The investment opportunity lies mainly in margin expansion, as the operating leverage would be extremely high given the company's PAT margin of 3.8%. A 1% increase in EBITDA Margin would lead to 20% growth in PAT, without considering growth in revenue. The company's investment activities in 3 divisions are expected to yield EBITDA Margin accretive growth.**

1. **Capacity Addition in Precision Tubes:** The Company is setting up a 50,000 MTPA capacity in Precision Tubes segment at a cost of Rs. 170 crores. Capex for this is projected is complete, taking the total capacity to 130,000 MTPA. The ramping of this capacity will take minimum six months. Full utilisation can be expected for FY26, which would yield Rs. 500 crores in FY26 and Rs. 250 crores in FY25 as per management estimates. The capacity will be used to manufacture hydraulic tubes of 15 mm thickness replacing seamless tubes in this product segment.

2. **Value Addition in Low Margin Business:** Investments in Solar energy are increasing at a rapid pace and the company expects strong traction for tracker tube business over next few years. The government has sanctioned the development of 57 solar parks encompassing 39.28 GW nationwide, alongside plans for specialized solar cities and parks. Furthermore, there is a strategic focus on advancing Floating PV Projects to enhance renewable energy infrastructure. The 2024-25 Interim Budget has allocated Rs 10,000 crore to solar power grid projects for FY 2024- 25, marking a significant 110% increase from the previous allocation of Rs 4,757 crore.

A part of the existing GI Tube manufacturing facility will be repurposed to manufacture these tracker tubes. This change in production is expected to be substantially value additive, making the volume business value accretive. EBITDA per tonne from this segment can increase from Rs. 2000 to Rs. 4000.



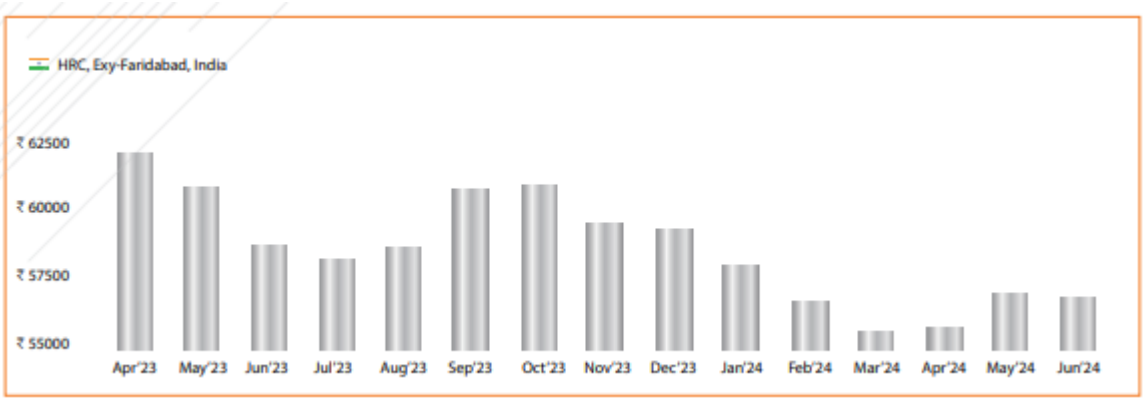

3. **New Defence Subsidiary:** The company owns 81.47% of Goodluck Defence and Aerospace Private Limited, a subsidiary dedicated to serving the defence and aerospace industry through forging products. This subsidiary will have a capacity of 11,000 MT per annum and is expected to be operational by Q1 FY26. The new facility will involve an investment of approximately Rs. 216 crores, funded by a combination of equity and debt. It is projected to start generating revenue from Q1 FY26. This subsidiary will be engaged in the manufacture of 155mm gun shells, which is the NATO-standard artillery shell calibre that is used in many field guns, howitzers, and gun-howitzers. The capacity for this project is 1.5 lakh shells per annum with an estimated revenue contribution of Rs. 300 crores at full capacity and FY26 is expected to have at least 50% capacity utilisation.

The current inventory of 155mm gun shells worldwide is extremely low, and has even been insufficient for supply to Ukraine, a NATO ally, for the war against Russia. It remains a weapon of choice due to its low cost, even though the price of the standard shells has increased from $2,100 to $8,400. The production costs for these shells is expected to be significantly lower in India, with a huge export opportunity. Other India based manufacturers include Government of India and Bharat Forge.

This initiative is expected to boost the company's defence contribution and will command EBITDA margins of 15% to 25%.

## Risks

**1. Raw Material Prices:** The steel industry is inherently cyclical and remains vulnerable to volatility in raw material prices and price realisations. Hot-rolled coils, the key raw material, account for 70% of the total raw material cost. The company has limited ability to pass on increased raw material costs to customers in short-term contracts. Even for long-term contracts, price changes can typically be passed on only after a lag of 1-2 months. However, raw material pressure is expected to decrease as the share of value-added products increases.




**2. Equity Dilution:** The company raised Rs. 96 crores in Q3FY24 at Rs. 600 per share and Rs. 200 crores in Q4FY24 at Rs.940 per share to improve its growth trajectory without risking excessive leverage. While these fund raising initiatives have been important, investors must remain wary of excessive dilution.

## *MoneyWorks4Me Opinion:*

*Goodluck India's growth initiatives towards increasing value addition are highly commendable and the recent performance shows a dramatic change in its earnings trajectory. The company's client lists in its forging, precision and auto tubes, and engineering structures business segments showcase the high quality of products manufactured by the company. The major concern of growth has been reduced due to the cash infusion received by the business as a result of the QIP as well as the capital expenditure programs announced by the company, which will be highly value accretive.*

*We initiate coverage on Goodluck India with an MRP of Rs. 855.*

**IMPORTANT DISCLAIMER**

This research report is issued by **MoneyWorks4Me**

- This document is **for information and educational purposes only**.
- It does not constitute an offer or solicitation to buy or sell securities.
- Investments are subject to market risks; past performance is not indicative of future results.
- Investors should consult a SEBI-registered investment adviser before taking investment decisions.
- MoneyWorks4Me, its employees, or associates may have exposure in the securities mentioned.

***Warning**: Investment in securities market are subject to market risks. Read all the related documents carefully before investing.*

***Disclaimer**: Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provides any assurance of returns to investors.*

**Disclosure:** MoneyWorks4Me's employees may have exposure in the securities mentioned in the above report.

**Compliance Officer:**

Name: Shrikant Jagtap | shrikant.jagtap@moneyworks4me.com | +91 97638 00745

**Grievance Officer:**

Name: Mukta Vaze | mukta.vaze@moneyworks4me.com | +91 98609 19463

**Principal Officer:**

Name: Atharva Bhide | atharva.bhide@moneyworks4me.com | +91 91758 99463

**Office Address:**

The Alchemists Ark Pvt. Ltd., B-101, Signet Corner Building, Balewadi Phata, Baner, Pune, Maharashtra 411045

**SEBI Registered: Investment Adviser - INA000013323**

**©2025 The Alchemists Ark Pvt. Ltd. All rights reserved. MoneyWorks4Me® is a registered trademark of The Alchemists Ark Pvt. Ltd.**