Goodluck India

Operator: Ladies and gentlemen, good day, and welcome to the Goodluck India Ltd. Q2 and H1 FY27 post-earnings conference call. As a reminder, all participant lines will be in 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I would now like to invite the management team to give their opening remarks, after which we will open the floor for the question-and-answer session. Thank you, and over to you, sir.

Management: Good morning, ladies and gentlemen. It gives me great pleasure to welcome you all to the Goodluck India Ltd. Q2 and H1 FY27 earnings conference call.

I would like to begin by thanking our shareholders, investors, customers, business partners, and employees for their continued trust and confidence in the company.

I take this opportunity to wish all of them a Happy Diwali a week from now.

We are pleased to report a healthy performance during the second quarter and first half of FY25. Our performance reflects the resilience of our core engineering businesses, our ability to capitalize on emerging opportunities, and our continued focus on building a stronger, more diversified, and future-ready organization.

During Q2 FY25, our consolidated total income grew by approximately 38% year-on-year, while EBITDA increased by 31%. For the first half of FY25, total income grew by 34%, EBITDA by 38%, and net profit by 42% year-on-year. These numbers demonstrate the underlying strength of our business and the progress we are making towards our long-term growth objectives. In exports, we grew by 38% in Q2 FY25.

India is witnessing significant investment in infrastructure, power transmission, railways, renewable energy, automotive manufacturing, and defense. These sectors require high-quality, precision-engineered, technically advanced products, which align closely with our manufacturing capabilities and strategic priorities.

We are also taking steps towards creating a more integrated corporate structure by proposing the amalgamation of Goodluck Defence and Aerospace India Limited and Goodluck Green Energy with Goodluck India Ltd. This initiative is intended to bring our defense and green energy businesses under a common corporate umbrella, improve strategic alignment, and create a more efficient organizational structure. The detailed terms and financial implications of the proposed schemes are currently under evaluation.

Our strategy remains clear: we want to grow responsibly, strengthen our technological and manufacturing capabilities, maintain financial discipline, and create sustainable value for our stakeholders.

As we move into the second half of FY25, we remain confident about the opportunities ahead. Our established engineering businesses, expanding export presence, and investment in defense and other emerging areas provide us with multiple avenues for long-term growth.

Report is AI-generated and may contain inaccuracies.

I would like to once again thank our employees for their dedication and our investors for their continued support.

With that, I would now request our CEO to take you through the operational performance and business development in greater detail. Thank you.

Management: Thank you, sir, and a very good morning to all participants. I am happy to share the operational performance and business developments of Goodluck India Ltd. for Q2 and H1 FY27.

We have delivered a strong performance during the period, driven by healthy demand across our core engineering businesses, higher volumes, and an improved contribution from value-added products.

Our consolidated sales volume during Q2 FY25 stood at 133,374 tonnes, registering a year-on-year growth of 18.1%. For H1 FY25, sales volume reached 256,093 tonnes, representing a growth of 13.5%. This growth reflects our continued focus on customer relationships, timely execution, product quality, and expanding our business across domestic and international markets.

Our product portfolio includes precision-engineered auto steel tubes and pipes, structural products, solar structures, and other specialized engineering products. We continue to focus on developing products that offer high value to customers through superior quality, precision, consistency, and application-specific engineering capabilities.

During the quarter, growth was supported by higher sales of value-added products. Our strategy is to continuously improve the quality of our product mix, increase the share of specialized products, and strengthen our position in segments where technical capabilities and manufacturing reliability provide a competitive advantage. We believe this approach will help us achieve sustainable growth.

If we talk about infrastructure and power transmission, the increasing requirement for transmission infrastructure, including high-voltage and extra-high-voltage applications, provides opportunities for our specialized structural and engineering product portfolio. Similarly, the railway sector remains an important market for us, with opportunities arising from ongoing railway modernization, infrastructure development, and increased demand for quality-engineered components and products such as those for bullet trains. We remain focused on strengthening our presence in these sectors through product development, manufacturing excellence, and efficient execution.

Our automotive engineering business continues to benefit from the demand for precision-engineered and quality-certified products. As you know, we are focused on maintaining our manufacturing standards, improving productivity, and developing products in line with evolving customer requirements.

Our diversified customer base across industries provides resilience to our business and reduces our dependence on any single end-user sector.

Exports remain an important growth driver for Goodluck India Ltd. During H1 FY25, as Garg sir has said, our export revenue grew by approximately 38% year-on-year and contributed around 28% of our total volumes. We continue to see opportunities in international markets, particularly for specialized engineering and value-added products. Our focus remains on expanding customer

Report is AI-generated and may contain inaccuracies.

relationships, improving our geographical reach, and strengthening our position in existing as well as new markets. We will continue to pursue export growth while remaining mindful of global trade conditions, logistics costs, and geopolitical developments.

The defense and aerospace business is one of the most important areas of our strategic expansion through our subsidiary, Goodluck Defence and Aerospace Limited. We have been making focused investments in developing specialized manufacturing capabilities, technical infrastructure, and quality systems to serve the requirements of India's defense sector. A significant development during the period was GDAL emerging as the sole technically qualified bidder for specialized 155 mm HE {? M1 1A4 ?} ready-to-fill artillery shells for Munitions India Limited. This achievement is an important validation of our technical and manufacturing capabilities. Regarding our ongoing defense orders, production is currently ongoing, involving validation activities in accordance with government requirements. Accordingly, we expect revenue contribution from this order in the later part of the current financial year.

We are also expanding the scope of our defense and aerospace subsidiary to include aerospace components as a new line of business within the overall capital outlay previously approved. The proposed aerospace component initiative has an estimated investment of 80 crores and an expected business benefit of almost 180 crores, as disclosed in our regulatory filings.

We believe the defense and aerospace vertical has the potential to become an important contributor to the company's long-term growth and diversification.

Green energy is another important area where we see meaningful long-term opportunities. Our proposed corporate restructuring involving the amalgamation of Goodluck Defence and Aerospace Limited and Goodluck Green Energy Limited with Goodluck India Ltd. is intended to provide a more integrated structure for managing our diversified business. It will enable greater alignment, greater strategic alignment, coordinated capital allocation, and more effective oversight as we expand into these emerging sectors.

Now we come to the operational priorities and outlook. Going forward, our operational priorities will remain focused on key areas: sustaining healthy volume growth across our established engineering businesses; increasing the contribution of value-added and specialized products; improving capacity utilization, productivity, and manufacturing efficiencies; executing our domestic, export, and defense orders efficiently; and building our defense and aerospace capabilities while maintaining disciplined capital allocation. Building strong synergies between the entities is our main focus.

We are conscious of the challenges arising from higher fuel and freight costs and the uncertain global environment. Our teams remain focused on managing these challenges through operational improvements and better cost efficiencies.

Overall, we believe Goodluck India Ltd. is well positioned to benefit from the growth opportunities across its core engineering markets while progressively building new businesses in defense, aerospace, and green energy.

Report is AI-generated and may contain inaccuracies.

With this, I would now request our Group CFO, Mr. Ashok Vashist, to take you through the detailed financial performance for Q2 and H1 FY25. Thank you. Over to Mr. Vashist.

Ashok Vashist – Group CFO: Thank you, sir, and good morning. Welcome, everyone. I will now take you through the financial performance of Goodluck India Ltd. for the second quarter as well as the half year of FY25.

I am sure that by now you might have gone through our deck. The company has delivered strong consolidated financial growth during this period, supported by higher sales volume, an improved product mix, and sustained operational performance.

I will primarily discuss the consolidated financial performance, with relevant comments on the operating cost environment. Let me now speak about the second quarter first, Q2 FY25.

On a consolidated basis, our total income in Q2 FY25 stood at 13.7 billion rupees, compared to 9.9 billion rupees in the same quarter last year, registering healthy growth of nearly 38%. In terms of sales volume, or tonnage, we grew by nearly 18.1% in this quarter.

Consolidated EBITDA for the second quarter stood at 1.27 billion rupees, compared to 980 million rupees in Q2 FY24. EBITDA margin stood at 9.3%, compared with 9.8% in the same quarter last year.

In terms of PAT, on a consolidated basis, we delivered a healthy profit of 506 million rupees, showing growth of nearly 19% compared with 426 million rupees in Q2 last year.

While the quarter witnessed strong growth in absolute revenue, EBITDA, and profitability, the slight moderation in margin was mainly influenced by the cost environment, particularly higher intermediate freight costs as well as higher fuel costs. This impacted our margins to the extent of perhaps 100 and 50 bps.

Coming to the first half of FY25, H1 FY25, we recorded revenue of 26.6 billion rupees, compared to 19.8 billion rupees in H1 FY24, again registering strong growth of 34%. For H1 [cut off]

Management: In terms of sales volume in the first half of the year, we grew by 13.5% compared with the first half of last year. Consolidated EBITDA increased by 38% to 2.67 billion rupees, compared to 1.93 billion rupees in H1 FY26.

Our EBITDA margin on a consolidated basis grew to 10%, compared to 9.8% during the first half of last year.

In terms of consolidated PAT, we grew by 42.4% to 1.2 billion rupees, compared to 828 million rupees last year.

The improvement in both EBITDA and PAT on a half-yearly basis reflects our well-positioned and strong operating performance, higher volume, and focus on value-added products despite the challenging environment around us.

In terms of working capital, we are maintaining discipline in the working capital cycle. In fact, for the first and second quarters of the year, the working capital cycle in terms of the number of days was

Report is AI-generated and may contain inaccuracies.

moderately lower than the previous quarter as well as Q4 last year.

We will continue to focus on efficient working capital management as we grow, as well as prudent capital allocation while we pursue our growth opportunities.

With this, I conclude my opening remarks. Thank you for your confidence in Goodluck India Ltd. I would now hand over to the moderator to commence the question-and-answer session. Thank you very much.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. A request to all participants: please restrict your questions to two per participant to allow everyone to ask a question.

The first question is from the line of Tanay Desai from {? Elevate Advisors Family Office ?}. Please proceed.

Tanay Desai – {? Elevate Advisors Family Office ?}: Thank you for the opportunity. Firstly, before asking the questions, I would like to convey my sincere gratitude to the management for taking a wonderful step in the amalgamation process. We recently participated in the preferential issue of Goodluck Defence, and rarely have we seen management take the feedback of investors so positively and take a long-term step for stakeholder value creation. We are very delighted to be part of the larger vision of Goodluck India, where all the companies will be amalgamated. So thank you for that.

As a result, we would like to ask a couple of questions. Firstly, with regard to the vision of Goodluck Green and Goodluck Astra, especially beyond the defense product of 155 mm shells, what are the plans for products such as explosives? What are the plans for railway sector contribution and transmission sector contribution? That would be question number one. If the management can provide some insight into the product line as well as the scale anticipated over the next few years.

Secondly, what is the defense order book execution expectation for the rest of this fiscal year and FY26?

The last question would be a bookkeeping question with regard to the working capital reduction and the path to debt reduction, as the current debt exceeds 1,000 crores on the balance sheet at a consolidated level.

Once again, thank you for the opportunity, and we truly believe that we can become a large player in the defense as well as the green space over the next 5 years. We remain fully invested for the long term. Thank you.

Management: As far as the first part of your question is concerned, that was regarding the transmission and power line system. India is growing day by day in solar, while fossil fuel is reducing, but the problem is that we have developed almost 265 gigawatts of green energy, while power evacuation is becoming a very big problem. Transmission lines are not there. We could not understand why India could not think about this earlier. So the transmission line business is on the

Report is AI-generated and may contain inaccuracies.

boil today. There is demand everywhere, and it seems that for the next 4-5 years, whatever capacity is available in India will be insufficient to augment the capacity of power evacuation through these transmission lines and substations. Your company is present in this field, and we are trying to increase our capacity in the next 6 months to augment this capacity and take care of this requirement.

As far as what you asked about the railways is concerned, the government is improving railway infrastructure day by day, as it also did in this cabinet clearance meeting. If I talk especially about the bullet train, the government has given an indication of seven bullet trains. Although it is difficult to say which route will come first, whether it will be Delhi-Varanasi or Delhi-Howrah, railway infrastructure is booming, and your company, in its infrastructure division, is capable of supplying this requirement. The company has recently completed the first order of 22,000 tonnes, and it is already producing a new design of bullet train and some of its parts at its Gujarat facility.

Can you repeat the second part of your question?

Tanay Desai – {? Elevate Advisors Family Office ?}: Defense order book.

Management: Regarding your defense order book, we are full of orders. We have already made a stock exchange filing for the {? 364 ?} order, but more orders are also there. We normally announce them only when the advance is received. So order book is not an issue. The only issue is execution because, as you know, this particular industry is connected with validation, continuous inspections, and government clearances. We have the order, the capability, and the capacity, but the issue is government clearances or geopolitical conditions, which are decided by the relevant pillars. If the relevant pillars are full, the material will not move. So that is the inherent problem in this kind of business. However, we are fully equipped to take this on, and we feel assured that the yearly target we have given will be achieved.

[off-mic discussion] Working capital. Working capital.

Yes, let me speak about the working capital. As I said in my opening remarks, there is a strong focus on working capital because when we grow, it is very important to focus on net working capital. From March, at which level we have already improved by, say, 6-7 days. That focus will continue, and we have plans to place significant focus in this area. Your other question was about the debt level. Yes, it is on the higher side. However, we plan to remain within 2.5x of our EBITDA in terms of debt, and as of now, we are close to that. We again plan to optimize this and remain well within our stated objective.

Tanay Desai – {? Elevate Advisors Family Office ?}: Thank you so much. With regard to debt reduction, can you provide some indication of when we can become a net debt-free and overall debt-free company in the long term? Lastly, we continue to regain confidence in the company, and hope that the promoters also re-embark on that confidence and maintain it at the current level. That would be the last question. Thank you so much.

Management: Yes, sure. As I said, we are on a growth trajectory, so it is important to support the growth. We intend to remain close to 2.5x of our EBITDA. Eventually, in the long term, we will plan how to make it lower than that. But as of now, we are maintaining this at around 2.5x of EBITDA,

Report is AI-generated and may contain inaccuracies.

close to that. We are within that level.

Tanay Desai – {? Elevate Advisors Family Office ?}: Thank you so much, and all the best for the next few quarters ahead.

Operator: Thank you. The next question is from the line of Jatin from {? RTL Investments ?}. Please proceed.

Jatin – {? RTL Investments ?}: Thank you for taking my questions. The first question was basically on the defense business. I heard you say that you are confident of meeting the guidance you have given. I am just double-checking: do you still think we can do 300 crores for FY25?

Management: Yes, you are right. We expect and remain hopeful that we will maintain this. We are sure that we will maintain this.

Jatin – {? RTL Investments ?}: Understood. Thank you. Also, given what is happening with shells, we understand that shells with higher and higher capabilities are now being requested. If I am not mistaken, your latest order is also for a higher-capability shell. How is our capability progressing as the shell capabilities demanded by customers continue to improve? In that regard, do you still think we will be able to fill the 4 lakh capacity once it comes up next year, at around that 30% margin?

Management: This defense industry is essentially a newborn baby, you can say. In 2014, how much were we exporting? It was in hundreds of crores. But now, in 2025, India is exporting 24,000 crores. The defense industry has now matured. Regarding shell capability, on the very day we established this capacity for 155 mm and it was at the M107 grade, we started research and development for the next phase. This was ERFB, BB, and BT. Until today, nobody has been able to make that, but we have developed it and received orders for it. Our product has been validated by the international purchaser.

Research and development is the basic part of our business, and it is in our basic nature at Goodluck. It is not that we are still stopped at ERFB 38 km. You know how shells are designed: they are designed according to range. The first shell had an 18 km range. The second one had a 36 km range. Now we are working to take it to a 48 km range. We will let you know about the recent development in the coming days.

If you are ahead of the competition and ahead in the future, there is nothing that you cannot do. As far as our capability is concerned, we are fully capable. We have full capacity. Our people and our [off-mic discussion] Gujarat facility—our new plant is taking care of the new requirement of the defense industry. In the near term, we will let you know what new developments we are making in that area.

Be assured that if we are putting up that 4 lakh plant, we have taken into account all the relevant data and the flexibility and fungibility required for the plant. We are assured that even after this 4 lakh capacity, we may need to expand further because the market is very volatile. International conditions are not favorable for the defense industry because three wars are going on. In Africa, there are 57 wars going on. There is no letdown in the wars. I am fairly sure that what we are doing will be fulfilled. What we want to do will be fully utilized.

Report is AI-generated and may contain inaccuracies.

Jatin – {? RTL Investments ?}: Thank you so much. Just quickly on Astra: the last time we spoke, you said that only the land allocation had happened and you were waiting for the license. Are there any updates on that? Will you eventually consider merging that into Goodluck as well?

Management: It is at a very nascent stage. We are already connected with you and always remain connected with you. If new information comes, we will let you know. Do not worry.

Jatin – {? RTL Investments ?}: Okay. Thank you, sir. I will get back in the queue.

Operator: Thank you. I request all participants to please restrict their questions to two per participant to allow everyone to ask a question.

The next question is from the line of Deep Mehta from Bank of India Investment Managers. Please proceed.

Deep Mehta – Bank of India Investment Managers: Hi, sir. Thank you for the opportunity. First of all, I would like to congratulate the management for simplifying the group structure, which makes it a win-win proposition for everyone, including minority investors. My first question is also regarding Goodluck Defence. As you said, we are slowly and steadily moving upwards towards greater complexity, and the demand for our product is very high at present. What kind of realizations are we currently getting? Are we expecting any improvement in realization 1 or 2 years down the line when we make even more complex products?

Management: Sir, regarding realization, we have maintained from the beginning that the EBITDA margin will be 30% to 35%. Quarter-on-quarter, we are showing that it is higher. So as [trails off]

Management: What we are trying to do is become competent in quality and technology. As technology moves ahead and we move with it, realizations are bound to increase. However, on the conservative side, I will maintain that this 30%-35% EBITDA margin will be maintained throughout. That is how it appears.

Deep Mehta – Bank of India Investment Managers: Sure, sir. Regarding our capacity expansion from 1.5 lakh to 4 lakh shells, are we broadly on track, or are we seeing any hiccups in this expansion?

Management: No, it is on track. It has already started, and we are likely to adhere to the earlier guidance we gave. There is nothing to worry about.

Deep Mehta – Bank of India Investment Managers: Great, sir. Just one last question from my side. In our non-defense business, we have reached almost 99% capacity utilization. From this point onwards, in H2 as well as in the next financial year, what kind of volume growth can we deliver? Will capacity be a constraint for that?

Management: Volume growth in H1 was almost 18%. We are aware that our capacity utilization is 99%, so we are debottlenecking our processes. This will increase our capacity further. Moreover, we are adding some capacity in our precision tubes and galvanizing conduit tubes. There are small expansions that will eventually increase our capacity utilization, and debottlenecking is the main source of our capacity expansion.

Report is AI-generated and may contain inaccuracies.

Deep Mehta – Bank of India Investment Managers: Can we quantify the volume growth that we can achieve either this year or in the next financial year?

Management: This year we have done almost 463,000, and this financial year ending March 31, in terms of volume, we have done almost 265,000 tonnes. Am I clear, or is your question...?

Deep Mehta – Bank of India Investment Managers: For the future, for H2 as well as for FY26, what kind of volume growth can we achieve?

Management: We are expecting volume growth in the range of 15% to 20%.

Deep Mehta – Bank of India Investment Managers: Okay, sir. That is good to hear. That is all from my side.

Management: In terms of revenue, we expect 15% to 20% growth. In terms of volumes, the way we delivered in H1, as Ram sir said, we delivered 13% on a half-yearly basis, and in the second quarter we delivered 18%. Directionally, we will grow 15% to 20% year-on-year in non-defense.

Deep Mehta – Bank of India Investment Managers: That is good to hear. Thank you.

Operator: Thank you. The next question is from the line of Rahul Gupta from {? KR Research ?}. Please proceed.

Rahul Gupta – {? KR Research ?}: Hello?

Management: Yes, sir.

Rahul Gupta – {? KR Research ?}: My first question is: what is the expected timeline for the proposed merger of Goodluck Defence with Goodluck India Ltd.? By when do you expect to complete all regulatory processes?

Management: As per the {? 12 to 15 months ?}, it should normally take 12 to 15 months because there are a couple of approvals involved, including forms, the SEBI form, and NCLT. If you look at this kind of merger, it generally takes 12 to 15 to 16 months. Anything better than that, we will see. Naturally, it is 12 to 16 months, or 15 months.

Rahul Gupta – {? KR Research ?}: Okay. So it is under process, right, sir?

Management: Yes, it is under process. It has already begun.

Rahul Gupta – {? KR Research ?}: Okay, sir. Thank you, sir.

Operator: Thank you. The next question is from the line of Rohit from {? JM Financial ?}. Please proceed.

Rohit – {? JM Financial ?}: Firstly, thanks for simplifying the structure. I had a couple of questions. First, I wanted to understand the timeline for the non-defense capacity, which is expanding from 5 lakh to 6 lakh, as well as the timeline for defense capacity, from 150,000 shells to 4 lakh shells. Also, as we enter the production of longer-range shells, what could be the peak revenue potential once

Report is AI-generated and may contain inaccuracies.

this 4 lakh-shell capacity is operational? That is all.

Management: For the non-defense business, taking capacity from 5 lakh to 6 lakh is a dynamic process. It is a continuous, evolving process because, as I told you earlier, debottlenecking is our main tool for increasing capacity. This process is ongoing, and I hope that in the next 12 to 18 months we will reach the desired capacity level. We will reach 6 lakh, and we have to see that within 1 year or a maximum of 2 years we should reach maximum capacity utilization in the increased capacity range.

Your second question was about the {? TFRB ?}. Regarding defense and ERFB, it has already been developed, and the peak revenue for the augmented capacity should be 1,000 crores plus.

Rohit – {? JM Financial ?}: Sorry, did you say 1,000 crores plus?

Management: Yes, I said 1,000 crores plus.

Rohit – {? JM Financial ?}: Okay, with a 30% to 35% EBITDA margin?

Management: 30% to 35%.

Rohit – {? JM Financial ?}: Can you scale this up to 1,000 crores by FY29, or do you want to provide any timeline for that? Just a ballpark figure.

Management: FY28. It should be by that period.

Rohit – {? JM Financial ?}: Also, from a shorter-term perspective, in this quarter we obviously did not see any revenue from the defense business. I wanted to understand the lumpiness. Going forward, will it become more structural, with revenue from the defense business coming in every quarter, or will it continue to be lumpy?

Management: I would not describe the defense business as lumpy. It is a business of that nature because it requires validation, inspection, and government approval, and you never know when approval will come because many departments are involved. You never know whether even one shell for export, or 1 lakh shells for export, will have to pass through many departments. They may take 3 months, 6 months, or 5 months, and this is not under our control because the government again decides based on geopolitical positions.

Suppose the Russia-Ukraine war is going on, so the government may not allow it. On an earlier occasion, the governments of EU countries may have allowed it. In some countries, the government may not allow it. So it is beyond our purview. This business will continue in that manner, but on a yearly basis, we can say that we will achieve our target.

Rohit – {? JM Financial ?}: Sure. Thank you. That is all from me.

Operator: Thank you. The next question is from the line of Rudransh Raheja from iThought PMS. Please proceed.

Rudransh Raheja – iThought PMS: Thank you for the opportunity, sir. I wanted to understand the market size in terms of volume for the 155 mm shell. Could you quantify that on both the domestic

Report is AI-generated and may contain inaccuracies.

and export sides? Data specific to M107 would also be helpful, if available.

Management: Sir, to be very frank, this data is classified because it is defense data. Nobody has access to it. Whatever data we or anybody else have is available only through the internet. Some internet sources say it is a 5 million demand, while some say it is a 9 million demand. So I cannot vouch exactly for the quantity required. However, I can vouch for one thing: the inquiries and LOIs we are receiving are more than our capacity. If we are putting up a 4 lakh capacity, we are receiving inquiries exceeding that capacity for up to 3 years. So I can estimate very well that the market size must be much bigger because I am a very small player in the industry.

Rudransh Raheja – iThought PMS: Understood, sir. A lot of players have announced capacities in this space, and we are confident about expanding from here and even beyond that, as you have mentioned. We may expand beyond the 4 lakh figure as well. Do you see any possibility or indication that realizations could be impacted in this business?

Management: Realization is a function of market requirements. Realization may decline from 50,000 to 40,000, or to 36 60,000. However, as I said in response to the earlier question, we are relying on technology and technology upgrades. As we move from ERFB to the next level, we move from 36 km to 48 km to 64 km. The world has already reached 127, but that cannot be vouched for because that information comes from certain quarters that cannot be discussed. We are ahead of what people are contemplating today. If we are ahead of the competition and ahead in technology, there is no concern about excess capacity or the new capacity being absorbed in the market. That is my view.

Rudransh Raheja – iThought PMS: Double-checking on this: are inquiries for the higher-capability shells as strong as inquiries for the basic version? Would that be a fair assumption?

Management: Inquiries are definitely for the new version, but the old versions are also being used because it all depends on the type of war. Wars are not being fought on the borders now. Earlier, it was 1 km or 2 km; now it is 30 km. During the earlier Israel-Hamas conflict, it was within 18 km, so M107 was being used. But now, in Russia-Ukraine, it is 36 km. It will depend on the nature of the war and the kind of shell required. We have the capacity and capability for all kinds of 155 mm shells. From 105 to 155, we have all the capabilities. So we do not have to worry about this. Whatever the market requires, we will be there.

Rudransh Raheja – iThought PMS: Understood, sir. Is the major driver for all inquiries and demand from the export side? Is that the correct understanding?

Management: Maximum demand is from the export side.

Rudransh Raheja – iThought PMS: Understood, sir. Thank you for taking my question.

Operator: Thank you. I request all participants to please restrict their questions to two per participant to allow everyone to ask a question. The next question is from the line of Harsh Vasa from SBI Capital Securities. Please proceed.

Harsh Vasa – SBI Capital Securities: Thank you so much for the opportunity. Congratulations, Ram sir and team, on the proposed amalgamation. The defense question has already been answered. I

Report is AI-generated and may contain inaccuracies.

have one question now. What was the capacity utilization in the hydraulic tubes plant in Q2 FY25, and what would be our exit run rate for this year?

Management: I could not understand. Harsh, can you repeat that?

Harsh Vasa – SBI Capital Securities: I was asking what the capacity utilization was for the hydraulic tubes plant in Q2 FY25, and what the exit run rate would be for this year.

Management: Capacity utilization in the hydraulic tubes plant has moved to 65% to 70% now. In the coming months, during the second half, I hope it should touch 75% to 80% because demand is now increasing in this sector.

Harsh Vasa – SBI Capital Securities: Okay, sir. If we reach 75% to 80%, are there any plans for further capacity expansion? I know it is for a later period, but are we going to undertake another 50,000-tonne capex? Are we going to add another 50,000 tonnes after reaching that level?

Management: Sir, we will decide this after H2. Then we will put it up because it depends on the geopolitical conditions. This is construction equipment, so whatever destruction is going on will determine how much construction will take place.

Harsh Vasa – SBI Capital Securities: Okay. Thank you, sir, and all the best for the next quarter.

Management: Thank you, Harsh.

Operator: Thank you. The next question is from the line of Chintan Patel from PhillipCapital. Please proceed.

Chintan Patel – PhillipCapital: Thanks for the opportunity, sir. Can you give us a breakdown of capacity utilization for the non-defense business?

Management: Pardon, your voice is slow. Please repeat the question.

Chintan Patel – PhillipCapital: Hello? Am I audible?

Management: Yes, you are audible now.

Chintan Patel – PhillipCapital: Sir, can you give us capacity utilization for the current quarter for the non-defense business on a segment-wise basis?

Management: It is almost 98% to 99% for the current quarter for the non-defense business.

Chintan Patel – PhillipCapital: What would be the revenue contribution from the railway business? We are already supplying a lot of aerospace names in the aerospace ind-- [cut off]

Chintan Patel – PhillipCapital: {? That's ?} a big name. What would be the opportunity size in aerospace? What programs are we going to participate in? Are we participating in AMCA? The bidding is likely to happen at the end of October. What is our opportunity size on the aerospace side?

Report is AI-generated and may contain inaccuracies.

Management: In aerospace, we are working with Safran. Our plant has been audited by Airbus and Boeing and meets the stringent conditions. However, it is too early to predict the new aerospace business we are discussing. We are definitely moving towards these three or four major companies in the world because India is becoming a hub for planes and airplanes, whether military planes or domestic planes. They have placed orders for more than 1,500, and HAL has an order book of almost {? 9,50,000 ?} crores. An ecosystem is required, and we are trying to fulfill that requirement. We are trying to become part of that ecosystem because all the parts are required. For that reason, we are taking up this aerospace vertical. In the near term, we will update you again regarding this aerospace business.

Chintan Patel – PhillipCapital: Sure, sir. Just one last question. What is our current overall capital investment in the defense side, especially on the artillery shells side? Also, can you confirm whether the margin impact due to freight costs and fuel costs would be around 100 and 150 bps of Q2 FY25?

Management: Can you repeat your question, please?

Chintan Patel – PhillipCapital: What is the margin impact of freight costs and fuel costs? Is it around 100 and 150 bps on the EBITDA margin, sir?

Management: Yes.

Chintan Patel – PhillipCapital: Okay. My earlier question was: what is our capital investment on the defense side?

Management: It is 300 crores plus.

Chintan Patel – PhillipCapital: 300. Okay. Thank you, sir.

Operator: Thank you. The next question is from the line of Sanyam from Solidarity Advisors. Please proceed.

Sanyam – Solidarity Advisors: Hello. Am I audible?

Management: Yes.

Sanyam – Solidarity Advisors: Hi, sir. Thanks for the opportunity. I wanted one clarification. In May 2024, we posted an order on the exchange for 52 crores for 20,000 shells, with a delivery timeline of 90 days, or perhaps 3 months. Should that have been executed in this quarter itself, or how does that work? I am trying to understand when we say the delivery timeline for orders is 90 days, from what date does that 90-day period start?

Management: That order was completed in the June quarter itself.

Sanyam – Solidarity Advisors: Understood. What about the recent order that we posted?

Management: It will take some time. It is now under government approval, but it will take some time. The 90 days start from the day they have given {? to disclose ?}.

Report is AI-generated and may contain inaccuracies.

Sanyam – Solidarity Advisors: Is it related to the Munitions India tender?

Management: This is a Munitions India tender. We have not posted the Munitions India order because we have only qualified to receive the order so far. We have not received the order, but we are qualified to be the sole bidder for this MIL quantity.

Sanyam – Solidarity Advisors: Understood. Is there any indication of the ratio being considered for the merger of Goodluck Defence and Goodluck Green?

Management: This is a significant exercise, and we have to undergo certain processes under the relevant statutes, which are ongoing. We will be able to comment only once the valuation is completed. We have already appointed two Big Four firms to undertake the valuation, and they are still working on it. We will share this at the appropriate time once it is approved, presented to the board, and then filed with the NCLT and shared.

Sanyam – Solidarity Advisors: Understood. Just one last question. We also expanded capacity in front fork tubes and conduit GI pipes this year. What is the status of that?

Management: The front fork tube expansion is nearly complete and will deliver results in Q4. The conduit expansion is ongoing. It is under erection, and we will provide an update once it becomes operational.

Sanyam – Solidarity Advisors: Thank you. That is all from my side.

Operator: Thank you. A request to all participants: please restrict your questions to two per participant to allow everyone to ask a question. The next question is from the line of Kritika Seth from Anantya. Please proceed.

Kritika Seth – Anantya: Hello. Am I audible?

Management: Yes. Please go ahead.

Kritika Seth – Anantya: Thank you for providing me this opportunity. Congratulations on a good set of numbers. My question is regarding the EBITDA margin for FY25. Are we still expecting margins to be within the range of 10% to 12%, as guided in Q1?

Management: If you are talking about a consolidated basis, yes, what you are saying is right. On a standalone basis, we would be between 9% and 10%.

Kritika Seth – Anantya: Can you also provide segment-wise guidance for the revenue contribution of each segment and their margins?

Management: Basically, I can provide guidance. The value-added sector contributes almost 78% of our EBITDA, while its volume contribution is 68%. For the non-value-added sector, the contribution to EBITDA is hardly 22%, while its volume contribution is almost 32%.

Kritika Seth – Anantya: For CR sheets and pipes, precision pipes and tubes, and auto tubes, what EBITDA margin can we expect for this year?

Report is AI-generated and may contain inaccuracies.

Management: You are again referring to two parts. One is the value-added segment. Our precision tubes are part of the value-added segment, where the EBITDA margin is normally in the range of 11% to 13%. The first part contains our CR tubes and pipes and ERW tubes and pipes, where the EBITDA margin is normally 3% to 4%.

Kritika Seth – Anantya: Okay. Thank you so much.

Operator: Thank you. The next question is from the line of Tushar from Omega Portfolio Advisors. Please proceed.

Tushar – Omega Portfolio Advisors: Thanks for the opportunity. I would like to understand the aerospace business. We have AS9100 certification and are in the non-ferrous side of the business. We are working with titanium and Inconel as materials. I want to understand the higher aspirations of management. You mentioned that you are working with Airbus and Boeing. Where do you see this aerospace business going over the next 5 years, and what is your view on that?

Management: Basically, as you have already said, the aerospace business involves these types of heavy divisions, so it will take some time to develop. However, we hope that with this new investment of almost 80 crores in our aerospace business, we will take this business to 180 crores in approximately 4 to 5 years.

Tushar – Omega Portfolio Advisors: Regarding the defense business, are we working on the ramjet artillery 155 mm shell?

Management: Regarding ramjet technology, I understand that this is with the military only. Whenever they open the portal, only then can someone participate.

Tushar – Omega Portfolio Advisors: Okay. On the—

Management: Pardon?

Tushar – Omega Portfolio Advisors: Please continue, sir.

Management: It was developed by IIT Madras for the Government of India. They have already delivered it. Whenever the portal opens, only then can someone submit a bid for it.

Tushar – Omega Portfolio Advisors: Okay.

Management: One can bid for it, correct.

Tushar – Omega Portfolio Advisors: Fair enough. Regarding high-range artillery shells such as those for ATAGS, K9 Vajra-T, and, if I am not mistaken, Dhanush, are we working on that front in terms of high ranges of more than 50 km?

Management: More than?

Tushar – Omega Portfolio Advisors: More than 50 km range.

Management: No, until today it is only 36 to 38 km for VPARV. The new versions are under research.

Report is AI-generated and may contain inaccuracies.

Tushar – Omega Portfolio Advisors: Okay. Fair enough. Thank you, sir.

Management: Thank you.

Operator: Thank you. The next question is from the line of Amish from Novice Investment Managers. Please proceed.

Amish – Novice Investment Managers: Hi, sir. Congratulations on the business structure, in the way minority shareholders would probably have wanted it. My first question is about the MIL munitions qualification. There was an article about MIL being qualified for a large export order for a Middle East country. Since we are the sole supplier, I was wondering how significant this Munitions India opportunity is for them. I understand that you cannot disclose too much about your clients or direct exports, but to the extent that it is in the public domain, can you provide some insight into how much they have already signed? One news article mentioned a $250 million export opportunity in 2024. How much of this can we cater to through these products? What are the typical exports they undertake for which we can qualify? In our particular product category, we are the sole supplier, but in general, how many companies are competing in these types of products vis-à-vis Munitions India?

Management: You have to understand that MIL is a DPSU, so we do not have any information about that. Their information is classified. Whatever is available in the articles is all that is known to us. We make the empty shells and supply them to MIL. They will fill them and supply them wherever they supply them; we do not know because we cannot go into the details of MIL.

However, in the current geopolitical conditions, MIL should be a good exporter to the rest of the world because the Ministry of Defence is saying repeatedly that exports must improve. Once their exports increase, we are a supplier to them in one category, so our supply should also increase. As far as other categories are concerned, whenever they issue the tender, we will quote, and then it will be decided. It is entirely on a tender basis.

Amish – Novice Investment Managers: Should we assume that these types of products being procured are beyond this year's scope and are not included in this year's guidance? Is the upside for FY26 coming from this tender when it opens and we receive an order? Can you provide some sense of that?

Management: It is only my guess that in the coming years MIL will also purchase these types of shells and that we will be there. However, nothing can be confirmed because it is a DPSU and no information can be shared by us or anybody else. It assists the government.

Amish – Novice Investment Managers: The last question is about the completion date for the 4 lakh shell capacity. Are we comfortable that we will be able to utilize the maximum capacity in the first year of the increased capacity? If you can provide that sense, it would be helpful.

Management: We have already given the guidance that it should be completed by Q3 of the next financial year. However, work has started because it normally takes 12 to 18 months. I hope there should not be much delay.

Report is AI-generated and may contain inaccuracies.

Amish – Novice Investment Managers: So the current best estimate is that it should start by this time next year, in 12 to 15 months. Then we will be able to generate 1,000 crores plus from that facility, as you said, correct?

Management: It will also take some time to ramp up, sir.

Amish – Novice Investment Managers: Okay, sir. Thank you very much, and all the best.

Operator: Thank you. Due to time constraints, that was the last question for the day. I now hand the conference over to the management for the closing comments. Over to you, sir.

Management: Thanks to everybody. Thank you to the stakeholders, investors, and shareholders who participated in this conference and provided us with guidance for our future acceleration. We always look forward to your support and trust in the management. Thank you.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.