

July 18, 2009.



## **PREPARING FOR FUTURE OPPORTUNITIES**

I welcome you all to the 23rd Annual General Meeting of your Company.

I am very pleased to announce that 2008-09 was another year of progress of your Company. Further more, these results were achieved despite a very difficult global economic environment. This gives us the confidence in our ability to produce positive results which in turn demonstrates the robustness of our strategy and continuing strength of our brand with all our customers.

2008 was the single most tumultuous and difficult year in living memory of the global industry. The first half was characterized by unprecedented rise in raw material and energy cost. The second half saw a precipitous fall in demand, prices of commodities, businesses and markets. This transformed and created global upheavals in the currency and commodity markets throwing many companies performances out of gear.

The Home and Personal Care Industry weathered this storm aided somewhat by stable demand from end consumers.

In fact, during the last quarter (Jan - Mar 2009) most of the companies have bounced back and are on strong path to growth. The Indian market is also showing resilience in its growth since the beginning of 2009.

This unprecedented situation during the year did not spare us completely. We got impacted on the stocks of raw materials and finished goods in the pipeline, which in turn affected our revenues and margins.

### **Last year in retrospect**

We grew our top line by 45%. We consolidated our position in the AMET and Asian region deepening our relationships with all our key customers. We penetrated the North and South American markets. Domestic markets also showed good growth. We not only grew our volumes; but also broadened our product portfolio with new and improved products with most of our key customers.

We successfully completed and commissioned our various debottlenecking projects on Sulfation, Ethoxylation, CAPB, Phenoxyethanol and OMC, which gave the much needed breather to respond to a buoyant market and growing customers.



This was done by our New Projects and Technologies team totally in-house with the EPC expertise and competency built diligently over the last 5 years.

Our customer satisfaction score on logistics and delivery was >95% for the whole year and competitive ocean freight costs enabled competitive offerings to our customers.

The Syndets and Soaps business had notable achievements during the year. A new syndets processing pilot plant was commissioned at Taloja, new formulations developed and new customers created. The TBB flakes performed extremely well and experienced a quantum jump in growth.

**During the year we invested heavily in establishing our pilot plant and a new laboratory at Tarapur. The labs at Thane were transformed with both analytical and synthesis sections meeting modern safety requirements, new networked offices, a new facility for stability studies, a formulation lab and a new product application laboratory. Many sophisticated new equipment were procured and commissioned during the year. This included a state-of-the-art Rheometer for material characterisation studies, a Corneometer to measure the moisture content in skin, a Polarised Microscope for studying emulsion and formulation phase structures and a Diastron tensile tester to quantify the conditioning of hair and its tensile strength.**

Three years ago we started on the journey of 'Consumer to Chemistry' as the pathway for building our specialty chemicals business. We have made an important beginning with our Sodium Cocoyl Glycinate being launched in a national brand of shampoo and CAPB DC in a global brand of toothpaste. Octocrylene went from basic chemistry in the laboratory through pilot plant to commercial scale in less than 24 months. This is a remarkable achievement as the quality of the product matches the best in the world and significant process engineering by the New Projects team ensured the availability of a product which very few have succeeded globally.

Successful development work has been done on Sparkle, Octocrylene and Galsilk on lab and pilot plant scale and we look forward to these businesses fructifying in bulk this year.

We have invested in a state of the art microbial lab at Tarapur and in upgrading our lab at Taloja to meet the stringent requirements of our customers.



## **Business Excellence**

It is a matter of great joy for all of us that we were recognized with a Certificate of Merit by IMC Ramakrishna Bajaj National Quality Award Trust. This is an acknowledgement of the business excellence practised at Galaxy.

Sustainable success for Galaxy includes economic success in terms of profits, creating and nurturing customers with quality and delivery excellence, fulfilling responsibility to our society and caring for the environment and ensuring the safety, health and well being of all our people.

In line with our desire to be world class and promote world class practices, we have instituted Galaxy Quality Council and Galaxy Safety Council , the vision being to build Galaxy as the Company of Choice delighting our customers with passion for quality and reaching world class excellence on safety.

To give focused and systemic thrust to safety, we appointed DuPont to evaluate our operations vis-à-vis DuPont's 22 essential elements of safety. DuPont has done a remarkable job and enabled a roadmap for us to reach global excellence on safety. We have adopted this roadmap and have committed and challenged ourselves to achieve this goal.

Our responsibility to society shall be manifested in how we contribute to sustainability of the resources that we use and our responsibility and commitment to the community. We have begun a corporate sustainability initiative aimed at conservation and reduction of the various resources that we use such as water, energy and power. We have formed a CSR cell to steer promotion of health, education and sanitation in the community around us and liaising and working with like minded social service organizations.

## **Preparing ourselves for the future opportunities.**

We see a world of opportunities around us. We have said that our Mission is to be Brand of Global Eminence through Best in Class value delivery by High Quality People.



## How do we define and build this Brand of Galaxy.

Galaxy's culture, ethos and our being, shapes the way we think, act and operate, deliver and the way we are perceived. Every organization has a unique identity with its core values and character diffusing through its members which in turn lives, reinforces and spreads those values into a circle of Brand Building.

Every Brand has an individual DNA that makes it unique. We describe ourselves as transparent, having fair dealings with customers and vendors. We have customer focus, quality focus and safety focus.

We look at ourselves as solution providers, partnering and growing with customers. We describe ourselves as innovative and competitive, having commitment to community and environment around us. We describe ourselves as speedy, nimble footed with a mission to delight customers.

We are also repository of competencies- having competency of building relationships and intense customer engagement, in-house EPC- concept to execution competency, synthetic chemistry, application development, chemical engineering and new product scale-up competencies.

How we nurture and sustain the above characteristics and competencies will determine the collective perception of these characteristics that will form Galaxy's image.

The most important measure for Galaxy's brand equity will be the strength of perception of how well we deliver on the above brand promises getting consummated as organizational results. The key results of Galaxy are our Sustainability, Profitability, Growth, Ethics & Governance.

Galaxy's brand equity will mean higher market share in the markets we operate, the breadth and depth of customers and their portfolio, the stature and the image we hold in the industry and the community in which we operate.

I would now like to dwell on how we are preparing for the future opportunities in light of the above brand promises.

I am delighted to inform you that Galaxy has reached a significant landmark in the



nature of a Joint Venture between Galaxy Surfactants Limited and Dr Gerd Dahms & Associates. Dr. Gerd Dahms is a globally renowned scientist in the field of colloidal sciences and formulation techniques of cosmetics

Through this Joint Venture, Galaxy has acquired a majority shareholding in:

- Oberhausen Technology Center (Germany)
- Tri-K Inc. and its subsidiary Maybrook Inc. in USA, effective July 1, 2009

Galaxy Oberhausen Technology Center, based in Germany has a state of the art facility of Research and Application laboratory which will enhance our Innovation penetration in Personal & Home Care Industry. Galaxy Oberhausen Technology Center brings in patented technology of Nanocon which is a breakthrough innovative manufacturing technology, having a potential to significantly change the landscape of manufacturing Shampoos & Body Care Lotions etc. This acquisition also brings Nanoemulsion technology into our portfolio.

Tri-K Inc. and its subsidiary Maybrook Inc. are US based companies operating out of New Jersey and New Hampshire respectively. They are in the business of Specialty Chemicals, catering to Personal Care Industry providing leading and cutting-edge technology since 1974. Tri-K has created a niche and is a valuable brand in USA, with a sharp focus on Skin and Hair Care. In addition to selling products under the Tri-K brand, it also has a very respected distribution business globally, primarily focusing in North America.

Maybrook is in manufacturing business of Proteins in New Hampshire. The facility manufactures proteins and protein derivatives for Personal Care.

Our Specialty Chemicals Strategy focuses on priority markets of North America and Europe. With this acquisition, Galaxy's footprint spreads in USA and Europe significantly. We have now an extended presence in these markets with highly trained technologists and specialist business professionals.

In Summary with these three acquisitions, we have additional technology capabilities now in Delivery Systems, Nano science, Colloidal Chemistry, Protein & Protein Derivatives, Sunscreen Formulations & Botanicals.



1. In line with our global growth plans, we are investing ourselves to attract and develop people talent globally.
2. We have created a model logistics framework for meeting customer needs anywhere in the world and a team of passionate people to run this framework with single aim of causing customer delight globally. This framework uses SAP software for easy replication anywhere in the world.
3. As told before, we have invested substantially in creating world class synthesis, application labs and pilot plant. This would enable us to partner and work on joint development projects with our customers, carry and convey benefits to them and their end consumers.
4. Application studies on end-use products such as performance of Betaines and Glycinates in Toothpastes and Polyquarternium-7 in Hair & Skin Care products efficacy studies and translation of these to relevant collaterals are the instruments in convincing Galaxy's expertise and customer friendly approach. New potential customers such as Givaudan, Shulke & Meyr, Galderma, GSK, and customers such as J&J and L'Oreal put great emphasis on good manufacturing practices, supplier audits and impurity profiles. These are markers for Galaxy's innovation team to learn, work and improve on.
5. During 2008-09, the innovation process also took initial steps to connect and develop with institutions such as NCL, Pune and Oberhausen Technology Center in Germany. These should fortify Galaxy's capabilities on science & technology to serve our customers better.
6. In preparation for the future, we are enhancing capacities on sulfation and ethoxilation. All these projects are being implemented with our in-house EPC competency developed diligently over the last few years.

With our sight firmly set, Galaxy is marching towards a turnover exceeding Rs. 1000 crores in the next 3 years.

Wishing all of you the very best.