

Dear Shareholders,

I welcome you all to the 28th AGM of your Company.

"The future is not some place we are going, but one we are creating. The paths to it are not found, but made."

I am very pleased to state that 2013-14 was a stellar year for your Company. Profit before tax exceeded the figure of Rs. 100 Crores.

Tri-K performed well continuing to build its protein and specialty actives portfolio.

Galaxy Chemicals Egypt saw a marked improvement in its operations, though challenges remain on capacity utilisation and sharp volatility in feedstock prices.

The new financial year has started off with the election of a new government infusing fresh optimism and enthusiasm in the economy and industry.

I would like to enumerate what will be the business platforms of growth for Galaxy of the future and how have we prepared and built for these platforms during the last few years.

Mild Surfactants: Mild is the New Care

Mild Surfactants are the next generation surfactants which provide extra care required by the skin during cleansing. They are mild and leave the skin soft and supple. Consumers of liquid body wash, face wash and hand wash are showing increasing preference for products with mild cleansing. Mild Surfactants as a category is growing at CAGR of 8 % globally. Galaxy launched Mild Surfactants three years back and has grown by more than 100% in last three years.

Some of the important platform building activities have been:

- We expanded the portfolio with the launch of Glycinates, Isethionate and Sarcosinates; we service more than 20 customers across 12 countries and have ongoing projects with many more customers.
- We worked upon technology advancement and capacity building. I am very glad to state that we have been acknowledged with an Innovation Award from Unilever for green process of manufacture

Galaxy's vision is to be among the top three players in the chosen line of products in Mild Surfactants category. We propose to build a world class facility to enable growth and sustainable business for this product portfolio.

Sunscreen: Trusted Ingredients Expanding their Horizons

Consumer knowledge about the effects of the harmful UV rays of sun on skin health has increased and has greatly enhanced

the credentials of sunscreen ingredients, which not only protect the skin from sunburn; but reduce the signs of ageing and cut risk of skin cancer. Sunscreens are increasingly being used in skin care, suncare and haircare, skin whitening, men's grooming and anti-ageing personal care products. Global use of sunscreen ingredients in personal care products posted a CAGR of more than 11% over 2006-2011 and are forecast to maintain a strong CAGR of 5% from 2011 to 2016.

Galaxy is a key player in personal care ingredients globally and offers wide range of products to global companies in skin care, hair care and oral care. Obviously, sunscreen ingredient is one of our key platform for growth in future. Sunscreen ingredients are considered as Cosmeceuticals and Active Ingredients; therefore, must be compliant with all global regulations. To strengthen our position in sunscreen ingredient industry, we took following actions in last two years:

- Strengthened our market position with global accounts like L'Oreal, BDF, Unilever, J & J and we are now one of their top 3 suppliers
- Expanded our markets in various geographies and we now export our sunscreens to all continents of the world
- Widened our customer base and now we have 100 active customers for our sunscreens
- Expanded our product portfolio with UV B Absorbers, UV A Absorbers, SPF Boosters. We also have inorganic sunscreens now in our portfolio through our subsidiary TRI-K.
- Started offering customized UV filter chassis, formulation support and SPF measuring services to our customers
- Launched our own patented molecules
- Registered our two UV filters, namely OMC and Octocrylene under REACH ahead of our competition in Asia
- Quality systems of sunscreen manufacturing facilities are in compliance with cGMP – ICHQ 7A guidelines as required by USFDA
- Sunscreen facilities are also accredited with ISO 22716 Certification. ISO 22716 is newly introduced standard for Good Manufacturing Practices
- Filed DMF with USFDA for OMC and Octocrylene
- We continuously improved our manufacturing & operations to reduce waste, and increase throughputs by using existing assets towards maintaining our cost competitiveness

With all these initiatives, we achieved a 31% growth in volume last year. We expect similar growth in FY 2014-15.

Galaxy is now preparing to enhance growth under this platform further by adding to capacities over next two years and continue to be an important player in this category.

Phenoxyethanol and Preservative Platform

Today, home and personal care industry faces a combination of challenges as it is required to maintain the integrity and safety

of its products in accordance with market trends, regulations and consumer opinions with respect to preservatives. The popular multinational brands like J&J are taking initiatives to go away from the parabens and formaldehyde releasing preservatives. Among various preservative molecules, Phenoxyethanol is a well known preservative in rinse off as well as leave on formulations.

With promising future of Phenoxyethanol in preservative platform, Galaxy is well prepared to serve the segment with its plant in Jhagadia operational since 2012. Galaxy has a well established position in the preservative platform and is currently serving all the multinational brands globally which includes L'Oreal, J&J, Unilever, Beiersdorf. In the last two years, Galaxy focused intensely on new customer creation adding global brands like P&G in the customer portfolio. Galaxy has also increased its presence in chosen geographies with regional distributors and acquiring local customers. During the last three years, Phenoxyethanol volume grew with CAGR of 27%.

With the commitment to safety of consumer and environment, in 2014 Galaxy indigenously developed and launched Galguard Trident, a paraben-free and formaldehyde donor-free preservative blend.

With continued efforts on new customer acquisition and this added focus on the preservative blends, Galaxy is well poised to play an important role in the preservatives category.

Syndet Bathing Bars

Galaxy SN 800 series - Syndet Noodles have revolutionised the concept of traditional bathing bars satisfying consumer aspirations of mild, skin friendly & high performing products. These easy to use unique blends innovated by Galaxy can easily be formulated to obtain value added end products, offering aesthetic and multifunctional benefits to the modern growing consumer. We also service customers who cater to the medicated cleansing segment.

Galaxy has a sustainable competitive advantage having in-house competencies to manufacture most of the key ingredients that are used in syndets.

Galaxy Syndet & Transparent Bathing Bar business is consistently growing in sales & contribution. We have grown by over 4 times in the last five years and see a significant promise for this category in the coming years.

At TRI-K, we are Passionate about Proteins

TRI-K has been elevating its capabilities and growing consistently in the past 4 years and building an image of an innovative company when it comes to Proteins and Amino Acid technology.

TRI-K's vision is "To inspire customers with ahead of the curve

skin and hair care solutions and be the global preferred choice for protein technology". We have been diligently developing our competencies needed to accomplish our vision in next 5 years with a clear focus in Proteins Technology.

Our approach to Innovation in Proteins:

Our exotic proteins, which are natural, help our customers to enhance their offerings to their consumers. Two recent offerings i.e. Baobab Tein NPNF made from the bark of Baobab tree and Fision KeraVeg 18, which is a vegetable alternative to animal keratin were launched with unique benefits to end consumers. Our innovation pipeline is populated with exciting upcoming launches addressing the market trends with extensive applications studies as well as higher order collaterals.

Preserve with Care: NPNF Platform:

We have elevated our quality goals by launching NPNF (non-parabens, non-formaldehyde) as a new preservative platform in all our liquid proteins. These have evinced keen interest from our customers. TRI-K is the only supplier offering the largest variety of Proteins in the personal care market under NPNF standards.

Certifications:

We have four of our Proteins, which are Ecocertified and very well appreciated by customers. Our endeavor is to extend the certifications to other proteins as well.

How have we prepared for the future:

- *Enhancing our Capacities* - We have expanded our capacities in our proteins manufacturing plant to take care of growth. We would continue to invest in hardware and software to produce high quality proteins efficiently and economically.
- *Building Fision Line* - As part of our strategy to differentiate our products, we have been evaluating several products that makes a perfect synergy and deliver multifunctional benefits. We call these Fision line and this is a key driver for us.
- *Oil Soluble Platform* - Few of our focused markets have a strong need for oil soluble products and this is an exciting platform for us.

Homecare and Laundry, Hand Hygiene and Household care

With increasing awareness of sanitation and hygiene, the handwash and household hygiene category has grown consistently in our country in the last ten years and we have grown with the growth of this segment. Our Egypt facility largely caters to the above segments in the countries it sells and services. We are an important supplier of ingredients to customers, big and small. Sustainability as a theme and an imperative is driving customers to design and formulate products which pack more performance using a combination of surfactants and Galaxy sees an important role for itself in this category. We are working on a number of projects with various

customers and we see this category contributing significantly to Galaxy in the coming years.

Sustainability

As we grow, sustainability continues to be an important theme and an imperative for us. Galaxy released its 2nd Corporate Sustainability Report based on GRI guidelines and shared it with our valued customers. The report highlights organizations' endeavors towards a responsible business growth.

In respect of our sustainability goals, the target on water reduction per ton of product was achieved well before the timeline while our actions on energy reduction, waste reduction and GHG reduction are on the path of progress. The target on water reduction has been revisited considering baseline of year 2013-14 and a goal of 25 % reduction is set to be achieved in next three years.

Galaxy is continuously improving on its sustainability performance on the various supplier sustainability programmes and various disclosures platforms like CDP, WDP & EcoVadis which are driven across by our customers. The Greenhouse Gas (GHG) Accounting was done at corporate level for the first time including operations in India, Egypt and US.

One of the major achievements this year was Galaxy attained RSPO certification at all our locations in India. We are among the first in our industry to have done so.

Dear Shareholders, with the work done and the preparations on the various business platforms we are well equipped to address opportunities that we foresee for our industry in the coming years. We have a great team across the world, spirited and committed to compete and win. I wish to acknowledge them on my and your behalf and wish to state that they are our most important strength and my greatest motivation.

Thank You.

U. Shekhar

This does not purport to be a record of the proceedings of the Annual General Meeting.

Galaxy Surfactants Ltd.

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