"Galaxy Surfactants Limited Q4 FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Galaxy Surfactants Limited Q4 FY2019 Earnings Conference Call. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the 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, please signal an operator by entering "*" then"0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Unnathan Shekhar, Promoter & Managing Director of Galaxy Surfactants Limited. Thank you and over to you Sir!

U. Shekhar: Thank you. A very good evening ladies and gentlemen. It gives me immense pleasure to welcome all of you to this annual concall for the year 2018-2019. This quarter has been a breakthrough quarter for us. Galaxy locked in 12.5% volumes growth, 38% EBITDA growth and a 43% PAT growth for the Q4 FY2019. We are talking an EBITDA of 99 Crores to be precise in a single quarter. Profit after tax, which has been averaging 45 Crores per quarter expanded to 57 Crores for this quarter. The icing on the cake was the award which the company won at the recently held ACI conference in Orlando. This award was for outstanding contribution to the partner to win awarded by Unilever to Galaxy. All segments and regions have reported healthy growth. Galaxy's India business registered an 8.8% volumes growth. While Egypt local business continues to face pressure, rest of Africa, Middle East and Turkey has outperformed. The AMET region after reporting two quarters of decline, has registered a growth of 6.9% for this quarter. Rest of the world continues to be an outperformer for us on the back of strong traction we are witnessing for our specialty care products. The rest of the world has locked in a 28.5% volumes growth for this quarter. Performance surfactants of growth 10.8% and specialty care products 15.9% for the quarter under review.

Quickly moving on to our performance for the year 2018-2019. It has been a record year for us in many ways. Persistence and patience demonstrated over the years finally bore fruits in the specialty care segment. Our volumes crossed the 2 Lakh metric tonne mark. Both performance and specialty care segments have recorded 3.6% and 18.8% growth over the previous year with overall volumes growing by 8.8% for FY2019. As far as performance surfactants are concerned, the global performance of surfactant industry grew a 2.1% for 2018-2019. Our India business for FY2019 had registered a 12.1% volumes growth ahead of the industry growth rate of 7%-9%. While volume growth for Galaxy in H1 stood at 18%, volume growth in H2 has been around 8% reflecting the broad slowdown we are witnessing in the home and personal care space. Rural consumption has been tepid and above average monsoons are critical for revival of the same. We do see this slowdown continuing for the coming quarter. AMET while it has reported decline in volumes i.e. –4.7%, this was only due to Egypt. New customer acquisitions, agility and improvement in share with our existing customers enabled us to negate this impact to a large extent. The rest of Africa, Middle East, Turkey excluding Egypt has locked in a 17.4% year-on-year growth. Looking ahead, Egypt will take at least two to three quarters to stabilize and recover. Rest of the Africa, Middle East, Turkey that is excluding Egypt has been an outperformer for us, but we do some moderation in demand in Q1 after Q4, which saw a strong pickup driven by Turkey. The specialty care segment outperformed this year, the strong portfolio of preservatives, milder surfactants and other specialty care products witnessed significant traction in the developed markets, which lead to a 29.2% year-on-year volumes growth for our rest of the world market. We remain positive when see the momentum continuing in FY2020.

In the financial year 2019, a total of 12 patents were granted to Galaxy of which 9 were in India, 2 in Europe and 1 in USA. Our capex plans remain on track with the company having incurred 169 Crores in FY2019 and plans to incur another approximately 100 to 120 Crores in FY2020. An in-house new projects team and a deep understanding of technology have not only enabled us to set up an expand capacities in a time bound efficient manner, but also through debottlenecking at multiple points enabled us to capitalize on the emerging opportunities at different points of time. The capital expenditure shall increase our capacities by approximately 50,000 metric tonnes and the same shall be operational from Q1 of FY2020. Our new launches part of our sustainable and green innovations basket of products are receiving a positive feedback from our customers. The emerging categories like baby care, naturals, face care and men's grooming not only offer significant room for growth, but also via the e-commerce channel, we are seeing emergence of many smaller players. Galaxy through its wide product basket, strong technical and formulation expertise is capitalizing on the same. With capex plans in place, we do see this business gaining traction in the medium term not only with our MNC customers, but also with the emerging start-ups. Gestation period is usually two to three years but post that stickiness and value accretion is high. Ladies and gentlemen before I conclude I would like to thank each and every stakeholder, our employees, customers, suppliers, investors and all other parties who have contributed towards our growth. With a diverse customer base, product portfolio, committed an experience team we at Galaxy are confident in enhancing our stakeholders value sustainably and consistently.

Thank you very much. Ladies and gentlemen, On this concall, I am accompanied by Mr. Natarajan who is our Chief Operating Officer and Mr. Ganesh Kamath who is our CFO. We shall now take questions for you ladies and gentlemen. Please go ahead.

Moderator Thank you. Ladies and gentlemen. We will now begin the question and answer session. We will wait for a moment while the question queue assembles. We have the first question from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Thanks for the opportunity and good afternoon. Just one question on the AMET side, what led to sudden turnaround? From last two quarters, we have been seeing a decline of 17% and 12%. So how many new customers we have added or which reason actually contributed to this growth that is number one. Number two is, how sustainable is this growth because we still see that Egypt is fragile, so how should we feel Egypt or AMET as the region for FY2020?

U. Shekhar: Yes, let me say that the last quarter could also be in terms of stocking for Ramadan. As you know, Ramadan is coming early this year and Ramadan has started, this is quite likely that some upsurge could have happened because of stocking for Ramadan. When we talk about the other countries other than Egypt, we are talking about countries like Turkey, UAE, Morocco, Jordan, Libya, Kenya, etc., and these have clocked in pretty good growth. Now apart from this, we also have made inroads into market such as Senegal, Ivory Coast, Zambia, Qatar, etc. The volumes maybe small, but you have seen significant amount of traction and growth in these markets. So this come out of purely in terms of our walking the market and expanding our geography in terms of playing as far as the AMET market is concerned. So we would see possibly some moderation in the coming quarters as I said this quarter itself there could be some amount of moderation.

Sanjesh Jain: Do we expect FY2020 again to end up with a positive growth or with a negative growth for the full year. Do we see a positive growth for FY2020?

U. Shekhar: We are pretty optimistic as far as full year is concerned. The Egypt recovery will take time, Egypt should catch up maybe in other about two to three quarters or so. But rest of the AMET has grown and we should see the momentum going forward. But overall, we should see a positive growth as far as this year is concerned.

Sanjesh Jain: Just from the Egypt perspective, has quarter-on-quarter stabilize or the market continues to decline?

U. Shekhar: I think as far as quarter-on-quarter is concerned, it has been more or less same.

Sanjesh Jain: Because this trend started somewhere in Q2 of this year right. We will have an anniversary saying Q2 of FY2020. So if we are flattish on quarter-on-quarter that means we should see at least decline stopping from Q2 FY2020. Is that the way to say?

U. Shekhar: That is what we would explain.

K. Natarajan: That Sanjesh should be the right statement according to me, so we would see the pickup happen shortly.

Sanjesh Jain: That is helpful. On the India side, I have been talking about moderation in the volume. So what are we hearing from the customer as in how do we are seeing our order book for FY2020?

U. Shekhar: As far as customers is concerned, if you see Unilever has talked about some rural slowdown. All other customers including Dabur and Colgate have shown low volume growth. The volume growth has been about 5% to 7% for the last quarter against almost 10%-11%, which they talked about for the first three quarters. So there has been a rural slowdown and all of us would wait for an appropriate monsoon to happen for a demand pickup. So we want to say that there has been some amount of subduedness and tepidness as far as the rural market is concerned.

Sanjesh Jain: Okay but we are confident about growth in the rest of the world right, so that should make us?

U. Shekhar: As we have said, we will grow ahead of the market in whatever markets we are operating.

Sanjesh Jain: But in rest of the world this year has been phenomenally strong.

U. Shekhar: We should keep the momentum on but the growth rate won't be the same as we have talked about, okay. As I said, this results came out of from the amount of work that we have done in the previous three years. So there is always a gestation period and we have a good fructification as far as this year, which led to almost 18.8% growth of our specialty grade ingredients in this year. But going forward, we should expect the growth to be a little lesser as compared to whatever we have seen as far as this year is concerned.

Sanjesh Jain: Thank you for the opportunity Sir. I will come back in the queue.

Moderator: Thank you. We have the next question from the line of Sarvanan Vishwanathan from Unifi Capital. Please go ahead.

Sarvanan V: Thanks for taking my question Sir. As we got growth margin, we observed that it is almost around 32% in this quarter and you also given us in your presentation about the movement of your raw material prices also i.e. LA. Do you see is this type of gross margin sustainable?

K. Natarajan: What we need to understand is that see if you look at as we have been saying reducing feedstock price essentially is requiring us to have very robust risk management in place because in a reducing market situation you will have higher price inventories. So despite Lauryl alcohol price corrected from almost it was about $1350 in January and it has come down to almost $1100 now. And if you look at the previous year, it was almost $1400-$1500. So what it does mean is that we have been able to get these margins of Q4 essentially because they really managed the risk to ensure that it does not hit our bottomline. The other thing is the sort of portfolio we are in terms of our specialty care ingredients and the performance surfactants.

Sarvanan V: So is it sustainable, are you seeing a different reach?

U. Shekhar: As we have always said Saravanan, we talk about value addition, which is a constant. The raw material price may go up and down, and the percentage is always numerator divided by denominator. If the raw material prices go up, our value addition will more or less remain the same and the percentages could go down. As it has happened in this year, the raw material prices have come down. However, the value addition will remain more or less in a particular range. So you are seeing the percentages go, it is only a derivative rather than a number, which will remain constant.

K. Natarajan: EBITDA per metric tonne has now gone up to almost Rs.16500 per metric tonne. That is essential in terms of the way we manage the portfolio between specialty and performance care products. You would expect this to continue because typically our EBITDA margin per tonne would be in the zone of about Rs.15000-Rs.16000 to Rs.17000 per metric tonne. That is the matrix that we need to be looking at. The percentages will essentially keep going up or down depending all the raw material prices move up so that essentially is the not right indicator.

Saravanan V: So absolute growth in EBITDA is more meaningful?

K. Natarajan: Yes correct. You are right.

U. Shekhar: To repeat we always measure ourselves as growing in volume ahead of the market growth then our EBITDA growth has to be higher than the volume growth and the PBT growth has to be higher than the EBITDA growth and the PAT growth has to be appropriate. Then all these things our return on capital employed has to pass 22% and this year it has been approximately 26%. 26.7% has been the actual return on capital employed for FY2019.

Saravanan V: From FY2020 perspective 15% EBITDA growth is reasonable to expect?

U. Shekhar: As we said we will continue to grow ahead of the market growth.

K. Natarajan: With this sort of volume growth that we have been talking about last year if that continues without any headwinds that we spoke about in terms of India market not getting impacted by this growing rural demand and no further geopolitical issues coming up. So with the volume growth momentum that will get maintained that obviously looks possible.

Saravanan V: Second question on capacity utilization, what is the current capacity utilization?

U. Shekhar: 72%

Saravanan V: 72% and 50,000 you are adding in Q1.

U. Shekhar: Correct.

Saravanan V: Thank you Sir. All the best.

Moderator: Thank you. We have the next question from the line of Nav Bhardwaj from Anand Rathi. Please go ahead.

Nav Bhardwaj: Good evening gentleman. Congratulations on your numbers for this quarter. My question was mainly pertaining to can you give a split of what percentage was Egypt be contributing to the total AMET volumes or numbers?

U. Shekhar: It is approximately..

Nav Bhardwaj: A comparison would be year back and right now.

U. Shekhar: As a year back, it was about 45% and this year it is about 33%.

Nav Bhardwaj: A question on the rest of the world, I remember from one of our previous calls, you have shared that sales on international land because it is difficult if you do not have production facility. Is that true that going ahead like if we do not have facilities near around our sales points, it is difficult to grow at the current pace that we are growing?

U. Shekhar: See what we would have said was with respect to performance surfactants

Nav Bhardwaj: Okay.

U. Shekhar: As far as specialty ingredients is concerned that particular statement is not valid. When we talked about that with respect to logistics cost, which is a significant portion in terms of performance surfactants. However, specialty ingredients that is not the case. So the specialty ingredients will continue to be produced in India and sold across the world.

Nav Bhardwaj: Alright. Thank you so much. All the best going ahead.

Moderator: Thank you. We have the next question from the line of Ashish Mendhekar from JM Financial. Please go ahead.

Ashish Mendhekar: Yes, good evening gentlemen and thank you for the opportunity. I have two questions. First one is can you help me with gross margin per unit for performance surfactants and specialty care product for FY2019?

K. Natarajan: Ashish, we do not share that number. So we share the numbers that is weighted average, which essentially I told you was about 16500 per metric tonne last year.

Ashish Mendhekar: Okay, My second question is what was the Egypt volume for this quarter and if you could provide some previous quarter as well?

U. Shekhar: What I want to say is only that the share of Egypt.

K. Natarajan: Out of Africa, Middle East and Turkey business.

U. Shekhar: You know drop from 45% to 33%.

Ashish Mendhekar: Okay fine. Thank you.

Moderator: Thank you. We have the next question from the line of Sneha from Edelweiss. Please go ahead.

Sneha: Good evening and thanks a lot for taking the question. It was more pertaining to the customer addition that we must have done because of which we have seen stronger. Could you quantify in FY2019 how many customers we would have added and what would be the contribution from new customer addition?

U. Shekhar: Approximately about 30 new customers we added and this would have accounted for approximately 1.2% of total volumes and revenues.

Sneha: Basically, you are saying that majority of the growth came in from the existing customer itself, the new customers hardly accounted for even 1%?

U. Shekhar: Yes.

Sneha: Also this year, we have seen specialty segment doing the really well and we have seen strong growth in specialty versus your performance division particularly in this quarter. What is it outlook going ahead, where you see this segment's proportion going ahead. You have been highlighting that it will be growing at the same pace, but in this quarter we have seen that further specialty has improved at a faster pace so where do we see this segment's portion going?

U. Shekhar: What is important to note is that what we have seen this year is a fructification of the work that you have done over the past three years or so. As far as specialty ingredients were concerned, they have a gestation period they take time to fructify. So this year has seen a very, very sharp jump in terms of growth rate. We have seen the growth at about 18.8% we would not expect to see the same growth in the coming years. The quantity would be there, but however the growth rate will be tampered. You know the base has gone up.

Sneha: You are saying just continuation has that happened if you are saying that growth would moderate and especially in the specialty segment can the gross margins again contract in the coming year and we could see some pressure on margins?

K. Natarajan: No, the EBITDA per tonne will remain more or less the same. The EBITDA per tonne as a matter of fact over the last maybe three years or so has expanded from around 15000 metric tonnes this year approximately 16500 metric tonnes. This comes out of our product mix, product and geography mix.

U. Shekhar: See other thing also I would like to say that with all the specialty products we have, lot of projects that have been worked with the customers are in pipeline. Now if you have anyone of it, some of it fructifying in a big way in the coming years then that can be additional. But that we would not be able to comment right now because there are various stages of maturity.

Sneha: Got it Sir. I will come back in the queue. Thank you.

Moderator: Thank you. We have the next question from the line of Kushal Maheshwari from Carnelian Capital. Please go ahead.

Manoj: In continuation to the previous question, I would like to understand how do you see over the next three to five years, overall mix between specialty care products and performance surfactants. Secondly, also I would like to understand your capital allocations like how much capital will be going in each of these two segments?

U. Shekhar: As we have said for us both of these categories are very critical and important because when I say evolving market these are the African and other Africa and Middle East markets, they are at their what is called early stages of growth as far as the home and personal care industry is concerned and this growth is primarily based on performance surfactants. Similarly, even today, India an emerging market is largely driven by performance surfactants and there is still significant amount of headroom available for growth as far as performance surfactants is concerned. So Galaxy will continue to invest in performance surfactants to keep pace with our customers' growth & regional growth. At the same time, the specialty ingredients are largely addressed to the matured markets. When I say matured markets they are the US market, the European market. Galaxy is at the cutting edge of innovation with respect to the home and personal care industry and that is where this specialty ingredients will show significant growth in the matured markets. At the same time you also see premiumization happening in our own country and there again the specialty ingredients growth. So to sum up the bottomline we will invest both in performance surfactants as far as specialty ingredients. The spilt between performance and specialty, which was approximately 67:33 last year has come to this year 63:37. So it will possibly oscillate in the zone.

Manoj: Sir just a followup on this. You look at the entry barriers in the performance surfactants versus specialty care products I am sure that the entry barriers in a specialty care product will be much higher and that must be giving you much better margins and returns right?

U. Shekhar: Yes of course yes. Now what is happening also happening if you talk about as far as India is concerned there is a premiumization happening in home care and skin care as per what our customers have said, there is an MNC commentary. E-commerce is ensuring participation of large number of small specialty players focused on emerging segments like baby care, face care and pharma care. Galaxy is very well placed with its product basket to address these customers and these emerging superior segments.

Manoj: Right Sir. Thanks for taking my question.

Moderator: Thank you. We have the next question from the line of Lakshminarayanan from Catamaran. Please go ahead.

Lakshminarayanan : I have few questions Sir. First is if you look at standalone revenues I believe that is India revenue, so how much of that is export is?

K. Natarajan: 50% of the India standalone numbers, we had export revenues.

Lakshminarayanan : And which geography actually goes to predominantly?

U. Shekhar: Asia specific, it goes in to Europe, it goes into US, Latin America. We export to over 80 countries across the globe. Also in Africa, Middle East because our Egypt plant does not make all the products that we sell in Africa, Middle East and Turkey. So we have good amount of products going from India into Africa, Middle East and Turkey market as well.

Lakshminarayanan : Got it and your performance for this year how much you had actually won from an incumbent competition because you said around 1.2% is new customers, but in addition to your organic growth what percentage you actually won from competition?

K. Natarajan: If you see the specialty care ingredients that grew significantly higher or essentially in terms of all the new products that we have got in and all they fructified in this year. So that actually if you see that is why the growth has been almost 18%-19%. So that is why it has been reached it is not the question of trying to snatch on someone. It is in terms of how we are able to take the growth in a very holistic manner.

Lakshminarayanan : That is all Sir from my side. Thank you.

K. Natarajan: Thank you.

Moderator: Thank you. We have the next question from the line of Ankur Jain, an Investor. Please go ahead.

Ankur Jain: The first one is on the margin side. If I have to look at EBITDA per tonne this is the highest, we have ever done in a company history i.e. 16676 a tonne. You have said that it was sustainable margin is that right?

U. Shekhar: We would like to say Mr. Jain that the EBITDA per tonne there is always be a range this range will be anywhere from maybe Rs.15000 to Rs. 16000 per tonne. Because it is depending on the product mix if we have higher sales or higher percentage of performance surfactants happening next year then this particular EBITDA per tonne could again come down. What is important for us is growth, growth is very important to repeat growth ahead of the market and this percentage mix between performance and specialty ingredients will depend upon the respective growth of the various markets from the various regions. Galaxy creates capacity in anticipation. For example, when we talked about this capex, which is about 50,000 metric tonnes it is largely for performance surfactants as far as this year is concerned. At the same time, we also debottleneck and create additional capacity to specialty ingredients. All this is to ensure that we are ready and prepared for growth, which will happen in the various countries and various regions and the various customers. So this EBITDA per tonne will always be in a particular range. In terms of a secular trend over the next horizon of may be five to ten years you would see what you call as slow growth trend.

Ankur Jain: Okay thanks and that is nice to hear Sir. The second question that I have is purely from an export perspective and looking at what is happening in China in the chemical industry. Do you see a bigger opportunity for us there we have also set up a facility there especially in the sense we have setup a marketing center there?

K. Natarajan: The China office we setup essentially because we have been selling in the China for the last about 10 years so we set up this office in Shanghai essentially to walk the market more and then mine more customers for our specialty ingredients. So that was the purpose, now coming to your question whether this issue that is happening in China in terms of many units closing down as to what sort of opportunity presents to us. In our range of products we do not see any significant opportunities presented to us because in our range of products we do not see many of them closing down. It has been majorly into segments like critical feedstock for agrochemicals and other basic chemicals. So we are watching the market and we are well positioned in terms of taking advantage of their opportunity. But as of now, we do not see anything significant coming in terms of that particular issue in China.

Moderator: Thank you. We have the next question from the line of Udit Gajiwala from SMC Global. Please go ahead.

Udit Gajiwala: Hi Sir just one question, like you mentioned in the opening remarks that domestic market has slowed down in Q1. So like for whole year what kind of growth are we expecting from India?

U. Shekhar: If you see in H1 last year we grew by 18% and when the market grew by approximately 10%-11% or so. In H2, I think where the average growth rate was approximately 5% to 7% or so, we grew at almost 8% or so. So as far as this year is concerned, we do see growth should be in the region of 8%-10% zone, if the India demand moderates. This is as far as our consolidated growth business.

Udit Gajiwala: Right. That is it. Thank you.

Moderator: Thank you. We have the next question from the line of Rohit Nagraj from Sunidhi Securities. Please go ahead.

Rohit Nagraj: Yes, thanks for taking my question and congrats for good Q4 numbers. So just taking the earlier question forward you indicated that we are outperforming the market growth so any specific reason for this that we are garnering market share from some other participants or we are going in for value added products?

U. Shekhar: See this comes from the value that we generate in terms of our overall basket of products one and our cutting-edge innovations. We continuously innovate on our product portfolio as you know Galaxy’s product platforms consist of performance surfactants, then mild surfactants, then nontoxic preservatives, sunscreens, proteins, and transparent and Syndet bathing bars. So Galaxy continues to innovate. As a matter of fact, we did say that in the beginning that the American Chemical Institute Conference held in Orlando, which gets held once a year, we receive outstanding contribution to partner award from Unilever, at the same time there are a number of innovation awards that we received this last year. We got an emerging business partner awarded by Abbott at Samanvay 2018, we got the IC Innovation award 2018 in the best process innovation category for our green process for the manufacture of amino acid surfactants. We got the silver award at HPCA in2019 for our product Galguard NT, which is a nontoxic preservative. We got a Trishul award by CHEMEXCIL for the year 2016 of course awarded in 2018. So we have all these awards for our innovation and Galaxy is at the leading edge of innovation as far as this industry is concerned. So this encapsulates the value that we deliver to our customers and that is the reason why we are able to grow ahead of the market.

Rohit Nagraj: Thanks for that explanation Sir. The other question is on the nontoxic preservatives. So according to you how much would be the basket of our products is nontoxic preservative based and how much is?

K. Natarajan: See these products that we have introduced say almost a year back so these are all at various stages of maturity as projects in pipeline with many of our customers. What we would say is that all these products, nontoxic preservatives and our unique mild surfactant blend called GLI-21, have received very encouraging response from many of our customers. We have good amount of projects working with them, so we do expect this to fructify in to this thing or the next year or beyond that it all depends on how fast the whole approval process happens and how soon the customer want to launch a product with this ingredient, but we are well set in terms of being ready to service this demand.

Rohit Nagraj: Sir last question on the TRI-K. So we are going to expand the capacity by October 2019. So would we able to utilize the capacities slowly from this year itself and how it has been the market share for the cutting edge product?

U. Shekhar: Normally, I have to tell you when you create a capex for performance surfactants the horizon is approximately four years or so. I think we can say if we achieve in three years then it is a very, very optimistic number. When we talk about specialty ingredients the horizon is almost eight years. We create this capacities to be very, very prepared because in this country it takes time to setup capacities from the context of regulatory approvals and environmental approvals, etc., etc., So we are very well positioned in terms of our capacities to be able to cater and service the emergence of consumption and demand in the various markets that we address.

Rohit Nagraj: Alright. Thank you so much Sir.

Moderator: Thank you. We have the next question from the line of Anubhav Sahu from MC Research. Please go ahead.

Anubhav Sahu: Sir a couple of questions. One your volume guidance of 8%-10% for this fiscal, it is for the consolidated basis right?

U. Shekhar: Yes.

Anubhav Sahu: And for the India only business domestic business what are our expectations?

U. Shekhar: The pessimistic can be 8 to 10 and optimistic can be 10 to 12 or so.

Anubhav Sahu: Okay got it and Sir. On the Lauryl Alcohol front, I wanted to get some insight what are our expectations and how you see the industry panning out in terms of pricing for that?

K. Natarajan: The way the market is it has been into secular in terms of coming down and the way we see the market probably it has bottomed out. And we expect it to remain stable for the balance portion of the year that is the way that we are reading the market.

Anubhav Sahu: Okay in terms of our inventories for the Lauryl alcohol & contracts which we have, how much we have covered?

K. Natarajan: We have a very robust risk management in place. So we have exposure limits how much of the inventory we will hold because we also need to ensure that we have production not getting interrupted. So we are very well set framework in play it ensures that you do not have any significant impact on your P&L in the event that the prices correct significantly in a short period of time. We have proved this particular risk management working in a right way over the last three years when the prices have been extremely volatile. And last year has been the year which has been coming down in a secular way.

Anubhav Sahu: And finally Sir just one clarification. The value growth is significantly lower than the volume growth so I am assuming that part of it is because of the positive effect of raw material prices?

K. Natarajan: No, what I am saying is that just needed to understand that when the raw material prices are coming down, the challenge is how do you ensure that you are not able to have the inventory hit. So that is where we are able to manage our risk in a way that it can impact your numbers.

K. Natarajan: The value is a derivative of the raw material prices – so lower the raw material price, lower will be the value

Anubhav Sahu: That is all from my side.

Moderator: Thank you. We have the next question from the line of Nihil Parekh from Dhanki Securities. Please go ahead.

Nihil Parekh: Sir just one clarification on the capacity expansion. Sir, I guess we are doing a 50,000 metric tonne capacity expansion and that is coming on stream by October?

U. Shekhar: No, it is operational from April 1st 2019

Nihil Parekh: It is already on stream and it will be nearly catering to the specialty surfactant?

U. Shekhar: Yes, these are all performance surfactants.

Nihil Parekh: Thank you.

Moderator: We have the next question from the line of Lakshminarayanan from Catamaran. Please go ahead.

Lakshminarayanan : Yes thanks again. Sir couple of questions in terms of your debt levels what is the level you are comfortable at given that if you are looking at expansion going forward in the couple years. Do you intent to increase your debt, it is around 0.3 basis right now that is my first question. The second question is that you have mentioned that you have got an award from

Abbott, which is more of a consumer healthcare company or a pharma company. So are we getting into some allied segments like healthcare and pharma. And the third question is that when you actually go to markets like Senegal, etc., what is your go to market do you actually have an office there or you actually sign up with the trading partner, how do you crack these markets?

K. Natarajan: So I will answer the second and third question on the debt portion I think our CFO will answer. So we are getting into Abbott, all the pharma companies are getting in to the space of over the counter skin care solutions. So that is where we are coming in, in terms of our formulation capability to enable them to formulate something, that would meet their requirements in terms of value add to the end consumer. So that is where we are coming there. So we are engaged with many of the pharma players in terms of offering them solutions. The third question in terms of Senegal, there is no office or anything that we have, so these markets are essentially walk through by people who are based in Egypt and in India. Then we have a network of distributors and that is how we developed those markets. So we do not have any office or whatever in Africa except what we have in Turkey and in Egypt.

Ganesh Kamath: As far as the debt equity is concerned if you observe, the debt equity has declined from 0.48 to 0.34 during the year despite there being a cash outflow of around 169 Crores in capex. Therefore we do not see that borrowing is required internal accruals will be adequate to meet our capex.

Lakshminarayanan : Ok for the next four, five years?

Ganesh Kamath: We have that much cash generation every year it will be adequate to cover our capex outlets.

Lakshminarayanan : Ok thank you so much.

Moderator: Thank you. Ladies and gentlemen due to time constraints, that is our last question. I now hand the conference back to Mr. Shekhar for closing comments. Please go ahead Sir.

U. Shekhar: Thank you ladies and gentlemen for joining us. We will meet once again after three months. Thank you very much.

K. Natarajan: Thank you all of you.

Moderator: Thank you gentlemen. Ladies and gentlemen on behalf of Galaxy Surfactants Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines.s