"Galaxy Surfactants Limited
Q4 and FY2021 Earnings Conference Call"

June 09, 2021

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Moderator: Ladies and gentlemen, good day and welcome to the Galaxy Surfactants Limited Q4 and FY2021 results 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 call, please signal an operator by pressing "*" then "0" on your touchtone phone. 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!

Unnathan Shekhar: Thank you. A very good afternoon to all of you and welcome to this conference call for the financial year 2020-2021. Ladies and gentlemen, Oxford Dictionary defines resilience as the capacity to recover quickly from difficulties or the ability of a substance to spring back into shape, elasticity. While the world may define FY2021 as a year of pandemic and disruptions, at Galaxy we would like to define the year as a year of resilience. The year has tested every aspect of our business, be it our people, operations, supply chain or demand but despite all the challenges that persisted throughout the year, the performance has been exceptional.

Exceptional as at the start of the financial year, we had one and a half months of complete shutdown. Multiple supply chain disruptions that persisted all through the year, variable demand challenges with excess demand for performance surfactants and cut down in consumption of specialty care products at different points and finally a pandemic to deal with varying intensity levels throughout the year. Against that, your company has delivered a volume growth of 5.3%, EBITDA growth of 22.6%, PAT growth of 31.1%, ROCE of 25.2%, an improvement of 170 basis points and net operating cash generation of Rs. 365 Crores during FY21.

Our performance surfactants have registered a healthy 8.8% volume growth and despite the disruptions in H1, specialty care products have ended the year with a 1% decline in volumes. In H2, the demand for performance surfactants remain the same in absolute terms vis-à-vis H1 implying the structural uptick in demand whereas specialty care products have registered a 15.7% volume growth in H2 over H1 FY2021.

Now despite the shutdown in Q1, volumes in India have grown 11.2% versus previous year. AMET market which got its motive back in Q2 FY2020 has not only sustained but also registered a healthy 8.2% volume growth for the year.

Finally, the Rest of the World markets which primarily are driven by specialty care products which saw a major decline of 16% in H1 versus previous year have made a strong come back in H2 registering a growth of 4% overall ending the year with a 6.8% decline as compared to last year.

So, to summarize ladies and gentlemen, if 2020-2021 were an alphabet we would like to call 2021 as the year of 5Ps that is the Pandemic and Pressures countered by persevering people and persistent partnerships which ensure we deliver a near perfect performance. Having said that, let me take this opportunity to thank every Galaxite who has made this possible, starting with our frontline warriors, our operators from the floor, operations, and supply chain team members, business members who held for when everything around them appeared awry and turbulent, our support staff who within days adopted to a completely new lifestyle of working from home balancing both the needs of their families as well as part of Galaxy and finally our administration and CSR teams, the team has ensured we continue functioning as far as helping our society throughout the year, but ladies and gentlemen, as they say every battle has a price. The price one pays and while the battle against pandemic continues, I want to take this opportunity to remember our eight Galaxites who lost their lives battling it.

Losing a family member is not easy and while no amount of monetary compensation can make up for human lives, your company has taken steps to support their families. We have introduced the COVID-19 family care policy for all GSL employees to provide economic stability and financial security to the families of the employees who succumbed to COVID.

A small step to ensure that families do not face any further disruptions or challenges on account of loss of income and continue leading their lives honorably. The family will receive a monthly committed payment till the notional date of retirement of the employee, medical facilities along with educational support for their children apart from the emotional support your company shall be extending at all points of time.

Throughout the pandemic, your company has ensured that not a single rupee was spent by our people or their families for any COVID-19 related treatment. The entire cost was borne by our company. Apart from securing beds, your company has also decided to reimburse as well as organize a vaccination drive for all its employees. While the battle rages on, this is the battle which we all need to win, and your company will leave no stone unturned to come out victorious.

Ladies and gentlemen, at Galaxy we believe the next decade will be the decade of innovation, sustainability, and digitization while sustainability and innovation have been part of our core strategies for more than a decade now. The year 2021 saw us making strides in the digital arena. Your company has not only successfully adapted to the work from home culture but also enhanced its digital marketing presence through various channels, right from customer interactions to multiple product application promotional campaigns to new product launches we are slowly but surely stepping up in the digital arena.

The coming year should see your company enhancing its digital presence and reach further. While adaptability to the digital age was all about equipping ourselves for the future building on the sustainability and innovation journey which began years ago, today has become a precursor for survival. In relation to that, Galaxy launched EcoSafe especially defined fatty-alcohol EcoSulfate with ultra-low 1, 4 Dioxane levels to comply with the new US regulations aimed at protecting the environment.

Galaxy also commercializes Galaxy Galguard lipoG, non-toxic biodegradable nature-derived safe preservative for beauty and personal care segments. These products shall form part of our environmental friendly new age products basket. FY2021 also saw your company releasing its 10th sustainability report. To celebrate the same, we organized the Galaxy of Sustenance event which not only highlighted the significant work done by your company in the field of sustainability but also saw us taking up new targets for 2030.

Ladies and gentlemen, in the efforts of the last ten years that have started to yield fruits now slowly but steadily. In the last year, our Taloja plant was conferred with the CII Green Company Rating. We achieved consistent progress in carbon disclosure projects CDP 2020 with a score of management level B in CDP, climate change compared with global average of C. We achieved a level B minus in CDP compared with global average of B and leadership level A- in supplier engagement compared with global average of C.

We won the Ecovadis 2020 Gold Medal. Our Tarapur site has been awarded as a winner for the Bryson in the Category of waste elimination. We received the certificate of appreciation from IMC Chambers of Commerce and Industries for becoming the first IMC certificate of origin member to release the online digitally signed certificate of origin. Our Jhagadia manufacturing plant got accredited with EFfCI GMP Certification.

Recently, as you would have seen in our social media platforms, your company's water shed management efforts across drought locations in India was recognized by the CII as an excellent effort towards ecosystem restoration.

To conclude ladies and gentlemen, while the underlying strength of your company's business model has ensured that we have come out stronger, the year 2021-2022 will be all about consolidating and building on from here. The capex planned for our specialty portfolio which have got delayed by further six months, we are confident of operationalizing the same by Q4 FY2022. While the demand remains structurally robust, supply chain disruptions, normalization of demand as against pent up demand we saw in Q2 and Q3 FY2021, wave three and below average monsoons are the potential headwinds we see going ahead. While the long-term growth story remains intact in the immediate short-term, we remain very, very cautious. Thank you, ladies and gentlemen.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Thank you and good afternoon everybody. First of all, congratulations for the great effort on the Green and Sustainability, it is really nice to hear all those detail on them. Few questions on the sustainability of the gross profit margin, this quarter we did a gross profit margin of Rs. 45 per kg or 45000 per tonne and for the full year it has been 42600 whereas it was 39000 something in last year, so how much of it is sustainable and how much do you attribute, are you benefitted say from the inventory gains because of the sharp rise in LA prices and number two, how were the LA prices now have they started softening or this still remain high? That is my first question.

Unnathan Shekhar: Good afternoon. The gross margin essentially of last year which you talked about roughly around 40000 tonnes – 42000 tonnes, we would also see in terms of there were some cost in fact they were much lower than the normal, which we explained in the last quarter results and then we also had certain one-time incentives that we received and recognized on cash basis in our Egypt unit but with regard to the inventory gains that you spoke about, I think we have been able to manage the situation well and moving forward, we only expect and hope that things stabilize and we should see as to how we are able to maintain this contribution levels. The mix also plays an important role, so it is a combination of lot of factors and given the current turbulent situation, we would like to wait for few months to be able to make some clear comments on this. And with regards to the fatty alcohol prices I think about $1000 from the last quarter of FY 20 they had almost reached $2200-$2300 and given the supply chain situation, it makes things little bit more complex but yes we are managing the situation pretty well.

Sanjesh Jain: Thanks for the clarity. Just one follow up on the gross margins, what should be your very sustainable basis what do you think is a right number to look at, I am not asking for one quarter or a two quarter but to say FY2022, FY2023, and FY2024?

Unnathan Shekhar: In the last call we did guide for EBITDA, we have increased it to Rs 16000 per MT to 18000 per MT, I think we would like to remain there, and the gross margin is a combination of various factors, so we would like to stick to the 16000 to 18000 EBITDA per metric tonne that we guided in the last call.

Sanjesh Jain: Second question on the volume growth, it looks like India slowed down very sharply in this quarter so we had a very great two quarters but it has improved now it is a mid single digit and RoW again we saw recovery last quarter but it looks like flattish whereas I think Rest of the World is opening up and I thought we will have a pent up demand to benefit, it should be in the coming quarter have we seen any sign of the pent up demand in the Rest of the World?

K. Natarajan: I will answer the first question in India volumes, if you see overall India volumes we have grown for the full year at about 11.2% which obviously is much ahead of what our industry had a growth in the last full year, so this quarter variability typically happens because on the way the market responds in terms of stocking up, so I do not see that it is not indicative, the last quarter India volumes was about 5.8% that we grew is nothing indicative of the way the market is panning out, so overall we have grown the 11% which is pretty good. Infact if you see Q3, we grew to be significant, it is all because now the pipeline anywhere is managed by customers. Now with regards to the Rest of the World numbers, last quarter, we did see the impact in terms of global supply chain, so we would see that the entire supply chain was impacted first in terms of the availability of space on ships given that the entire logistic industry is going from bad to worse month after month and then what also complicated the situation was the lockdown of Suez Canal which also delayed certain of our shipments, so we do see things getting resolved and coming back. So although the international logistic situation remains still challenging but at least it is much better than the situation we had when the Suez Canal situation almost 15 days were messed up with the supply chain international logistics. It still continues to give us some sleepless nights, but we are managing it pretty well, so no further headwinds coming in terms of logistics situation. I think we expect things to come back in the Rest of the World in terms of better movement of material.

Sanjesh Jain: Okay, so you are telling logistics was a reason why we did not see the revival but from the next quarter onwards that should be visible, right?

K. Natarajan: Yes, we should see that getting better.

Sanjesh Jain: I have a few more, but I will come back in the queue, but the last question from my side is capex, what is the capex plan for FY2022 and what are the products we are looking to expand in the FY2022 or commercialize?

Unnathan Shekhar: Sanjesh I think our capex's have suddenly got impacted. We were almost done and the second wave hit, so in a way it has set us back. I think there is a further delay of something like 5 months to 6 months because of this second wave, so hopefully we would like to complete all the projects that we had begun about two years back in the next six months. I think, on capex if you see we always have a desire to incur something like 150 Crores every year and so this year also I think all goes well, we should be able to complete our capex and incur that capex of 150 Crores.

Sanjesh Jain: Okay, so this year 150 Crores because last year I think we did somewhere around 100 Crores?

K. Natarajan: Yes, we could not spend it, so the expenditure was around whatever you said.

K. Natarajan: Other thing Sanjesh is although we are ready in terms of all our plans but then the availability of the project manpower is becoming very critical, so that is something is what is slowing things down; however, we have plans in place.

Sanjesh Jain: But is our growth anyway hurt by this capex delay in any product?

Unnathan Shekhar: Yes, certainly yes. I think if something gets delayed, it certainly impacts our introductions.

Sanjesh Jain: So that means our introductions on the volumes should be better with this capex execution say it in the second half, right?

Unnathan Shekhar: Yes.

Sanjesh Jain: Got it. Thank you very much for answering all the questions and best of luck.

Moderator: Thank you. The next question is from the line of Naushad Chaudhary from Systematix. Please go ahead.

Naushad Chaudhary: Thanks for the opportunity. This is Naushad Chaudhary. Two clarifications, first on the raw material side, there is a sharp increase in the raw material prices and I think most of our clients are also suffering in terms of demand, so just wanted to understand what are the challenges we are facing in terms of passing on because there is a sharp jump and I believe here month-on-month passing on the prices, but looking at the kind of condition our clients are having what kind of challenges are we facing in terms of passing on this to clients?

K. Natarajan: Obviously, there is a graded way in which prices are adjusted into the market and we are doing that on ensuring that we are able to get the price increases which are coming up, but then the demand situation is what is critical. The way I look at it is that, if the demand situation continues to be robust combined with high commodity prices, it makes the job easier. We only hope that the demand situation does not get impacted because if that happens and the commodity price continue to remain high, then that will be different challenge that we need to face but we are cautiously optimistic that the demand situation would continue to be remain robust and that it will enable us to be in a better position to be able to pass on the price increases on the raw material front.

Naushad Chaudhary: Does it impact in terms of volume offtake as well if it continues the similar kind of around 10% to 12% in next one quarter to two quarters?

K. Natarajan: It was, see finally it all depends on how the consumer demand pans out in the market, so, the consumer demand does not get impacted because the amount of money that they are able to have in their hands to spend on these items, we do not see an issue. So our demand is only derivative of how the consumer demand pans out. So as of now we are not able to see any clear direction. We only see things are into a steady state. We only need to wait for next two months or three months to understand post this COVID wave that has happened how the demand has come back. We were in same situation last year as well around the same time, wherein we were also pretty uncertain about how the demand is going to pan out and it panned out well. So we do hope that the same situation repeats and then we will be in a better position to manage the raw material volatility.

Naushad Chaudhary: One more clarification, if I see the working capital cycle so despite sharp jump in the raw material prices as we have been going to manage our working capital quite well in terms of inventory days as well. So just wanted to check are we carrying our inventory lesser than what we us to carry. Let’s say two, three quarters back?

Unnathan Shekhar: Yes, in fact if you ask us the way the uncertainty in the international logistics situation is we would like to actually keep our inventory levels up. One of the reasons why it was lower was because our ability to stock up was impacted because of the international logistics situation that was there. So ideally yes, we would need to be better prepared because that would give us a good opportunity to partake in this our growth that we expect moving forward. Our ability to cater to pent-up demand is directly proportional to our ability to buildup inventories so ideally, we would like to build up inventories to be able to cater to the sort of growth that we expect moving forward.

Naushad Chaudhary: Actually, I was asking are we having a lesser inventory levels compared to the previous quarters because that does not reflect in the working capital cycle so technically, if we are having higher inventory compared to previous year?

Unnathan Shekhar: No we would like to build. We could not build inventory as well as we wanted to, that is what I was saying. So we would like to move forward with that, so what you see as a lower inventory level is not something that is ideal for us, so we would now focus in terms of how are we going to build up the inventory to the most optimum level, so that we do not miss out on partaking in the demand growth that we foresee.

Naushad Chaudhary: Understood. I will come back in queue. Thank you.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: Good afternoon and congratulations on such an improved performance in a tough year Sir. Sir, three to four questions from my side Sir. Sir, first is on our EBITDA per ton improvement are more specifically the gross margin per ton which has improved significantly and probably in the current quarter as per our number sitting at almost Rs.45000 per ton. So there has been a significant improvement there and this time we have seen this improvement has happened without much change in the product mix because the specialty product is still remains on a lower side only. So in last three years, we have seen that or the probably the last time when the sharp improvement in margin has happened it was mainly driven by the product mix change but this time, I think it has mainly improved from the surfactant business itself. So just wanted to understand that, has there been any significant changes in surfactant business has happened or it is just only because of the higher price increase and the raw material price remain rally which has benefited to you and it is maybe going forward margin per ton they will may come down slowly?

Unnathan Shekhar: Margins per ton will start tempering because we have started moving into a higher upcycle in terms of commodity prices and then the margin per kilo also gets influenced within performance surfactants in terms of what sort of the mix pans out, also mix difference within the performance surfactants is an important factor and the expenses also there is an inflationary pressure and then we do see that expense also would start going up so we do see that to some extent reasonable extent the margins can get tempered moving forward.

K. Ganesh Kamath: Also, there is a very important factor last year was this one-off export realizations in Egypt, so we have those cash payouts on export benefits last year which belong to the previous years.

Rohan Gupta: So that is why you said that have benefited last year but may not happen going forward?

K. Ganesh Kamath: Rohan as we had said in the last call, we increase the guidance on our EBITDA per metric ton to 16000 to 18000 per MT, as of now we would like to stick to that and we see that, that is something that should be realistically possible. The gross margin variable will be notwithstanding this is the range in which our EBITDA per metric ton would be Rs.16000 to Rs.18000 per metric ton.

Rohan Gupta: Exactly so that was the question I was coming at, Rs.16000 to Rs.18000 range which we have shared, and we are already doing almost more than Rs.19000 per ton have done more than in the last year. So, I think that there may be as you also rightly mentioned there maybe some tapering loss may happen in per ton margin in coming years?

K. Ganesh Kamath: As Shekar said we are cautiously optimistic that is how I would like to put it.

Rohan Gupta: Sir, do you see that there is any structural change in the surfactant business has happened with this rising prices or raw material prices rally with the lauryl fatty alcohol prices have almost doubled in the last year. Do you see that maybe some change may happen from towards the LABSA and or the lower end of the product category can see some growth and that may affect our margin profile?

K. Natarajan: See now everything is going up, basically there is no commodity that is not going up. LABSA prices have gone up significantly and alcohol also has gone up so only when they start decoupling that is when the issue would emerge but I do not see that happening at least in the next 9 months to 12 months because even LABSA is at a very high price today. So we do expect that this particular trend would continue and we do not see it as a headwind but obviously you never know as to how markets will behave so the way things are today, we do not see an issue on that front.

Unnathan Shekhar: One important structure which has happened is the increase in washing habits and cleaning habits of people across the world so which is an important structural change.

K. Natarajan: Which augers well for us.

Rohan Gupta: Right. crude is still have gone to the previous level and maybe slightly higher than the earlier level of $50 to $60 roughly $70 range but definitely fatty alcohol which used to be almost $1000 to $1200 is now $2000 to $2200 range, we do not know how long it will remain there so that is what I was just trying to understand that definitely that all the commodities have gone up but maybe in the fatty alcohol and in this kind of scenario the prices there has gone up more so can there be some short-term shift may happen towards the crude based derivative and crude based products?

K. Natarajan: No, it also depends on the end formulation and quality requirements which are required to be met but in terms of pricing shift, it is unlikely. Only if there is a significant deviation between the prices, it can be evaluated, otherwise, we do not see that as an issue.

Rohan Gupta: Sir our specialty product has been hit because of the restrictions in global travel and in the pandemic year. Do you see that with the opening up of the global economies over next six months to one year, that we may add significantly, or our specialty products basket can give a significant volume growth over next two years to three years once the global markets opens?

K. Natarajan: Yes, we are very, very optimistic about it and that is how we have built our capex at our various factories.

Rohan Gupta: Given Sir I understand that roughly 50 Crores, which we are talking about almost the annual capex a large part of that because in surfactants we already have a significant capacity, so a large part of this capex is going on this specialty products only, right?

K. Natarajan: Yes

Rohan Gupta: Sir what will be the utilization level of our surfactants right now and when do you see that with the current growth profile we need to go for the additional capex for surfactants?

K.Natarajan: We are currently at about 65% to 68%. Typically, we keep reviewing the same product wise, what sort of capacity we need to be ready with and we are planning for the future. So, that will keep happening, we already have some discussions on the drawing board, but that will keep happening depending on how the demand pans out and how many to prepare.

Rohan Gupta: I may have some follow up questions. I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.

Bhargav Buddhadev: Good afternoon team. Sir, is it possible to share the mix of specialty business in the India piece of revenue and the overseas piece of revenue?

Unnathan Shekhar: Essentially, specialty is a big portion of the Rest of the World market and within India probably it will be about 15%.

Bhargav Buddhadev: Essentially the growth would be coming primarily from the Rest of the World piece, right as far as the specialty business is concerned?

Unnathan Shekhar: No. I think as a matter of fact, all these specialty products are in line with the progressive trends which are happening and that is all the various specialty products are growing in importance both in our portfolio as well as in the consumption portfolio of customers. So, the time difference of course will be there. I think the growth will be led by the western countries, US, America and Japan and it will be followed by the various other economies like China, India, and so on.

Bhargav Buddhadev: As far as the quality of growth is concerned in India and China, given the under penetration, how different would be the realizations in India compared to overseas in your specialty portfolio? Would it be a very big number or would it be a small number?

Unnathan Shekhar: See as you said when we talk about performance Surfactants, our sales are always in the nearby geographies of the country where we have our manufacturing situated whereas specialties whatever we produce here goes to all the parts of the world. So if you look at our performance Surfactants, the manufacturing facilities are in India as well as in Egypt, majority of performance Surfactant sales happens in the geographies or the countries which are around India as well as Egypt whereas specialties whatever gets produced whether it is in India or Egypt goes across the world to various parts of the world, various countries.

Bhargav Buddhadev: Is that the reason why the margins in the standalone business are higher as compared to your subsidiaries because of manufacturing margins are captured in the standalone business?

Unnathan Shekhar: No, it also depends upon the product mix. See the product mixes will be different in India versus the product mix in Egypt versus the product mix in US. The product mixes will be different in different countries.

Bhargav Buddhadev: Lastly, you mentioned that there was a lower exports incentive booked in the current quarter as compared to the same quarter last year. So, is that it got accrued and you did not capture or how should we look into it?

K. Ganesh Kamath: That is to do with India export incentives. I think if you see the Indian government has held back. The MEIS scheme they capped it at Rs.2 Crores as in December and subsequently nothing was available, okay, so in India we used to have the incentive done on accrual basis which we stopped accruing based on what the government announced. So, there is a cut back on incentives announced by the Indian government.

Bhargav Buddhadev: Okay, so as and when it gets again reinstated and we receive the cash we might are increased?

K. Ganesh Kamath: We get that, so that will be allowed in new scheme called RoDTEP, so they are yet to announce the rates.

Bhargav Buddhadev: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Kapil Agarwal from Itus Capital. Please go ahead.

Kapil Agarwal: Sir, good afternoon. Could you give us rough volumes spread between the synthetic versus the biodegradable oleo-based surfactants and could you give us the margin you make on both and if they are any different also where you see the potential of the oleo-based Surfactants growing?

Unnathan Shekhar: If you look at globally the oleo-based surfactants are exclusively and fully used in all personal care and a large part of handwash products. However, the fabric wash uses both Petro as well as oleo and in terms of particularly premium products, premium fabric washes I think there is an increasing trend in terms of using oleo-based surfactants in line with the desires and goals of sustainability by all the manufacturers across the world. So, this is an important trend which is happening, but it will be progressive and gradual and evolutional.

Kapil Agarwal: Is it fair to assume that if the oleo is growing it will eat out of the synthetic surfactants in terms of volume?

Unnathan Shekhar: Can you repeat it in eat out what?

Kapil Agarwal: Is it fair to assume that if the oleo portion of the surfactants is growing in at larger pace and will it eat out the share of the synthetic surfactants that you provide?

Unnathan Shekhar: But that will be very, very gradual. See, as you said, it will possibly replace the synthetic surfactants in developed economies, but not so in developing economies.

Kapil Agarwal: Okay, I have one last question, regarding the Rest of the World your volumes degrew by 6.8% in FY2021, where do you see the bottleneck coming from in terms of regions for growth?

Unnathan Shekhar: I think this has been primarily because of the COVID situation okay, see as you know the growth rate of the personal home care industry at a global level has been about 2% to 3% okay, and this will be the growth level over the next even five years to ten years or so. But because of COVID, the growth rate has been severely impacted. So we would expect that this growth rate will come back once the world is fully vaccinated which could take maybe another about 10 months to 12 months or so. So, we would see certainly an impact because of COVID in terms of consumption of all these products maybe for a next 12 months. But we believe that it will come back with the vengeance once this period is over.

Kapil Agarwal: Thank you from my side.

Moderator: Thank you. The next question is from the line of Parthiv Jhonsa from NVS Brokerage Private Limited. Please go ahead.

Parthiv Jhonsa: Sir, just wanted to check, with one of the previous participant, you rightly pointed out that your volume would be say 2X or 3X in next couple of years, right?

Unnathan Shekhar: 2X, 3X of what?

Parthiv Jhonsa: Your volume growth?

Unnathan Shekhar: No, 2X we did not say that. We never said that.

Parthiv Jhonsa: Okay, might be my understanding is something different. Okay, I just wanted to check over say next two year to three years sir, what kind of the volume growth and the topline growth which a company can expect?

Unnathan Shekhar: We have only said that you would aspire to grow at the higher end of 6% to 8% volume growth that we have been talking of, so this year for example we grew by 5.2%, next year we grow by about 7% or so we would aspire to grow at the higher end of 6% to 8%.

Parthiv Jhonsa: What kind of margins would you expect and say over next two year to three years in the same range, it will be same range?

Unnathan Shekhar: We have said we are working for our EBITDA then you should look at EBITDA of Rs.16000 a metric ton to Rs.18000 a metric ton.

Parthiv Jhonsa: Per ton okay, got it. That answers my question. Thank you so much.

Moderator: Thank you. The next question is from the line of Dhruvam from HDFC Fund. Please go ahead.

Dhruvam: Thank you so much. Sir, if I look at the full year numbers and if I deduct the standalone from the console numbers and look at the EBITDA margins in the ex- standalone business, they have improved significantly even if I adjust for the onetime benefit that you might have got in Egypt, I believe in Q3 that you got. So, they have improved significantly, and this is a consistent trend that we see for the last few quarters. Sir anything that you can highlight what is helping, what is happening there structurally and what is changing in the business profile there for us to better understand how things are moving?

Unnathan Shekhar: If you see this year, the subsidiaries have done pretty well, both Egypt and Tri-K, US have done pretty well this year and we are cautiously optimistic going forward. Another important thing which is structurally happening in the business is the progressive increase of the specialty portfolio in the overall context, so which is of course driven by our innovations whether it is on non-toxic preservation or mild surfactants or vegetable proteins. So, these are the various platforms which reflect the consumer trends as the world evolves and progresses and this has got certainly a significant amount of fillip in this COVID year where people have realized that the attention to personal as well as socializing is extremely critical and important. So, we see that this trend is driving the consumption and growth for the personal homecare industry as we go forward.

Dhruvam: Just one thing on this if I understand it correctly, large part of the specialty portfolio that you sell is produced in India, Egypt if I am not wrong, is LABSA and I believe the US has something?

Unnathan Shekhar: Egypt also has started producing specialties and we will continue producing specialties even in Egypt. But yes, till date it has been predominantly the performance Surfactants.

Dhruvam: That is what I was aiming to understand the ex-subsidiaries have done well, so you mean this is not large primarily due to the specialty because that gets reflected in the standalone business. So, the ex- standalone also doing very well, I mean standalone is really doing well?

K. Natarajan: So, Tri-K is entirely specialty and our US operations, very largely specialty if not entirely and Egypt, the percentage of the specialty portfolio has been increasing year-on-year.

Unnathan Shekhar: Fortunately, both Egypt and US did not have any lockdown, so their operations fortunately were not significantly impacted at all unlike India. See we can say our Indian operations you can take it as 10 months operation, I think we did not run 12 months at all, so we ran in a way only for 9 and half months or 10 months as far the last year is concerned.

Dhruvam: Sure, because in that context in spite the Indian operations running at only say for the 10 months, your EBITDA per ton or gross margin per ton or the overall performance has been significantly better?

Unnathan Shekhar: Yes, that is because of the product mix as we said, if you strictly compare between the various subsidiaries, then India's product basket has a wider variety.

K.Natarajan: Other thing we had said earlier also in Egypt, there was this accrued incentives which we got on cash basis last year.

Dhruvam: That I have adjusted in my numbers, even existing.

Unnathan Shekhar: India your gross margin or EBITDA would be reflection of the product mix

Dhruvam: The point is, if I add back say for example for the two months impact in India and for the Rs.15 Crores impact which you had one off in this quarter, if I add back the numbers for full year would have been much better in that context probably the EBITDA per ton had been somewhere around Rs.20000 or odd. In that context your guidance of Rs.16000 to Rs.18000 looks conservative that is what I was trying to get?

Unnathan Shekhar: All of us would wish that it goes up and we would also wish that it goes up.

K. Natarajan: Last year there was significant jump so we would want to but then yes, the external scenario needs to be cooperative and then yes, our aim is to better it but then we would like to guide at 16000 per ton to 18000 per ton as we did in the last call.

Dhruvam: Okay, so the risk to these numbers, your reason for lower guidance is primarily because of the RM fluctuation and how that pans out will ultimately drive the overall thing that is what if I understand correctly, if the RM continues to be very high and demand does not pan out in that sense there could be some impact on margins that is why on a conservative basis you are guiding for a relatively lower number?

Unnathan Shekhar: It is also because as we have said, we will grow on both the categories, both performance surfactants and specialty and we have always reiterated that the gross margins or the

EBITDA per ton on specialties are high, but we would not like to lose on the volume growth of performance surfactants in the various geographies that we operate.

Dhruvam: I am at least not building any change in mix, assuming this mix remains same as it was say in FY2021, so even in that context your guidance of 16000 to 18000 per ton looks low that is the overall thinking?

Unnathan Shekhar: Yes, we would also like it to go up and always are striving is to ensure that we raise it.

Dhruvam: Sure Sir. So, Sir thanks. That is all. Thank you.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Namaskar Sir and thank you for the opportunity. Sir, off late correct me Sir Clariant Chemical has also entered into a JV with an Indian listed company, for taking over their Ethylene Oxide derivative unit, so are they in line being a competitor to us and what is their target markets where we also operate, if you could through some light on that?

Unnathan Shekhar: I think you are referring to India Glycols?

Saket Kapoor: Right?

Unnathan Shekhar: India Glycols has largely been only in glycols and certain anionics. I do not think they have been in other categories of surfactants. So, we have not seen them come across India Glycols as a competitor till date over the last say 20 years – 25 years or so.

Saket Kapoor: Okay, so they are in no direct competition with us as of now?

Unnathan Shekhar: We have not found out competition in the last 20 years – 25 years.

Saket Kapoor: Yes, thank you sir for the clarification. All the best, Sir. That is all from my side. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Thank you. Just one follow up from my side; on the blast which happened in Tarapur, we were supposed to receive certain issue in some amount, respond it to say where are we and what is the expected amount from that?

K. Ganesh Kamath: We have received the amount of the claim it is about Rs.70 lakhs.

Sanjesh Jain: The write down of Rs.7.2 Crores which we did, can you explain the rationale and what led to the write off?

K. Ganesh Kamath: Yes, this is a very old plant. It was set up 1984 in Tarapur and it is almost 35 years old. So, civil structures, everything was reviewed, and our evaluation said that this needs to be completely, even refurbished, you see for actually take it down and build a new one, so that is why said we should take the impairment and provide for it and that is what we did.

Sandesh Jain: Okay, got it. Thank you very much.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: Sir, thanks for the follow up. Sir, can you give a breakup for the full year in 2021 of T1, T2, T3 customers Sir?

K.Natarajan: Yes, it is about 53% Tier-1, Tier-2 was about 13%, Tier-3 was about 34%.

Rohan Gupta: Tier-3 was about 34% Sir?

K.Natarajan: Yes.

Rohan Gupta: Okay, Sir with the changing customer habit and probably the MNCs probably have seen a higher market share gain in pandemic year and some locals probably would have lost some market share. So, do you see that any change in mix over next one year to two years once this market is stabilized or we see that the market opens again or the things normalizes?

Unnathan Shekhar: We would see the disruption during this period wherever this COVID impact is there. But everything will come back to normalcy, once the situation normalizes or COVID totally vanishes from the world and that could happen in the next let us say 15 months or so then we would see every single parameter or matrix coming back to as before.

Rohan Gupta: Sir on this specialty product portfolio, I think that roughly now 35% kind of volumes coming from there. How do you see that this specialty volumes being guided for total volume growth of close to 6% to 8% and we like to remain on a higher range of that, we want specifically on the specialty products volume growth how do you see that over next two year to three years?

Unnathan Shekhar: I think they will fall within this particular overall range, certainly I think the absorption of specialty products is progressively increasing particularly in developed markets and even in India. So, overall volume growth as we said will be in the 6% to 8% range.

K. Natarajan: Because some of the specialty products are all low volume high end products, so it will be very difficult to put a number because it is the combination of various specialty products. So overall, 6% to 8% will be right number to be looking at.

Rohan Gupta: Okay, because Sir in last three years if you look at the cadre then definitely the volume growth would have been lower range of this, but we have seen a significant improvement in EBITDA and EBITDA growth has been much higher than the volume growth because of continuous improvement in margin. So, if we are looking at that margins may had a taper off or may remain at best at current level over next two years to three years then probably the growth only will be chasing the volume led growth and if that remains only 6% to 8% then probably, we may see a lower bottomline growth for next two year to three years that is what my concern was?

Unnathan Shekhar: Yes, first of all we also need to be looking at good amount of new age specialty products that we have launched. So, last one year we have some customers coming back in terms of their development activities, one of the primary reasons we are setting up the CAPEX, so we too have huge optimism in terms of our new specialty products that we have introduced, and we need to wait for some time for us to make some statements on this front. But yes, we are ensuring that we are growing on both legs of our whether it is both performance and specialty and innovation efforts are well structured and well in place to be able to partake in the opportunity that we see in the market.

Rohan Gupta: With the sharp rise in raw material prices and which are continuously rising have we been able to take all the price increases to the end products or there has been some hit on and we have not been able to completely take on the price increase?

Unnathan Shekhar: It has been a significant increase, so yes on a continuous basis the prices are being adjusted to reflect, the higher raw material prices. Even if the prices go down you do it in a calibrated manner in the same when the prices start going up you keep doing in a calibrated manner and things are getting adjusted. But as I said if you see the challenge can only get much more difficult if you have the demand getting impacted and the commodity prices continue to remain high then yes, obvious it is a very clear thing that absorption of the increased prices will be a problematic stuff. But we do not foresee that happening at least as of now.

Rohan Gupta: You see Sir that Unilever and Colgate and our customers have reflected this price increase, raw material prices which we are taking price increase, and they have reflected that in their end products. I mean all the detergents and soaps and toothpastes, all the prices have gone up in the same range for them to pass on the cost increase or they have been hitting hard on the margins?

Unnathan Shekhar: Not that I know anything about what they do, but then based on whatever I have heard in their press statements, what it tells me that they also will have an issue but Hindustan Lever's Sanjeev Mehta, has very clearly said that we will take up the price in a cautious manner but what is important for us is to ensure that we have the volume growth happening. So, I think it is not an easy question to answer but yes what he said was he will take a judicious price increase, so that is what they are doing.

Rohan Gupta: That answers my question. Thank you so much, Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Hitesh Sharma from White Sky. Please go ahead.

Hitesh Sharma: Good afternoon everyone. I just want to understand like capital work-in-progress as compared to last year this year has gone almost double. When is this project likely to be complete and be the benefit to the topline and bottomline?

Unnathan Shekhar: We are optimistic that we should be able to complete two projects in Tarapur and Jhagadia which we started about a year back in another four months to five months or so and we are optimistic and hopeful that we should be able to have the benefit of this in Q4 of FY2022. So, they are projects which we are eagerly waiting for and our customers are eagerly waiting for it and they would be very important contributor in terms of Galaxy's growth over the next few years or so.

Hitesh Sharma: I just would like to understand like what sort of turnover it will add to topline and bottomline?

Unnathan Shekhar: As we said our asset turnover ratio is in the region of let us say 3 to 3.5 and that happens over a period of let us say four years to six years or so. So, we would see a progressive growth and increase as far as the turnover is concerned coming from this particular capex over the next few years.

Hitesh Sharma: Thank you.

Moderator: Thank you. The next question is from the line of Dipen Sheth from Crystal Investment Advisors. Please go ahead.

Dipen Sheth: Thanks for the opportunity, Sirs. I tuned in a little late to the call and do not know if I have missed out some of the initial strategic comments that you might have made. What I want to understand is in terms of relative wallet share with some of our key customers and for the space or for the segments that we are suppliers to them, how much of the opportunities penetrated and how much more remains, do we have a five year–ten year growth runway to keep expanding and are we moving in that direction what is the evidence over the experience of your last year, if you were to look at say five or ten of your top customers. How much more of wallet share is available to us to capture, what is the opportunity penetration like?

Unnathan Shekhar: If you look at one of the key things about Galaxy is that we have had very, very long, abiding and sustainable relationship with our customers. Relationship with customers is anywhere from 10 to 40 years in line with when we started our relationship with them and we have continuously grown with each of our customers, we have grown across various categories, we have grown across various product baskets. So, we have continuously increased our wallet share with each of our customers in their various geographies and in their various categories and when we talk about the increase in the value share the trigger for this is not only in the customers growth but also the consumer trends which determines the emergence of new age requirements which drive away innovations. So, that the change in consumer trends brings an opportunity to us in terms of innovating new products which also enables us to increase the wallet share with our customers. So, this is a continuing phenomena and in terms of overall global growth rate has been about 2% to 3% of an industry which is collectively at about $600 billion. There is huge headroom available for growth particularly in the emerging markets like India and Africa and the Middle East and where Galaxy is very well positioned to be able to leverage and capitalize.

Dipen Sheth: As an analyst of your business, the thing that is most important for me is I want to be a five year or a ten year shareholder is not just whether you grow in line with the trends that your customers are encountering in the market whether volume growth or whether even new product rollouts, but whether you are capturing a bigger and bigger part of their addressable opportunity that you open up to you and so definitely is it fair to assume that there are some people like you who are losing out because of your faster growth?

Unnathan Shekhar: So, we have already said that, how we evaluate ourselves is that, how well we grow ahead of the market. So, we have always grown ahead of the market in the various geographies that we operate in and this has been a question which has come up and which we have answered and replied in every single conference call, the way we have grown ahead of the market in the various geographies that we operate in.

Dipen Sheth: So, that is what is the attractive itself I do not want to belabor the point, but you have done it so long is that still a run doing this for another decade that is the thing and if there is that is very heartening?

K.Natarajan: Yes, we do see that happening and then the way we increased wallet share is in terms of one is the organic growth that happened, second is in terms of getting into more countries and regions where we have enough presence and other is expanding the product, the basket itself with the customer, whether customer does not afford every product that he buys, so it is a constant progression that happens and we need to keep proving ourselves in our ability to be able to service them well across locations. So, it is a product basket expansion it will happen in terms of penetration, it will be geographical expansion which will happen and also in terms of new product, it will offer plus the changing trends in terms of re-formulations and all that also will present its own set up opportunities for us. So, that is why it is important that when check as the relationship only relation to ensure that we are always on top of their minds whenever any requirements, anything they want to be doing across certain geographies or enhance the products basket with us we are the top of the main supplier and that is very important and that is what we are good in doing and we will continue doing that.

Dipen Sheth: I could not have asked for a better response. Thanks very much. That will be all.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Deepak Thakkar from. Please go ahead.

Deepak Thakkar: Thanks to give me this opportunity. First of all really, I appreciate and congratulate you Sir and the entire team of our company to give such a wonderful result and you also said nicely that about 5Ps how resilience in even pandemic. Sir, my first question is about in pandemic the government has given this PLI schemes, so how much benefit we are able to take it of this scheme and now the world economies are looking at the country other than next to China. So, how much we are able to take advantage of this situation, Sir?

Unnathan Shekhar: Yes, first is with regards to our industry, the government has not yet announced any PLI scheme, so the government is looking at various sectors, our sector, there is no framework that has been set on to the PLI scheme that is the first. Secondly, if the government announces we will then see how the eligibility comes in and what you need to do. With regards to your second question on the China plus one factor, right now in our segment it is we export more into China even today. So, the question of certain demand it is currently catered to by China and how we can position ourselves against that, we are seeing is what opportunities can emerge we are evaluating it, but as of now there are no clear statements that we are able to make.

Deepak Thakkar: I see, thank you and one maybe you can call it as suggestion or your plans I would like to know. We are already completing 35 years, we are in the almost fourth year going to the public and we shareholders would request you to come out with the split or the bonus shares, dividend you are already increasing. Thank you, Sir. That is all.

Unnathan Shekhar: Thank you. We would appreciate and note your suggestion.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Unnathan Shekhar for closing comments.

Unnathan Shekhar: Ladies and gentlemen, thank you for attending this conference call, and I wish all the best. Please stay safe till we meet again. Take care. Thank you all.

Moderator: Thank you. On behalf of Galaxy Surfactants Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.