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Subject: Transcript of concall Q4 of FY 2023-24

Ref.: Regulation 46(2)(oa) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015.

Dear Sir/Madam,

Pursuant to the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, we are enclosing transcript of Earnings Conference Call for Q4 of FY 2023-24.

This is for your information and records.

Yours faithfully,
For **Galaxy Surfactants Limited**

Niranjan Ketkar
Company Secretary

Encl: as above

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“Galaxy Surfactants Limited Q4 FY24 Earnings Conference Call”

May 22, 2024

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**MANAGEMENT: MR. K. NATARAJAN – MANAGING DIRECTOR,
MR. VAIJANATH KULKARNI – EXECUTIVE DIRECTOR
& COO,
MR. ABHIJIT DAMLE - CFO,
SGA – INVESTOR RELATIONS ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Galaxy Surfactants Limited Q4 FY24 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. K. Natarajan - Managing Director from Galaxy Surfactants Limited. Thank you and over to you, sir.

K. Natarajan: Thank you. Good afternoon, ladies and gentlemen. I welcome you all to our Final Investor Conference Call for Financial Year '23-24.

Before we get into the call, since this is the first time I am proceeding over the call, I will start with a short introduction for members and participants who do not know me and my team. I am K. Natarajan - Managing Director. I have been associated with the company for the past 30 years and handled multiple roles across processes. I was inducted into the Board of Galaxy Surfactants Limited in 2016. Mr. Vaijanath Kulkarni, our executive director has taken over from me as the company's new chief operating officer. He has been associated with the company for the past 28 years having established and led our Galaxy Chemicals Egypt operation right since inception. Welcome, Vaiju. I also have with me Mr. Abhijit Damle - our CFO, who has been associated with the company for the past 15 years. He took over from Mr. Ganesh Kamath - our earlier Executive Director and CFO, in October 2022. Welcome, Abhijit.

The opening remark of mine is divided into three parts. In part one, I will cover the long-term picture. In part two, I will explain the medium-term picture, the cycle of demand vis-a-vis supply led inflation and supply restoration and in part three, I shall cover the performance for financial year 24 and provide a brief guidance for financial year 25.

Ladies and gentlemen, the long-term picture remains extremely positive. Since the financial year 2016, Galaxy has grown in terms of volumes by 1.5x, in terms of EBITDA by 2x and in terms of net profits by almost 3x, thus tripling our earnings and doubling our operations just over the last 8 years. In short, we have created nearly two Galaxy's in the last eight years in terms of earnings. So, this is certainly a significant achievement. Galaxy as an organization has always believed and focused on the long-term picture. And over the long term, we reiterate that the structural story remains intact, in fact, extremely positive and vibrant. With improvement in

accessibility via quick and e-commerce innovation led premiumization, rising value and quality based consumption, the headroom for growth is significant as far as the home and personal care industry is concerned.

Galaxy's positioning via its basket of products and strong relationships built across stakeholders will enable it surely to capitalize on the emerging opportunities. Having said that, as Marshall Goldsmith has commented what got you here won't get you there. So, we are not in any way resting on our past laurels, in fact, drawing inspiration from it. It will be critical for us to remain agile, stay focused and ensure we significantly climb the customers as well as innovation value ladder to build on this momentum.

Moving on to the medium-term picture, it is important for us to understand the demand cycle vis-à-vis the supply scenario, while a lot of this has already been spelt out over the conference calls we have had since 2020 connecting the same is critical to gauge and understand the future projections. The period between FY2020 to FY2023 saw low single digit volume growth for Galaxy while EBITDA per metric ton significantly improved from Rs 16,700 per metric ton to close to Rs. 25,000 per metric ton, thus resulting in a profit growing by 1.6 times as spelt out at the start of FY24. We did realize that this wasn't a sustainable model with negligible volume growth backed by profitability growth. It was critical for us to get the volume growth back. So, while the profitability has declined in FY23-24, we believe restoration of the demand and supply cycles is the biggest positive for this year.

Restoration lays the foundation for improvement in volumes, followed by improvement in margins going ahead. The reason I say this is because since 2020, there has been significant volatility across both demand and supply sides, which has adversely impacted the business. The period between 2020 and 2022 March was marked by moderate inflation, strong demand and stocking up the consumers due to various issues like container availability, raising freight costs and supply gaps. While demand was robust, we could not completely capitalize on the same to supply gaps in terms of our volume growth. Despite the constraints, specialty volumes had clocked their strongest quarter in quarter 4 FY2022. But just as the momentum was building up in the developed markets, the Russia-Ukraine war halted the momentum. The war saw a sudden uptick in inflation to record highs while suppliers and customers got an opportunity to pass on and maximize profitability in FY22-23, restoration of supplies declined in consumption to high prices led to an inventory glut. Rising prices and deteriorating macros eventually led to deterioration in demand, impacting mass demand in emerging markets and premium consumption in developed markets. Thus, the Financial Year '23-24 began with an inventory glut in developed markets and uncertainty with respect to demand revival in developing markets. While inflation has begun to cool off in H2 of calendar year 2022, demand revival only began around H2 of calendar year 2023.

Now, why is this important? It is because H2 calendar year 2023 marked the first time when both the demand and supply cycle stabilized was the pandemic. It started with mass consumption

making a comeback first, followed by the end of the destocking cycle at the end of 2023 in the developed markets, which eventually translated to strong pickup in masstige products in the start of 2024. While the Red Sea escalation briefly disrupted the supply chains in quarter 4 FY2024, it did not impact the demand. Unless there is any further escalation, we believe the same should not cause any further disruption.

Drawing insights from the 2020 to 2024, demand and supply cycles, we believe the destocking cycle is over H1 FY2025 will see stabilization and next restocking cycle will commence from the beginning of H2 2025. This will certainly help our demand for premium specialties. Momentum of mass and masstige products will sustain barring for any macro driven deterioration. Accelerated approvals will ensure new launches and sustained traction for our new products going ahead.

Finally moving on to our performance for Financial Year '24-25. Let me start with a big highlight of this quarter. We are pleased to share that your company Galaxy Surfactants won the Silver Award at the Prestigious In-Cosmetics Global in Paris for the best ingredient in the category of the best concerned. We are the only Indian as well as Asian company to have won this award and this puts us amongst the list of Elite innovative specialty companies. After four years of flat volumes, this year your company registered 7.7% volume growth meeting the 6% to 8% guidance stated at the start of the year. The EBITDA per metric plan at Rs. 20,019 per metric ton has come within the guided range of Rs. 19,500 to Rs. 20,500 per metric ton with quarter-on-quarter improvement starting from Q2 FY24. The change in product mix and reversal of one time benefits realized in FY23 saw the EBITDA per metric ton decline to Rs 20,019 per metric ton from RS 25,051 per metric ton. While this may appear significant, it needs to be understood factoring in the 7.7% volume growth as well as close to 6% export incentives that was not realized in our Egypt business this year.

Moving on to the individual markets, starting with India, India continues to remain a bright spot for us, registering 11% growth in financial year 24; while the momentum remains strong, rural recovery remains the key going ahead. Below-average rainfall slowdown, and premiumization remain key risks. Easing inflation, and stabilizing macros did help in recovery of mass segments in AMET market, while volume growth did decline by 1.5% for FY24, this was primarily due to the adverse volume degrowth we faced in January on account of the Red Sea escalation. Having said that, February and March were stronger than normal, therefore, barring any further escalations, AMET should see double digit volume growth in the coming year. Rest of the world made a strong comeback in H2 FY24, registering a healthy 29% volume growth, Q4 FY24 saw the company recording its highest quarterly volumes driven by masstige products. This is a very positive sign as it implies the end of destocking cycle and stabilization of demand.

Going ahead, as demand stability returns and an uptick in specialties and restocking will be the next big triggers. Accelerated approvals for new products along with uptick in premium specialties will ensure improvement in EBITDA per metric ton going ahead. While volume

growth should at 13.3% for FY24, going ahead FY25, we expect the mix to gravitate towards minimum specialties leading to better profitability. Summarized, as stability returns, volume growth will proceed with profitability growth. Therefore the key this year will be to ensure our volume momentum. Volume growth of 6% to 8% for FY25 will be the first target and uptick in premium specialties and improvement in the overall mix should further help in strengthening the EBITDA per metric ton. For FY25, the range we are working withstands Rs. 20,500 to Rs. 21,500 per metric ton with H2 gravitating towards the upper range of the band and H1 being closer to the lower range.

More importantly, we plan to get back to the 22% to 23% ROCE band from existing 18% clocked in FY24, thus complying with the terminal principles of PAT growth being higher than EBITDA growth and EBITDA growth being higher than the volume growth. To conclude, ladies and gentlemen, with the ethos and relationships built over decades at Galaxy, we remain fully committed to ensuring we would sustain and build on this momentum for the coming decades.

Thank you and wishing you all the very best.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Sir, I have a few questions to ask. Sir, of the guided volume growth of 6% to 8% for FY25 and EBITDA of around Rs. 20.5 to Rs. 21.5 per kg range, what you just mentioned on, are this sort of volume growth what assumptions we have taken for each of the categories of performance as well as the specialty? Like if I have heard it clearly, we clock something around 13% to 14% volume growth for specialty in FY24. So, can you just help us with the assumptions you are taking for the volume growth of FY25 between these two broad categories?

K. Natarajan: No, these two because there is matter of details, but what is important is that we are looking at the growth momentum continuing in the rest of the world. That essentially means that specialty chemicals should grow better, and more importantly, the mix in the specialty care ingredients should be much better whereas performance surfactants will be majorly driven by what happens in India and Africa and Middle East, Turkey. We do see as far as Africa, Middle East, Turkey is the worst is behind us in terms of the Red Sea issues and the demand stabilizing. And as regards India, the growth momentum needs to continue. So, this would ensure that we can deliver with any of this mix in the 6% to 8% band.

Nirav Jimudia: But sir, safe to assume that this year would be more towards the growth in the specialty volumes like what we have seen in FY24, so the momentum should again be built up over the specialty volumes and like you mentioned that this would be more towards the premium categories rather than the masstige categories which should happen from second-half of April 25?

K. Natarajan: Yes. So, that is what is the expectation. And then if that fructifies and sustains that should be good. But finally, what is important for us to ensure that we are able to grow across geography in customer segments because we also know that each of the geographies has its challenges. And how do we ensure that we are able to be ahead of the game and ensure that we are able to capitalize on every opportunity. So, that is the approach.

Nirav Jimudia: Sir, second question is for India, like we have seen a double digit volume growth for FY24. So, is it possible to bifurcate these growth numbers between how much it has come from the new product launches or the new customers being acquired or the newer applications of our products or was there a market share gain in India, because of which we have seen this double digit volume growth?

K. Natarajan: So, one is in terms of we have, I may not be able to give the exact breakup, but I can tell you that this particular volume was driven by essentially acquiring new customers as we what we call as hunting for new customers and then also getting a bigger wallet share from an existing customers, and there are certain new products that we launched, but that obviously in India market has not been significant, but that also has contributed to enabling us to get to that double digit volume growth.

Moderator: Thank you. The next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Sir, my first question is, last quarter, you highlighted that because of this Red Sea crisis, there has been a deferment of volumes. So, this quarter also serves like we are witnessing because of the Red Sea crisis, again the sequential volume growth is a bit lower. So, again, would we be witnessing some deferment of volumes in Q1?

K. Natarajan: See, if you look at the quarter 3 when we spoke, there was essentially a situation when only November end, the whole blockade happened, and the rerouting of the shipment started happening by the shipping companies. So, when we spoke to you in the call sometime in February, we had said the worst was behind us and things would start improving. But then it started improving, but not at the pace that we would want to be able to recoup whatever volumes we had lost. So, we are into this situation where things have improved, but they have not come back to what it was before the Red Sea blockade happened. We see that the whole thing would start getting better to the pre Red Sea blockade levels in the coming month or so.

Aditya Khetan: Sir, last quarter you did also mention that the one off volume was almost 2000 tons, so similar figure can you give for the current quarter, how much because of the Red Sea crisis impact on the volumes?

K. Natarajan: So, essentially, you look at that, we are talking about something like something of about 2500 metric tons.

- Aditya Khetan:** So, these volumes will be recouped in the coming quarter?
- K. Natarajan:** Yes, that is what we would want to, because we do see that the demand side seems to be healthy. We also have a situation where we have to keep informing customers about certain delays that we see. So, once we have also reset our supply chain, we have started building in inventories, given the higher transit times for the incoming material. So, we do see that we have a good probability of it getting recouped, but we will keep our fingers crossed to the sense that we would like things to work out the way that we anticipate, but things are looking much better than what it was in the previous investor call.
- Aditya Khetan:** Sir, my second question is on to the competition. Sir, we know that one of our competitors is doing a huge investment in the Oleochemical business, how you see, sir for the next 2-3 years the competitive intensity into the export market from India will go up and which companies might gain some market share going ahead?
- K. Natarajan:** First of all, we are not in the Oleochemicals, so we are actually into Oleochemical derivatives. So, in Oleochemicals, obviously, I would wish them the very best. But if you look at our product categories, our export market competition is not from India. We compete with all our major competitors from Europe, Asia Pacific, and America. So, our ability to engage with competition is a much higher order and we do welcome good competition because that gets the best out of us.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking Limited. Please go ahead.
- Rohit Nagraj:** Sir, the first question is, during last concall, we also mentioned that next year we are expecting the volume growth of 8% to 9%, which was above our normal band of 6% to 8%. So, what has changed in the last couple of months in terms of broader picture that we have resorted to 6% to 8% volume growth guidance for the next year?
- K. Natarajan:** We have said very clearly that we want to be looking at exceeding our 6% to 8% volume growth, but we are keeping the guidance at the same range given that there are a lot of moving parts, but yes, as we said last time, we want to be looking at breaching the higher end of the band in terms of volume growth. The guidance is only there; we are keeping it at 6% to 8%, but our intention and intensity to do beyond that is very high. But you only want the external environment to be cooperative, correct which is what we said last time as well.
- Rohit Nagraj:** The second question is, we had also mentioned that in the developed markets, we have started seeing green shoots in terms of restocking. So, how is the progress now, given that you mentioned that restocking probably will happen in the second-half of this financial year.

K. Natarajan: So, there are two things. One is what happened, given the way the demand really tanked vis-a-vis what they had anticipated and the higher inventory they had built foreseeing a tight supply chain situation. When all of this got resolved and all the customers were saddled with excess inventory, you have a situation where the destocking was happening across the value chain at my customers end, at the consumer end and even at the ingredient manufacturer's end. We are saying that people have started ordering material, as we said last time. So, that means that they have exhausted whatever inventory was there earlier and they have started being cautious in terms of building the pipeline. Once the consumer demand momentum is very clearly established, we see them increasing the stocking in the channel, which is very important because the channel stocking has depleted significantly. Now, that destocking as we call it, we expect it to happen in H2, although the orders have started coming in because we had a situation where the 6 months, none of them were ordering any material that from January we saw people coming back in terms of order, but restocking we see happening from H2 wherein they will start rebuilding the inventory pipeline significantly higher.

Rohit Nagraj: And just I can squeeze last one, in terms of the AMET market, what are we currently paying in terms of the historical issues and the latest issue in terms of the Israel war, so have the people got acclimatized in terms of the ongoing issues and the normalcy in terms of consumption is returning and allied question to that in terms of the incremental cost because of the higher freight rates, whether that is also being absorbed by the market?

Vaijanath Kulkarni: So, those situation geopolitically has not fully normalized. We are clearly seeing a good normalization of rhythm in business with our customers and in the consumption market. There is still a little bit of stress because of Red Sea supply chain issues because there are longer lead times and supply chain times are elongated to that extent. We have not yet reached the full equilibrium, as Mr. Natarajan said, which should be fully in place in the coming few weeks, and then we see that we are able to service effectively the demand which we are clearly seeing a science of a good normalization as far as the AMET market is concerned, so the issues are not impacting. Also related, the currency in Egypt has completely normalized, it has gone to free float. The availability of foreign exchange is extremely normal there, so the rest of the trade also has quite eased out, and that also should have a positive impact on establishing of equilibrium that we talked about.

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

Sanjay Jain: First one is more a bookkeeping question, sir, in the presentation, we have shared the growth rates only for the full year. Can you give us growth rates for this quarter, Q4, for performance specialty AMET, India and ROW? That is number one? Number two is on the EBITDA per kg for this quarter excluding other income. We were at Rs. Rs 16.90 paisa while sequentially, there is an increase in the gross profit, but I think there is significant inflation per kg driving down the EBITDA. What is driving sharp inflation in operating cost per kg in this quarter?

- K. Natarajan:** So, first is you want the volume growth rates for the quarter?
- Sanjay Jain:** For the quarter, yes, for Q4 Y-o-Y?
- K. Natarajan:** So, if you look at the total volume grew by almost 5.5%, but majorly led by a good 25% growth rate in our specialty care ingredients, whereas performance surfactants because of the Egypt issue that we had, because Egypt majorly does performance surfactants, we degrew by 5%, India grew by about 4%, AMET degrew by 12.5%, which is what I told you whereas the rest of the world, led by our specialty ingredients, grew by almost 32%. Now, coming to your other question in terms of what has been the impact in terms of cost leading to, see what has happened is, as we said, the Red Sea blockade resulted in a significant increase in freight cost. And many of those freight costs, we were not able to pass it on in the Jan, Feb, and March quarters. My freight costs have really been high, whereas the previous corresponding period that was not the case was not the case in the previous corresponding period. So, we had to absorb a good amount of the increase now, which we have started passing on the new ones only from this financial year. So, that has been one major impact.
- Sanjay Jain:** That is the only impact?
- K. Natarajan:** Yes.
- Sanjay Jain:** One last bit, India suddenly appears to have decelerated from mid teens kind of a growth to low single digit growth, why, because I don't think the externalities hurt India because it is largely a local market for us, what has led to a sudden?
- K. Natarajan:** So, if you see India, we have overall grown by 11%, which is much ahead of the market growth rate. So, it is only in terms of the, what do you call quarter-on-quarter stuff. So, that is the only thing. There is nothing significant to look into that because we have grown by 11%, the question of there is always quarter-on-quarter, some customers start buying lower in one quarter and higher in one quarter, those sorts of adjustments.
- Sanjay Jain:** Because we grew very sharply this year versus what industry has grown, how sustainable is this kind of growth because it appears that it is decelerating right by the numbers?
- K. Natarajan:** No, if you look at only the last quarter, it gives you the impression. But what I can say is that it is more in terms of the way customers adjust their buying. So, we don't see anything significant as far as decelerating our listing in terms of growing ahead of the market. So, even this 3.5% is ahead of the market because all of them have reported negative volume growth rates, if you look at it, all our customers have reported negative volume growth in the Jan March quarter, whereas previously they were reporting at least 2% or 3% growth, but in Jan-March quarter all of them had reported negative volume growth. So, that also has to be considered.

Moderator: Thank you. The next question is from the line of Arun Prasath from Avendus Park. Please go ahead.

Arun Prasath: Sir, my first question is again on the guidance front at 6% to 8% volume growth. I am just curious to understand how much of this depends on the macro sustenance and then how much of this depends upon, say our new molecules or new capacities or a new unit coming on stream? Because it seems like we have done around Rs. 450 crores of CAPEX in last three years, at some point of time, this should result in a couple of molecules scaling up and gaining traction. So, how much of this volume growth depends upon the CAPEX that we have done in the reason times? That is my first question, sir?

K. Natarajan: So, if you look at it, my major capacity additions that happened over the last three years have been on the specialty ingredients. If you see that we have started seeing good traction there. The only thing that we want to look at is how the mix changes more towards the premium specialties that we have, which is what depends on the US and Europe coming back from what they have been into in terms of destocking plus also, there have been last about one year because of the high inflation situation and the demand coming down. Many of the customers, the production pipeline got pushed. So, we are seeing that getting revived in terms of their work, recommencing work on that. So, we see that it is going to be something where we have to drive what is there on performance surfactants, where we have capacity both in India and Egypt, whereas for specialties, we are looking at how do we start whatever investments we had done, it started to see a good amount of results in terms of the way the volumes are growing there.

Arun Prasath: Sir, if we have to understand the specialties where you have done a lot of CAPEX and when that recovers, you are saying that we should see a lot more growth than what we are?

K. Natarajan: Yes.

Arun Prasath: But in terms of actual volumes, we are at around 80,000-85,000 tons of roughly is our volume in specialty, so what is the max potential it can go up to before we start investing once again in specialty?

K. Natarajan: See if I can go almost up to 100,000 to 110,000. But then we also need to know that in terms of what capacities we have currently, but we also look at, there are certain super specialties for which we are in the process of even setting up capacities, some of them we have already set up. Those will start getting once the projects in pipeline start getting matured, we will see those results as well coming in. So, we are well positioned to be able to start catering to any spike in demand that we see on this specialty front. We are fully prepared.

Arun Prasath: Sir, your 100,000 and 105,000 tons are based on 75% utilization or is that peak utilization?

K. Natarajan: No, that is you are talking about something like 80%.

- Arun Prasath:** So, you were talking about the specialty volumes reaching up to 105,000, my clarification on that is that we usually put CAPEX on treating certain utilization. So, is this volume based on that utilization or is its peak 100% utilization?
- K. Natarajan:** No, typically it will be at about 80% to 85% capacity utilization.
- Arun Prasath:** So, 105,000 will be equivalent to the 85% utilization?
- K. Natarajan:** Right.
- Arun Prasath:** Sir, but you also noted in your opening remarks that the demand for the masstige categories is increasing. Is that the behavioral change on the consumers in the rest of the world, especially in the developed market portfolio and if that is the case, this specialty care products going up, isn't there a disconnect between this if the masstige continues to do very well?
- K. Natarajan:** Yes. So, that is why. So, it is important that if you look at it the world over, I think all the consumers have become very aspirational. So, depending on what their per capita income is, you would see that there are some economies that are still majorly all to just the mass products, whereas some like India typically are moving majorly into the masstige. It is straddling all three segments very properly, both mass, we see a good momentum happening into masstige and we also see equally good space available for prestige and premium products. We also see those trends in, say, the other developing economies as well. So, that is why you see that with specialty ingredients, we need to have the entire basket available, both what is required for the masstige and what is required for the high end premium specialties which you call as prestige.
- Arun Prasath:** Any new molecules you are hopeful will break and become significant and can start contributing much more than in the past, sir? Are any such molecules in pipeline which can?
- K. Natarajan:** We have the molecules in the pipeline, which we are working on. Some of them are probably at the last stage of establishing capability. Some of them are where we should be looking at, how we set up commercial capacity. So, that is the ongoing process. So, maybe introduce mild surfactants, various categories, and isocyanates, including glycinate, sarcosinates, glutamates, and laurates. Similarly, we did on non-toxic preservative. So, they will constantly keep rejigging the portfolio of premium specialties and specialties given the clear understanding what we have the consumer trends.
- Arun Prasath:** And finally, once again, on this Red Sea escalation, sir, it seems like the consumption is not impacted in those geographies, just that our ability to place volumes is impacted because of the longer route. So, essentially, what we understand is that we have temporarily lost market share. So, how do we hope to gain back those, especially if the local suppliers are active and competitive?

- K. Natarajan:** Given that the suppliers are constrained in terms of the incoming feedstock because we need the Africa, Middle East, Turkey is majorly import-intensive market. Many of the ingredients get imported, many of the feedstocks get imported. So, what we are saying is how well you can manage your incoming supply chain and outgoing supply chain and have the ability to have headroom in capacities to cater to what demand doesn't get served. Because if we are not able to serve every person in the same boat because all of them are exposed to the same supply chain and consider in terms of incoming raw material. So, how well we are able to manage the incoming raw material and how well our supply chain is geared to be able to quickly get in the material produced and send it out is what is going to determine, and we are pretty well positioned as far as that is concerned.
- Arun Prasath:** Sir, that means essentially you are saying in these markets there is a destocking has happened because everyone couldn't supply.
- K. Natarajan:** Yes, because that is the force destocking, you may say, because people want material, but they don't have material. They are not able to get it. It is not a question of losing share, it is a question of the market has not been served because of the supply chain issues.
- Moderator:** Thank you. The next question is from the line of Abhishek Navalgund from Nirmal Bang Equities. Please go ahead.
- Abhishek Navalgund:** Sir, my first question is on the operating cash flow generation. So, we have almost generated more than Rs. 500 crores. So, assuming this run rate continues, how are you planning to deploy the excess cash going forward? There can be acceleration in case rates, or are we considering any M&A going forward?
- K. Natarajan:** No, as we have said, we have a CAPEX of close to Rs. 150-Rs. 200 crores. So, that is also there. So, we have very clear visibility on CAPEX. We also know that we are in a good position to look at certain very viable inorganic growth opportunities that are in line with the strategic intent. So, that is also something we keep scanning. So, what is clear is that we are in a good position to be able to capitalize on opportunities to grow our capabilities pretty well. We are also going to be investing on certain digitalization agenda that are very critical on some RV infrastructure, on some people infrastructure. So, that is something the good calculation enables us to be able to really plan and equip ourselves for the long term.
- Abhishek Navalgund:** And my next question is on Tri-K, so possible to share the full year EBITDA and PAT number for FY24?
- K. Natarajan:** No, we don't share the numbers. I think that will probably come during the annual report we churn out. Right now, we don't have that.

Moderator: Thank you. The next question is from the line of Karan Gupta from Varanium Capital. Please go ahead.

Karan Gupta: So, I would like to ask a question from a broader perspective. As you also said in your opening remarks, you are very optimistic about the long-term picture, so that is one thing? The second is our financials always be dependent on this fluctuation of this raw material kind of thing and how we are positioning ourselves in the global market, right and this demand side and supply side, how the supply side is coming into the industry overall globally and also in the India? And what is the demand scenario you are seeing for the next 4-5 years? I know the product significance is very high as we are moving into the premiumization of the products in all the categories, right, whether it is healthcare, oral care, home care kind of thing. So, how do you see the demand scenario and the supply side?

K. Natarajan: Yes as you said when I said we are extremely positive and extremely equivalent what you say as far as the future is concerned, because we know this industry is a very exciting industry, all that we see in terms of some destocking, whatever happens and then certain consumer trends in terms of looking at it, things coming down or a supply chain issue is only temporary. So, now every time something like this happens, we end up getting equipped further in terms of tackling these sorts of challenges and it enables us to be one step ahead of others to be able to capitalize on the opportunity. So, that is what gives us confidence in terms of the structurally, this industry is in a fantastic position. Coming to the ability to be able to manage our business because it is subject to huge raw material volatility, that is something we have demonstrated over the last 10 years, the way that we have managed significant volatilities both in terms of frequency and intensity, and that is enabled by the very robust risk management system that we have in place. With regard to the third, what do we see as the growth rates in the coming 4-5 years? However, what is this thing? However, this thing is expected to grow from 6% to 8%. The global growth rates, we didn't know because that will be what we are aiming for in terms of the combination of how well we are able to grow our footprint for our performance surfactants and special ingredients and how we will equip ourselves internally in terms of our operations capability and people capability, we will determine as to how well we are able to exceed this target number of 6% to 8%.

Karan Gupta: And every year, we are increasing our number of patents. It is how these patents are competitive in terms of price and quality that you are delivering?

K. Natarajan: All my patents have patents, which are on process patents, patents on products, patents on application. What is clear is that they are patents which have their own, what do you say advantages and some of the patents which essentially enable us to be able to cater to products in line with the consumer trends. Some of it will be work in process in terms of commercialization. So, it is good that we have so many patents and product possibilities to get to the market.

Moderator: Thank you. The next question is from the line of Gokul Maheshwari from Awriga Capital Advisors. Please go ahead.

Gokul Maheshwari: My question is on the AMET business, over the last few years, your volumes peaked in 2021 where you were close to 95,000 odd tons and this year you are close to around 70,000 tons. So, that is like 25% lower than that number. Now there have been external macro issues with that region. So, could you just give any perspective for the next 2-3 years for this region that once your volumes are down because of this, is that an opportunity loss or you can recoup that ground and achieve those peak volumes in the near future?

K. Natarajan: Yes. So, AMET, obviously, as all of us know that it has been at the epicenter of a lot of geopolitical tensions and that has its own challenges in terms of both impacting demand and supply. So, as of now, we see that post the Israel-Hamas conflict, we did see that things settling down and from here on, if you look at it, but for the Red Sea blockade and everything, we had actually gathered a good momentum to be able to exceed our last year number of 71,000 tons, So, we were actually looking at close to 74,000 metric tons this year, but the supply chain issues actually prevented us from catering to that to reaching that number to see that the demand sees impact and our preparation in terms of meeting that demand in terms of both capacities and our supply chain capabilities is very much intact. We will see that this year will see things getting significantly better in terms of the approaching the higher numbers of the previous years of all close to 80,000 to 85,000 tons.

Gokul Maheshwari: So, in that context that you can go back to your peak volumes in the next couple of years?

K. Natarajan: Next couple of years, if you look at the peak volume, which was in 21 of 94,000 tons, I would not want to auger any guess there because that looks steep, but then we will be into a proper trajectory to get there in the next 5 years, the way I see it.

Moderator: Thank you. The next question is from the line of Shalini Gupta from East India Securities Limited. Please go ahead.

Shalini Gupta: Sir, the first question is on the revenue. So, if you could please give the volume growth for the quarter as well as the realization increase because lauryl alcohol prices have been flat during the quarter, Y-o-Y flat?

K. Natarajan: Correct, but the pricing does not impact immediately. So, there are a lot of things in terms of the mix that will be there plus also in terms of certain contracts or products of the feedstock you have done much earlier. So, the flow is not exactly an annual how the prices correlate, it all depends on how the contracts flow in what we have done previously. So, it will be difficult to correlate quarter-on-quarter in terms of the feedstock price.

Shalini Gupta: But what was the volume growth during the quarter?

- K. Natarajan:** So, we grew by about 5.5%.
- Shalini Gupta:** And sir, my second question, when I when I just look at my sheet, the quarterly growth for performance surfactants is 6% decline, and the same for specialty chemicals is 10% increase. Am I in range or am I out of range or if you could give the growth figure performance and specialty chemicals?
- K. Natarajan:** So, Vijay just said, I think I answered to Sanjay's that particular question, so I think in the quarter-on-quarter, I think we grew our specialty in about 28% whereas performance surfactants degrew by about 5%, giving us a overall growth rate of the quarter-on-quarter of 5.5%.
- Shalini Gupta:** The performance surfactants was 5% and sir I think he himself has asked you, what was the EBITDA per kg for the quarter?
- K. Natarajan:** EBITDA per kg for the quarter, yes, we said it is about Rs 20,600 per metric ton.
- Moderator:** Thank you. The next question is from the line of Nilesh Ghughe from HDFC Securities. Please go ahead.
- Nilesh Ghughe:** Sir, my question is on customer split. So, if I look at this quarter number, the T1 and T2 customers, the contribution from T1 and T2 customer has gone down over last four quarters while the T3 local and niche, where the contribution has gone up significantly, Y-o-Y also and the quarter-on-quarter also, but at the same time, we are mentioning that the specialty care business is going up. So, are the local and niche player moving towards specialty care, is my understanding right?
- K. Natarajan:** No, that may not be the right understanding because if you look at it, it is also in terms of how is our customer acquisition plan, how do our business team acquire new customers? How do you broad base our customer profile and portfolio because that is a very critical? How do we grow the existing grow our wallet share with the existing customers and how do we also need new customers on boarded? So, if you see this particular improvement in Tier-2, Tier-3 cities, you are seeing in these in terms of the actions we initiated almost for the last three years which is rectifying in terms of that particular category of customers growing. There is nothing in terms of looking at saying that whether Tier-2, Tier-3 are more looking into specialty, that is not a good correlation to have. That is not the case at all.
- Moderator:** Thank you. The next question is from the line of Sudhanshu from Marcellus Investment Managers. Please go ahead.
- Sudhanshu:** Just two quick questions. This quarter, we have seen significant increase in other income. Can you help me understand what drove that? Secondly, what is the sustainable tax rate? Every quarter, we have seen the tax rate come down for the company. So, going forward, what should we assume a sustainable tax rate for the company?

- Abhijit Damle:** So, other income will comprise of certain treasury income and also some foreign exchange benefit that we are having and the tax rate, what you are saying, will be impacted by some permanent differences leading to a lower average tax rate.
- Sudhanshu:** So, this quarter's tax should be assumed that to be sustainable or could it fall further?
- Abhijit Damle:** It will be sustainable, the only thing is, the composition of different subsidiaries will certainly impact it because one of the subsidiaries, which is Egypt, it has a 0 nil tax rate. So, to that extent the tax rate will also impact on the contribution that the subsidiary gives in the overall consolidated number.
- Sudhanshu:** Just on the other income piece, you mentioned that it is treasury income and assets gain, so would it be primarily because of treasury income or primarily because asset gain largely have been consistent for the last few quarters. So, what should we attribute it to?
- Abhijit Damle:** So, you are saying for the quarter?
- Sudhanshu:** Yes.
- Abhijit Damle:** For the quarter, it will majorly be the foreign exchange income.
- Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking Limited. Please go ahead.
- Rohit Nagraj:** Just one clarification on EBITDA per metric ton. So, during FY24, the EBITDA per metric ton is close to about Rs20,000 including the other income. If we knock off the other income of about 1500 per metric ton, the EBITDA per metric ton comes to around Rs. 18,500 and next year we have guided for Rs 20.5 to Rs 21.5, so does that also include the other income part which is closer to Rs. 1,500 during FY24?
- K. Natarajan:** What needs to be understood is that when we got the other income in the last quarter, we also had the extra freight impact cost that was there, correct. So, we are saying that now the freight cost which we started passing on, so we would expect that normalcy to get restored. So, we are not looking at other income being significantly higher, whatever, we are looking at things in a very normal way, getting us to close to Rs 20,500 to Rs 21,500 per metric tons.
- Moderator:** Thank you. The next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.
- Aditya Khetan:** Sir, in FY24 we have granted 6 new patents and 5 are in India. So, this 5 new patents will be converted into products, and when we will be supplying to our final customers on this? And what could be, so this patents volume?

- Vaijhanath Kulkarni:** So, those molecules which are just into the patent process, generally have time to scale it up and go to the market. So, depends on the type of the patent. So, but typically, in a time frame of about one to three years, they will blossom into the market opportunities.
- Aditya Khetan:** And how many patents are in the pipeline right now for the next 2 years?
- K. Natarajan:** In fact, we are working on that. So, there is nothing in pipeline because we constantly keep evaluating whatever we work on in our innovation lab, whether it is worth patenting, sometimes we have molecules where we have a good intensive property, but we decide not to patent. So, we have in the pipeline, evaluation being done as to whether at all, we need to patent and whether it is patentable. So, that is the ongoing process.
- Aditya Khetan:** Sir, for the domestic surfactants industry volume for FY24?
- K. Natarajan:** So, we said India grew about 3.52% in the quarter.
- Aditya Khetan:** Sir, 3.5% for full fiscal FY24?
- K. Natarajan:** No, full fiscal was 11%.
- Moderator:** Thank you. The last question is from the line of Arun Prasath from Avendus Park. Please go ahead.
- Arun Prasath:** Sir, once again, on the freight rate that you couldn't pass it on during this Q4 because of the Red Sea, when you are recovering it from the customers in this fiscal that will also you will recover the retrospective cost that you couldn't pass it on or only from going forward you will be doing that?
- K. Natarajan:** No, first thing is to ensure first thing is to ensure that we are able to pass on the new freight rates. So, we also typically this in terms of trying to, this is essentially telling customers about the situation and then prevail appeal to them to see whether some part can be recovered or what we incurred in the previous contract, so that is the ongoing, somewhere it happens, somewhere it doesn't happen, but the most priority stuff is to pass on this thing from the new contract which we have already done.
- Arun Prasath:** So, most of our contractors are on the landed basis, not on the FOB basis, that is the reason why?
- K. Natarajan:** Yes. I think 90% of what we do is all either GDP or CIF.
- Arun Prasath:** And is there any way to move away from this and go into, say FOB based contract, so that this kind of issues will be sorted out in the future? Is it clients are not warming up for that?

K. Natarajan: So, one value delivery that must be done to customers is how do we manage and give them as good as a local supply chain. The more I try to get into FOB, I may end up solving one problem because this doesn't happen every time. But then you will become not that relevant to your customers, right? Because of everything they have to do, what is our value delivery to them?

Arun Prasath: And this new guidance that we are talking about Rs 20.5 to Rs 21.5, so how much of this is based on this additional feed that you have assumed to pass it on? So, if not for that, what it will look like, sir?

K. Natarajan: There is no new additional freight, I am only saying whatever freight rates increase, I don't pass, my passing on the actual rates that are applicable from April. That is what I am saying. It is not in terms of trying to recover more or earlier. So, that is not going to be possible. It is only in terms of earlier, I couldn't pass on increased rates because the contract was already in place, so there was a hit to the P&L. Now, I am saying from April onwards, I am able to pass on what the actual freight rates are.

Arun Prasath: And for some reason, if the freight rate goes down, still we will be able to command the same price at which we went into contact or immediately, we will have to pass it on?

K. Natarajan: No, there again it depends on what is the contractual stuff. So, it has more to do with how the contracts are structured with the customer. But in most cases, it will be the freight itself fixed and typically we don't do anything beyond three months or six months at max.

Moderator: Thank you. As that was the last question for today, I now hand the conference over to the management for closing comments. Over to you, sir.

K. Natarajan: Thanks to all of you and appreciate the interest that each one of you has shown in our business and our performance. Look forward to meeting you all and engaging with you in the conference call in the month of July, that is August that we will have for our Q1 FY25 results. Thank you and all the best.

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