Galaxy Surfactants Ltd.

Global Supplier to Global Brands

August 13, 2024

National Stock Exchange of India Ltd., Listing Compliance Department Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East) Mumbai – 400 051 **Scrip Symbol: GALAXYSURF**	BSE Limited, Listing Department, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 **Scrip Code: 540935**

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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 Q1 of FY 2024-25.

This is for your information and records.

Yours faithfully,
For **Galaxy Surfactants Limited**

NIRANJAN ARUN KETKAR
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Niranjan Ketkar
Company Secretary

Encl: as above

“Galaxy Surfactants Limited
Q1 FY’25 Earnings Conference Call”
August 09, 2024

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 9th August 2024 will prevail.”

MANAGEMENT: **MR. K. NATARAJAN – MANAGING DIRECTOR**
MR. VAIJANATH KULKARNI –EXECUTIVE DIRECTOR & CHIEF OPERATING OFFICER
MR. ABHIJIT DAMLE – CHIEF FINANCIAL OFFICER
SGA – INVESTOR RELATIONS ADVISORS

Moderator: Ladies and gentlemen, good day, and welcome to Galaxy Surfactants Limited Q1 FY'25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantees of future performance and 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 star then zero 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. Very good morning, ladies and gentlemen. On this call with me is Mr. Vaijanath Kulkarni, my Chief Operating Officer and Executive Director; and Mr. Abhijit Damle, our Group Chief Financial Officer.

So once again, very good morning, it gives me much pleasure to welcome you all to our first investor conference call for FY'24-'25. As I look back at the quarter gone by, the comparative that comes to my mind is that of the head of the tortoise story. We have all grown up hearing the story, but perfectly descriptive of the scenario today. At one end, we had a volatile supply chain and geopolitical escalations, which we had in the space has been changing rapidly. And in the other hand, we have the demand scenario, which like the tortoise, has been slowly, but certainly improving across geographies.

In a world destabilized by volatile macros, logistical challenges and elongated lead times, attaining the upper range of the guided volume growth was a major positive in this quarter. I strongly believe the volume momentum to sustain going ahead, driven by growth across all geographies, while volume growth was in line with our expectations, the EBITDA for per metric ton came in at INR20,197 per metric ton, slightly below the guided band of INR20,500 to INR21,500 per metric ton.

Higher supply chain costs across all locations contributed towards this being lower than the guided range of INR20,500 per metric ton. Despite multiple challenges, I believe we are on track to regain our profitability trajectory. There are visible signs of improving demand for our premium specialities, which should enable an improvement in our overall profitability. This quarter's volume growth across all regions and segments was a major positive.

James Clear in his book, Atomic Habit, has said, we often dismiss small changes because they don't seem to matter very much in the moment. Drawing inspiration from the same, I now will take you through the small but important improvements that have happened in this quarter, as this will play an important role as far as this year's performance will be concerned.

Starting with India, which grew by 2% in this quarter. While this happen to be relatively slower compared to double-digit growth we have seen in the last 4 years, this comes on the back of a relatively slower April that we had before for an extremely strong May and June. Above average monsoons, deliver of rural spending, along with the consumption incentivizing budget should ensure strong momentum going ahead.

Despite the geopolitical escalation and aggressive prices, Africa and Middle East and Turkey grew by 4.9% in this quarter. This is a major positive, small but steady improvement in quarter-on-quarter despite deteriorating macros gives us the confidence that the path to revival which began in H2 of FY 2024 is now moving towards the path of growth.

We remain cautiously optimistic and are working towards delivering on a high single-digit growth this year in our Africa and Middle East and Turkey markets. As the rate cap cycle gathers momentum, improving all our spending has slowly translated into strong demand for masstige categories. This is a phenomenon visible across all developed markets.

This quarter saw our company growing by 24.5% in rest of the world markets driven by strong growth seen in Europe and Latin America. We strongly believe the momentum in masstige categories should translate to strong double-digit growth for these markets. Improving consumer sentiment should accelerate new launches of premium specialty products, which in turn, should aid our premium specialties from H2 FY'24-'25.

As one can see, your company has grown across all regions in this quarter. Even segmentally while our performance of surfactants grew at 5.4%, specialties driven by masstige recorded 13.3% growth. While overall volume growth stood at 8%, sequentially as well as year-on-year, we saw growth in our EBITDA. While demand remains steady across geographies, capitalizing on the same was a major challenge given the supply volatility.

Unavailability of containers, port congestion and some of the major ports in the world, combined with higher lead times and rationalized availability of raw materials, adversely impacted the volumes in this quarter. A more supportive environment would have resulted in strong double-digit volume growth for the company.

To conclude, as Greek philosopher Epictetus had said, just keep in mind that more we value things out of our control, the less control we have. In line with that, at Galaxy, we remain focused on what we can control, at least in terms of new launches, leveraging and enhancing our share with customers, adding new customers or building capabilities, competence and competitiveness across businesses. Our endeavor remains to focus on improving ourselves as an organization. As instability, volatility and crisis gathers, we at Galaxy remains fully committed and focused towards ensuring stable, consistent and improving performances.

Thank you, ladies and gentlemen.

Moderator: The first question is from the line of Aditya Khetan from SMIFS Institutional Equities.

Aditya Khetan: First question is on to the improvement in your per-kilo EBITDA spreads for this quarter. Sir, despite the logistic challenges and the continued Red Sea crises, you had also mentioned in your presentation that raw material arrivals are impacted and despite of finished goods. And higher freight rates also would have been there. But despite this number, our other expenses have gone down on a sequential basis. Any particular reasons?

K. Natarajan: No, so the other expenses typically it is more from the freight because freight is part of the revenue in terms of based on the incoterms that we have. So typically, there are some -- the DDP shipments were lower within this quarter, then the revenue, the DDP costs are much higher than CIF freight costs. So that can be the only explanation for that, nothing else.

Aditya Khetan: Okay. And sir, there was availability of containers, like have you faced this problem? Or were we having very smooth operations for this quarter in the exports market?

K. Natarajan: No, no, no. I wasn't smooth at all. That's what I said during my opening address that the challenges actually aggravated pretty significantly from May onwards. It was both incoming and outgoing. So there will -- you're transit times are very elongated, conditions across all the major ports. And even availability of containers and slots -- forget about the rate increases, even availability has become a challenge.

But yes, my team has been doing a fantastic job in terms of managing in this new normal. And we do hope that if the situation doesn't escalate, my team has found a way to manage despite all these constraints.

Aditya Khetan: Okay. Sir, this has started from May, as you mentioned. So like for the coming quarters, can we see some softening of volumes? Or it will be against a low economy?

K. Natarajan: So what I'm saying is that the demand scenario looks robust across geographies. The supply chain situation, though not improving, at least should not deteriorate. If it doesn't deteriorate today, we don't see any reason why we can't have a good volume growth next quarter as well.

Aditya Khetan: Okay. Perfect. Sir, on to the volume performance. As mentioned in your presentation that the rest of the world markets have seen a good improvement. Any particular geography which we can mention like which has seen a sharp uptick in demand or in volume?

K. Natarajan: Yes. We have Europe. We have Latin America. We also have Asia-Pacific.

Aditya Khetan: Okay. Okay. And sir, this will continue going ahead? And along with this, you expect the AMET market also to like to perform? Or it will remain flattish like in terms of volume growth, probably?

K. Natarajan: So the rest of the world is growing by 24.5%. Also, we need to understand is based on lower base that was there in the corresponding quarter last year because the destocking impact started happening only from that quarter. So that is one. But yes, given that we still have a good robust demand emerging from these geographies, we will continue the growth momentum.

With regard to the Africa and Middle East Turkey market, again, we see no reason why our demand growth that we had this quarter cannot be continued. The only spoiler can be that the supply situation worsens beyond today's.

Aditya Khetan: Okay. This quarter gone to EBITDA per kilo, like there is a very good improvement, standing at around INR19, INR19.50. So sir, like we had guided for INR20.5 to INR21.5 as the guidance. So are we on track to beat that guidance also considering these Q1 numbers and if there is a significant improvement from here on?

K. Natarajan: So what we had said when we guided to the higher end when we increased the range of guidance to -- from INR20,500 to INR21,500 band, we have said very clearly what is going to make us fit this higher band, is we expect the speciality ingredients to start catching up from the H2 of this year. So we continue to remain consistent on that. And we do hope that once that happens, we should see the EBITDA per metric ton also trending towards the higher end of the guide.

Moderator: The next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: First, on the India market, it's -- because the other FMCG companies have also reported the slower volume growth, but how has been the trend post June? Is it holding up the faster growth of May and June, even in the July and beyond quarter?

K. Natarajan: Yes. So far, we are seeing that holding up.

Sanjesh Jain: They're holding up. Okay. And from next quarter onwards, this should at least again cross that mid-single-digit kind of volume growth, right?

K. Natarajan: It should. But as all of them, all our customers come in to see -- they're seeing that the rural demand is coming up in last quarter, and they expect that to continue given the good monsoon that we have had and the budget that has put more money in the hands of the rural consumers. So with all these in place and the price corrections that have happened, surely this was -- rural demand is close to register good growth. So we do hope that really transpires into a good demand for us as well.

Sanjesh Jain: Got it. And on AMET, somehow it feels that I thought we can grow by double digit because this was very favorable, and we are still at the mid-single digit of 5%. What is happening in AMET? Is recovery slower or competition more aggressive? What's happening on the AMET market?

K. Natarajan: AMET, actually, we could have done much better. But as I said, there are red issues in terms of getting incoming consignments. Because of the red issue, the incoming raw materials were severely impacted. In fact, we have containers coming almost 30, 40 days after the schedule date of our arrival. This sort of uncertainty production also got impacted I think there was no dearth of demand to cater to. The issue was in terms of availability of feedstock to continue production. This is better now, which is getting better in terms of the way we are managing it. So if the situation doesn't deteriorate further, I think we should see some good numbers moving forward.

Sanjesh Jain: So for remaining 3 quarters, if assuming supply chain issue normalizes, we should be hitting double-digit growth at least, right, in the AMET market.

K. Natarajan: Yes, that is what we are aiming at. We do hope that the environment supports us. That's what is our endeavor.

Sanjesh Jain: Got it. And you mentioned about premium product launches in the H2. Are you hinting at product taking into more geographies or are you hinting at new product launches itself?

K. Natarajan: I didn't say new launches. What had happened, Sanjesh, was only about last 12, 15 months, because of the cutback in demand that happened in the U.S. and Europe, the destocking and all that led to many of our customers where we have started certain projects in pipeline for our new products, they have suspended work on this because they were finding that the demand itself has gone to -- so that has started, that has recommenced in terms of the work on that.

Sanjesh Jain: So you are telling that the premium product, which customers were launching, which were not launched because of the weaker market are getting launched now?

K. Natarajan: Correct. So we have got some indication to customers that they have revised those. If that is the case, it also mean that it's answered into date, taking those premium specialty from us, which will then help us in terms of a better EBITDA per metric ton in H2. That's what we said.

Sanjesh Jain: Natarajan, can you give a little bit more color on the specialty? What is driving more growth for us? It is preservative cities, mile surfactant or is it value-added products? What is driving growth in the specialty for us?

K. Natarajan: Actually, it's a combination. It's not just one of it. So we have preservatives. We have mild surfactants. We have our non-toxic preservatives, okay? And also some of the new products that we launched; we are seeing some early victories. That also has started. So it's -- so that is rounded and are well spread out, this thing in terms of specialties. But we would want the premium subsidies to now contribute more. And that depends on our customers' repricing, the launches that they have held back.

Sanjesh Jain: When you say premium product, what are these products are we referring to?

K. Natarajan: No, you're talking about say, high-end cleansing solutions. We're looking at high-end cleansing bars, you're looking at, say, solid format shampoo bars. We're looking at high-end skin moisturizing creams, which require better emollients and high-end emollients. We're looking at certain formulations that require safe preservatives, natural ingredients or ingredients with more naturalized index and I'm talking about these sort of products

Sanjesh Jain: And how has been proteins doing for us? I think we expanded the capacity in Tri-K as well. How has been the performance of proteins for us?

K. Natarajan: So it has been good. So this quarter was a revival quarter as far as that business is concern because that suffered significantly last year in terms of the destocking that happened in the U.S. and the way Europe demand was very tepid. That has started getting revised. So I think that's good. So that also was one of the highlights of first quarter in North America business.

Moderator: The next question is from the line of Arun Prasath from Avendus Spark.

Arun Prasath: My first question is once again on the specialty care growth of mid-20. So how much of this growth can we attribute to restocking and how much is -- do we say because of the customers' new product launch? Because last time, we had these container issues, customers were overordering more than the required. So there will be a little bit portion of the growth attributable to that as well?

K. Natarajan: I don't -- unfortunately, I don't have the split that you're asking for, but the right question. But in order to get here, probably I think about 40% of this can be attributed to the stocking of -- the restocking, as I can call it. The balance is in terms of certain geographies where we also got some newer businesses. I would put it that way.

Arun Prasath: So that means maybe this very high double-digit growth can also be attributable to the low base which should slightly normalize from the second half, that's the way to think about this?

K. Natarajan: Yes. But the way to think what is currently happening will continue. But then if you have certain products that are in the pipeline, which the customers are now looking at reevaluating and relaunching with their customers last year, it can be a different story. But if it is without that, it just continues. Definitely -- also means that if the demand picks up, the company will also start restocking because many of the inventories at my customers and also at the retailer end also been hit very significantly. And the people are now with the demand being robust, they will start looking at restocking and increasing inventory levels to the normal as it should be right now. Many of the unity levels are pretty tight across the value chain, okay? And so I think that also can be perceived, that restocking also should happen. But this can also be one of the other positives in terms of the demand.

Arun Prasath: Sir, last time we spoke, you indicated the specialty volumes, if we reach around 105 then you will kick start the capex program. Now looking at the current growth trajectory, we should be very close to that level. So the capex on the specialty side, is it in the timeline?

K. Natarajan: So there is one which is already under implementation and execution. I think we're looking at getting it commissioned by end of this financial year. And there is something more that is on the drawing board which we are working on. Because we always need to be in capacity and ahead of the demand coming in. So that, we are well preparing, because we can't afford to lose any demand because we don't have the capacity. So that we are very much on track.

Arun Prasath: Just a bit more color on this capacity. So it will be more on the non-toxic preservatives or mild surfactants, where do you see very high incremental growth has come back to the capacities currently we have?

K. Natarajan: No, it will actually be in -- it can be effective, which one it will be. Because many of the high-end formulations will require both mild surfactants and non-toxic preservatives. And high-end emollients, okay, and emulsifiers. So this is something that will be across. So we may not be able to very clearly demarcate to say as to which will be the sort of capacity that will get set up. Because some of them will be debottling , some of them will be brownfield investments that we'll be doing.

Arun Prasath: Understood. Sir, my second question is on India. Last 2 quarters, the growth has slowed down. But we have given a commentary that it is upon the rural and demand recovery. So anything else which can help us deliver the part from rural? Do you see any potential from the urban side also? Any indication from the customer that this can rebound back even if the growth doesn't come on?

K. Natarajan: Yes. See, what has happened, Arun, is that all the FMCG companies have started taking price cuts, various prices only over the last -- probably most of it happened in the last quarter, very significantly. So now that should start sanctioning demand because good demand from both rural and urban, okay?

And all of them have started reporting -- if you see all of my customers have started reporting after a long time, the volume-led growth and not a value-add growth. In fact, value growth is negative. The entire growth is coming through volume, which essentially indicates that these price corrections have been yielding results in terms of volume growth. And we do expect that we start translating into volume growth for us also in line with that.

In India, again, if you see, it's only because many of them, when they took price correction, they also want to ensure that the inventory is just at minimum, correct? Because they don't want to be having -- the high price inventory, the new price in the lower segment existing together. So that also starts resulting in sudden cutback in terms of their production. And now once the demand is intact, you'll have restocking happening, they build up the inventory pipeline again, and that will be good.

So in India, you see the real barometer is effective demand that starts from August. August, September, October, demand will determine as to whether the demand growth has come back on-track. So we'll wait for that. The current indications tell me that my customers are optimistic that it will sustain.

Arun Prasath: One clarification, you said the price that's happening on the ground. Is it a direct price cut or is it -- why are there grammage increase, sir?

K. Natarajan: No, there are multiple. There is a combination of this. Price cut also has been set, there are one -- if you buy a pack of 2, 1 is free., you also have grammage increase. So it is a combination of all this. You have some customers doing this, some customers and some products, they end up doing grammage increase, some products, they're giving one for 2 free. And some, they are looking at taking clear price cuts. So it's a combination that is happening.

Arun Prasath: Okay. So this grammage which has happened recently, that is where your focused or you're hopeful that India volume growth will have a bounce back? And along with the increasing demand, is that the right understanding?

K. Natarajan: So can you repeat the question? I think I lost you in between.

Arun Prasath: Sir, this grammage, which was taken recently, that is where we are hopeful that the India volume growth can come back? Is that right understanding?

K. Natarajan: Typically, the FMCG consumers will always look at grammage increase before they take a price cut. The grammage increase will tell them whether the demand is a competitive way to test out. So when they do 2 for 1 free, it tells them because if you do a direct price cut, then you can again take the price up.

So these are the ways for them to test off. So that's what they're doing. Once they realize that it is complex, they will then get back to actual price cuts. So they will convert those grammage increase to a price reduction and restore the grammage that was there earlier. So that's typically what they do every time. They do the same thing when they do increased price, they don't increase the price of the first year. They increase -- they reduce the grammage, okay, when they look for what -- and then they slowly start reducing price. So the same thing they do it when they have to unwind these price increase cycles.

Arun Prasath: So in this cycle, where we are at this point of time, so we have already seen grammage cut and the demand is taking -- so I just wanted to understand, we are in which part of the cycle in this?

K. Natarajan: So right now, based on the commentary that my customers are giving, today morning, I read something of A.C. Nielsen. He tells me that rural demand is picking up, it is good. And all our customers are getting into rural, where even there are 1,000 consumers using AI and all that to tell their sales team, they always expect to target, okay consumers who bought products there in rural area which is good.

But right now, if you see all of them are saying very clearly that all that they're doing in terms of price action is resulting in green shorts in terms of demand looking up, and they expect this to continue. So we are also seeing that this is continuing. The only thing is we need to see it going up to a higher level, which should happen in the testing season as it was...

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Congrats on a good set of numbers. Sir, first question is the absorption of the incremental logistics costs. So given that it's been almost 6 months since the Red Sea issue started coming -- I mean, happened, whether those costs have now been completely passed on to the customers and whether the customers have completely absorbed this price increase. And here on, given the current environment remains the same, the pricing part from the logistic cost will not affect us. So just your thoughts on this one.

K. Natarajan: Yes, yes. So I think we have been -- obviously, it gets passed on with the lag. So I think with the increases, there are no further increases that happened. I think we would have been successful in passing on all the increase. But what happened last quarter was something also different where the incoming freights went up significantly.

And that results in raw material cost going up, which we have the cost of passing up. But I only -- as I said earlier, that in October, the shipping companies tell us that things would start stabilizing. So till that time, we would like to find ways to ensure that we can engage with the customers and that we can judiciously pass on the increases.

Rohit Nagraj: Sure. That's helpful. And my second question is in terms of our future growth from new product development. So are there any pockets which are currently untapped by our may be in specialty care products and where we are currently working on and these probably will be giving us incremental growth.

Given that, I mean, historically also, we've been always specifying that 6% to 8% volume growth is largely what we expect when the FMCG grows slightly below that. So are there any such untapped areas which we are working on? And those will continue to give us volume growth to an extent? And obviously, the margin improvement, which we have suggested, 4%, 5% every single year, that will also be on track.

K. Natarajan: Yes. So untapped will be in terms of geographies that we need to be further penetrating also in terms of certain things that we need to increase our basket of ingredients with customers, which also we agree.

With regard to new products, okay, we know that there are several consumer trends which our innovation team is working on in terms of coming up with product solutions. So those will be something that we can say is untapped because we're still not ready with the product. But the good amount of product that we have launched, and we have initiated a lot of projects in pipeline with the customers, we should see it translating into demand as quarters go by.

So we are well positioned in all segments. So we need to be coming up with newer product ideas in line with the consumer trends and commercial as well. We also have to ensure that whatever we have launched, that we need to be ensuring that we are able to get better revenues and margins out of that, which is what we are working on.

And which is what got solved in terms of development by customers because of the unfavorable demand situation in the developed market, which is getting rewarded now, which offers well for us in terms of the way that H2 and onwards will look. And we also need to focus on how do we acquire more customers, we also penetrate geographies that we're currently under penetrated. So it's a combination of all this.

Rohit Nagraj: Sure. Just one clarification on this. In terms of the innovation funnel, normally, how much of that is driven from our side? And how much of that is coming from customer and in terms of certain applications or specific criteria?

K. Natarajan: So I think what we come up -- so it probably can be say, let's say, 50-50, 60-40, 50-50 in terms of what we come up with and sometimes what customers tell us. That's what they want. So it's a combination. So some of the innovation pipeline also involves some of the innovation that we do, which it's in line with the sustainability agenda. So that's also something -- is part of that. So you can say, just to be back of the level of calculation, I can tell you about 50% -- 50% to 60% can be what is initiated by us and the balance, 40%, 50% can be what the customers then brought us into thinking.

Moderator: The next question is from the line of Krishan Parwani from JM Financial.

Krishan Parwani: Just a couple of clarification. So does this quarter of volume includes the 2,500 metric tonne deferred volume from the last quarter?

K. Natarajan: Yes, it does. And some volumes from this quarter also have deferred next quarter in terms of whatever we could not sell because of supplier ratio. This continues. So this includes both.

Krishan Parwani: Okay. And secondly, did favorable inventory kind of help you in making higher per-kg EBITDA?

K. Natarajan: No, not exactly. It was more in terms of my specialty ingredients contribution going out also helps, okay, plus also in terms of -- we managed our raw material as well where the raw material prices also were on a steady or an increasing side, but not very significant, okay?

But then, it was more in terms of how you manage the freight situation, that was important. In terms of how you manage your freight buying, how do you manage the engagement with customers, how do you ensure that we're able to get the material reach to the customers on time. So the companies have always enabled us to have a good -- a reasonably good EBITDA.

Krishan Parwani: Noted. So I think, sir, you mentioned your specialty contribution going up. But in terms of -- I mean, specialty contribution, let's say, basis or calculation in terms of volume, it's almost like gone down by 4 percentage points. And in terms of revenue contribution, it's gone down by 3 percentage points sequentially. So I'm not sure what I'm missing.

K. Natarajan: Actually, the specialty care year-on-year has grown by about 13% okay? And you have performance of the fiber. So there was sequentially -- I'm not talking to you in terms of your year-on-year, okay? I'm not talking quarter-on-quarter. Quarter-on-quarter, there can always be the changes. But we are now talking about year-on-year. Year-on-year, specialty care grew by about 13%, right? And performance effectively grew by about 5.5%, delivering a weighted average of over 8%.

Krishan Parwani: Okay. Fair enough. And lastly, I think you mentioned that freight is also included in your pricing, basically on a CIF basis. So let's say, does that mean once the freight situation gets better from October, as you mentioned, our realization and per kg profitability could also come down? I mean we have seen that in -- happening from 3Q '23 to...

K. Natarajan: No, no, no, see, what happens is that -- the point here is we do FOB shipments, depending on what the customer wants, we do export shipments, we do CIF shipments, we do DDP shipments. Now what I said was -- I was asked why your freight has gone up to some -- why has your average gone up by some INR18 crores. To this, I explained that it has nothing to do with whether it is an impact because we are not able to pass on the trade impact.

If our DDP shipments were higher in terms of percentage in this quarter as compared to the customer's last year, the DDP costs are much higher than even in FOB. In FOB, there is no freight included. But then once I book debt, I also took a customary expense also, correct? So I said that is our expense. It is not a question of a margin impact. So it is not a margin impact. Margin impact will be only -- we are unable to pass on all the costs, whether it be freight or DDP cost to our customers, which we have been able to do with a lag in the way that the freight rates have been going up. That's what I said.

Moderator: The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance.

Keyur Pandya: Sir, first question is just to get clarity that we heard news about Unilever reducing the content of palm oil in their products now. Does that have anything to do with any implications for our products? Or is it something else? Just -- I mean, the very basic question, but to get understanding on it.

K. Natarajan: Yes. So we actually -- first thing is we want -- our products don't have anything in traditional soaps, which are made from oil. So there is nothing -- no connection with what business lines that we are in. So we don't cater into soaps. What we do is -- Syndet soap is a specialty for us, which is synthetic detergent soap. So it has nothing to do with what Unilever announced in terms of reducing the farm content by 25%. So there is no connection with our business.

Keyur Pandya: Okay. Understood. Second, on -- I think in past we have mentioned that I mean AMET plans also caters to the Europe demand. Therefore, AMET performance is impacted by what happens in Europe's demand as well. So I mean, where are we in terms of, say, demand recurring Europe? And in that backdrop, how should we see the performance of the AMET which is impacted by both demand in the AMET region as well as Europe region?

K. Natarajan: Yes, the demand in AMET region, I think demand in Europe, I have been looking at that. And then we do hope that this continues. But one of the challenges that our Egypt plant had was in terms of the availability of feedstocks to continue to have uninterrupted production to serve customers. So last quarter was a very, very severe quarter in terms of the impact of incoming raw materials. But despite that, the team has delivered a 6% volume growth is commendable. But with things being where they are today and not further aggravated, I think our team is well positioned to be able to meet some enhancement that we are seeing both in AMET region and in Europe.

Keyur Pandya: So there is good challenge in terms of end user demand in either of the regions? I mean incremental deterioration...

K. Natarajan: You said very good?

Keyur Pandya: I mean there is no challenge at the end user geographies that is AMET or...

K. Natarajan: The demand mercifully seems to be looking up, which is good. But we only need the supply side to be supported. So I think if things didn't worsen from here on, we would have found a way to participate in the demand growth.

Keyur Pandya: Okay. Just -- and last question. So I mean all this challenge in terms of freight rates or container availability is because of the longer route taken by the ships because of the Red Sea channel? Or is there anything else? I mean, any concrete reasons for this? And are you seeing any improvement on that side?

K. Natarajan: No, no, no. This is essentially the Red Sea crisis started in November when we had skipped going through the Red Sea. So we skipped Suez Canal there to go through the Cape of Good Hope. So we have ships taking more time to get to their destination. So containers also took more time to come back. And then you also have China trying to send a lot of material into the U.S., okay, in terms of EV components to keep the higher duty rates we had seen from October.

So there is a combination of factors that aggravated, which led to congestions at ports, unavailability of containers, freight rates going up. Everything that -- all that could go discerned in here has happened. So now we are only saying this having happened it can -- it shouldn't worsen from here on. So we don't want any geopolitical escalation that can further mess up with Red Sea situation.

Moderator: The next question is from the line of Shalini Gupta from East India Securities.

Shalini Gupta: I have to take 2, 3 questions. One is that what is your view on lauryl alcohol prices. We have looked up a bit, but...

K. Natarajan: See lauryl -alcohol prices have been -- it's been -- it is only increasing, in fact, increased by about 10% compared to the previous quarter in this quarter. But if you see the last one month, it has gone up significantly, aided by the increase in the oil price.

So it's like -- it's going to be another about 30% in just about 30 days. But then we are also seeing some corrections. So this is a constant piecethat keeps happening. That's why it's very critical where we need to have a very robust raw material management framework in place, which we have. So we're ensuring that we have the right buying down, the timing of the buying and the quantum of buying to take care of this price volatility.

Shalini Gupta: Okay. So -- and you're expecting the price -- the high prices to sustain, this kind of 30% price increase in one month, you're seeing?

K. Natarajan: No, I don't want it to sustain, but that's what it is today. Any increase in feedstock price is going to also result in my customers having to pass that on to consumers and the demand that is now making come back based on the price reductions we have done should not get impacted because they have to then again increase the prices. So it is not good from a consumer demand perspective for the prices to sustain. I only said to the question that you asked, that we have started looking at it again. And we do hope that it comes back to and gets normalised at levels the previous quarter.

Shalini Gupta: And sir, earlier, you had guided for about 8% volume growth in sort of financial year '25. That remains?

K. Natarajan: Yes, fixed rate percent. Yes, that remains. That remains.

Shalini Gupta: And what kind of increase in realization are you looking at? 6% to 8% volume growth is clear, but increase in prices?

K. Natarajan: So prices, we're talking about EBITDA range we have given. We increased the guidance last quarter to INR20,500 to 21,500 per metric tonne. So the industry builds on that as a volume growth plus increase in EBITDA means that we have more amount of specialties that should contribute, which we said should happen from H2, that the rational, we increased it. And we continue with the same guidance.

Moderator: The next question is from the line of Aditya Khetan from SMIFS Institutional Limited.

Aditya Khetan: Sir, this -- so this rise into the lauryl alcohol prices, is this also related to the higher freight cost globally, which is going up?

K. Natarajan: That is one, but oil prices have increased significantly in the last 3 to 4 weeks. Palm prices have gone up, palm oil prices have gone up, soya prices have gone up. So entire oil complex is not up. And which essentially leads to an increase in your feedstock derivative prices plus the increased freight rate also contributes. That is an added one.

Aditya Khetan: Okay. So sir, does this rise into the lauryl alcohol prices to trigger a revision in your fixed contract prices also like with the customers you had made?

K. Natarajan: Yes, it all depends on what sort of contracts we have. There are contracts where we have gotten the resets for prices. There are contracts where we do a contract for 6 months or 1 year, and then we need to ensure that we have the covers taken at those prices and we close the positions.

So there are various -- not all customers buy in a particular -- in the same way. So there are different models. Only thing is we need to ensure whichever model we have, we need to have a system by which we are able to manage the risk in terms of the open positions of the feedstock which we have a very good system, which is proven. Over the last 8 years, where we have managed this sort of volatility in a very elegant and effective manner, we proved it having significant impact on our profitability.

Aditya Khetan: Okay. Sir, my second question, sir, I would like to give you 2 scenarios. Sir, first is in FY'24 when the global inflation was high, demand was lower and exports market was weak. So still, we had managed to give a 8% volume growth. Now sir, this year, we are talking of the rest of the world markets showing good volume growth. AMET market also posting around double-digit growth. Indian markets would still be -- would show a similar growth of last year. The demand is good.

So still, sir, like why are we guiding the similar range band of volume of 6% to 8%? When in negative time, it has clocked around 8%? In good times, it should be higher, at least considering 10% to 12%. I just want to know your logic for coming to that 6% to 8% volume band.

K. Natarajan: No, your logic is right, and my logic is also that. But unfortunately, the environment doesn't follow a particular logic. So we ought to also be cautious, because I don't want to be guiding higher and then you have external situation that's not supportive. So we need to wait for 2 more quarters before we can make a final comment on increasing the guidance.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to the management for their closing comments.

K. Natarajan: Thank you, ladies and gentlemen. It was a pleasure interacting with you and look forward to catching up again in 3 more months. Wish you a great day, and a very nice weekend. Thank you.

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