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Galaxy Surfactants Ltd.

November 16, 2023

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Pursuant to the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, we are enclosing transcript of Earnings Conference Call for Q2 FY 2023-24.

This is for your information and records.

Yours faithfully,
For **Galaxy Surfactants Limited**

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“Galaxy Surfactants Limited

Q2 and H1 FY’24 Earnings Conference Call”

November 11, 2023

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MANAGEMENT: **MR. UNNATHAN SHEKHAR – PROMOTER AND MANAGING DIRECTOR – GALAXY SURFACTANTS LIMITED**
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Moderator: Ladies and gentlemen, good day and welcome to Galaxy Surfactants Limited Q2 and H1 FY '24 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 press star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand over the call to Mr. Unnathan Shekhar, Promoter and Managing Director. Thank you. And over to you, sir.

Unnathan Shekhar: A very good morning, all of you, ladies and gentlemen. Thank you all for joining this conference call on the eve of Diwali. It gives me immense pleasure to welcome you all again for Q2 and H1 conference call of the year '23, '24. And on this prosperous occasion of Diwali, I take this opportunity to wish you and your family a very bright, happy and prosperous Diwali.

Ladies and gentlemen, it is said that we do not learn from experience. We learn from reflecting on experience. This simple yet powerful quote by American philosopher John Dewey shows us the value of reflecting and learning from our actions and words. Keeping the same in mind, today's call will more about reflecting on what had been stated previously, how we have performed vis-à-vis that and where we see ourselves in the quarters going ahead.

In our Q1 FY 2024 con call, we had stated that volume growth remains the key prerogative. We are pleased to share with you that, for Q2, the volume growth clocked by your company stood at 9.8%. And for H1, the same stood at 8.6%, exceeding the upper range of 6% to 8% band guided at the start of the year. Going ahead, we remain confident of achieving the upper range of our guidance.

Reflecting on that. The past 24 months for us have been a story of 2 worlds, one driven by India where growth, stability and momentum have only improved quarter-on-quarter. The other is driven by the world excluding India, where decline, volatility and macro, and micro deterioration has been the norm, but today, after 10 quarters, this is the first quarter where we have seen across-the-board volume growth for all our segments and regions not only year-on-year but also sequentially.

This is a very positive sign. While India continues to remain a bright spot for us, registering double-digit volume growth in Q2 as well as for H1, the overall move from low single-digit volume growth seen last year to double-digit for this quarter has been due to the improved performance seen in Africa, Middle East and Turkey and the rest of the world markets. Understanding the nuances of these geographies and reflecting on our performance will be critical to gauge the performance going ahead.

Starting with India. We remain extremely confident in the India growth story. We are on the cusp of something special. While monsoons, crude, moderation in demand and inflation may act as temporary dips, we believe that double-digit growth story remains intact over the longer term. Africa, Middle East and Turkey made a strong comeback this quarter, clocking high single-digit volume growth. This was primarily due to the uptick seen in our Egypt market. While other markets, excluding Egypt, also grew in Q2, for H1, the same remained flat.

With consumers adjusting to the new normal, and volatility subsiding, barring any adverse spillover effects of the war on macro headwinds, we believe the second half will be better than the first. The rest of the world markets, comprising the Americas, Europe and Asia Pacific, have a story of the developed versus the developing world. While the developed markets have been plagued by inflation, slowing growth and consumption, the developing markets of Asia Pacific and Latin America, with easing inflation and improving macros, have made a strong comeback in this quarter, thus enabling the rest of the world in clocking a low single-digit volume growth for this quarter, while sequentially, barring for Europe which remained flat, every region has grown, which is a strong positive for us.

For H1, the overall rest of the world volumes remained flat. Going ahead, we believe, given the sequential improvement we are seeing, growth should make a strong comeback in 2024 in these markets. Moving on to the composition of growth, which has a significant bearing on the EBITDA per metric ton. Despite clocking 8.6% worth of volume growth for H1, the EBITDA per metric ton stood at Rs 23,357 per metric ton. For the quarter, the same stood at Rs 19,593 per metric ton. Compared to H1 FY ‘23, while it shows a decline which would even persist in H2, we believe the band of Rs 19,500 to Rs 20,500 per metric ton should hold for FY '24.

What is also important for you to note is that, sequentially from quarter 1 to quarter 2, we have grown in volumes and EBITDA. Yes. While the significant uptick in -affected volumes and masstige specialties have enabled us to exceed our volume guidance, uptick in premium specialties remains critical for improving our overall EBITDA per metric ton. We do see the situation improving in 2024, thus driving the EBITDA per metric ton going ahead.

To conclude. Ladies and gentlemen, businesses must be viewed with a long-term magnifying glass. While it's humane to look at the short term with a microscope and magnify it, keeping a tab on the long-term story is equally important. Your company's long-term story remains as robust as ever. With all tools of experience, innovation, relationship and competencies, we remain on course structurally and directionally.

Thank you once again, ladies and gentlemen. We open now the platform for your questions. Thank you.

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

Sanjesh Jain: First, on the AMET side. Closer to Egypt, there has been a geopolitical disturbance. I know Egypt is not directly impacted from it, but do you feel Egypt and Turkey, which is the larger geography, can have some sort of disruption or an inflation or anything? Any risk to the volume in our in that region do you fear that?

Vaijanath Kulkarni: This is Vaijanath here. Frankly speaking, both the economies have seen the lowest of their country-wise economic inflationary effects already. And they have started to show the signs of recovery, right? We had mentioned this last quarter, but it has started to manifest in numbers from this quarter. The situation, which has been unfolding for about a month or so now, is something which we are very closely watching. We are in touch with our entire segment of customers T1, T2, T3 in the region.

The demand pool is steady. They have not shown any concerns in terms of the current demand patterns, but as you know, there are uncertainties that will need to be watched out. But they have not shown any signals of slowdown, including in the country of Israel. Everything is -- the dispatches, supply chain, everything is normal. So the coming 2 months will tell us, so we are watching it closely.

Sanjesh Jain: Even the transportation logistics, are they also impacted? Or they are intact with the Mediterranean region.

Vaijanath Kulkarni: Yes. Entire Mediterranean region, including Suez Canal which is connecting east to west, an entire logistics, entire supply chain, is normal, with no signs of any concern, red alerts by anybody. But still, as we all know, we need to watch out very closely, but it's, as of now, everything going normal.

K Natarajan: So the only worry is that the only concern is in case it intensifies further and you have nearby countries getting pulled into the conflict. Yes, then the outcomes can be pretty different, but we are not looking at it that negatively. But today, we don't see any challenges, the way things are. Things are the way they are today.

Sanjesh Jain: Fair enough Second, on the -- again continuing with the AMET region. Do we think the worst is behind? And can we again go back to the earlier volume by the exit of this quarter? Or you think -- going back to the earlier volumes of 40,000-odd metric ton, will it take more time? Or we will be there.

Vaijanath Kulkarni: Yes. So last time also, we mentioned this is the second time, in last 5 years, happening. And we have seen this pattern of recovery, which we had seen about -- we had estimated about 6 to 12 months in the period. And in last time also, it has happened in that period. Exactly now we have started to see similar patterns. The new norms have come into existence. Luckily, all the commodity prices have also reasonably normalized. All international logistic costs have normalized, so I think that is also complementing. And we see that now, from here on, there will be -- or should be a steady recovery that we see.

Sanjesh Jain: I know China plays some role in AMET region. And China has become slightly more aggressive than they have been in the last 3, 4 years. Have you seen that kind of a scenario for us in the AMET geography or any other geography?

Vaijanath Kulkarni: The China factor has been on and off in almost 7, 8 years. It knocked the door with the bang for some time and again there is a complete disappearance, which we are completely used to. It is again visible to that extent, but this pattern is very well known to us. And our customers also know this, so we have a very good place and experience to navigate through.

Sanjesh Jain: Got it. Second, on the India side, have we seen our specialty ingredients now seeing a lot more traction with the premiumization trend which has picked up well in India? So how are we seeing our specialty ingredients being adopted? And that way, should our specialty see a -- much more traction with developed markets coming in and India picking up?

K Natarajan: Yes, yes, you're right, Sanjesh. So in India also with the positive momentum in India, we are seeing specialty volumes also picking up, but we need to note that it is on a small base, okay? But what is critical for our specialty volumes overall to get the momentum back is what happens with developed markets. So in India, yes, it's picking up pretty well, and we see this continuing.

Sanjesh Jain: Will India be 10% or lower than that in the specialty?

K Natarajan: In terms of volumes, yes, around that. It will be lower than that..

Sanjesh Jain: Okay, lower than the double digit, got it. On the margin side, I think, last quarter, we spoke of INR20 to INR24; INR23.75, to be precise. We have slightly readjusted it or narrowed down the band to INR19.5 to INR20.5. What makes you this confident? Is this AMET coming back optically diluting the spreads? A slower picking up of North America is leading to this thing.

K Natarajan: Yes. In fact, we were very clear. Last time, we said we were not guiding on the EBITDA per metric ton because -- the way things were fluid. And we said volume growth pretty much will be the priority, and we are delivering well on that. This -- we are giving because we are now into H1. We are able to have good visibility on how we're going to end the year in terms of the momentum in volume growth and the mix that we are able to foresee. If you see, the mix is contributing to the EBITDA per metric ton not going up, okay, in line with the specialty not being what it should be.

We do see certain green shots coming up in Europe with our specialties. Premium specialties need to come back. North America, yes, we probably need to wait for 2 more quarters to come back. So we do see the specialty and the premium specialties portion coming back to a growth trajectory in the developed markets probably early next year. And that should then get the EBITDA per metric ton back on track in the zone you indicated.

Sanjesh Jain: Any more clarity on our Europe subsidiary? Are we going more aggressive? Are we seeing spots -- or so the -- because we have been operating from AMET. Now we are opening up an office in Europe. What is driving this?

K Natarajan: You can say Europe is the -- may have a lot of headwinds today and a lot of negative publicity in terms of what's happening, but Europe, especially the SPC market, is a very significant market. And for us, in terms of our specialties, Europe is going to be a critical portion of our strategy. And the office is going to be only preparing and enabling us to be able to partake in the growth opportunities there in a very significantly better way. That's the way I'll put it.

Sanjesh Jain: But Europe is equally more fragmented, right? Unlike in a world where surfactants is more a consolidated market, Europe is completely fragmented. Is the industry landscape changing in the Europe?

K Natarajan: So not exactly. Because it's fragmented, that's why you need to be closer there and constantly at it in terms of leveraging on what potential you have there. So that answer is to why we want to be there. And this particular Europe setup is going to help us in terms of working the market and consolidating the position there.

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

Aditya Khetan: Sir, when we were tracking some of the macroeconomic indicators we have, I mean like the inflation in Turkey and the inflation in Egypt, sir, that data is still indicating like inflation is still at record-high levels. Turkey's inflation is at 61%. Even Egypt inflation is at around 69%. Also, the private consumption in -- expenditure -- so that has also came down on quarter-on-quarter basis, so sir, what is that optimism, like, when we look at the global markets? So what optimism has led to this volume growth on a quarter-on-quarter basis when the indicators globally are negative only yet?

Vaijanath Kulkarni: Yes. Frankly speaking, you are right to say that inflation is as high. And it has been there for quite some time now. The overall macroeconomic situation in the region is not going to change overnight. So, these realities will require a new norm in terms of the market. And as I rightly said, that exact similar phenomenon happened 5 years back, and we knew how the new norm got established. And consumption patterns got restored because, when it comes to our industry, home and personal care, we have seen that consumers have established a typical pattern of consuming these goods in their daily life, and then readjust.

We have seen this phenomenon happening very closely, and it reflects finally through our dialogue with our customers in terms of volume. So we are seeing that, though -- the inflationary pressures are not going to calm so easily, various reasons in Europe and Middle East, but we feel that now the consumers have reached a new norm enabled by the current situation of ease of commodity prices, ease of supply chain and availability. So obviously, we've been there with them. We have an edge, and we believe this should now lift up from here.

Aditya Khetan: Okay. so despite this peaking of inflation, we can take a conclusion like -- so consumers will -- they can adapt to the new normal, although we might have to take a cut in realization to push volumes, but still also volume growth will remain, considering now inflation is at the peak and things are still going good for us...

K Natarajan: Yes. So let me answer that, yes. The volumes are -- so one is in terms of whenever you have a scenario where things are pretty high in terms of inflation already because we need to wait till the consumers start adjusting to that. That's what we have been saying. The consumers finally adjust, and that has happened. And with this sort of equity of relationships that we have with all our customers, we are in a very good position in terms of leveraging any growth opportunities that emerge, but to your point as to whether there is going to be any realization compromise or whatever in terms of building it, I would like to tell you that our pricing has to be fair and in line with what the markets are and then very competitive. And that's what we will do. It is not that we are chasing volumes by just taking some very irrational pricing, so I'd like to correct that understanding if that is what it's indicating.

Aditya Khetan: Okay, got it, sir. Second question, sir: When we look at the lauryl alcohol prices, there is a 14% jump on a quarter-on-quarter basis. Sir, what has led to this decline? And sir, consequently, our like gross prices have taken a hit because -- so because of this rise in lauryl alcohol, but generally, sir, we are following a path of mechanism, so we can think also coming -- in the subsequent quarter, our gross spread should increase, considering lauryl alcohol prices have gone up and we might not have been able to pass on in this quarter. Is this understanding correct, sir...

K Natarajan: No, no, no. See, the price, if you look at it, has gone up by 14% in a quarter, but it is a point-to-point comparison. So we buy every month, so it is not that you buy only an -- so it's a question of where it averages out over the month. So, this is a point-to-point comparison. It's not an average, okay? That is one. Second, you're talking about it reflecting in our revenue growth, whether the revenue growth will be higher in the -- coming up, but 14% is too small for it to be having a major implication in terms of revenue growth. There will be too many other combinations, like our specialty volumes getting better and our realizations getting better, which can impact revenue growth. Otherwise, this 14% increase that you're seeing is point to point.

Aditya Khetan: Got it. Any specific reason, sir? So why these prices have gone up...

K Natarajan: Yes. That's because there's a huge amount of speculative interest that is there. There's also the impact that people are seeing with the El Nino as well, the supply side in terms of the yields of the farm. So there will be multiple factors, but if you see here, it keeps going in the -- operating in this particular range. And with how we have seen this market, 14% increase is too little volatility for us to be looking at, but we expect things will be in a stable state within this range moving forward.

Aditya Khetan: Got it. Sir, on to the specialty care volumes. So this quarter, there was a very good jump in volumes. So sir, if can you quantify that, particularly from which segment have we seen this growth, like from the mild surfactants side or from the proteins side or betaine, Which segment has contributed to this phenomenal growth?

K Natarajan: Specialties also, you have a certain segment. So your masstige specialty. That is one between premium and your mass segment. So there are also your specialties, but those are all what we call masstige specialties, but the main growth in -- but the main component in terms of how you can have high value ingredients in specialties is premium specialties. It essentially gets consumed, as you know, in the evolved markets of Europe, North America. So that needs to come back. So I was -- that's what I was indicating in terms of what has led to the growth of specialty in the last quarter.

Aditya Khetan: Got it, sir. Sir, just one last question, sir, on to the EBITDA spreads. I know that, sir, we are not guiding on to it, but considering now since we might have -- we are standing at almost a 7- to 8-quarter low in terms of EBITDA spreads and considering now we are witnessing a volume growth into specialty in all -- so we can like, sir, make a case. So this could be the bottom and considering things in the global could revive so we can again go back to that- a level we had taken over the last few quarters. Just an idea on to this, sir.

K Natarajan: Yes,. we firmly believe that's quite possible. Our efforts in this direction are pretty much very intense. Still, yes, as we said, the actual situation should continue to cooperate and without -- and the green shots what we're seeing in terms of growth in North America and Europe has to continue. So there's no reason why -- if everything cooperates, with the intensity with which we are approaching our business, it shall not happen.

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

Arun Prasath: First question is on the India volume growth. We have delivered a double-digit volume growth in India, at least as I can see in the last 3, 4 quarters, consistently. And this is something which has not happened in the last 5 years. This consistency was missing, but now we can see that. The -- has something changed in the last 5 years that is structurally delivering this kind of double-digit volume growth in India consistently?

K Natarajan: Well, one is in terms of the way the market now has more participants spread across all the tiers, Tier 1, Tier 2, Tier 3. So, in the last 5 years, the share churn sort of happened between these segments. Now also in terms of how well we have prepared ourselves over the last about 3 years in terms of addressing the demand across India -- so that -- both these have contributed to you seeing the consistency in terms of volume growth that we have had.

K Natarajan: And also home care, where home care has been a significant growth contributor in the India market. Our home care product solutions has also been one of the contributors to our participation in the growth in India.

Arun Prasath: Right. And within your customer base, with how you categorize MNC and local and regional players, who is contributing to this kind of growth?

K Natarajan: So we say all the segments, but it's majorly tilted towards, skewed towards the Tier 2 and Tier 3 customers.

Arun Prasath: Right. So basically, we have-is it more like penetration increasing and large MNCs losing, but that is being captured by the Tier 2 and Tier 3 customers?

K Natarajan: No, our MNCs are not, you were saying, exactly losing, okay? You had the new entrants coming in. And then they're creating own brands; that's giving an opportunity to participate, okay, in that growth. So enabling them to be able to -- launching products and they are able to have a share. So if you see all of them -- I've been talking about all the -- I mean I've been talking about a flattish or a low single-digit volume growth, okay, whereas some of them with a low base have been able to even look at a high double-digit volume growth. And we participating with them enables us to partake in the growth that they are having.

Arun Prasath: For these Tier 2, Tier 3 customers, our wallet share within them, that means we can sell more products to the same customer, or more formulations we can do, as compared to the, say, similar relationship with the large MNCs. Is this the right understanding?

K Natarajan: With large MNCs also we have a good basket of ingredients. So what happens with smaller customers is that they start small. Still, their ability to keep expanding their portfolio will determine how we can expand our product portfolio with them. With the large MNCs, you have a bigger pie to participate in, whereas smaller customers like Tier 2 and Tier 3 have a smaller pie, but you need to make plans. Go through their journey with them in terms of their launching new products and their products' basket of ingredients expanding in terms of what they can source with us.

Arun Prasath: And recently, a similar company got listed. And do you see many such companies are also evolving in their growth trajectory, and this will -- this can potentially benefit us?

K Natarajan: Yes, certainly. India is going to see significant growth in terms of the per capita consumption of home and personal care products. So the home and personal care products consumption per capita is driven by the way the GDP -- in line with the GDP growth, in fact, higher than the GDP growth, so obviously India is going to be a very -- a good story, as far as the HPC per capita consumption is concerned.

Unnathan Shekhar: What is very gratifying for all of us to know is the emergence of a whole lot of small players across the various states and geographic in India. This is a very interesting phenomenon and we're -- all should be encouraged by this.

Arun Prasath: Right, understood. My second question is the sequential reduction in the EBITDA per ton. Is it because -- is it usually you'll see then volume growth suddenly accelerates? You -- the low-spread products get first recovery. And is it -- does it explain the sequential reduction in the EBITDA per ton? Or is it more like a inventory management or a mismatch in the pricing?

K Natarajan: So your -- I'd say, the first statement that you made, that is what is the right conclusion that you should go. It is nothing in terms of any inventory, higher-price inventory or trying to manage the higher priced. That is not the case. It's only that the mix has changed because, as we've said, the bulk of the growth has been driven in terms of volume by performance products and matching specialties. Once -- if the premium specialties also have kept pace in terms of growth, which is -- the major contributor in North America and Europe, then yes, we could have even seen the EBITDA per metric ton sustaining at those high levels as well, as to corresponding for the last year.

Arun Prasath: Right. And then how we are placed in terms of -- at least in the top 5, 6 products in terms of utilization, do we have enough room to keep up with the pace at which volume is growing or...

K Natarajan: We are well prepared on the supply side., And we are geared up, okay, in terms of our capabilities and capacities to be able to leverage on the growth opportunities that will emerge.

Arun Prasath: Right. And can you just give some granular details on capex that we did in the first half? It seems to be it's a little bit high, as compared to the earlier trajectory.

K Natarajan: So yes. It's we -- as we said, we typically do about Rs 150 crores of capex every year. And there are some projects that we're commissioning. And that's why it has seemed there's -- would have been some incremental step in terms of how the timing happens based on our project schedule. There's nothing else. We will also have this year about Rs 150 crores of capex.

Arun Prasath: Right. And this is in mild surfactants. Any category of products that you are...

K Natarajan: This will be -- no, this will be across. So it will be on certain Capex related to certain improvement plans, certain relating to performance products as well as specialty.

Moderator: The next question is from the line of Rohan from Nuvama.

Rohan: Sir, first question is on our India market. You mentioned that the volume growth remains very solid. I just wanted to understand, sir, though your market is more towards performance and there's strong growth in the India market, do we see that -- the contribution in specialty segment as well, can we expect, over next 2 years, can change significantly. And I mean India itself can drive a significant growth in specialty. Do you see that transition happening in the Indian market?

K Natarajan: Yes, we do. As I said, with per capita consumption going up will also be an opportunity for growth across the verticals in mass, masstige and prestige. And the way we are seeing the development of the growth of specialty happening in India over the last 2 to 3 years, I think it gives us good confidence that it will get better and better as we move forward.

Rohan: Okay. Sir you also mentioned that overall EBITDA growth with that 6% to 8% guidance in volume and more towards EBITDA and, furthermore, higher than at PAT level. The first half has been -- we understand, because of the multiple growth challenges globally, have seen degrowth on a Y-on-Y. That leads to a slightly higher asking rate in the second half, so with the current environment, it will still be volatile. You also mentioned that India may see some nearterm volatility because of the monsoon and -- right, and inflation or rising crude prices. However, medium term looks promising, so with that, we still are confident that second half performance is strong enough to take care of volume growth of more than 6% to 8% and bottom line and EBITDA more than that.

K Natarajan: Yes. So one is the way the market is today, I think if we are able to chase everything and deliver on that contribution per metric ton and volume, but we said, given -- the context with the global macroeconomic situation is, we need to prioritize volume growth in a very meaningful and a profitable manner. And that's what we have done well, and we are extremely happy about it. Moving forward, we do see that, except for any new macroeconomic challenge or geopolitical tensions emerging or intensifying, we don't see a challenge in delivering on this volume growth.

With regard to EBITDA per metric ton, we've said the composition has to change in terms of more volumes of premium specialties. And that essentially requires that Europe and America continue building on the green shots we saw last quarter, okay? So that will be critical for us to deliver on the EBITDA per metric ton increase as well.

Rohan: Okay. Sir, just last weeks, you mentioned that you have started seeing recovery in the masstige segment in the U.S. and EU. However, specialty probably has yet remained lacklustre. So, recovery in masstige, does it have indicators that going forward or sequentially, we will see the recovery in specialty as well? I mean how the market reacts. Have we started seeing recovery coming in, in specialty as well? What we understand that the U.S. and Europe are still struggling with the high inflation. And demand probably has yet not picked up, so how do you see that trading increase or improvement in masstige will play out?

K Natarajan: So this is obviously we are able to derive these -- the way the market is going to grow only from the way on the discussions with the customers, so what we can say is that, over the last quarters, the customers seem to be more optimistic. The negative tone has reduced. And that gives us confidence because they see it more closely. And that tells us that, yes, okay, there is a good room for things improving. And that is what we derive from our conversations with customers, so we're able to see directionally and how the sentiments are. And that gives us the -- that gives us an indication that, yes, okay, things should start looking better, say, from early next year.

Rohan: Okay. And sir, just the slight recovery that we have seen in lauryl alcohol prices on Q-on-Q, is it gradual? And -- or do you see the trend sustaining? Or it was only short-term blip and the prices may increase. I'm just asking that are the prices on an upward trajectory gradually which we may see for maybe 2 to 3 quarters or would remain volatile.

K Natarajan: So it will remain volatile but in a smaller band, okay? So that's the way I see it because there are global demand challenges, say, as far as your palm oil and everything is concerned. We also see that the production levels have not been as bad as what it was expected. So inventory levels have -- recently reports in -- have gone up in Malaysia by about 5% to 6%. So all of this points towards the fact that you can have -- it will be volatile but in a very small range. That's the way we would put it.

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

Rohit Nagraj: So first question is again on specialty. So we have seen that there has been an increase in terms of volumes both Q-o-Q as well as Y-o-Y, so is there any element of restocking that has started? Or the other way of looking at it is probably the per-unit realization has also come down, so have we gained any market share in this particular category?

K Natarajan: First of all, it's a composition. So, one good thing is that the specialty volumes have grown. This tells us that the restocking is happening in the masstige segment. So where is there a masstige, specialty is a goal, but yes, destocking is still not over, as far as the premium specialties are concerned. And that's why we expect to start showing a restocking pattern early next year.

Rohit Nagraj: Right. And this strong volume growth, again, does it indicate that there has been some fallback from the competition or any other geographies, some of the players going out of the system? Or is it purely again based on the characteristics of both the individual segments?

K Natarajan: So it's not -- I think we do see that the restocking has happened, so it's nothing in terms of some special situation that happened in the quarter that led to some opportunities. So it is like we are seeing that it's a secular trend in terms of volumes picking up, okay, in terms of restocking on the masstige specialties side.

Rohit Nagraj: Right, got it. And one last clarification. So you also mentioned in terms of specialty the masstige segment has picked up. And that is probably why there is no EBITDA per metric ton increase on a Q-o-Q basis despite volumes going up. And as the premium segment picks up, probably there is a possibility of further increasing the EBITDA per ton. Is that understanding right?

K Natarajan: Yes. Perfect.

Moderator: The next question is from the line of Omkar Kamtekar from Bonanza Portfolio Limited.

Omkar Kamtekar: Sir, the first question is with respect to market share. So if you could give some color on -- with respect to the market share that we have in the AMET, Egypt premium specifically; or U.S.; and Indian markets. The reason why I am asking this is so that I can understand whether we have pricing power. So, because the prices may remain volatile, can you pass on? And do we have that pricing power competitive advantage as such?

K Natarajan: So this is confidential. We don't reveal market shares, okay, although we are aware, but it is suffice to say that, yes, with these sort of relationships and the positions we have, competitive positions that we have, okay, we would not say that -- pricing power is a wrong word to use, okay? I think we have the ability to ensure that we're able to get our high returns on all the products that we sell in the markets.

Omkar Kamtekar: Okay, so we can insulate ourselves from any volatility of -- with respect to the prices and will -- so that margins remain, margins don't become volatile. So -- and that would be a good understanding here.

K Natarajan: That's right. So we will not be able to be -- again, it's not the right word. We'll be able to properly navigate any volatility that enables us to get high returns on the products we sell.

Omkar Kamtekar: Okay. And just a clarification on the EBITDA per ton that you had mentioned at -- in your or in the opening remark: So it was 20,000 -- what -- I did not get that properly. It was 20,000-something...

K Natarajan: So we have said 19,500 to 20,500 per metric ton.

Omkar Kamtekar: Okay. So that was there's a band for the -- okay...

K Natarajan: For the full year.

Omkar Kamtekar: Okay, so in the presentation, I see that we have also applied for one more patent. And we have been continuously spending and making sure that we innovate our product. So, the new products that we are innovating or going for are more tilted towards the specialty chemical? Or do -- or it's as and where you see opportunities.

K Natarajan: It's all towards specialty chemicals only. It will be more on the premium specialty side.

Omkar Kamtekar: Okay, premium specialty side. And the overall product portfolio pipeline, how many more products are we looking to launch maybe, say, over the next 1 or 2 years? And can we have some guidelines or some ballpark number?

K Natarajan: Yes, we do have the pipeline, but I think we will not be able to say right now because it has to pass through certain stages of maturity, as far as our product development actions are concerned. So I think we will probably say that in every call. Once we are clear in terms of any friction, we'll be able to make a specific statement. Right now we don't want to be giving you any directional stuff. That will not be right.

Omkar Kamtekar: Okay, And sir, with respect to gaining wallet share, how are we going about that? So because we have MNC clients and other also local clients. So how are we -- so what is the strategy with respect to gaining more wallet share with -- from them?

K Natarajan: Certainly you make sure that you'll continue delivering value to them, continue delivering superior service and be close to them. That's the only way, and that's the way we have been doing for last 43 years. We need to do it more often and more intensive.

Omkar Kamtekar: Okay, okay. And sir, lastly, just a small suggestion: if you could just add one dedicated slide with respect to the volumes of the specific segments. So like, for example, I mean, on -- I think, most of us on the call also, we've been sort of targeting the specialty chem volumes and the EBITDA per ton. So if you could just add one dedicated slide with respect to the segments and the volumes and the EBITDA on that would be just -- take out those -- most of those questions and will also help us understand much better the flow and the trajectory of the...

K Natarajan: Yes, so we will be transparent to the extent that we don't compromise on certain information.

Omkar Kamtekar: No, no, yes, yes.

K Natarajan: So yes. We've got your -- got your message,

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

Krishan Parwani: I missed the commentary on EBITDA per ton for this quarter and the last quarter. Can you please highlight again?

Unnathan Shekhar: See what we have said is that, the EBITDA per metric ton, despite clocking 8.6% volume growth for H1, it stood at 23.7 per metric ton. For the quarter, the same was 19,593 per metric ton, so compared to H1 FY '23, while it shows a decline which will even persist in H2, we believe the band of INR19,500 to INR20,500 per metric ton should hold for the entire financial year '24.

Krishan Parwani: Understood, sir, understood. The second question I have is that I know that we have stopped giving absolute volume numbers. And I think we have guided some ranges in our presentation, but I mean, if possible, it would be helpful if you could give just the specialty volumes for this quarter and the last quarter.

K Natarajan: Well, yes. I think specialty, as we said, was a high single-digit growth that we had with masstige segments doing a comeback, okay? And between -- and we also saw a good volume growth and a double-digit volume growth in Q2 FY '24. So yes, we would like to keep it there because it's important that we also are able to have some sort of protection on the confidentiality of what we share. So yes, we are hearing all that you said. We'll see how we can do something without compromising our confidentiality.

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

Aditya Khetan: Sir, my question was on to the ethylene oxide prices. Sir, from the last quarter, we have seen a sharp uptick in ethylene oxide prices despite, like, the specialty volumes or the demand globally not picking up much. So suppose, sir, in the coming quarters, it's that specialty -- if, the specialty demand in the U.S. and Europe, that makes a comeback, so -- further, we could see the rise in ethylene oxide prices. Because sir -- and I believe, sir, one of the global plants of Dow's, that has closed down, that might have created some sort of a supply pressure globally leading to rising prices. So with specialty demand coming back and increasing ethylene oxide prices, we could not see that benefit in our EBITDA per metric ton.

K Natarajan: No, not there. I think that is not the reason. I think you -- Dow closing has not led to any great increase in ethylene oxide prices even in the U.S. and globally. And essentially I think ethylene oxide prices get determined by certain closures that happen due to turnarounds in, say, Northeast Asia and Southeast Asia, Europe and U.S. So that is more situational and also in terms of rupee has been depreciating. So there are 2 -- 3 factors to this. It has nothing to do with what we're seeing in terms of the specialty growth happening and then ethylene oxide prices getting impacted. So there are many, multiple factors. And I think you cannot attribute only one of it to how ethylene prices behave.

Aditya Khetan: How much would ethylene oxide contribute as a raw material on a base of 100%?

K Natarajan: No, no, no. So that is you can be -- ethylene oxide prices, we cannot because it goes into various proposals and various products...

K Natarajan: Overall portfolio, it can be about, say, in the zone of about, 8% to 10%.

Moderator: The next question is from the line of Omkar Kamtekar from Bonanza Portfolio Limited.

Omkar Kamtekar: Sir, with respect to the MNCs' contribution. So it has been steady around the 50% mark for quite a while. I wanted to understand. How much -- of the customers that we have, how much will be the top 3, top 5 or top 10 contributing as a percentage of total revenues? And are they more tilted towards the spec chem or the specialty products, or the performance products?

K Natarajan: No, no, no. I think that's too detailed information, so I don't think we'd share that in terms of what it is, but it's suffice to say that we have growth across all segments. And we are getting a good wallet share across all customer categories.

Omkar Kamtekar: Okay, okay. Sir, with respect to expanding into new geographies: So we have now set -- as per the expense line, we have set up a new office in Europe. So we'll be able to understand the market more and expand into this geography and go deeper, although it's been a fragmented market and the demand might be very different, but how do you see the initial phase of growth there? Will it be low single digits? Or we can see a instant impact of -- say, of high single digits.

K Natarajan: No, no. So it's not that we have not been selling into Europe. Europe, we are currently also selling. The objective is to get there and be able to leverage more of those opportunities, so it is not going to be something instant, okay? So it's something that we need to happen over a period of time and sustain the growth that we do. So nothing will be instant.

Omkar Kamtekar: Okay. So my understanding was -- I thought we were not extensively present in European region. So, maybe because more like...

K Natarajan: No, no, no...

Unnathan Shekhar: We've been in Europe for the last 20 years.

K Natarajan: Yes, yes, yes.

Omkar Kamtekar: Okay, okay. Sir, with respect to just a question on the spending on the R&D, what will be the percentage of sales? Do you have a target as such? How much are we spending? Or how much will we be spending for R&D...

K Natarajan: We don't have a target on spending. So typically we do about 1% to 1.5%, but then we certainly have a very clear regime of how we ensure that we get the best value for whatever money we spend, so...

Unnathan Shekhar: And we invest significantly in innovation. And that has been the way Galaxy has grown, particularly over the last 12 to 14 years.

K Natarajan: Yes.

Omkar Kamtekar: Okay. So 1% to 1.5% is generally your ballpark figure that we can expect at almost average.

K Natarajan: Correct.

Omkar Kamtekar: That means -- okay.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for the closing comments. Go ahead.

Unnathan Shekhar: Thank you all, ladies and gentlemen, for participating in this conference call. We close this meeting wishing you great celebrations for tomorrow and the next 2, 3 days. Have a great time. Thank you.

K Natarajan: Thank you. And happy Diwali...

Vaijanath Kulkarni: Enjoy. Happy Diwali. Thank you.

K Natarajan: Bye-bye.

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.