Galaxy

Global Supplier to Global Brands

Galaxy Surfactants Ltd.

February 18, 2025

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**

Subject: Transcript of concall Q3 of FY 2024-25

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 Q3 of FY 2024-25.

This is for your information and records.

Yours faithfully,
For **Galaxy Surfactants Limited**

NIRANJAN ARUN KETKAR Digitally signed by NIRANJAN ARUN KETKAR Date: 2025.02.18 10:35:08 +05'30'

Niranjan Ketkar
Company Secretary

Encl: as above

Communication Address:
Rupa Solitaire,
Ground Floor, Unit no. 8, 12A and 14
Millennium Business Park, Mahape,
Navi Mumbai, 400 710
Ph: +91-22-33063700

Regd. Office: C-49/2, TTC Industrial Area,
Pawne, Navi Mumbai-400 703, India
CIN: L39877MH1986PLC039877
Ph: +91-22-27616666
Fax : +91-22-27615883/ 27615886
e-mail : galaxy@galaxysurfactants.com
Website: www.galaxysurfactants.com

"Galaxy Surfactants Limited

Q3 & 9 Months FY '25 Earnings Conference Call"

February 11, 2025

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 11th February 2025 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 the Galaxy Surfactants Limited Q3 & 9MFY25 Earnings Conference Call. 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 this conference, please signal an operator by pressing star and 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 of Galaxy Surfactants Limited. Thank you, and over to you, sir.

K. Natarajan: Thank you, and a very good morning, ladies and gentlemen. It gives me immense pleasure to welcome you all to our Q3 and YTD December FY 2025 conference call.

At the outset, this has been a relatively weak quarter. But despite the weakness, we are clear there are several one-offs that caused this. I will now be taking you through the factors that adversely impacted this quarter. Most of these factors are short-term by nature, and structurally, let me assure you, we do not see any change in our growth trajectory.

Let me start with the demand side. India makes up 40% of our business, weaker than expected festive season, excess channel inventory, lower than projected government spending with spurs of rural economy and unusually weak urban spending adversely impacted our volumes, registering low single-digit decline for this quarter. And this also was exacerbated by the fact that it started deteriorating from close to beginning of November.

While this is not encouraging, a lot of these cyclical blips are against any structure of this. Various measures such as reduction in damage, slower scale-up of new launches and slower than projected growth of the beauty and personal care segment also contributed towards this decline. While the season is continuing for one more quarter, we are clear that from Q1 '25, '26 onwards, things should start picking up as both rural and urban spending will drive the mass and masstige segment for the performance surfactants.

Improvement in systemic liquidity combined with the tax incentives provided by the government in the recent budget to incentivize consumption has laid the foundation for it. We have also seen lower funding for various D2C brands has contributed towards a broader slowdown of the Indian beauty and personal care market.

AMET, while it continues to remain flat, the Q-on-Q improvement in volumes combined with the easing of supply chain-led volatility are major positives going into FY '25, '26. Macro stability along with stability in demand will ensure more launches and better pick up going ahead.

Rest of the world has been the highlight for this year, while pick up in premium specialties still continues to be below our expectations, we strongly believe the platform has been laid for a strong recovery for our premium specialties. While for this quarter we registered a 9% volume growth, the YTD volume growth stands at 20% driven by the masstige specialties.

On the supply side, while easing paid costs, availability of containers and port congestion overall contributed towards reduced supply-side volatility, the 40% rise in fatty alcohol prices during the quarter impacted sentiment and demand pick-up adversely. From our experience, we can say that such phenomena does happen once in 2 to 3 years, given the inherent volatility in the palm and coconut oil value chain.

The adverse impact on demand is usually felt for 2 quarters before the normalcy in price returns. We believe that this time too it shouldn't be no different.

Apart from the one-offs, I will now share the groundwork that has been done by us to ensure the growth momentum sustains going ahead. While cyclical slowdowns and sudden rises in feedstock prices are part of the game and not in our control, enhancing our customer as well as product baskets to ensure consistency in growth and profitability are some of the controllables that are well within our hands.

Our new product Galseer DermaGreen has been getting very good response across developed markets. We strongly believe this will be a game-changer as far as shower oils end-use segment is concerned. And these positive effects will be felt in the coming years.

Mild surfactants is a category, though, did face headwinds due to the inflationary pressures in the developed markets and some reformulations. Traction acceptance are now making a strong comeback. Given the range we possess, we are leaving no stone unturned to ensure faster approvals, enhanced presence across multiple applications and customers.

Preservation remains a key focus area for us, our upcoming launches in the field of sustainable and non-toxic preservation will lay the foundation for our next leg of growth in this category.

To conclude, rough weather has always been part of sailing. While no one can ever predict the roughness, sailing despite these challenges continues to be our key imperative. The same is the story in Galaxy. While cyclical slowdown has been part of our business, the extent always remains difficult to predict. Having said that, at Galaxy, we have always focused on the controllables as to ensure when weather turns, we are ready to sail ahead.

We remain confident of our growth and despite the challenges seen in this quarter, I assure you the success story remains intact.

Thank you, ladies and gentleman and over now for the Q&A session.

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

Aditya Khetan: Sir, my first question is, sir, can you share the volume growth for 9 months? I believe sir you have mentioned that it is a single digit, but is it going into the mid-single digit or low single digit?

K. Natarajan: It's 4%.

Aditya Khetan: 4% okay. And sir you have talked about the new product, so Galaxy DermaGreen, sir, can you like share some data like what is the market size of this product and is it more of a specialty product? And comparing with our current basket, so are the margins premium in this product or is it more or less in line with other products?

K. Natarajan: So this is a premium product because this goes into shower oils which is a big product that consumers use in the developed markets of the U.S. and Europe. So this is a green oil-soluble shower oil ingredient so which ensures that this will deliver significantly superior performance of moisturization with ingredients that are green.

So this obviously will be a high margin product and we are building up a very good pipeline because this was launched in the in-cosmetics exhibition in April 2024 and since then we have been having a very good response from our customers and a very healthy pipeline is being built.

Many of the customers are sampling it and they are making a formulation and testing it. Some of them are also doing consumer testing, so we see based on these early signals that this has the potential to become a significantly big product in our portfolio.

Aditya Khetan: Sir, on to the margin side, like, so that is clearly visible, like, so because of the higher raw material prices, we are witnessing some pressure on EBITDA spreads per kilo. So as you have mentioned in your last quarter, like, you were confident that second half would be better as compared to first half on spread side and all, but it seems like the number is coming on to the lower side and next quarter also, so the commentary is not that good.

Any idea, sir, how things will shape up on EBITDA, like guidance what you have given of 20.5% to 21.5%, is there a downward revision and what is the outlook on the lauryl alcohol pricing?

K. Natarajan: See, one thing that caught us off guard was the volumes started to get significantly lower, say, from the beginning of November, because I think many customers were looking at the Diwali season, giving them a good demand comeback, but I think when that didn't happen, they took actions in terms of reducing the pipeline inventory pretty swiftly, because with the increasing feedstock prices, they also didn't want to have more stock in the pipeline.

Because everyone has started increasing prices of the end products, because they are no longer able to absorb it, they wanted to do grammage reduction. They wanted to reduce the schemes that were already introduced to incentivize consumption, so that was something that caught us off guard.

The reason why, and obviously that also led to lower operating leverage impacting, because India is a significant market and that really hits your bottom-line. The other thing that led to that was the slower than expected conversion with some of our customers in the specialty ingredient segment.

Although they are progressing well, we had expected certain conversions to happen faster, but they didn't happen, because I think there were some of the customers do talk of some sort of uncertainties given the current tariff wars and the geopolitical situation, some of them said they want to wait and watch.

So there were some mixed signals, but the good thing is, the work in terms of those production pipelines, they are getting it ready to launch and all that is pretty good, but I think there has been some hesitation in terms of going into the next phase of using and launching it, so that is where we are today.

Aditya Khetan: Sir, is this slow uptick also because of the higher prices or because of the higher inflationary environment, higher RM also leading to the higher prices per kilo of the finished products, is that also like impacting the overall volumes? Or is it only related to, you can say, what you are mentioning that from the customer side because of the lower grammage, so that is the only reason?

K. Natarajan: No. So one of the thing is that, see, the demand environment, if you see even the commentary from all our customers, they have been finding that the urban consumption has been impacted, rural also has not kept pace, and the high inflation of feedstocks makes all our customers not to take too much amount of positions in terms of maintaining very high inventory, because when the demand is not being robust, they do not want to build the inventory with the high-priced feedstock, because they want to ensure that even if the price is correct, they do not want to be saddled with high-priced inventory with that, so they have been cautious.

If you look at it, this has been more with our Tier 2 and Tier 3 customers, because their ability to have any hit based on certain feedstock inventory corrections is just a pretty low, so that did impact the demand sentiment from our customers as well, which we have seen.

And the lauryl alcohol prices have been continuously rising, in fact, November, December, it has gone up like we talked about 40% compared to last quarter, and most of it has happened in November and December.

Aditya Khetan: Sir, so the rise in raw material prices, complete pain has been taken in, in our numbers or like there will be spillover in the next quarter also?

K. Natarajan: See, the only thing is this, when the price increase has to be done, they have done with a lag. So this is a typical thing, so we manage the risk pretty well, but then you are not able to pass on the price increases immediately, because your prices run for a quarter, your prices run for a month, so whenever the next cycle comes, then you end up taking the new price and getting, but as you are doing it, you have one more increase coming in.

So we are ensuring that we are managing it judiciously, so we don't see a challenge in terms of prices being passed on, but the collateral issue based on that is that the demand scenario gets more problematic because customers are also increasing prices of their formulations in the market. So that is the issue that we need to be concerned about. Our ability to pass on prices obviously is pretty much there, but it happens with a lag, which always is the case, nothing new now.

Aditya Khetan: Sir, one last question, on to the guidance on EBITDA, if you can just possibly share, and what is the volume guidance? Are we maintaining 6% to 8% band for the next 2 years or there is a downward revision there? And what will be the outlook for the exports market? That would be my last question.

K. Natarajan: we see this as a temporary issue, structurally everything is in place, so I have no reason to change anything with regard to my volume guidance of 6% to 8% for the next 2 years or the EBITDA guidance. We don't see that this is something the structure that has changed, so it doesn't warrant any change in the guidance for the next 2 years, although for this full year, we will probably end at 4% volume growth and EBITDA per metric ton, the region of between INR19,500 to INR20,000 per metric ton. But in the event that we do see there are some reasons for us to revise, we will do it at the appropriate time, but as of now, I see no reason as to why the guidance needs to be changed.

Moderator: The next question is from the line of Rohit Nagraj from B&K Securities.

Rohit Nagraj: Sir, you had mentioned about the 9-month volume growth. Can you let us know about the third quarter volume growth on a Y-o-Y basis for all the 3 regions?

K. Natarajan: third quarter, I think we were about minus 7% in India. We were about minus 1.5% in AMET. The rest of the world was about 9.5%.

Rohit Nagraj: And overall volumes were about a 1% lower?

K. Natarajan: Yes, minus 1%, correct, in the quarter 3.

Rohit Nagraj: Sir, second question is in terms of the ex-India market, what are the levers in terms of incremental growth? So in which is RoW, I think since last January, we have been seeing there has been a continuous growth. AMET, it grew earlier, then it had its own set of challenges, and now again, it is back on track.

So what would be the stable levers for individual geographies from growth perspective? And probably if we can also elaborate on the two segments that we are catering to performance surfactants and specialty care across these two geographies.

K. Natarajan: Yes, so if you look at India, India essentially, the government also seized off the issue, and that is how they have realized that the consumption needs to be now incentivized, and that is where the budget focused on that. And this is something that will be very critical, because this now has to start reflecting in the consumers loosening their purse strings.

Then the government also is doing things that will suddenly make this possible. So that is one thing. Otherwise, India has been doing pretty well for us. This probably is the first financial year where we have seen this after probably growing pretty well for almost close to last 4 years.

So this we see that the consumption story has to kick in again, and things will come back. So that is the key stuff. With regard to all the other levers on our customer intimacy, on our capacity, everything is well on track.

With regards to the other geographies like rest of the world, the levers are essentially to ensure that we hold on to all the new customer developments that we have done, and the new business that we have created, and that we are very much in control of.

With AMET, the entire thing was supply-led, things have improved. We do not see any headwinds on the demand side, and we would expect this momentum to continue. The only thing, we should not have the geopolitical situation getting worser, and this is more from Africa, Middle East, Turkey perspective. As of now, we do not see any indications of that. We only see things getting better based on what we read in the media.

And yes, we would like the steady state as it is now to continue. In India, the consumption to get back to its original robust state.

Rohit Nagraj: Just one last question on the U.S. So the recent tariffs that have been imposed, any positives or negatives for us as far as U.S. geography is concerned, or any other geographies are concerned?

K. Natarajan: So the tariffs in U.S. as of now, see, what has been imposed on China, because only thing is effective is the additional 10% that has been imposed on all imports from China. So that is something we don't see anything significant in terms of uptake.

We may see some customers looking at for some products they are sourcing, whether it is too critical for them that they can absorb this 10%. They may look at some sourcing numbers, which our U.S. team is working with the customers. But as of now, it is too early to comment.

The duties on China, on Mexico and Canada have been kept on hold now for at least a month. If there is going to be a duty that will come in, we will have to see whether there can be some customers in Canada and Mexico can start looking at getting it from Egypt or India, which we will see, I think.

But as of now, we need to wait and watch. So our Prime Minister is there now and then the whole thing is to ensure that for imports from India into the U.S., the duties are not introduced. So let's wait for that meeting also to happen. That's, I think, probably tomorrow and the day after, I guess.

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

Sanjesh Jain: Couple of questions. First, from the profit perspective, if I look at the last 5 years, we have been hoarding around INR300 crores of PAT. How should we see this growth? Because the 5 years haven't been that great from the growth perspective, from the profitability?

And again, adjacent to it is that if I look at the return ratios, which used to be around 18% to 20%, now has dropped to almost 14.5% on ROCE basis and 13% on ROE basis, a significant deterioration. This also has to do with the profit hasn't been growing overall. How should we do this business shaping up? Because the last 5 years is something which isn't a trend, what we have seen earlier for the company.

K. Natarajan: Yes, Sanjesh, you're right. So this is something that we, as I said, are seeing that has happened in the more so in the last about 18 months. And we can give a lot of reasons, which we have been giving every quarter.

But one thing that I can assure is in terms of the actions that we are putting in place is going to start yielding results. Okay? We only want the external environment to be conducive. But as a group, we are fully prepared and we have played actions in pipeline to ensure that we come back to the growth trajectory that we are known for.

Sanjesh Jain: No, but return ratios, are they structurally down for us? Or how should we look at the return ratios for the company?

K. Natarajan: Return ratios -- because there are some investments that we did over the last 2 years, which obviously need to start picking up in terms of capacity utilization, which will happen. So this is more to do with in terms of timing of this investment. So that we don't see as a concern, it's temporary.

Sanjesh Jain: It's temporary. And from the capital allocation perspective, now that we are sitting on a lot of capacity, that's what ROCE numbers at least tell. How should we see capex from here on that should materially reduce now that we are cutting on a lot of empty capacities?

K. Natarajan: No, no. We are at 70% capacity utilization. So it is not that -- so there will be certain products in which we may have to do capacity additions or debottleneck, which we will do. But then we only do when we reach about 80% capacity utilization in any product, so which will continue to happen. But it will be -- as is the case, we'll always be frugal. We'll only go for debottlenecking. If not, we'll go for a brownfield. That's where we are.

With regards to the capex, it'll be more in terms of what we'll be doing in terms of getting ourselves equipped for the future in terms of our IOT for initiatives to make ourselves more capable, efficient, how we're going to be looking at. Digitalization in a way that can prepare us to handle the business of the future. So those will be something that will come in, which we'll do, because they'll have their own returns in terms of making us operationally much better and giving us better ability to access newer revenue streams.

Sanjesh Jain: We used to run probably at largely 70%, 75% utilization if I look at so many years. Then the capex is not underutilized in that sense because the ROCE is fairly reflective. Then what will drive the ROCE improvement?

K. Natarajan: The ROCE improvement will be driven, one is of this. Second is in terms of how our specialty ingredients business picks up, and that has been something that has been lagging. And as I said, we expected things to get better from H2, which I've been saying on the premium specialties. We do see a lot of products and pipelines getting built, but they need to start converting. And our team is aggressively working to ensure we convert it. Once that happens, things then start falling in place.

Sanjesh Jain: I thought we were at 17%, 18% with the mix when we started, and then we were thinking of return ratios going better from there, with the mix improvement, right? We are now struggling even to reach the past level with all the mix probably not very different from the historical trend. So what are we missing in this reconciliation?

K. Natarajan: Essentially, see, when we also had certain, like in those years when we did, we also had one-offs in terms of better realizations, even on performance products, given the ability to get in there, like you talked about the COVID years. So there were certain one-offs at that time also.

So if we adjust for all that, we're still getting better in terms of the way that we're delivering on the weighted average, on the EBITDA per metric ton. The only issue is our specialty volumes need to pick up significantly. So we come back there. So that's what we're seeing.

Sanjesh Jain: And one last question on this topic. How do we look at capital allocation from here? We have negligible debt on the balance sheet. How should we look at capital allocation between the capex, and dividend payout?

K. Natarajan: Yes, so we'll follow the current dividend policy. We have certain business agendas and business initiatives for which will require some cash. We will be clearer as we move forward. But yes, our objective is to ensure that how do we use the cash judiciously and ensure that we return back to the shareholders at their appropriate time, which we'll work on.

Sanjesh Jain: Couple of questions for this quarter financial. It appears there is a stark difference between the performance of the parent entity and the subsidiary entity, that is consol minus standalone. Console minus standalone has been pretty much stable, right? In fact, the EBITDA margin have only gone up. What has changed in the parent entity business? What such a stark difference between the performance of the two entities?

K. Natarajan: Yes. That's because one is the parent entity has been where the major volume issue has happened in the India business. That is one. Second is that some of the special ingredients where the pipeline was being worked out, that hasn't flowered the way it needs to flower. So these are the 2 things. So the major impact has been on the India degrowth of 7% that has impacted the India business.

Sanjesh Jain: But we have offset that through a much better growth in the RoW, right? And RoW generally is a better...

K. Natarajan: Row is in my specialty volumes have also degrown in the last quarter by 5%. Okay? So RoW also, the growth has been majorly driven by performance surfactants. And that is majorly, some of it has happened from our Egypt subsidiary.

Sanjesh Jain: And when should we see all this fructifying? Will FY '26 be a year where we will go back to that INR20, INR21 kind of EBITDA per kg and 8%, 9% kind of a volume growth? Are you confident about that?

K. Natarajan: Yes, Sanjesh, pretty confident.

Sanjesh Jain: And then one last question on the cost. Though volume growth is not there, but if I look at our overall cost, particularly other expenses, that's been quite sharp for last 2 quarter, even the freight costs have settled down. What is driving a 21%, 22% of the other expenses increase while volume has declined 1%?

K. Natarajan: So there have been some of the one-off situations that we have had, like a good amount of detention demurrage that happened in, say, our Egypt facilities because of all the issues on the supply chain getting impacted. Even in India, because of the incoming supply chain, it started getting better, but you had shipments coming all at the same time. So that's been a thing that has gone up. Otherwise, there's been nothing else to explain that increase. It's been those one-off in terms of those detention demurrage going up significantly.

Sanjesh Jain: So this INR150 crore run rate, we should again go back to that INR120 crore run rate, say, next quarter, right?

K. Natarajan: Which one?

Sanjesh Jain: The other expenses.

K. Natarajan: Yes, we should look at that. Okay? But then there will be certain one-offs that are continuing in terms of some, I think, in Egypt, but then it will be much lower than what it was in this quarter. Correct.

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

Arun Prasath: Sir, just you said, again, a little bit coming back to the volume growth, sir, minus 1% Y-o-Y for the quarter. Is this similar for performance and specialty, or there is a difference in the performance between these two categories?

K. Natarajan: Actually, specialty, degrew by about 4.5%. Performance grew by about 0.5%.

Arun Prasath: So, but restore the world did very well, but despite that specialty degrew?

K. Natarajan: Rest of the world, it was majorly supported by certain performance surfactants that was the business that we did from our Egypt facilities.

Arun Prasath: So, which means that on a sequential basis, we are roughly around 7% to 8% decline in the volumes?

K. Natarajan: Yes, correct.

Arun Prasath: And how much of this 7% to 8% decline is you will attribute to the season when you move from September to December quarter, and how much is the cost customize are rationalizing? Can you give a broad indication?

K. Natarajan: So there is no seasonality., October, November, December is a good quarter, typically, if you look at it. The whole thing has been in terms of in India, where all the customers have started pulling back in terms of reducing their inventory in the pipeline. That is what has led to this steep dip in this quarter in India was.

Arun Prasath: Sir, just if I look at it in another way, our volumes have declined by around 8% sequentially and our absolute gross margin has also kind of declined by around 7%, 8%. So, is it right to understand that gross margin per kg should be more or less stable in this last 2, 3 quarters?

K. Natarajan: Yes, correct, correct.

Arun Prasath: So large difference in the EBITDA per kg is because of the other expenses, and which you are saying will, if the one-off is not exactly kind of one-off, it will recover, it will keep recurring in the next 2, 3 quarters also

K. Natarajan: Yes, so one is where the gross margins also need to start improving, with the mix improving, that is what I said when I answered certain earlier questions. Okay?

And in terms of cost, how do we ensure that we are able to keep the one-offs as real one-offs and then incremental something else, we need to manage because there is more to the external scenarios that we are talking about.

Arun Prasath: Sir, the second is on the fatty alcohol prices. You said, you have mentioned in the presentation that it is around $2.5 per kg. I see that it is still even in Jan and Feb, it is hovering around $2.3, $2.4 per kg. So unless and until we pass some of these prices, fair to assume that this kind of margin will continue to reflect in our numbers?

K. Natarajan: So we are passing on, albeit with the lag, because if you see the prices have been going up month on month, it has stabilized, say, probably for the last 2 months. And the problem is not passing on the increases, the problem is in terms of the impact it is having on reviving the demand, which is already pretty low, at least as far as India is concerned. So that is the biggest challenge.

The expectation is that our customers are extremely averse to building their pipeline with these high stocks, because they are also passing on the price increases. Now, what will be the implication of this price increase on the demand side?

We will have to wait and watch, because that is another thing that the market is grappling with. So the best that can happen is where the prices start correcting, which we expect should happen. If that happens, then it is going to be good in terms of giving a good impetus to the volume growth in India.

Arun Prasath: Sir, I will put it in another way. At what point of time you will say, okay, forget about the demand, we need to protect our margins, and I will pass on. Is there some kind of a framework for this?

K. Natarajan: No, even otherwise, we ensure that we pass on. It is not that we do not pass on. It is only with the lag. So all increases are passed on. It is not that we decide to keep volume by not passing on the increase. That we never do. It is only the timing difference, that's all. But then this situation will not happen if it increases and stabilizes. But if it keeps increasing every month, then you may have some impact because it goes with the lag. That's all.

Arun Prasath: What is the average lag period, sir? Are we following M minus 1 pricing or Q minus 1 pricing?

K. Natarajan: So there are some contracts that are Q minus 1. There are some contracts that are M minus 1. So it depends on what the contextual agreement. There are some customers who buy monthly, some customers who buy quarterly. So we ensure that we are able to have those things covered, but there will still be inventory that will be able to support that, even if there is a lag.

Arun Prasath: Understood. Sir, just to answer the previous participant's question, you said you are working on certain actions to improve structural profitability of the business. Can you give us what is the kind of actions that you are taking and which of those actions will give yield in the near term and which will take some time to reflect in our numbers?

K. Natarajan: There are few things. How do we build a strong revenue pipeline with regards to our specialty ingredients, that is something, a lot of actions have been taken and we are building a good amount of projects in the pipeline and that is something that's going to start yielding results as the quarters progress. That's very clear.

The other thing is in terms of how do we prepare ourselves well in terms of the organization to be able to partake in this sort of extended growth opportunities that we see as far as this market is concerned. So these are the 2 critical things.

And then how do you start getting organized structure to keep it focused on all the critical initiatives, be it digitalization, be it the building a certain country-specific portfolios on specialty ingredients. So that will be the key initiative that we will do. The other stuff that are pretty much more internal.

Moderator: We have the next question from the line of Archit Joshi from Nuvama Institutional Equities.

Archit Joshi: Yes. Sir, my question was, I understand our India business a bit better. I was looking at the customer profiling that we continue to report in our investor presentation. The mix that we generally maintain, especially the MNC customers, largely 50%, 55%.

And then there is regional and some other players that we continue to report. So that mix has largely been similar for the last few quarters is what I was observing. And given the guidance of, kind of, maintaining our volume growth to the extent of 6%, 8%, has there been any strategy to kind of deviate or rather have a makeshift arrangement to kind of get into the smaller players?

There is an extensive amount of new brands that have come in in the personal care category. So do we also have any propensity to shift that mix or we believe that the 6%, 8% volume growth will be a function of the existing customer mix that we have?

K. Natarajan: No, see, if you look at it in India, when you look at the, let's say, Tier 1, Tier 2, Tier 3 as we call it, there is no way that we can decide that I want to focus only on Tier 3 Or Tier 2 even temporarily, because it is important that we focus on all the customers and their requirements in terms of serving their needs are very different.

So, example, we in India deal with all the D2C brands. But the issue that has been there is that most of them have been not able to scale up to they wanted to given that there is a cost push, plus there is a demand cutback that has happened in the urban market.

So all of them are talking about, many of them wanted to go from online to offline, they have held it back, they weren't waiting for probably the right time to be doing that. So we don't choose between the customer categories because our objective is to ensure that we grow the business in the market, retaining our significant share, and we need to be engaged with all of them equally well.

The need to be served is very different, which the team is aware of, and we serve them very differently. But we need to keep the focus on all of them, we can't decide to prioritize one over the other.

Archit Joshi: Sir, what I was trying to understand a bit better is, for example, this quarter, you said that the festive demand was not as good as even the customers had anticipated. But since the Tier 2, Tier 3 and Tier 4, the products that are being introduced in the market, the bottom of the tier or maybe Tier 2, Tier 3 kind of customers who are also getting into the market, they have faced a similar phenomenon? Or is it that there are certain pockets where we can still have some room to gain more wallet share?

K. Natarajan: See, there we have see -- if you see, we have gained wallet share even when we lost volumes in India, but with some customers, okay, because that's a continuing exercise. But that is not enough to mitigate the sort of degrowth you have from your last customers? It is not that you don't grow.

So individually, if you look at when we review internally, there are customers -- Tier 3 and tire 4 customers, we did grow our volumes with them. But those are on a small base, correct? And it can't offset the entire degrowth that happens from the Tier 1 customers, correct?

Archit Joshi: Correct.

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

Shalini Gupta: Sir, I just wanted to check what is your view on where do you think fatty alcohol prices will be in the next year and the next quarter.

K. Natarajan: Yes, next quarter should be probably the flattest at the current levels of $2,300, $2,400. I don't have a crystal ball in front of me, but my only wish is that it should settle down much lower, probably around $1,500 to ensure that your demand robustness gets back in with the customers because that's important.

Otherwise, the consumers end up paying there and they start taking their own actions in terms of reducing consumption, which is not good. but then I have no idea as to where it will settle, but next quarter, I can, based on my understanding, it probably will be stable at these levels. But yes, it should come down for it to be beneficial for a growth momentum, it should come to $1,500 level.

Shalini Gupta: Sir, what, in your opinion, led to this sudden price hike?

K. Natarajan: That was more driven by the prices going up for your palm oil and palm kernel oil. So if you see the entire edible oil complex has gone up. And this essentially has moved up in this majorly with regard to your palm oil going up. So today, your palm kernel oil from which fatty alcohol is made is about $1,700, FOB, Indonesia, Malaysia. So that is what. And the same thing, the same time last year, it was around $900 to $950. So that explains.

Shalini Gupta: So you're expecting palm oil prices to come down?

K. Natarajan: Yes, based on the high season months commencing. That's what I said.

Shalini Gupta: And, sir, my other thing was that, that earlier you were facing some supply-side issue challenges. So have those eased now?

K. Natarajan: Yes, they have eased. It - it can be better. But certainly, it's not as acute as what it was in the first 2 quarters.

Shalini Gupta: And, sir, my last question. Sir, you had said, that you are expecting, guidance at INR20,000 per metric ton to INR21,000 per metric ton. So that you're saying that for the next 2, 3 years, you maintain?

K. Natarajan: Yes, as of now, I don't see any reason to reverse the guidance.

Shalini Gupta: And, sir, I just want to confirm, EBITDA per kg in this quarter has been INR15.7?

K. Natarajan: No. It's been, yes, INR16 -- sorry. It's been INR17,500.

Moderator: The next question is from the line of Rohit Nagraj from B&K Securities.

Rohit Nagraj: A few clarifications and a couple of questions. One, in terms of fatty alcohol prices, I mean, historically, whenever such a sharp surge has happened, you said it lasted for a couple of quarters, which in current parlance include 3Q and 4Q, and probably from 1Q onwards, the fatty alcohol prices should normalize. Is that the right assumption?

K. Natarajan: Yes. See, because if you see, the high season months in Malaysia and Indonesia for harvest of palm fruits and palm kernel is typically beginning of May. So that is what leads to that, so then that leads to inventory being higher, and then you have the palm and palm kernel oil prices coming down and deflecting in alcohol prices.

So that's the expectation. And as of now, that's what the market expect that things would start settling now, because everyone does say that it is currently positioned at a very high level. And it has reasons to sufficient indication it should come down. And we expect that on the same lines.

Rohit Nagraj: And our FY '25 EBITDA permitted trend guidance of INR20,500 to INR21,500 is now postponed by 1 year to FY '26. And thereafter, I mean, historically, we've been saying that it will be growing by about maybe 4%, 5% annually. Is that the right assumption to work with?

K. Natarajan: Yes, so this year, so I said, I don't want to change the guidance, because I see this as a short-term blip. So this quarter, this year, we will not be achieving that. It will probably be a 4% growth and close to around INR19,000 tons of EBITDA per metric ton.

But then we do see that we'll come back, okay, to the guided range in the next year as the months -- as the quarters progress. But if there's anything that we see structurally different, we'll come back and say whether we need to revise. But we don't see any reason to do that as of now.

Rohit Nagraj: My other question is on the capex front. So given that this year, there has been muted volume growth, and we probably have capacities to place the volumes even next year, would the capex guidance of say INR150 plus/minus crores be lower for next year or year after that? Or will you stick to the same guidance?

K. Natarajan: No, I would want to be with this because there are some things that we're already planning. So we see no reason as to why we need to cut back on capex. Because we're always pretty deliberate and very frugal about both the timing of our capacity additions and also in terms of the cost at which we add the capacities.

So whatever we see in terms of this required to keep us prepared to serve our customers, we'll do that. So we'll be pretty deliberate about investing. But I don't see that we'll end up having significantly lower capexs next year. We don't see that.

Rohit Nagraj: And one last question. So we've been scouting for maybe any inorganic initiatives, given that there is a good amount of cash on the books. However, we have not been successful. So is the hindrance coming from any material technology pick up in our line of business?

Or there is any other factor that I mean, traditionally, whatever surfactants we've been using, the same have been modified to an extent and being used now. The only thing is that moving to some green chemistries. But there are no such players who are working on any better technologies or substantially better or other sustainable products. And that's why we are not able to get any leads. So just your thoughts on this?

K. Natarajan: No, no. So there are. So there are like we are engaging with customers and certain partners where we are able to get into some sort of a partnership to get that done. So you may, some many times you don't have to just make an investment.

We will end up making investments or doing some your inorganic acquisitions only when we see that there's a need to do that to ensure that we are able to be secure. we've been evaluating a lot of such options, but we don't find them in terms of the optimal situation in which we would want to be going ahead.

But this will be a good part of our strategy to grow forward because we have an aggressive growth agenda ahead of us. So we are constantly on the lookout, but we will -- just because we have cash, we're not going to get into any acquisition that we are very clear. It has to be at the right value and for the right strategic purpose.

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

Aditya Khetan: Sir, my question was largely when we look at a span of 4 years, so last 4 years, so cumulatively around INR700 crore has been invested in capital expenditures. Although, on the EBITDA front, the number hasn't been that interesting because of higher other expenses, as you mentioned, but on gross side also, to the conversion has been lower despite your mix remaining the same between the performance and specialty that has not been deteriorated. So what explains this distort?

K. Natarajan: So see, the capacity that we set up have been for the premium specialties. So that is what we have been saying where the sort of distortion happened when you had in Europe and U.S., a lot of projects got held up or they were suspended because of the destocking and inflation there.

It started picking up in terms of the projects that have been getting built only in the last about 6 to 9 months. So the capacity we have set up are for premium specialty. So that needs to gain traction. And then that would set everything back in place. That's what I said even when I answered some question on similar lines previously.

Aditya Khetan: And so the INR700 crore like, which we have invested, any idea like -- so wherein we have invested like, particularly into the specialty debottlenecking and what was the amount if we can just...

K. Natarajan: No, that we don't share, but then I'll say that out of INR700 crores, major was towards the specialty ingredients.

Aditya Khetan: So there the capacity has been expanded, you mean to say?

K. Natarajan: Yes, correct.

Aditya Khetan: And sir, further guidance on to the capex, any...

K. Natarajan: So we probably will stick to the same INR150 crores that we do, but then we will see when is the guidance, but then we end up investing only when we see there's a real reason for us to be kicking it off. So that will continue.

Moderator: We have no further questions, ladies and gentlemen. I would now like to hand the conference over to Mr. K. Natarajan for closing comments. Over to you, sir.

K. Natarajan: Thank you, ladies and gentlemen. Thank you for coming to this Q3 analyst call. And I look forward to talking to all of you again and with much better numbers. Thank you.

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