"Galaxy Surfactants Limited
Q1 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, and a very warm welcome to the Galaxy Surfactants Limited Q1 FY2021 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 the conference call, please signal for an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Unnathan Shekhar – Promoter and Managing Director of Galaxy Surfactants Limited. Thank you and over to you Sir!

Unnathan Shekhar: Thank you. Ladies and gentlemen a very good afternoon to you. As we begin this first concall of financial year 2021, I do hope and trust that you and your families are safe, sound, and healthy.

The famous author Roy Bennett has said, "You learn something valuable from all the significant events and people, but never touch your true potential until you challenge yourself to go beyond the imposed limitations". The quarter gone by has been just that. Challenges kept emerging from all ends. The situation kept changing daily but what remained constant in this dynamic and uncertain environment was our determination focus and vigor to stand up to the challenge and discover our true potential.

Ladies and gentlemen this has been a challenging yet satisfying quarter for us. I would like to acknowledge our team for having stood up to this challenge despite the numerous headwinds and uncertainties that marred the quarter. The relentless determination and unmatched focus demonstrated by Galaxy family ensured that we not only face these uncertainties with confidence but also emerge stronger.

I would also take this opportunity to acknowledge all our stakeholders who have ably supported and equipped us to fight this battle with sheer confidence. Their support has been significant.

The Q1 of this financial year 2021 has been a unique quarter in many ways. The unfortunate incident at our M3 unit Tarapur and the sudden imposition of lockdown 1 and 2 impacted the supply side of the business. Be it in terms of people, production, or operations business in India and USA slowed down in April and the first half of May but things are getting back to normalcy though the situation is changing dynamically.

Momentum picked up in June and we believe this momentum should continue into the next quarter, but the key here will be how the supply side factors pan out. Demand visibility for our performance surfactants, which grew at 7.8% in volume terms for this quarter driven by the healthy 10.2% growth registered by AMET markets, remains robust.

No shutdown in Egypt meant growth momentum continued from Q4 FY2019-2020 to Q1 FY2020-2021. The specialty care products due to the cutback in discretionary consumption and overall slowdown in the developed markets saw a decline of 26.2%. We believe this is a temporary short-term blip and with the revival of the consumption cycle we do see normalcy returning sooner than later

India business though declined by 2.3% a good monsoon followed by pickup in rural consumption along with a growing awareness for hygiene and cleanliness has the potential to result in an improved performance going ahead, the challenge though will be the potential impact on operations due to the intermittent lockdowns, variability of restrictions, and the challenges on account of rising COVID cases. This can delay the recovery. Numerically, the revenues for June constituted for 40% of the total group revenues for the quarter gone by, while the mix gravitated towards performance surfactants EBITDA per metric tonne remained resilient at Rs. 17,561 per metric tonne as against Rs. 17,779 per metric tonne reported in Q1 FY2020.

Ladies and gentlemen given the headwinds, agility, and adaptability combined with customer centricity will hold the key. With the resilience demonstrated by our business and people over the years, we remain confident of winning together once again. On that note, I wish your families and you good health and strength to cope with this new normal and emerge stronger. Thank you ladies and gentlemen.

Moderator: Thank you very much. Ladies and gentlemen before we start Q&A session would like to make a statement 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 involvement and uncertainties that are difficult to predict. We will now begin the question and answer session. The first question is from the line of Mike Sell from Alquity. Please go ahead.

Mike Sell: Thank you. Could you please give us some more color on the unfortunate accidents? What actually caused it? You have some of the most stringent procedures in terms of safety and this is your first major accident for many years, so I am slightly confused at what went wrong and how you can ensure it does not happen ever again?

Unnathan Shekhar: Thank you. The description of the accident is that, there was an intermediate vessel inside the plant and there was a blast in that particular tank which resulted in the death of three people. Now we have various alarm systems so this particular alarm went on and what is required in the emergency response is that people who are in that particular plant except the supervisor of that particular plant are supposed to move away and come to the emergency response area; however, I think two people out of the three I think out of maybe enthusiasm chose to remain with the supervisor or maybe out of curiosity went over to that particular place where they were not supposed to be. Now the supervisor went there, and I think in that particular heat of the movement he closed a particular valve, which was not supposed to be closed, which aggravated the situation. I think it only points out to possibly a small what I call confusion in the mind at that particular point of time not being able to think very clearly and do what needs to be done and I think that particular action without a full thinking resulted in an explosion or a blast which happened and this resulted in the death of all these three people out of which two people had an instant death and then one on the way to the hospital, now subsequent to that very obviously when we reflected we have distance to cover with respect to the emergency response training as far as our people are concerned one and number two what we did was we created a task force to go through the entire factory equipment by equipment, process by process, plant by plant and once we reconstructed the particular place every single product had to go through this what we call PPCR, pre-startup safety review after having restored the safety aspects of every single unit then only we started it. I think the starting of this particular plant happened only in late June. Now the plant is of course running and this is as you rightly said, a big setback as far as our safety record is concerned over the last 40 years and it has brought in a deep reflection into ourselves looking into ourselves and then questioning and examining every single facet as far as our product process is concerned.

Mike Sell: Thank you and a quick follow-up question. Can you confirm that all your plants are now fully operational as in there is no lasting damage from this and secondly and that includes any regulatory issues and secondly have any of your customers who are very big on ASG curtailed their business with you as a result of this problem?

Unnathan Shekhar: Can you repeat with respect to the customers what did you ask?

Mike Sell: Have any customers ended their relationship or reduced their relationship due to the accidents?

Unnathan Shekhar: No. I think, we informed all of our customers as soon as the incident happened; we fully kept them updated with respect to whatever happened. All of our plants are running today. The only bottleneck is with respect to our internal situations with respect to sickness of people which requires us to plan almost on a daily basis so it is very difficult to plan even for three days because this COVID sickness seems to impact us in very uncertain ways.

Mike Sell: Thank you Sir.

Moderator: Thank you. The next question is from Nilesh from HDFC Securities. Please go ahead.

Nilesh: Good afternoon Sir. My question is per unit EBITDA margin sequence if I look at the sequentially as well YOY the company is able to maintain per unit EBITDA about Rs. 17,500 per tonne and if I look at the volume mix in the current quarter particularly it is tilted more towards traditionally what we call as a low margin performance surfactants given the low volume from specialty care but despite of that the company able to maintain per unit EBITDA margin sequentially as well as Y-O-Y so which implies that there is a change in customer mix so can you tell us what was the customer makes in 1Q and also throw some light on the sustainability of it in the near term?

K.K. Natarajan: I will take this question. See first of all I would like to correct you in terms of, that all performance surfactants are low margin products. See when it come to the performance surfactants, the way we have to manage in terms of the raw material risk, is critical, and the way you are able to understand the market situation and able to take advantage of the geographical presence, spread that we have in terms of managing the customer as well as the geographical portfolio for these products allows us to not only manage the volatility but also hedge us from it. To answer your question whether going forward okay this would be sustainable? I would like to be a little bit guarded because we do see the sort of uptick that is happening the performance surfactants although we want to be cautiously optimistic on that front, we would still like to stick to this thing in terms of overall EBITDA margins being in the range of Rs. 15,000 to Rs. 17,000 per metric tonne that is what I would like to tell.

Unnathan Shekhar: To answer your question further I think the last quarter the sales mix has been more towards T1 customers because T3 customers faced more disruptions compared to the T1 customers. I think we have repeated this many times and still this question comes up where the perception seems to be that the performance surfactants are low margin products. This is not, we have classified performance surfactants as performance surfactants only, because they are all dependent on the raw material lauryl alcohol and since the lauryl alcohol as a feedstock is quite volatile in terms of its price over periods of time the entire business demands that we manage the risk of raw materials and that is the reason why we have classified them as performance surfactants. As I said the only common thing for performance surfactants is lauryl alcohol, which is the raw material.

Nilesh: Thanks, and Sir my second question if you could be able to give the geographical revenue breakup in terms of percentage?

Unnathan Shekhar: Approximately I will tell you AMET was 42%, India was 37% and Rest of the World was 21%.

Nilesh: Thanks that is all for mine. Thank you Sir.

Moderator: Thank you very much. The next question is from Anupam Tiwari from Axis Mutual Fund. Please go ahead.

Anupam Tiwari: Good afternoon. Thanks for the opportunity. Just to understand it little better is there any one-off kind of traction or temporary traction that you are expecting in AMET or you think this demand is sustainable?

Unnathan Shekhar: As far as AMET is concerned see if you remember correctly about three years back when the devaluation happened in Egypt as a country there was the contraction of the market one and there was also a shift between T1 and T3 customers. I mean T3 customers at that particular point of time in the local Egyptian market; however, over a period of time even our T1 customers or T1 players there have slowly regained their position and particularly their share and the market has also come back to its own so what we would say is that entire three-year period was a slow period for Egypt and now Egypt has suddenly comeback to normalcy so as far as AMET market is concerned as we have said whatever we are seeing now we expect this particular sort of position or the market position to continue.

Anupam Tiwari: In case of Rest of the World can you comment anything on when you see demand recovering what is the trend that you are getting?

Unnathan Shekhar: Let us say that this is a highly uncertain time. I think we cannot even see, we cannot even predict what will happen the next day and if you see the entire world almost all the countries are still in the grip of COVID so we are still in a very fluid situation but as I mentioned in the beginning of the speech for us we take every day as it comes and fight our best.

Anupam Tiwari: Is this decline in ROW volume is due to the fact that our plant was not operating and maybe client has to shift to somebody else for immediate supply?

Unnathan Shekhar: As I said, if you look at the last quarter the April month virtually the entire country was at a standstill okay now the blast at our factory did certainly impact us but slowly we are now regaining our position with our customers.

Anupam Tiwari: This volume decline is not having any structural impact because of our issue in the plant it is purely our demand issue?

Unnathan Shekhar: I should say that I think you all will be quite pleased to know that we are surrounded by demand as far as this industry is concerned. What has happened is that people's habits with respect to their personal hygiene, cleanliness, home hygiene, and fabric hygiene have heightened during this particular period of time. So, across the world not just in India I think demand is extremely buoyant and robust. What will now influence our business will be our ability to respond consistently and continuously with what is called zero disruptions, but the fact is that there is quite a bit of disruption with respect to our people getting sick, or their neighbors getting sick or their society getting shut, as a result of which they get quarantined and are unable to come to work. For your information I think we have estimated that roughly 20% to 25% of our people force is unavailable at any point of time and this has been the case for the last now four and a half months or so, so we do hope that this number will reduce to zero in the coming months. I think that can enable us to respond better with respect to the demand requirements that the market imposes on us.

Anupam Tiwari: There is no extraordinary pricing benefit that you have got in this quarter because of early supply or emergency supply so it is all normal pricing behavior that we have seen normal pricing practices?

Unnathan Shekhar: We have always said that we have really long-term relationship with our customers. The entire business over the last 40 years has been built on strong and abiding relationship with our customers so there is always predictability and consistency that we have to promise with respect to our dealings and our association.

Moderator: Thank you. The next question is from SanjeshJain from ICICI Securities. Please go ahead.

Sanjesh Jain: Thanks for the opportunity and good afternoon everybody. A couple of questions from my side first on the realization. This quarter the realization for performance chemical was like 30% higher than specialty. I know that we do not have any correlation in the realization but just if we can provide some color on the product mix on the specialty side and should we see this realization also catching up as we see volumes come back in the specialty side that is my first question?

K.K. Natarajan: As we explained I think in initial addressing on this when the same question was asked what I said was with the performance momentum picking up which Shekhar explained is more in terms of how we are able to manage the operations on the supply side, we do expect that things should start improving in terms of the realization but whatever we have seen in terms of this particular quarter has been a combination of various factors in terms of the way we have been able to manage risk on the raw material front and in terms of the way that we are able to manage the geography and the customer profile mix. As I said we are cautiously optimistic that we will be able to maintain this particular trend what is critical in terms of how we are able to respond in a very predictable way with regard to the operations in the supply side which has unfortunately got impacted by the COVID sickness that we are having in terms of our people that is the only thing.

Unnathan Shekhar: Let me proactively answer the group's questions. I am sure I think all of you are anxious with respect to the specialty care products. See as I mentioned in the previous quarter this industry is driven by consumer needs and wants and for consumers. Top priorities among these are one protection safety which I said is driving the move towards non-toxic preservation. The second is mildness, which is driving mild surfactants. The third is sustainability now all these are very, very critical and important and the loss is of course sensory, so the basic structure or movement of the industry with respect to the consumer minds is not at all interrupted, what has changed for now is the priority, the priority has changed in this time where the customers are remaining at home so what they are more bothered about is not beauty as of today because they are all inside their houses they are more bothered about personal cleanliness, personal hygiene and to protect themselves further so which is what is happening now so more people are cleaning themselves and cleaning their homes, cleaning their dishes or cleaning their fabrics, cleaning their floors much, much more frequently than what they have been used to before one and we do believe and as you would have listened to concalls of all our customers also we do believe that this habit will stick, in the sense that once they are into this particular habit this habit will stick. So you are seeing some significant growth as far as hand wash is concerned. Now the growth will taper down over time but for now whatever some of our customers have mentioned that their sales of handwash has multiplied by three times of course they do not expect this momentum to maintain once normalcy comes in but they are certainly sure that the market will expand by not less than two times even after this COVID fear goes away. So what is to be understood is that whatever we are seeing with respect to specialty care products is entirely due to one a lot of disruption caused by COVID in all the countries and number two is shifting priorities in the short-term.

Sanjesh Jain: Sir one related question on the specialty again sorry to touch it upon again how are we seeing this with the opening up of the economy now that the specialty is generally more dependent on US and Europe and the economy is opening up much faster than India have you seen any sign of revival there at least has the order or the inquiry inflow increased on the specialty side?

Unnathan Shekhar: Certainly, see that the interest on the specialty remains. See a lot of our customers have also lost production because of COVID. As I told you the demand as a parameter is pretty robust and about the decline in the last quarter it is also not just entirely due to demand, it is also partly due to us where we have not been able to just say respond fully and which is what I mentioned right at the beginning that the blast at the M3 unit also was one of the reasons apart from the lockdown 1 and 2 and furthermore sickness and absentism which has happened because of this pandemic, the entire supply side has been a cause of this particular decline in terms of specialty.

Moderator: Thank you. The next question is from Videsh Gupta from Ambit Capital. Please go ahead.

Ritesh Gupta: Thanks for the opportunity. when you say that your EBITDA per tonne range is Rs. 15K to Rs. 17K and it was about Rs. 17.5K so would you like to revise up the guidance from Rs. 15K to Rs. 17K to let us say…

Unnathan Shekhar: We would still maintain whatever we have talked about before. It will still be the Rs. 15,000 to Rs. 17,000.

Ritesh Gupta: Is it largely because of the lower palm oil prices in the last three quarters that you are exceeding Rs.17K or is it products mix or is it something else?

Unnathan Shekhar: We have said multiple times that we do not play on our raw materials. We always say we have an opportunity to pass it on and that is the reason, because if we were playing on our raw materials possibly then the range that we would have talked about will be some say Rs. 13k to Rs.20k, but we have mentioned Rs. 15k to Rs. 17k.

Ritesh Gupta: Thank you.

Moderator: Thank you so much. The next question is Bharat Seth from Quest Investment Advisors. Please go ahead.

Bharat Seth: Thanks for the opportunity. Sir on the specialty care side just one question is on this specialty our volume decline is 26% percent whereas value decline is 39% so just can you explain is there any product mix change or how or geography change has really played out this? That is one question. Second questions are related to services a lot of performance product where we have to go and work with the customer for application and then develop the new application so is there any setback because of COVID because of non-travelling and all and third is on the capex side that we if you can give some colour?

K.K. Natarajan: I will take the first question.. The first is what got impacted were the high-end categories in terms of beauty products so obviously you know the volume reduction was lower than the revenue reduction because you know the products within specialty that got impacted were the high margin products. Coming to second question in terms of engagement okay with our customers given the situation of not being able to travel, we have used technology to ensure that we are connected virtually with all our customers including their innovation team so that you know and we see a good amount of traction happening and we have got adjusted with this new normal of working and doing meetings virtually so the customer connect has only got enhanced and the third one is I think third one you asked in terms of I forgot that question what was the third one?

Bharat Seth: We were looking for a large amount of capex over here, what is the current situation on it?

K.K. Natarajan: There was because of the COVID situation, the labor unavailability the implementation time has got pushed by about six months so we should have probably been commissioning it in October this year but the same now we will get on to April next year.

Bharat Seth: So will that affect our supply chain I mean again if demand revives then supply will be a constraint in that case

Unnathan Shekhar: Yes certainly because whatever plans we had obviously it would have got pushed by six months because of COVID. So it is going to result in some disruptions, yes.

Bharat Seth: Currently Sir, what capacity are we operating at?

Unnathan Shekhar: I will tell you what I was mentioning see our capacity utilization in terms of number is 57.6% but for your benefit, let me say if effectively we look at it, it would be around 60% to 65%. I think if the sickness were not there and assume that you know if everything was let us say as before normal pre-COVID if we take that as 100% okay I think against that we are today at 60% to 65%. So for various reasons the effectiveness quotient is getting impacted. That is a ballpark number. Am I reaching you

Moderator: Sir thank you very much. The next question is from Rohit Nagaraj from Sunidhi Securities. Please go ahead.

Rohit Nagaraj: Thanks for the opportunity. Sir, you have talked about the supply side challenges in terms of manpower what were the other challenges that we have faced was it because of may be raw material availability, exports from India to other geographies and how have we rectified them in the current scenario?

K.K. Natarajan: I had explained this. Initially if you look from when the lockdown was announced on March 23, 2020 till almost end of April the issue was in terms of ability to clear the material from the port, the local transportation everything had got impacted. It started reviving post lockdown 2 when it was announced and post May 15 all this started settling down okay and we in any case during that time could not function properly given the restrictions imposed by the government on the number of people you can have at the plant in terms of operation including social distancing. Then we started operating well from the month of June but then we realized towards the end of June that with the unlock 1 that was announced people started falling sick because the amount of movement increased and while there was no restriction on the number of people now, the fact that more people are falling sick, we are today being more cautious in terms of ensuring that people are quarantined even if they report a normal fever so that is impacting effectiveness as of now. But what we are developing is the ability to manage these situations, with these given constraints in a very, very innovative way so that is what we are doing to ensure operations impact is restricted to the least. So we have been able to mitigate almost all because our team has been constantly ensuring that we are able to ensure that we have our material moving out pretty properly, getting the planning rejigged almost every third day to ensure that we are able to service our customers well, the only challenge we see as of today is the rising COVID cases so we need to be little bit more cautious because for us the priority is our health and safety of our people. That is important. So that is the only concern we see today.

Rohit Nagaraj: So due to the supply side constraint the amount of revenue loss is permanent in nature for this financial year or part of it can be recouped in subsequent quarters?

K.K. Natarajan: We have the ability to recoup. It is only that the demand lost in the first quarter that returns back, what we need is that the consumer demand remains intact so that they start buying more in the coming months which means the demand for our products will work and we are very well positioned in terms of responding to that, the only challenge being if the number of cases continue to be the way they are then our people availability will be a question and we need to ensure that it is properly taken care of, otherwise if the demand comes back we are well positioned, everything remaining same to be able to respond to that and in that case yes we can start recouping if not everything at least the portion of what we have lost in the first quarter.

Moderator: Thank you very much. The question next participant is Dhruv M. from HDFC Assets Management. Please go ahead

Dhruv M: Thank you. If I look at the realization for a performance surfactant segment it has increased about 3% YOY basis and the number that you were given for fatty alcohol prices in your presentation it seems it has declined by about 6%, so 6% decline realization has increased to about 3%, I understand raw material is passthrough. So, is it fair to assume this is largely due to a mix and if you can give some comment on is this mix because of the post COVID situation and can this continue? I am coming from because if this continues I would believe that we have the speciality recovers we could see probably better numbers as we move ahead. So just some thoughts there?

Unnathan Shekhar: See there has been a shift with respect to the mix in this quarter but as we have always mentioned we would always strive and it will remain this particular mix of what is called 60% to 65% of performance and 30% to 35% of speciality will always remain.

Dhruv M: So I was mentioning within the performance because the realization has increased despite the fall in raw material? So on that basis within the performance is the shift changed for something better and can this continue?

Unnathan Shekhar: Within the performance I think there are shift changes but that would be temporary.

Dhruv M: So this should normally I hope.

Unnathan Shekhar: I think we should not take this quarter as the standard quarter. I think obviously as long COVID remains in the world I think this particular quarter will be the standard for the subsequent quarters but not over the long term once COVID stops everything will come back to normal. It will not be proper to extrapolate from whatever has happened in this last quarter.

Moderator: Thank you very much. Next question is from Rohan Gupta from Edelweiss Financial Service. Please go ahead.

Rohan Gupta: Good afternoon and congrats on a good set of number despite challenges of COVID. First is on the clarity on this other expenses it has come down significantly from the previous Q4 and also from the last year so I understand that one may be the travel related expenses but is there any significant cost savings we have done which is likely to continue?

Ganesh Kamath: Basically the reduction is on account is power and fuel where actually it is affected by volumes and the other is administrative and the third is repairs which is essentially the availability of the people, these are the three factors.

Unnathan Shekhar: I think whatever expenses reduced it was only because of what one would expect because of COVID. Yes your travel has been very obviously impacted, exhibitions, travel, CSR I mean all these things have come.

Rohan Gupta: Second question is on our customer mix. In the current scenario as you also mentioned that we have seen shifts from T3 customers to Tier 1 that is also visible in the current scenario but these are the T3 customers who used to give us a high margin and because we were giving them a complete service and more value-added products so how you see that the current scenario has panned out because we have not seen that any such impact on our margin so despite T3 customers concentration coming down so just wanted to understand a little bit more explanation towards this and how we used this trend going forward?

Unnathan Shekhar: Again I say if you look at all the previous quarter's, see we had our T1 customers around 50% to 55% and our T3 used to be something like around 35% or so and balance used to be T2 so this is what we would want to have over the long-term. In 2018 itself we had mentioned that our strategy will be on the pillars of growing both on performance surfactants as well as speciality ingredients, then number two growing both in emerging markets as well as developed markets, number three increasing the share of wallet with all our customers, number four continue to innovate products for our customers and create value for them, number five have a broad basing of our customers in T1, T2 and T3 across various geographies and number six focus on operational excellence. These continue to be our mantra as far as Galaxy is concerned.

K.K. Natarajan: Whatever happened in the first quarter in terms of the change in the profile mix essentially because I think the Tier 1 and Tier 2 customers were actually able to come back fast in terms of operations despite the lockdown whereas Tier 3 customers were finding it difficult so what we see is that all the Tier 3 from June have started their operations okay so we do see that this particular thing was more not by design but by default because of the situation that was there. We expect all the Tier 3 customers to come back because all of them have started operations.

Moderator: Thank you very much. The next question is from Lakshmi Narayanan from ICICI Prudential Mutual Fund. Please go ahead.

Lakshmi Narayanan: Thank you yeah so if you look at your volume mix India, AMET and the Rest of the World like what has been the volume mix for FY2020 and in addition to these external reasons like COVID do you actually see any stress in a particular geography or a particular customer of yours where there is a pull back from the earlier committed volumes which is which is quite visible and which you think would be the big risk factor in addition to the COVID things which you actually mentioned?

Unnathan Shekhar: Frankly no. See whatever has happened as I said please do not come to any derivations as far as this first quarter is concerned. See all of us are trying to plan for months ahead but we are living by the day I mean and I was again saying our mood swings you know from extreme optimism to sometimes extreme pessimism depending on the internal situations so it is nothing to do with externally. Externally the demand is pretty, pretty robust, no major structural change has been seen at all, there has been redefinition of priorities by individual customers in this particular period of time and as I said they are more focusing on cleaning, personal hygiene and they are all living at home, everybody is operating, living only in home they are not even going outside so in that particular context there is a small reduction with respect to their focus on beauty, but all of us know this will not remain permanent, this will come back once the situation regularizes. So we would continue to say whether it is the mix between performance or specialty or our geographical mix, both will more or less remain the same and that is the reason why as I always said you know we are building our capex or building capacities in anticipation of let us say what we see going forward. What is significant is what we have wished all along, is that people in a way realized the need for cleanliness even much, much more possibly it was there in their consciousness but it has got deeply embedded now in this COVID situation, which is good for people in terms of their health and for this industry in the long run.

Moderator: Thank you very much. The next question is from Abhilasha Satale from Dalal & Broacha. Please go ahead.

Abhilasha Satale: Thank you for taking my question. As you mentioned that some of our clients have they are seeing very good growth in their health and hygiene products so are we also seeing that kind of buoyancy in our orders picking up and all for our performance surfactants you said that you know some of the hand wash plant they have posted three times growth in their handwash sales and all so in performance surfactants how much is going towards these products and are we seeing that kind of buoyancy in our order book because of the current situation?

Unnathan Shekhar: Yes. I did mention that and that is partly the reason why your company has performed the way it has performed in the last quarter, but as you always say that the caveat is that you know we should be able to what is called respond. There is a what is called a bit of cautiousness that we that we are expressing so let us see as it goes I think when we meet you now three months hence I think we will have possibly some more interesting stories to share.

Moderator: Thank you. The next question is from Dheeral Shah from PhillipCapital. Please go ahead.

Dheeral Shah: Good afternoon Sir and thanks for the opportunity. Sir I have two questions basically in your performance surfactants basket so what percentage of product is of high margin in nature we have more than 45 product you know where in realization is higher than the average basket realization?

Unnathan Shekhar: No we do not share those information. What is important is that our in terms of volume mix 60% to 65% of is performance and 30% to 35% speciality.

Dheeral Shah: One last question so as you mentioned earlier regarding cost saving in the other expense category so what percentage of cost will again bounce back with the improvement in performance and what will not?

Ganesh Kamath: All the administrative expenses which are currently affected by physical restrictions right and volume being lower, will bounce back. It is only disruption related.

Unnathan Shekhar: So all these are disruption related. These reduction expenses is disruption related and once a disruption ceases I think everything will get restored back.

Ganesh Kamath: As business will bounce back so will be the expenses.

Dheeral Shah: This is one-off in nature?

Unnathan Shekhar: Yes.

Dheeral Shah: Thank you Sir. All the best.

Moderator: Thank you very much. Next participant is Nav Bharadwaj from Anand Rathi. Please go ahead.

Nav Bharadwaj: Thank you for taking my question and congratulations on a great set of numbers Sir. I had a short question trying to understand your client mix when we say that you know we had incremental orders from T1 customers my belief was that we usually have long term contracts with them so is it in the same product line or even there orders were more opportunistic and indifferent product lines?

Unnathan Shekhar: I think the orders were for our performance surfactants because as you know the performance surfactants find application in a variety of categories including hair care including the handwash including fabric wash etc., etc., I think our performance surfactants have a wider application in various categories of personal home care products.

Nav Bharadwaj: So the point being that it was beyond their current product line that they were acquiring from you earlier before this?

Unnathan Shekhar: See if you know as I mentioned, Egypt has only shown growth in volumes. See compared to quarter of FY2020 as a matter of fact, our volume has been lesser in India, so it has not seen a jump in terms of volumes. Only your Egypt volumes have increased otherwise if you see India we have declined in this first quarter. Also I said that we have not been able to fully respond to our customers in this particular quarter primarily because of lockdown. Sitting at home the demand for cleanliness and hygiene while has gone up, the restrictions on operations and supply chain have acted as hinderance. So there is still what is called a pent-up demand and that is what you would have experienced from our customers for example if you have attended the conference call of say Dabur, or Unilever they would have mentioned that there is a lot of stocking that took place in the month of June.

Moderator: Thank you very much. Ladies and gentlemen due to time constraint that was the last question for today. I will now hand the conference over to the management for closing comments.

Unnathan Shekhar: Thank you ladies and gentlemen. I think thank you for your support and let us meet again three months later. Thank you.

Moderator: Thank you very much. On behalf of Galaxy Surfactants limited that concludes this conference. Thank you for joining us. You may not disconnect your lines. Thank you.