February 17, 2023

National Stock Exchange of India Limited, 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 2022-23.

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 held on February 13, 2023 for Q3 FY 2022-23. This is for your information and records.

We request you to take the same on record.

Yours faithfully,
For **Galaxy Surfactants Limited**

NIRANJAN ARUN KETKAR Digitally signed by NIRANJAN ARUN KETKAR Date: 2023.02.17 15:52:50 +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

Galaxy Surfactants Limited
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 FY2023 Earnings Conference Call"

February 13, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges — BSE Limited and National Stock Exchange of India Limited and the Company website on February 13, 2023 will prevail

MANAGEMENT: **MR. UNNATHAN SHEKHAR – PROMOTER & MANAGING DIRECTOR - GALAXY SURFACTANTS LIMITED**
MR. NATARAJAN K. KRISHNAN – EXECUTIVE DIRECTOR & CHIEF OPERATING OFFICER – GALAXY SURFACTANTS LIMITED
MR. ABHIJIT DAMLE – CHIEF FINANCIAL OFFICER – GALAXY SURFACTANTS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Galaxy Surfactant's Limited Q3 9M FY2023 earnings conference call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. We have with us Mr. Unnathan Shekhar – Promoter, Managing Director; Mr. Natarajan K. Krishnan – Executive Director & Chief Operating Officer; Mr. Abhijit Damle – Chief Financial Officer from Galaxy Surfactant Limited. Thank you and over to you sir. I now hand the conference over to Mr. Unnathan Shekhar. Thank you and over to you, sir.

Unnathan Shekhar: Thank you. A very good afternoon, ladies and gentlemen. It gives me immense pleasure to welcome you all once again for our quarter three FY2023 Conference Call. Before we get into details, it is important for all of us to understand the journey. The story has played out over the last 18 months. It was exactly a year back when we had reported one of our weakest quarters. This had come on the back of another weak quarter which had seen your company report its first volume decline. Questions were asked on the inherent strength of our business model and though we remained confident we knew only our actions and performance could reinforce and reassure our investors. As American Authors Robert Collier once said, *"Success is the sum of small efforts, repeated day in and day out."* At Galaxy we have practiced and demonstrated the same over a decades now. It has been the small and consistent efforts put in by our team day in and day out, that has ensured that we report our best quarter till date in terms of operational profitability and record the best calendar year in Galaxy's history. Truly a remarkable turnaround when compared to our performance 12 months ago given the highly volatile macro backdrop. It is important to understand the context here because on one side we had an inflationary as well as a deflationary backdrop and on the other, we had significant demand cutbacks and deteriorating economies. But despite the multifold challenges we have consistently grown and achieved our FY2022 profit in the first nine months of FY2023. The consistency demonstrated by the team is worthy of praise, and I take this opportunity and acknowledge and thank them for the same.

While numbers are the lag indicators, one of the lead indicators is the equation we share with our customers. It gives me immense pleasure to share with you all that we recently received the Clean Future Partner award from Unilever. This award was only given to six suppliers globally who have partnered with Unilever and through multiple innovations enable them in their journey towards a cleaner future. As it said, success is a journey and not a destination, and for us, the journey of innovation, partnering with purpose, with all our stakeholders and delivering consistent performance continues. The inherent business model remains robust and given the strong talent pipeline we remain positive, confident, and optimistic about our brighter future.

Moving onto the business performance, it is important that we understand the structure and drivers as well as the short-term factors influencing it. India continues to remain a bright spot for us, while the volumes have grown 12% in Q3 and 7.7% for the nine months till December the bigger picture is what places us. Today we are on course to cross the 100000 metric ton sales number for India. The same stood at 69 metric tons in FY2018 thus growing at 8% CAGR over the past five years. Basis this performance we can safely conclude that the structural growth witnessed during COVID has not only sustained but as inflationary pressures ease we can expect further build up in momentum. I will urge you all to look at the bigger picture which remains bright and healthy.

Africa, Middle East, and Turkey region have been a point of concern while volumes have declined 14.8% till December and 6% for the quarter it is the macroeconomic volatility that is a point of concern. This year has seen the Egyptian Pound depreciate by 100% compared to December 2021 and the Turkish lira by 71%. While the lira seems to have stabilized that Egyptian Pound in the last month has further depreciated by 25%. As our performance in India shows a stable macroeconomic environment is a precursor to growth. Stability ensures growth and it is this stability that has ensured that on one hand we have Indian crossing the 100000 metric ton mark annually and on the other AMET recording its lowest volumes since FY2017.

On an aggregate level as well as for the past three years our volumes have remained flat mainly due to the slowdown in AMET. Nearly 10% of the volume decline on an aggregate level has been contributed by the AMET markets which have in turn been recouped by the growing India market thus ensuring we remain flat on an aggregate level, but like it is said there is always light at the end of the tunnel. This quarter has seen AMET grow at 11% sequentially with the bulk of the growth coming from the local Egypt market. While it would be prudent to observe for one more quarter barring for any further currency depreciation, we do remain hopeful that the worst is behind us. Volume momentum in AMET should make a comeback and we remain optimistic about FY2024. The rest of the world has been a mixed bag for us, the last 4 years have seen multifold challenges of varying magnitude. While in FY2020 and 2021 our volumes got impacted due to the pandemic. FY2022 supply chain issues further compounded in situation. As supply side factors started improving the contraction of demand in Europe and China this year adversely impacted our performance, while the challenges continue, we do see our performance improving significantly in FY2024. The optimism is based on consumption making a strong come back in Europe and developed markets warding of recession. This in turn will aid our specialties which declined 9% in this quarter and 5.6% YTD.

Before we move on to the outlook it is important to understand the nuances of our operational performance which has been the best till date in this quarter. While multiple initiatives are being carried out in terms of product mix, operational improvements or judicious price calls to capitalize on emerging opportunities, we need to acknowledge that the decline in volumes as well as reversal of multiple supply led factors have also contributed towards this performance. While some of these efficiencies will continue in the coming year, but for ensuring sustainable growth volumes will be the key. While inflationary pressures have impacted the Mass and the Mass-tige segments thus impacting our performance products easing inflationary pressure will ensure volume growth which will eventually result in correction of our EBITDA per metric ton as and when the same happens. This is particularly the true as the Africa, Middle East, Turkey volumes recover. The recovery in Europe and China will laid our specialty volumes. Thus ensuring volume growth for each of the segments. While the magnitude of recovery and period within which the same happens remains to be seen. We remain confident of complying with our cardinal principles that govern our business growth which are volume growth of 6% to 8% EBITDA growth being higher than volume growth and PAT growth being higher than EBITDA growth with return on capital employed in the 22% zone. The structural framework that has enabled our growth over decades remains the same and the volumes are an integral part of it. Therefore while we specifically would refrain from giving out an EBITDA per metric tons guidance for FY2024 it is safe to assume that your company will aspire to grow in terms of volumes as well as EBITDA for the coming year.

To conclude, ladies and gentlemen, success in business is all about building, building relationships, talent pipelines, great products, and robust processes consistently and passionately. At Galaxy we have done that for the past four decades and ensuing decade will be no different. Thank you, ladies and gentlemen.

Moderator: Thank you. We will now begin the question-and-answer session. First question comes from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Good morning, good afternoon, sir. Thank you, thanks for taking my question. I got a couple of them. One on your cardinal rule of 6% to 8% volume growth followed by higher EBITDA and then even better PAT growth. Now considering that we are at an EBITDA per kg of close to Rs.26-Rs.27 and volume growth of 6%-8%. So, if you want to comply with this growth where EBITDA normalizes the volume growth requires to be significantly higher and the contraction in the EBITDA requires to be significantly lower. How should one see this in a very near-term I can agree with you on a longer-term that this may be established that we have done it for the last 20 odd years, but for the next one to two years how should we see this framework working for us. That is my first question.

Unnathan Shekhar: In any case as far as the last nine months are concerned. We need to understand that some of this EBITDA per metric ton contribution has come from certain export benefits incentives, which we received, which were accumulated for a previous period in Egypt, it was quite significant as far as the last year they know these nine months were concerned because they were on the order of approximately maybe Rs 20 Crores or so. So that has been very important info. We have also had a sudden sourcing games, which came particularly because of a steep reversal in terms of raw materials during this particular period as far as the freight rates which were very adverse at the same time last year it improved in supply chain those particular we had a reversal of those reversals. So these have been the sort of significant contributors as far as EBITDA per metric ton is concerned, as far as this quarter is concerned. So over a period of time what we have done in terms of improvement EBITDA is of course focused on an insignificant mix as far as our entire product portfolio is concerned and again chosen customers very, very carefully in the regions in the various regions that we operate. Now we want to remain optimistic about our volume growth despite the various inflationary and deflationary situations that we are experiencing in various parts of the world we would like to remain optimistic as far as our volume growth is concerned, and yes for us that particular cardinal principle of EBITDA growth being higher than volume growth is if a guiding principle which we would like to not only ideal to follow but even surpass that. Now that is it.

Sanjesh Jain: This Rs 20 Crores benefit in Egypt is for this quarter or is for the nine months FY2023.

Unnathan Shekhar: It was for the previous period because as you know we do not book any export benefit volume still it is realized that is a policy that we have followed which we have communicated many times before.

Sanjesh Jain: No, that is fairly understood. This Rs 20 Crores has been booked for this quarter per se or for the nine months.

Abhijit Damle: We booked it on a cash basis and it was booked in this quarter.

Sanjesh Jain: What is the same number for the 9 month.

Unnathan Shekhar: I think more or less everything I think came only this quarter..

Sanjesh Jain: My second question is volume growth I do appreciate that you have a 6% to 8% volume growth but considering a sequential 11% growth in the AMET region and from next quarter onwards we will be on a much more favorable base. Do you think next year could be an exceptional year where we are normalizing for the last two to three years decline in the AMET that is number one. Number two can Turkey become an incremental challenge for us something given the situation in Turkey remains very fragile. How do you see the AMET in lens where Turkey say and number three are we doing anything for longer-term protection of this volatility in AMET or do we have to live with it considering that is how that market behaves. These are my three questions on the volume.

Natarajan K. Krishnan: See with regard to AMET, if you see in terms of local Egypt volumes we are seeing things are getting better. So we need to wait for one more quarter to know that it sustained, but that is good, this thing despite the steep 100% inflation, we are able to see things getting better. Unfortunately Turkey was also at list inflation at almost 70% but this earthquake has thrown things off that, but yes, as of now our only this thing is to see there are customers and their families are safe. We probably have a better idea in the next 15 days as to whether we see any impact because more than the demand I think it is how you reach the supply, so we are assessing that. So it will be too early for us to comment on that. With regard to the entire AMET volumes Egypt as I said is getting better and only thing is that I can surmise that with inflationary pressures coming down both in terms of commodity and food prices and we also see with the winter going off the energy inflation also is going to be much better. So it only augurs well for the volume growth to happen pretty well. I this I can conclude safely that the worst is behind us as far as AMET volumes are concerned.

Sanjesh Jain: Just thinking again FY2024 be a year where we normalize all the last two years of decline where we can recoup and the market is also coming back whatever our customers telling in terms of their market share because I think they have lost a significant market share in the local market.

Natarajan K. Krishnan: Yes, correct. So, customers are also they probably saying that things augur well for them in terms of the prices getting now corrected. They do expect that things should start getting better. Now what I am saying is a reflection of what my customers share with me.

Sanjesh Jain: My last question is about the competition. One on the general competition within India where we have seen few surfactant companies like Aarti has been coming back and number two on the phenoxyethanol I think Rossari talking of expanding their footprint in the export market. How do we see competitive intensity coming out of India base?

Natarajan K. Krishnan: As you know that in the last 4 decades we have seen and managed a huge amount of competition. So this is nothing new I do not see this as anything of great significance. So we know how to compete and that is important and I hope that the market allows everyone to grow but certainly we know how to manage the competition.

Sanjesh Jain: We remain confident in maintaining and improving our market share right.

Natarajan K. Krishnan: Yes of course.

Sanjesh Jain: Got it. Thank you very much and best of luck for the coming quarters.

Moderator: Thank you. The next question comes from the line of Rohan Gupta from Nuvama. Please go ahead.

Rohan Gupta: Hi! Sir, good afternoon. Thanks for the opportunity, once again congratulations on such a strong set of numbers. The question may be a little bit extension of the previous answer which you give the previous participant. Shekhar sir, if I heard you right that you tell that EBITDA margins per ton this year nine months have been phenomenally high benefiting from the multiple factors and product mix and also the export benefit, but I see that you are still through you did not give any guidance on margins per ton but if I heard you rightly said that we are still looking at absolute EBITDA growth next year. Am I right sir on that front.

Unnathan Shekhar: No, the EBITDA per ton certainly as our cardinal principle says it would be ahead of a volume growth that is what is our striving will.

Rohan Gupta: If I extrapolate that it means that we are still looking at EBITDA margins per ton next year will be much above what you used to be earlier guidance of Rs.16000 to Rs.18000 per ton.

Unnathan Shekhar: What I would like you to note is that this particular EBITDA per ton is in terms of a certain proportion of performance on specialty. So when the performance and specialty percentages normalize then we would again see but in the individual categories our striving will be to grow the EBITDA per ton at a higher rate vis-à-vis the volume growth rate. But the overall growth is a mix of both specialty contributions as well performance contributions.

Rohan Gupta: Sir fair enough, whatever combination we applied in terms of the change in the product mix we understand that this nine month has been tepid in terms of volume growth for specialty and going forward probably that the surfactant business will drive the volume growth that we fairly understand but still the volume growth in surfactant business and given that sticky nature of our business it cannot be 30%, 40% in terms of the volume growth so the volume growth has to be in a certain percentage range of maybe just 8% to 12% kind of growth in absolute volume. Also, we will see the price led decline in terms because of the softening of raw material prices. So probably a revenue growth which you may be looking probably for FY2024 may be as modest as maybe a flat. With that topline growth I am just concerned that if we are not able to protect our EBITDA margins per ton and with a certain weakness probably we should be seeing a decline in EBITDA absolute EBITDA should be declining in FY2024 that is what our number suggest so but on the contrary you still look at growing EBITDA so that is something which we not able to comprehend.

Natarajan K. Krishnan: I do not know that what number, how we are worked at. But I can tell you in a simple way how we look at business per se it is clear that the only way to sustainably grow your business is to ensure that you grow your volumes ahead of the market that is very clear. In situations and if you see till the time that the volume global macroeconomic headwinds resulted in negative growth in volumes we were actually growing our volumes pretty significantly ahead of the market and even this year we are okay, but whenever we see that the volume growth is not going to become an opportunity in the volume growth is not going to be available it is going to degrow we remain smartly manage our operations, our product mix and our pricing and we sorted because the ultimate aim is to deliver profitable growth. Now when my volumes degrow how do I deliver a better EBITDA growth is what we looked at. Now when the volumes when we do see that there is good sense for us to start growing our volumes then we need to ensure then we need priorities our entire strategy in terms of getting the volumes back and participating fully in the volume growth so this will result because certainly EBITDA per metric ton only resultant of that, but we are very clear that we will continue to grow our EBITDA year-on-year EBITDA as well as the volume growth is only something that the market will allow us, but we would want to ensure that grow our EBITDA year-on-year to ensure that we deliver on profitable growth.

Rohan Gupta: Should also be implied that whenever the market picks up significantly and there is an opportunity to gain market share in terms of volume growth. You may offer some price discounts to the customers to gain even slightly higher volume growth will that be the scenario.

Natarajan K. Krishnan: Yes, that depends on the case to case and that type is what we will do because if the volumes are going to come back that is what even the customers will do correct. They would start reducing prices only when they say that is not result in volume growth when they do that and typically any businessman can operate and that is what we would also do.

Rohan Gupta: Sir just second question we have always mentioned that our ROC profile generally we look at is 22% plus before looking at any project, but historically we have seen last three to four years our margin profile have improved significantly in terms of absolute EBITDA per ton that used to be roughly Rs 13000 and now we are almost at Rs 18000 to Rs 20000 on a generalized basis or normalized basis right now it is very high. I do not see that there would have been any significant increase in asset turn and or Capex costs have gone up so significantly except that maybe some marginal increase. Should we assume and let the ROC profile of the company last four to five years have also improved and now the project which we undertake is above 22% on maybe what it was earlier, but now it is roughly 26% to 27% if you look at the current margin profile.

Unnathan Shekhar: ROC will continue to be at the threshold will continue to be a 22%.

Natarajan K. Krishnan: Yes, so it is like this we are very clear in the way that we direct the efforts to deliver a weighted ROC of 22% but how we look at individual projects is very different so or guess to deliver 22% that is how we work. Now depending on the project wise, product wise, the thresholds are very different, but we will be delivering. So typically you can have times when the ROC can be lower but it will always be with a very clear listing of delivering a weighted average costs of return on capital employed of 22%.

Rohan Gupta: Third question if I am allowed and if there is a long queue I can come back in the queue again. In terms of volume growth guidance I know it has been a volatile market scenario and the recessions are clear in a global market, but still you see that with the falling raw material prices I mean inflation is easing now, what kind of volume growth or just simple market growth you can anticipate over next couple of years can it be again significantly higher than last four to five years average, which we used to guide 6% to 8% can it be in a 15% to 18% volume growth range over next couple of years.

Natarajan K. Krishnan: No we would be happy if that happens certainly we look forward to that happening, but yes it is I do not think that we would be able to hazard any guess on what the volume growth will be with the inflationary correction I think we are very clear that our things deliver 6% to 8% in line with the way the market grows. When the market grows by 10%, we need to grow ahead of that the market grows 4% we will have to go ahead of that, that is the way it is. Now it will be current price reductions that will settle everything in volume we need to wait and watch and I not be able to hazard any guess on that.

Rohan Gupta: Thanks a lot sir. Thank you very much for answering all the queries.

Moderator: Thank you. Next question comes from the line of Rohit Nagraj from Centrum Brooking. Please go ahead.

Rohit Nagraj: Good afternoon, sir and thanks for the opportunity and again congrats on a good set of numbers. First question is last time we had alluded that the inventory that customer end was higher what is this scenario that we are experiencing now across our operating geographies. Thank you.

Natarajan K. Krishnan: Yes, so we do see that I think the inventory reductions in many of the markets other than US. US typically I think there is still some amount of correction that is expected that is what our customers tell us. Otherwise, I think in most of the other geographies I think there are no inventory corrections to be done furthermore, it is only in the US as I said, we expect some more to happen because the pipeline inventory is still not got corrected fully.

Rohit Nagraj: Sorry I got lost.

Natarajan K. Krishnan: What I am telling was except for US where we have informed our customers that there is still some amount of inventory corrections to be done in the trade whereas in all the other geographies they say things have got the inventory corrections have been done.

Rohit Nagraj: Sir second question is again, I mean, apologies for harping on again on the EBITDA per metric ton figure. So you alluded that there were a Rs 20 Crores one time in getting back from Egypt. Now a couple of questions about this. Is this recurring in the future as well that is one part and second part in the first nine months any other one-time benefit that we have received beyond this Rs 20 Crores because of which the number is close to about 25000 EBITDA per metric ton for nine months is probably inflated. Thank you.

Abhijit Damle Other than this export incentive that we reconceived and I think no other significant onetime benefit.

Natarajan K. Krishnan: This quarter was 20% but in nine months how much cost.

Abhijit Damle: Nine month it would be somewhere around Rs 23 Crores, Rs 24 Crores.

Natarajan K. Krishnan: I think you heard it.

Rohit Nagraj: Yes 23 Crores, 24 Crores, for the nine months.

Natarajan K. Krishnan: Yes.

Rohit Nagraj: Will this be occurring in the future as well right and whenever we book the volumes.

Natarajan K. Krishnan: That is the reason there is uncertainty we accounted on a cash basis because it is only when the government releases the money that we can, when they will release is anybody's guess. So that is right, so we can pick on the any statement on what will be next quarter or next six months.

Rohit Nagraj: Sure sir, that is very clear. Thank you so much. I will come back in the queue.

Moderator: Thank you. Next question comes from line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: Thank you so much. Sir the question is again coming back to the EBITDA per ton or per KG, you mentioned part of the reason is that the product mix of some of the products, so this depending up on the product mix, but if I look at the gap between the performance the growth in the performance products and the specialty products. The share of performance products has an increase in the last quarter and the last nine months. So is it fair to then conclude that the EBITDA per KG that you earn on the performance product is probably higher than the specialty products?

Natarajan K. Krishnan No. see what I can tell you is that, even within performance products there are products and certain segments where we are able to manage better realizations depending on how the market allows us an opportunity. So it is always the case where the specialty is higher in terms of EBITDA per metric ton, but even within performance there are times when we are able to get better pricing and that is what we have been able to do over the last 9 to 12 months.

Dhruv Muchhal: Otherwise this is going to give a clear picture because if we share of performances increased and EBITDA per ton has increased. On an overall basis, it seems a bit up a ton on EBITDA per kg on the performance product is better based on what your commentary is that it is the product mix that is partly driving this EBITDA per kg increase.

Natarajan K. Krishnan: Product mix within performance, product mix even within specialty I guess even within specialty there are certain products where we have been able to get they have been positioned well in terms of better realizations so it is a combination of all this.

Dhruv Muchhal: Also if I look at your MNC share has increased your 51% it was last year YTD it is now 56% some of the other regional and local levels have declined while we used to think the MNCs have better marketing power so probably the EBITDA per kg will be lower there. But that seems not to be the case.

Natarajan K. Krishnan No, I do not think you can draw any such correlation, but one thing is that it is important that what this probably should conclude from this is that the sort of strength of relations that we have, and obviously in this market situation you would see that only the big players have been able to take out inflation are able to grow. So that is a demonstration of this sort of the business model that we have this non-business model that we have.

Dhruv Muchhal: Sure sir, got it. Thank you so much. Thanks. All the best.

Moderator: Thank you. The next question comes from Mr. CA Garvit Goyal from NVest Research. Please go ahead.

CA Garvit Goyal: Good afternoon, sir. just one thing whether your nine months EBITDA per metric ton is sustainable in FY2024 you mentioned it is around Rs 23 Cr because of export incentives. So, if we exclude that impact then also it is around 23700 per ton. So can we achieve this 23700 number in FY2024.

Natarajan K. Krishnan: No that is what we said this EBITDA per metric ton is only final result of the way that we conduct our business. So that is what I explained. Now whenever the first priority business priority is to ensure that we grow our volumes ahead of the market. If the market does not allow you to grow your volumes because of the macroeconomic headwinds then we need to see how we manage to profitably because finally our objective is to deliver profitable growth but delivering volume growth is the priority. So if the market now starts offering me an opportunity to enhance volumes after when the prices start correcting in the consumer demand starts coming back we will then start prioritizing growing our volumes and then the EBITDA per metric ton will be different. So how would you pan out you are not able to see, that is presently why we are not able to guide you on EBITDA per metric ton, but what Shekhar said very clearly in his address is that we will grow our volumes ahead on the market and we will also grow our EBITDA ahead of our volume growth and our PAT ahead of the EBITDA growth. So that tells us how we are structuring the way that we do our business.

CA Garvit Goyal: That is all from my side.

Moderator: Thank you. The next question comes from the line of Bobby Jayaraman from Falcon. Please go ahead.

Bobby Jayaraman: The year-on-year volume growth for this quarter was flat so how did you achieve your revenue growth given a following RM environment.

Unnathan Shekhar: See the revenue growth is it as a correspondence to the raw material prices.

Natarajan K. Krishnan: Yes our raw material prices start correcting, but then we also need to know that they will be it is always correct with a lag of three to five months. So there will still be some pricing that has been done based on the raw material price that was three to five months back. So you would not see an immediate correction correlation between raw material price coming down on the revenue growth getting impacted. So you will see the Jan, Feb, and March revenue growth will be much lower than the previous quarter, this quarter, because the corrected price would start reflecting in Jan, Feb, March.

Bobby Jayaraman: How would that impact your EBITDA.

Unnathan Shekhar: Yes, we did mention that we had certain sourcing gains because of the reversal of raw material prices that also added to our EBITDA per metric ton.

Bobby Jayaraman: So the next quarter likely when the revenue normalizes reflecting the lower RM environment your EBITDA would come down to correct that is what you are saying.

Natarajan K. Krishnan: Yes, what we are saying is that if there are opportunities available on the market to manage your positions in a way that is able to get better relations that is what we will do. Now I just said in the next quarter more important is to priorities our volume growth. So whether the two things one is in terms of whether we will be able to get the volume growth by giving price reductions and whether my raw material scenario will allow me to be able to get certain efficiencies. Now this is something that we will be able to say only after the quarter ends because our day to day way of doing business ensures that we are able to get volume growth and manager our RM positions in a way that we are able to get better realization. So that is where I would like to put it.

Bobby Jayaraman: So looks like there are too many moving pieces here right?

Unnathan Shekhar: Yes, there are you got it right.

Bobby Jayaraman: My next question is I remember in some of the earlier con calls you had mentioned that during the COVID days you are seeing a lot of business in the ecommerce players the new ecommerce players that have started selling consumer goods is that still on or was that…

Unnathan Shekhar: That trend continues I think a number of ecommerce players have strengthened themselves and grown pretty well there has also been a case where some e-commerce players have fallen by the wayside so that good guys are getting better and better and growing.

Bobby Jayaraman: So they would also be a driver for your volume growth right given which will be exist before they go that is correct.

Unnathan Shekhar: Yes, they do offer opportunities for volume growth, but as you know the e-commerce segment is very, very small portion of the overall size of the market.

Bobby Jayaraman: Okay got it. Thank you very much.

Moderator: Thank you. The next question comes from the line of Bhargav Buddhadev from Kotak Mutual Funds. Please go ahead.

Bhargav Buddhadev: Good afternoon team and congrats on a good performance. I have a couple of questions one is what would be the contribution of Turkey in terms of our overall revenue.

Unnathan Shekhar: Turkey will be approximately 9% to 10% of our overall.

Bhargav Buddhadev: And that you mentioned you will come to know the exact assessment only in the next 15 to 20 days.

Natarajan K. Krishnan: Yes, because what is happening is that right now when we are assessing whether first is whether any of our shipments have got into trouble so we have realized it that is not an issue there, and then the second is we are now only talking to all the customers and asking about their well-being now the impact on business is we will probably wait it is not the right time to ask them. So, we will assess that probably in the coming days.

Bhargav Buddhadev: But do you think there is a significant risk to this business or maybe in FY2024 or too early to…

Natarajan K. Krishnan: See I do not know if you ask me I am not able to comment in terms of whether very clearly that this does not have any impact, but, yes, the probability looks lower we need to wait.

Unnathan Shekhar: There will be some impact.

Natarajan K. Krishnan: Yes, short-term, because more in terms of the demand sentiment getting impacted there so we still see, but we do not seem to be prolonged once they start adjusting to the new normal.

Bhargav Buddhadev: Second question is out of our 1800 odd customers how many of them would still be under ladder one your endeavor would be to graduate them to ladder two, ladder three etc.,

Unnathan Shekhar: You are right. See the topmost step in the ladders takes anywhere between 25 to 30 years. So, this climbing is gradual, deliberate, compounded, and cumulative. So, a majority of our customers in this 1800 will all be in the first above the ladder. So as we have always mentioned the number of customers on the topmost step of the ladder you can count on fingers.

Bhargav Buddhadev: So would it be fair to say that 80% would be ladder one or maybe more.

Unnathan Shekhar: Even more.

Natarajan K. Krishnan:: Yes, but it is important that we get them into ladder one and keep them there and then move them to the substitutes row so that's also an important job for us to do which we are doing pretty well.

Bhargav Buddhadev: And as they move up the ladder the effort increases disproportionately in terms of engagement right.

Unnathan Shekhar: You are right obviously of which also the opportunities increase manifold or the engagement increases, the opportunity increases, because you are able to deal with them a wider package of your products.

Bhargav Buddhadev: Would it be fair to say that we would have 100% share of them as they move up the ladder or they go to some other suppliers.

Unnathan Shekhar: No, normally we have seen that all customers in their risk matrix do not like to have only one supplier in their procurement they always have one more supplier, to ensure that they fulfill their risk criteria as far as their organization concerned.

Bhargav Buddhadev: Okay, sir. Thank you for them and all the best.

Moderator: Thank you. The next question comes from the line of Anubhav Sahu from MC Research. Please go ahead.

Anubhav Sahu: Thanks a lot for the opportunity. A couple of questions. One is on you have commented on the benefit arising out of sourcing games due to a reversal in raw material prices. So when you mentioned that do you mean to say that you could get some better deals in getting some of the input prices which is otherwise in the normal course of operation we do not do is that the case?

Unnathan Shekhar: It is a combination of many things, it is also the way we manage our procurement, which we have said is an area, which we are very, very particular about and careful about. Given that the raw materials are highly subject to ups and downs.

Anubhav Sahu: Is there a way you can quantify this benefit that happened this quarter which otherwise is not a normal course of operation.

Natarajan K. Krishnan: No that we will not be able to comment upon.

Anubhav Sahu: You did mention the channel inventory and I think the inventory customer at the US operation probably it is on the higher side. I had a question regarding our position on our inventory it looks like as per the result for Q3 is concerned. Probably we are not impact much by high-cost inventory. How do you see this thing are we pass the challenge because there has been quite a good climb down of the fatty alcohol prices and all. So how we are positioned as per the high-cost inventory is concerned.

Natarajan K. Krishnan: No, so we ensured that we always flowed in line with the market. So it will start reflecting the buying prices will start reflecting on the lower prices as demands move on, but as I did answer a question earlier that the prices do not start immediately the alcohol prices start correcting say four months back it again went up it has come down so it is a combination so you will see a directional trend in terms of my raw material inventory prices coming down very clearly. You will see my Jan, Feb, and March will be lower than what it is October, November, and December, logically because the corrections majorly started in June, July came down again went up is coming down again. So we will see that.

Anubhav Sahu: Okay quite clear. Thanks a lot for this.

Moderator: Thank you. Next question comes from the line of Malay Sameer from Breakthroughs In Stock Market. Please go ahead.

Malay Sameer: Sir, you have been sharing with us that the EBITDA margin will lead the volume growth we can say the EBITDA in absolute term will grow much more than the volumes and on the other side you are sharing with us that you will sacrifice the pricing for the volume growth so on these two statements on a trajectory.

Natarajan K. Krishnan: We did not say any of those things. I will tell you what we said was volume growth is a priority and then if the market affords us which tells us clearly that there is a volume growth possible with the judicious pricing approach we will do that because that is what is important if the market tells us that there is no possibility of volume growth then it is our job to ensure that we get the right pricing. So that is why we had to manage, but finally, we said that we need to grow our volumes ahead of the market, grow our EBITDA ahead of the volume growth and the PAT ahead of the growth that is what we said.

Malay Sameer: So if you were to take a scenario where the volume does not grow hypothetically in FY2024 then your EBITDA in FY2024 will be lower than FY2023 because the volume is the priority and the pricing.

Natarajan K. Krishnan: So I did tell you that finally the EBITDA permitting is a derivative of how the micro economic situation is and how we ensure that we are able to grow volumes what we are telling is we do not know what the situation in terms of demand is going to be 6-9 months from now. If it is going to grow by 10% we better ensure that we grow a 10% minimum, if that requires us to do judicious price corrections we need to do that.

Malay Sameer: So is there are challenges on the volume growth and if we do not get the benefit of export from Egypt like we have got this time and if the volume is the leading focus for us our EBITDA in FY2024 could be substantial and lower than what it is in this quarter.

Unnathan Shekhar Not necessarily you very well know how EBITDA gets having that right. Revenue minus cost minus various costs.

Natarajan K. Krishnan: So how do you manage your cost judiciously how do you manage the RM positions judiciously how do you manage your pricing appropriately. There is the sum total of all that is now EBITDA per metric ton. So various levers available correct. So we need to use appropriate levers to be able to deliver profitable growth.

Malay Sameer: Thank you so much.

Moderator: Thank you. The next question comes from the line of Divyata Dalal from Trident Capital Investment. Please go ahead.

Divyata Dalal: Hi! Good afternoon, Sir. Thank you for taking my question. I wanted to understand a little bit more about the statement that you made that in terms of performance surfactants we are able to manage better realization because of the product mix. So one I would like to understand which are the geographies where we are able to get a better product mix and second are these trends stainable.

Natarajan K. Krishnan: First question we cannot answer with geographies is very clear. Second question we would not be environment to enable us to sustain that, but as I said earlier we are not going to be, if it requires that we need to price it appropriately to gain volumes if the market allows us an opportunity we will do that. So that will be the answer, but we cannot make any such specific statement on that right now.

Divyata Dalal: No my question was more pertaining to see we have seen that the Indian market is also growing well. So are you seeing a structural change where in the product mix where the mass or lower realization products are lesser as compared to people moving towards premium products.

Unnathan Shekhar: Kindly note that the policies when we talk about are always what has happened we are only telling you what has happened, but our effort is always to grow in all categories and all segments. Now what has happened is that in the last year because of highly inflationary pressures the market going got say chooses to certain product categories vis-à-vis certain other product categories this kind of whole changes once normalization happens and our job is to respond to this market and respond to this opportunity.

Divyata Dalal: So you mean to say that this is not a normal situation and probably once normalization happens.

Unnathan Shekhar: Yes, kindly note that we do not design our business on the basis of EBITDA per metric ton. We repeat EBITDA per metric ton is always a derivative.

Divyata Dalal: No I completely understand that my pressure was just to understand the trends in the market whether in performance Surfactants or whether the demand is such that it is moving towards more premiumization products as compared to a Mass product I just wanted to understand the trend in the market.

Unnathan Shekhar: Nothing such trend is visible. See what is important to understand is that all markets or a combination of Mass, masstige and Prestige each what we mean by premium. Now particularly in the last year there was a significant impact with respect to the Prestige products which in a way reflected in the decline of specialty products as far as last year is concerned. Now again as far as these markets have had an impact because of inflation in terms of the volume our customers very obviously rejig their particular portfolio to ensure that they respond to the ultimate consumers requirement and demand need, accordingly, calibrate their offerings. To give one example you would have seen some of our multinational customers saying that customers in the last year prefer a lot of smaller packs, they prefer to buy a lot of smaller packs because of the inflationary situation in which case the entire mix of offerings that they offer if us from previous. However, they may play a different tune when the situation comes back to normal. So these are the sort of changes that happen in the market and our job is to fundamentally respond to these changes by adulating and ensuring that we are able to meet our service requirements of our customers very, very promptly and properly.

Divyata Dalal: Got it and one bookkeeping question on the Capex what is the Capex that we planned for FY2024 and what CapEx have we done through nine months FY2023.

Unnathan Shekhar: As we said we have always indicated that our Capex per year approximately will be 150 Crores and it would be there even for the next maybe two to three years or so.

Abhijit Damle Next year we have already crossed about 120 Crores in nine months.

Divyata Dalal: Okay fine alright that is it from my side. Thank you and all the best sir.

Moderator: Thank you. The next question comes from the line of Dinesh Patak from WhiteOak Asset Management. Please go ahead.

Dinesh Patak: Sir, what is your market share in the covered category and the geographies maybe you can take one-by-one like India…

Unnathan Shekhar: We would largely talk about these numbers we do not talk about market share.

Dinesh Patak: No so what I want to understand is that you said that we will grow volume ahead of the market, but market like from my understanding there would be various markets where we are not present in that are you like nurturing new markets can you talk a little bit about that.

Unnathan Shekhar: We are already present in about 76 to 80 countries what we are saying is that in terms of the products that we operate in those particular countries or geographies and with respect to those particular products we grow ahead of the market.

Dinesh Patak: When you said Turkey is 10% of the revenue this is total revenue or just AMET revenue.

Unnathan Shekhar: Total revenue.

Dinesh Patak: Sir this Laurel alcohol would be what percentage of your raw material buying.

Natarajan K. Krishnan: About 60% of our raw material buying.

Dinesh Patak: This is important only for performance and in specialty, there is not much not Laurel alcohol right.

Unnathan Shekhar: Yes, there will be not much Laurel alcohol in specialty products.

Dinesh Patak: How much of the tonnage that you sell every year are exported from India and also exported from the plant that you have in Egypt.

Unnathan Shekhar: The international sales constitute approximately 2/3 of our total sales. So as far as India is concerned the export revenue is 50/50 approximately.

Dinesh Patak: So what you produce in India 50 you sell in India and 50 you sell abroad right like that.

Unnathan Shekhar: Yes.

Dinesh Patak: Okay for the 50% that you sell aboard export. You like raw material understanding of your pass through with some of the clients so freight if you can explain the 50% of which is exported from India how is freight accounted for and is it pass-through and what is the exposure to fleets volatility.

Natarajan K. Krishnan: So as simple as that that is finally freight was as still last year the way it went up was a very small component of the overall pricing. So typically freight moves with some places where we do a three-month freight contracts for customers we have some places where we do a six-month contract. So it is not one-size-fits-all sort of situation. So the objective is to ensure that we take the right service, deliver volumes, and customer schedules very well on time, and then ensure divide the right price of the freight. So that is how it is worked out. So there is nothing there we tried to manage your freight positions in a very different way.

Dinesh Patak: What would be your best utilization.

Unnathan Shekhar: Approximately 66%-67%.

Dinesh Patak: It can go up to the maximum of what.

Unnathan Shekhar: Normally when it goes, it is almost near 80% to 85% we start thinking about increasing the capacity further.

Dinesh Patak: So the Capex that you are doing Rs 150 Crores a year is just maintenance CapEx there is no growth additional capacity.

Unnathan Shekhar: It is a combination of maintenance plus growth.

Dinesh Patak: How much capacity are you adding if you can talk about that as well.

Natarajan K. Krishnan: It is a combination of what we do in both performance and specialty so we typically would not be able to comment on that.

Dinesh Patak: Thank you, sir.

Moderator: Thank you. Due to time constraints, we have reached the end of the question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Unnathan Shekhar: Thank you very much. Thank you, ladies and gentlemen. Thank you for your presence. Have a good day and see you in the next quarter. Thank you all.

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