"Galaxy Surfactants Limited
Q4 and FY2020 Earnings Conference Call"

June 29, 2020

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

Moderator: Ladies and gentlemen, a very warm welcome to the Galaxy Surfactants Limited Q4 and FY2020 Earnings Conference Call. This conference call may contain certain forward-looking statements about the company, which are based on beliefs, opinions and expectation 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 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. A very good morning to all of you ladies and gentlemen, as we begin our concall for the FY2019-20, I trust and pray that you and your families are safe, healthy and secure. Ladies and gentlemen these are unprecedented times, it was only four months ago when we had our last concall in the first week of February 2020, but as Vladimir Lenin had once said "There are decades where nothing happens, and there are weeks where decades happen." Within 15 weeks to be very precise the whole world has undergone a 180-degree change, change that has not only impacted our today, but shall live on and also impact our future, change that has not only brought the world economy to a grinding halt, but which has also disrupted lives across the globe. Within weeks we have experienced what people had not experienced for decades. Unprecedented times call for unprecedented measures. The lockdown imposed by countries across the globe as well as by our government on March 23, 2020 to protect lives impacted business operations adversely, but it also gave rise to our new age warriors, warriors on the ground comprising of our doctors, police staff, administration and other authorities who are selflessly defending and fighting for our lives and our country. We thank these warriors; they are our real heroes.

Daily lives came to a standstill, essential products and services were still the need of hour, it was time for our customers to step up and to enable and equip our customers Galaxy was ready. This was about our nation and our people. Our COVID Yoddhas as we internally call our members from the plants, operations and logistics, not only fought through the various risks and lockdown restrictions, but also ensured we keep on delivering and fulfilling our customers' needs 24x7. This has not been easy right from restrictions imposed by local authorities on traveling to work to restrictions at ports and unavailability of transportation mediums, operations were severely impacted, but as they say there is always light at the end of the tunnel, things have not only improved since lockdown 1.0, but we do see normalcy returning sooner than later. We acknowledge and thank our COVID Yoddhas for braving this storm valiantly.

In these times, ladies and gentlemen I would also like to share some positive news with you. We at Galaxy celebrated our 40th annual day on June 22, 2020 that is last week. The journey, which began in 1980, has now completed four decades. Four decades of creating value and growing with our customers, four decades of growing with our country's growth, which has grown by over 200 times and building Galaxy to a globally recognized, reputed and respected brand. The four decades have seen our profitability compound at the CAGR of 28.5% from Rs. 1 lakh in 1980 to Rs. 230 crores as of FY2019-2020 and our revenues have multiplied by more than 20,000 times, but more than the financial numbers these four decades have been about the sustainable partnerships and relationships, which we have built and nurtured with all our stakeholders, relationships, which have not only stood the test of time but also enabled our growth over the past four decades. We thank all our stakeholders for their continued support and partnership.

Moving on from the last four decades, the last decade has seen your company grow at a CAGR of 10.9% in volume terms, 15.9% in EBITDA terms and 19% in PAT terms, maintaining of course our threshold ROCE of 22%. Both our segments that are performance surfactants and specialty care products, have seen volume growth in excess of 10% during this period. As we enter the next decade, the last year of this decade FY2019-2020 was relatively a mixed year for us. I say mixed as while all our segments and regions registered growth, this growth was relatively subdued in the second half of the year while our performance surfactants business grew at 6% in volumes, specialty grew at 1.7%; overall volumes grew at 4.4%. Egypt made a strong comeback registering 22.2% growth in volumes over the previous year, which primarily drove the performance surfactants volume growth. Specialty business started off on a strong note registering 10% volume growth in H1. Seasonality in Q3 and outbreak of COVID-19 in Q4 adversely impacted the specialty business resulting in a decline of 6% in H2; that is in second half of the year.

Lack of adequate credit for the distribution channels along with reduction in inventory days impacted business in India, which remained sluggish and flat for the year. The rest of the world markets, which outperformed last year, grew 2.8% in volumes in FY2019-2020. This was mainly on account of the decline of 11.7% experienced in the second half of 2019-2020 due to lower offtake of specialty care products in Q3 on account of seasonality and account of outbreak of COVID-19 in Q4, which severely impacted the developed nations initially. The Africa, Middle East, Turkey region made a strong come back this year registering 9.4% volumes growth mainly driven by the robust performance registered by our local Egypt market.

Now while business has been relatively mixed, business operations too have been adversely impacted by the following two incidents. Lockdown imposed by the government on March 23, 2020 completely wiped out the last week's sales for the quarter. The major impact though will be seen in Q1 FY2020-2021 where due to sudden disruptions our ability to service the underlying demand got severely constrained. The Tarapur incident, which though did not impact Q4 2019-2020 shall impact Q1 2021. The blast, which took place at our Tarapur unit resulted in the casualties. This has left an indelible blot on our illustrious 40 years journey, which till April 13, 2020 had not seen any serious incidents involving casualties. While as an organization we have always given safety the topmost priority this incident has taken us back to the drawing board right from implementation of behavioral based safety for all employees to refining and improving the safety SOPS to framing new SOPS, conducting all process hazard studies for operating under the COVID-19 scenario, to conducting safety audits and evaluations by the safety teams, we are leaving no stone unturned to ensure such incidents do not happen in the future ever again.

All necessary support financial, emotional and social has been extended to the families of the deceased. They will always remain part of our Galaxy family. Looking ahead ladies and gentlemen while the demand for performance surfactants remains fairly stable and visible, our specialty portfolio can see slowdown for the next six to nine months. Q1 FY2020-2021 has seen headwinds and challenges on account of supply chain disruptions, which impacted people and operations including production, material clearance at ports and our service commitments to our customers. While demand for performance surfactants remains fairly stable, cut down on discretionary spending along with hoarding of cash will impact new launches and sales of existing premium products, adversely impacting our specialty care business, but we remain hopeful and I say that as the situation month-on-month has been improving. For example April was the worst, May was better than April and June was better than May, we hope this continues. Though sales and utilization levels have not reached the pre-COVID levels, we remain confident that within the next six months consumption should get back to normalcy provided there are no further lockdowns. Region specific outlook though at this moment will be tough to predict and clarity will only emerge post Q2

FY2021. A positive though has been our Egypt plant, which faced no disruption shutdown on account of the pandemic, therefore momentum of Q4 should sustain going ahead for Egypt.

The capex plan for our specialty products remain on track though execution and operationalization will get delayed by six months. 2019-2020 began with the operationalization of our performance surfactants plant at Jhagadia. While nobody could foresee the rise in demand for performance surfactants on account of the pandemic it is our ahead of the curve capex planning and execution that has and is holding us today in good stead as the demand for performance surfactants rises. 2019-2020 also saw your company winning several awards in the areas of one innovation, the gold award at Home and Personal care India for our oil soluble surfactant TILS(G), in terms of human resources - our certification as a Great Place to work for the second time in a row, on intellectual property- excellent use of IP and innovation award at the IP summit to finally my own nomination as a finalist at the EY Entrepreneur of the year awards 2019.

To conclude ladies and gentlemen with an operating cash flow in excess of Rs. 300 crores, ROCE of 23.5 % and PAT growth of 20.6%, awards and recognitions for our performance in multiple areas and growth across segments and regions, this has been a good end to the last decade. For your information the capex spent for the entire year was Rs. 230 crores made up of Rs. 150 crores of the capex that we had begun at the beginning and we also invested Rs. 80 crores in a new land acquisition at Jhagadia. At Galaxy sustainable consistent value creation for all our stakeholders remains our motto. We have consistently demonstrated it over the last 40 years and the next decade and decades to come will be no different. We remain committed to growth and despite the headwinds the inherent robustness of our business model, sustainable relationships built over the years gives us the confidence to achieve lot more in the decades to come. On that optimistic note ladies and gentlemen thank you once again for joining us. I would now open the platform for questions ladies and gentlemen.

Moderator: Thank you very much. Ladies and gentlemen we can now begin the question and answer session. The first question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: Thank you and good morning to all. First of all congrats on completing the successful 40 years of journey. Couple of questions on the gross profit margin the margins have grown quite strongly at 36.4% whereas our performance volume mix has reduced, but value mix has grown up. Is that we have sold more high profitable products in the specialty, or are there any one-off we should be aware about in the gross profit margin?

Unnathan Shekhar: Natarajan will take this question.

K. K Natarajan: This essentially is in terms of the way we manage the sales pipeline and also the way we manage the risk in terms of our major raw materials, so essentially it is a combination of the two and also in terms of how we are able to generate some better value creation in terms of the way we are able to price our performance surfactants.

Sanjesh Jain: So is it fair to assume this entire margin expansion has come from the performance product and not really from the high value specialty being sold?

K. K Natarajan: No, it is not that. On the specialty we had a volume growth of only 1.7% we also could have some better pricing possible in that as well, so it is a combination of both specialty and performance surfactants.

Sanjesh Jain: Performance this level is not sustainable in the long run right?

K. K Natarajan: So it all depends if the demand remains robust and then we are able to continue this particular run rate I think we would be able to redo some of them, but it all depends more on the demand side and how the whole scenario pans out, so I would want this particular rate to continue, but it all depends on how the external situation develops.

Sanjesh Jain: Got it. Thanks for that. My second is on the demand side, which you rightly said on the performance product now that there is a more awareness on cleanliness and hygiene and we have seen SLES based product like liquid hand wash and all things have been taken out very well and the Jhagadia plant as rightly said has come in probably more opportunity at this time do you see this year performance product growing the double digit volume now that we also have a benefit of pent-up demand, refilling demand for the depleted inventory in the entire supply chain, will you see performance outgrowing this year in FY2021?

K. K Natarajan: Yes one is what we see Sanjesh is that the habits now in terms of cleaning habits and the hygiene consciousness has now undergone a change for the better, for the consumers and as well as for the industry in a very, very decisive way. On the demand side we do expect that this would continue, but the only thing is the rate at which this continues depends upon how it gets tempered on, it will definitely be higher than the previous years, but whether this sort of rate because there is a lot of talking, people have really gone down to the other end of the spectrum in terms of hoarding. So now having said that we do see this as a positive in terms of growth of performance surfactants, but the only caveat that I could hear is in terms of demand growth being there, is in terms of the extent of disruption on our operations that is being caused by this COVID-19 stuff because then those sorts of disruptions certainly make it very tough in terms of our ability to service the underlying demand. So we do not want the first quarter what we saw in lockdown one and two, if a similar situation comes that can be a dampener, otherwise we do see the demand growth going up pretty well and our preparation in terms of capacities being set up ahead of the curve certainly has been a good move.

Sanjesh Jain: One on the specialty side now considering that our Tarapur plant was completely shut down for the one quarter I do not know how we started the production there or not, but how do you see specialty care product performance for this year, will it be a significant decline in terms of volume or do you think it will be a decline in the range of say zero to 5% how could we see specialty products?

K. K Natarajan: First of all to clarify Sanjesh see we make a good amount of specialty product in Jhagadia and Taloja as well. So Tarapur contributes about 8% to 10% of volumes and most of what we do is specialty chemicals. So now what we do see is that we now have all the regulatory approvals in terms of commencing production. Production of all the products will happen in a very phased manner after we complete our internal safety review, which we have put in place post the incident, so we went back to the drawing board, looked at every aspect and then only when it was certified by an internal team of experts that we decided to go ahead and start. So yes we should be up and running on most of the products I think some of the products where we are waiting for the review to be done it should happen in the coming days. The only thing what we see in specialty is if the consumers start downtrading, so there can be a situation where some of the high end formulations they plan to launch or they were selling before, the momentum that was there for these in the previous year may get impacted, but we will have to wait, so probably we will be able to make a clear comment on this say in the next concall when we meet for the results that we will be declaring for the first quarter, but otherwise say for example what I can say is that when people wash their hands more frequently it also ends up drying their hands, so you need to have some moisturizers that need to be put into that and that gives a good scope for some of mild surfactants. So we only have to see how it pans out in the coming months, but we remain optimistic that even specialty should find some good usage into these hand cleansers and all that.

Sanjesh Jain: Got it. One question our Tier-3 customer who generally completed higher margin that proportion has come down to 34% in FY2020 versus around 39.7% in FY2017. Any reason why the Tier-3 customer contribution because we understand that in India it is more of Tier-3?

K. K Natarajan: It is essentially because we had Tier-1 and Tier-2 going up, so essentially it is not that they did not grow, it is only that in terms of the proportion we had Tier-2 growth happening better last year as compared to Tier-3, otherwise our intensity in terms of growing our business with Tier-3 customers is extremely good, so it is probably only some sort of arithmetic that leads to that, but in the focus it is extremely high.

Sanjesh Jain: So from here on should we see a proportion increase in the Tier-3 category as well?

K. K Natarajan: Yes. We should see. The only thing that I would like to say that Tier-3 in terms of the way this COVID situation has impacted people we would not be so clear as to which of the Tier-3 customers would take some more time to get back to business.

Unnathan Shekhar: We can make a general statement Sanjesh that the Tier-3 segment has got more impacted because of this lockdown not only in India, but across the world. The T1 customers have been much more resourceful in terms of coming back in terms of their operations, so the Tier-3 people have certainly been impacted.

Sanjesh Jain: Got it. Just last two bookkeeping questions, what is our expectation of capex for FY2021 and 2022 and number two in terms of Tarapur what would be our loss and how much of it can be recovered from insurance?

K. K Natarajan: As far as the capex for FY2020-2021, it was based on many more projects, which are already under execution, Rs. 100 crores outlay is seemed to be done over there.

Sanjesh Jain: It is Rs. 100 crores per year?

K. K Natarajan: Rs. 100 crores per year I am talking only of 2020-2021 as of now.

Sanjesh Jain: Okay.

K. K Natarajan: That is one and as far as our insurance is concerned Tarapur is fully covered by insurance. There is no issue.

Sanjesh Jain: So everything is covered in that range?

K. K Natarajan: Even loss of profit is also covered.

Sanjesh Jain: Okay. Got it. That is quite helpful and best wishes. Thank you.

Moderator: Thank you. The next question is from the line of Nitesh Jain from Birla Mutual Fund. Please go ahead.

Nitesh Jain: You provided a good summary of both the businesses the performance surfactant and the specialty products, so I want to ask you this so called muted outlook on the specialty portfolio, is it a very short-term blip that you are witnessing because by a very long term the trend line, the growth prospect for this portfolio is quite strong, so this is just a three month, six months you are looking at and then perhaps in this second half it can come back to say 8% to 9% type of volume growth?

Unnathan Shekhar: Let me put it this way, Galaxy's mission always has been to improve the quality of life in terms of cleanliness, hygiene, beauty, care, comfort, wellness and I have made a mention that the consumer trends both in India and globally has been and will continue to be towards safety and sustainability. Now that particular trend whether it is COVID or non-COVID is going to be consistent. Our specialty products have been designed and innovated to address the requirements of sustainability and safety of consumers. Now whatever we are seeing now is that there is certainly an impact on discretionary spending by consumers across the world. One is because of as we have seen there has been loss of employment and number two people are more or less staying at home. Now we do believe that once the world comes back to normalcy, the specialty should grow as they have in the previous period, so today the entire consumption with respect to consumers has been allocated largely to cleaning and hygiene and sanitation rather than to personal beauty, so whatever we are going to see with respect to specialty are going will be short term and we believe that once we come to normalcy whatever we have seen in the previous year should continue.

Nitesh Jain: You know on the same line if we just ignore the short term and say FY2021 performance say three year down the line how do you see the Galaxy as a company's portfolio between the surfactant and the specialty I guess the specialty is around one third today right or some 30% so what could be the ratio say three year down the line?

K. K Natarajan: As we said earlier, our clear focus is to grow both legs of our business that is both performance and specialty. So typically today we are at about one third, so as we had said as you continue with both the legs, the specialty can be from say 30% to 40% one third to 40%, 42%, but then it cannot outgrow performance because essentially specialty goes into certain special formulations in lower dosages, so in volume terms you can always see 40-60, but what will be of relevance is in the way the portfolio changes within specialty because there will be lot of high end innovative molecules that will be coming out of our pipeline and that will make a difference in the coming years.

Nitesh Jain: Sure and lastly can you elaborate something on the R&D initiative, which the company took for the full of the financial year FY2020, some of the successes or what are the hits or misses for the full year as a whole?

K. K Natarajan: So for R&D various new products that we launched last year like one of the awards that we received for an oil soluble surfactant. GLI 21, which is a very, very mild cleanser, so these are receiving very good listing from the market and that is where we are preparing our setup at Jhagadia to be able to service this sort of demand, so that is going pretty well. Our investment in our infrastructure enhancement that we have planned that also is slightly impacted because of this COVID-19 situation we should be up and running say by the end of this year and also our multi-purpose plant at Tarapur also would be ready by end of the year, so we set ourselves well in terms of encashing on the consumer trends that we see giving a fillip to the specialty care portfolio.

Nitesh Jain: Sure and lastly if I am allowed to ask in the current setup, which you have for both the performance surfactant as well as the specialty the current capacity is good enough for how long, is it one year, two years without adding any new project you can meet the demand up till what?

Unnathan Shekhar: See our capacity utilization will be in the region of 61%, so we have enough amount of headroom as we have mentioned many times as soon as it reaches so called trending towards full capacity we immediately start thinking about increasing our capacities. We never like to operate at our full capacities because we have always built capacity in anticipation so that we are ready for the market

Nitesh Jain: Got it Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Saravanan from Unifi Capital. Please go ahead.

Saravanan: Sir this Rs. 80 crores that we have used for land acquisition this is for the new capex that we are planning to undertake in the future year?

Unnathan Shekhar: Yes, this is for taking care of the future capex requirements of Galaxy because as you know our Taloja we have mentioned is more or less full. We do have Tarapur also we are executing a particular capex in one of our premises. Jhagadia we do have some amount of space, but this is in terms of preparing for the future.

Saravanan: Okay so the related capex would it start next year or the following year FY2022 or FY2023?

K. K Natarajan: Saravanan you should see what we are doing is that this is to be future ready, so you need to obviously buy the land and get your environment clearance everything done, which takes 18 months to 24 months, so this is more in terms of future, which I will say medium term, the capex that will come say beyond the current three years

Saravanan: Yes and this entire COVID crisis is it a blessing in disguise for the organized players like us, unorganized players will find it tough to compete with us?

Unnathan Shekhar: I would not say that I would look at it that it is an opportunity for almost everybody because the end market it behaves in a very strange way in a short span of period, there is no predictability or certainty about everything at least during this short term, so for everything to come to a rhythm it is going to take time.

K. K Natarajan: And in any case we do not want to call it a blessing in disguise because people are suffering and it has really scared people, there is a fear psychosis, so we want things to run to normal quickly and we have been very particular in terms of ensuring safety and health of our employees that is very critical, so operations essentially need to be done with this in mind.

Saravanan: Understood Sir. Last question, R&D initiatives would now be focused on performance or we will still focus on specialty chemicals because there are lot of opportunities in performance itself right because of the hygiene?

K. K Natarajan: Our R&D innovation focus is majorly derived out of the emerging consumer trends, so as we see the consumer trends emerging, which needs us to be focusing on something different we will do that so it is too early to comment on that, but we already have good amount of things in our pipeline so our focus will continue to remain in terms of being relevant, in terms of product offerings well calibrated to the consumer trends that are emerging so that is what I would like to put it across.

Saravanan: Thank you Sir.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Edelweiss Securities. Please go ahead.

Sneha Talreja: Sir it was more pertaining to your Egypt operations, so just wanted to understand so the market share loss that we had done are we back to similar levels and what are the current operating rates in Egypt?

Unnathan Shekhar: I would say that as far as local Egypt is concerned certainly compared to 2016 or 2017 times the market has come back to its original level and we have seen growth as far as the local Egypt market is concerned. The growth rate of home care in Egypt including inflation of course has been at about 13.3% but only 2.8% on constant value terms and the T1 players where you have seen our major players at about 62% market share and the local players have a share, so we have seen for example we have mentioned that the local consumers are down traded in the initial years, but today we do believe that the T1 customers have been able to come back to their original level, but though we have had no impact in the first quarter, Egypt as a country has again been seeing a surge in COVID cases in the last about one month, so we do hope and pray that it does not significantly impact the supply chain. We would like to remain optimistic that we are able to continue because in the first quarter we were not impacted at all I think we should be able to see, we saw the same level of momentum that we saw in the last quarter of last year and the first quarter of this year so the only risk as far as Egypt is concerned is in terms of the COVID situation, so let us wait and watch and then for the next maybe let us say three or four months or so. However I should say that other countries in the Africa, Middle East region had an impact of this COVID in the last about three months or so, so we would like to keep waiting and watching before we come to some definite picture with respect to what we think can happen.

Sneha Talreja: Okay Sir that was helpful. Sir secondly on any operations you of course said that May was better than April and June is much better than even May, could you quantify in terms of what was the utilization when we started and I think you just said that currently we are at about 61, so in case we can give some month-on-month progress of how it has been for us in terms of utilization rates?

Unnathan Shekhar: When I mentioned about 61% that was for last year the overall capacity utilization , okay now I should say that April we were very severely impacted, as far as April month is concerned we would have hardly worked on a number of days because the lockdown was so sudden that we had to close initially and then seek permissions and only when we got all the permissions could we restart, so April was severely impacted and June was much better than May, Natarajan, you want to say something?

K. K Natarajan: Yes, so what I see it is essentially April, lockdown one and two, which happened in April and the first half of May had a severe impact, then once lockdown 3 came there was good amount of relaxation, which enabled us to get our operations to a particular level of, at a particularly higher level and June once the lockdown got relaxed and we had unlock 1.0 things are much better, so it is directly proportional to the way we are able to operate given the lockdown conditions. That is why we said June was better in terms of operations, the freedom we had to operate was much, much better in June that essentially means ability to service the demand, was much significantly better than what it was in May.

Sneha Talreja: Sure Sir. Just one last question from my end, are you seeing any structural changes after this COVID of course your portfolio is expected to see a major change because given the demand for hygiene products is increasing a lot, any structural change that you see in this particular product or a portfolio can do very well or you are seeing higher amount of demand in terms of that and secondly what is the customer feedback as of now that is coming to you because I am sure that you get a much early view from the customers and respect to demand so what are you getting from the likes of HUL or P&G or even the smaller amount of players that you are working with?

Unnathan Shekhar: One interesting thing is we keep hearing that consumers are washing their hands multiple times, washing their bathrooms and wash basins and floors multiple times, so the consciousness with respect to personal cleanliness and hygiene is very, very high. So we need to see whether this is a major structural change this is sustained because the order of magnitude in terms of increase of what we call hand hygiene and cleanliness is multiple times so we need to see whether this is going to be a structural change for the industry

K. K Natarajan: I think what Shekhar said it will be too early to comment whether there is any structural change happening except that the hygiene consciousness levels have gone up significantly. Now what sort of this thing will lead in terms of product offerings or whatever is to be seen, like today we are seeing veggie wash, meat wash offerings being done, now how the customers will behave, how they get use to it, how they continue to keep having this sort of thing will be seen. Now other structures which is too early to comment in terms of people stop going out that frequently, okay if they do not want travel very frequently, they would not go to the beaches very frequently, now what will be the impact on sudden formulations, we may probably only say by end of this calendar year for us to make some statement, now it is too early, we are not hearing anything on these lines even from our customers on a structural change except that they are saying that hygiene consciousness has gone up significantly.

Sneha Talreja: Got that Sir. Sir thanks a lot of your time and the question I will get back. Thank you.

Moderator: Thank you. The next question is from the line of Lakshmi Narayan from ICICI Mutual Fund. Please go ahead.

Lakshmi Narayan: Couple of questions from my side. First is that because of this change in the Ind-AS in terms of how do you classify your depreciation because of the right of use assets, what would be the like-to-like EBITDA because we always say that we need to actually look at EBITDA and not at revenue level right?

Unnathan Shekhar: Around Rs. 4 crores of depreciation is higher on account of Ind-AS account.

Lakshmi Narayan: The other thing is that if you look at your EBITDA contribution across various regions like you put the revenues in terms of three different regions what would be the EBITDA in terms of the same price chart India, AMET and ROW?

K. K Natarajan: So that is not something that we essentially want to talk about because it is all the portfolio that will be there in specialty and in terms of performance than the Tier-1, Tier-2, Tier-3 customers, so it is a bit complex and we would not like to mention anything on that front.

Lakshmi Narayan: The reason I am asking the question is that you had mentioned several times in the earlier calls do not look at the revenues because what is more important is EBITDA and EBITDA per tonne right?

K. K Natarajan: In terms of how well we are growing ahead of the market in terms of volume and we always say that our EBITDA growth will be higher than the volume growth and PAT growth will be higher than the EBITDA growth.

Lakshmi Narayan: So in terms of the volume can you give that mix India, AMET and ROW or it would be same?

K. K Natarajan: No. Overall as we said we grew last year by 4.4% on overall volume growth and India was more or less flat and Africa was more almost at the level of maybe about 9% or so and I think ROW was 3%.

Unnathan Shekhar: Rest of the world was 3% or so.

Lakshmi Narayan: Now there is made in India, sold in India and then there is made in India sold outside India right and then what is that mix?

Unnathan Shekhar: The international business constitutes almost 65% of Galaxy's portfolio, so when I say international business it is products made and sold outside India, so International business obviously includes exports from India, the Egypt sales as well as the USA company sales, so our International business constitutes about 65% of the total turnover.

Lakshmi Narayan: My question is essentially whether the exports from India has actually gone up or you think what is that percentage and is there an increased export from India given various dislocations we see across the world in terms of supplies?

K. K Natarajan: India I think you can say exports out of India say will be about say 50% to 55% out of turnover of India.

Lakshmi Narayan: As it trended up and do you think that is going to trend up because of various supply dislocations you see?

K. K Natarajan: It has been trending up that much I can comment now. Moving forward whether to continue to move at a much brisker pace is a combination of what happens in terms of supply disruptions elsewhere, which we are not able to comment today, but our focus is to see how we are able to build more and more business with all our customers across geographies, so many of the specialty that we offer from India, many of the performances offered from India, the objective is to see how we are able to grow that business out of India.

Lakshmi Narayan: Right and in terms of your AMET revenues what is the broad mix of Egypt and non-Egypt there and how that mixture has changed?

Unnathan Shekhar: I think local Egypt will be approximately 40%, and balance will be outside Egypt 60%.

Lakshmi Narayan: One last question is that with respect to your clientele a lot of your clients are very, very sticky in nature and what is the mix if you look at it in terms of business coming from existing clients and what is the business we got from completely new clients?

Unnathan Shekhar: As we always say our strategy is built on doing both the performance as well as the specialty products together that is very important for us. Secondly grow across all the segments of customers that is T1, T2, T3 and T4 and increase the value share with customers, so we would like to work with customers across our entire portfolio of products. In terms of the split like we would have say with customers anywhere from across various customer segments and various individual customers, we would operate anywhere from let us say three or four products per customers to even maybe let us say 15 or 20 or 25 products per customers, so this is a very important element of our growth, so as far as new products is concerned last year I think approximately it would have been what about maybe 5% to 7% or so.

Lakshmi Narayan: Essentially you are saying that there is an existing customer, existing business and existing customers new business?

Unnathan Shekhar: Yes.

Lakshmi Narayan: That composition would be above 95% if you look at the entire existing customer, I am talking about the repeat customer business, which could be either an existing business or new products?

Unnathan Shekhar: Anywhere from new products for 2019-2020 was about 6% to 6.5% and this new product could go with existing customers it could go to new customers also.

Lakshmi Narayan: How much was it completely new customers like first time customers?

Unnathan Shekhar: It would be less than 5%.

Lakshmi Narayan: Got it. Thank you and I will get back in the queue.

Moderator: Thank you. The next question is from the line of Pavan Kumar from Ratna Traya Capital Partners. Please go ahead.

Pavan Kumar: Sir can you just give us an idea of how much of revenue proportion might come from hand sanitizers and liquid hand detergents and also I wanted to check on how much pickup can we expect on the performance surfactant side of the business this year, is it going to be pretty meaningful as of now from whatever trends you have seen?

Unnathan Shekhar: As you said we would not like to make any prediction or comment as of now because we are still in an uncertain zone. The major parameters that we see in terms of our not taking a call of trying to predict is the supply side uncertainty, which is possible because of this COVID situation, so whether it is to do with let us say availability of drivers or transports or even our people are being able to come regularly to our factory because you do see some areas being quarantined suddenly your building could be quarantined even though you may be pretty safe so these are the sort of uncertainties and so we would like to be patient for the next maybe three or four months or something, our job is to ensure that we are able to operate our plant very properly at all points of time and do our best and our people have been doing tremendously in the last three months or so they have overcome a lot of challenges and they are all working 24x7.

Pavan Kumar: Hand sanitizers and hand liquid detergent wash how much of that would be a proportion of your revenue Sir?

Unnathan Shekhar: That will be difficult to comment, but then it is suffice to say that we supply to most of the manufacturer hand wash lotion so why we would not be able to comment on how much of our revenues comes from the hand sanitizer and hand wash segments, but we supply to almost all the people who make hand wash.

Pavan Kumar: Will we have a good proportion of market share with them maybe 20 to 30% or even higher?

Unnathan Shekhar: As we say we supply to almost all the people who make hand wash, see hand sanitizer as you know which includes alcohol, we do not supply any significant raw material to what is called hand sanitizer and hand sanitizer uses alcohol, almost 70% of it is alcohol. Hand wash where you were able to wash your hands with hand wash and then with water, you require water their Galaxy supplies to almost every single manufacturer in this country.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.

Bharat Sheth: Congratulation on good set of number on these difficult times and Sir I missed your opening remarks, one thing how these input cost and are behaving now, which was last year first half was going up and how do we see input cost scenario that is one?

K. K Natarajan: Input cost essentially have softened as you know both petrochemical feedstocks and the oleo chemical feedstocks, and what we expect this to continue at a flat level at least for the coming three months, we do not know how things settle, but we would expect it to be in this particular zone for the coming months.

Bharat Sheth: Now taking a little longer term scenario, after several years of no much capex now in last three years if 2018-2019, 2019-2020 and 2020-2021 are roughly we will be spending around Rs. 600 crores including land purchase of Rs. 80 crores so how do we see our asset turn as you said that once we reach what kind of capacity then we again look for the next capex so overall if you can give some of your thought process is the kind of capex we are doing is to what exactly is a management philosophy whether tune for new product or within our core business, so if you can share your thought process from three years perspective?

K. K Natarajan: All our investments are into our core areas, which is in the home and personal care segment and as we said we invest in both the performance surfactants and the specialty care ingredients line. So there are three, one is in terms of enhancing our R&D capabilities, enhancing our performance surfactants capacities and enhancing and investing in new capacities of our specialty care ingredients in terms of what comes from the innovation funnel, so this is a combination whatever it is spending in the last three to four years the combination of all these three fronts and it is only in the core area that is home and personal care segment there is nothing beyond that.

Bharat Sheth: Within that also chemicals or anything that if you can and how do we see asset turns if you really out of this Rs. 600 crores capex, remove Rs. 80 crore for the land parcel, around 500 is on the capex?

Unnathan Shekhar: Out of that 500 also see about 60 to 70 is for our multi-purpose product plant in terms of enhancing innovation capabilities at Tarapur, so typically if we look at Rs. 400 to Rs. 450 crores of capex, which is both in the performance surfactants and specialty care ingredients, our typical asset turns is about 2.5, we are talking about something like Rs. 1000 crores of revenue from that, this is the other term and we have historically had.

Bharat Sheth: In your broader timeframe Sir whether these will take around three or four year or maybe less than that?

K. K Natarajan: See performance surfactants we typically always invest with a three to five year demand horizon, but specialty if the horizon of about seven to ten years, so that is based on again based on the past still that we have now, for example if you have the hygiene consciously enhancing significantly and people wanting to use more and more of cleansing products, we probably will have to look at a capex very soon, so we only wanting to wait and watch till end of this year to make a clear statement on that, but what is it we are well positioned to be able to participate in the demand growth if it turns out, so that is what we would like to comment.

Bharat Sheth: Within specialty care are we adding any more new product with the innovation what we are talking, so the product portfolio within the specialty care is increasing and second thing on US we had acquired one facility for protein base, so any color on that?

Unnathan Shekhar: Yes. See innovation is a continuous process in response to the consumer trends and the market trends, so the innovation pipeline will have many products at various stages of development, so an innovation happens both in India as well as the US. The US innovation is more specifically oriented towards the protein that is the cosmetic proteins.

Bharat Sheth: Correct. So are you seeing that to ramp up?

Unnathan Shekhar: There also continuous innovation happens; last year for example we put about two new products into the market.

Bharat Sheth: Okay and how do we see this acceptability within from the US customer?

Unnathan Shekhar: Yes. They have accepted well, but everything has what is called horizon, any product see fortunately for example the performance surfactants if you look at our performance surfactants, these are at horizon now 70 years continuing whereas several specialty products will have a horizon of 30 years, 40 years, 50 years, so we have long horizons as far as our industry is concerned.

Moderator: Thank you. The next question is from the line of Rohit Sinha from Emkay Global. Please go ahead.

Rohit Sinha: Thank you for taking my question Sir. Would it be possible that to share what kind of market share we have in the domestic and globally during FY2020 and possibly in the last three months how it has been moved?

K. K Natarajan: I think we hold a significant share in terms of the India market and globally in sudden we would not be able to say the same amount on global market of a certain product, in some product categories we hold a very major share, and it has not changed in last quarter or what we say our objective is to keep growing our significance that we already have in India and also enhance our share in the global market.

Unnathan Shekhar: For your information we became market leaders in 1986 and since then we have maintained, sustained and enhanced our market share in this country in line with the growth of this country.

Rohit Sinha: Which are the new potential segment for our future growth looking at both our performance segment and specialty segment?

Unnathan Shekhar: As we said you know we as a company have been driven by a mission with respect to improving the quality of life on cleanliness, hygiene, wellness, beauty, care and comfort. So the consumers are driven by their needs and trends with respect to safety and sustainability. So we have already talked about with respect to specialty care products our focus on mildness and mild surfactants and nontoxic preservatives, this will continue though there is a short-term blip. On the performance surfactants mostly they are oriented towards cleaning, hygiene, sanitation, washing and they have taken a significant amount of uptick because of the situation that the world is going through, we see more and more consumers or consumers rightly focusing their attention on hygiene. I think the way the consumers have been bothered about not only their personal hygiene but also hand hygiene because the hand hygiene was not a very important category or a significant category as it should be in India, now the emergence of hand hygiene started only about let us say 15 years back in a significant way and you have seen a really, really sharp surge in this last one year and we hope this continues and the same is the case with home hygiene. I think India as a country saw consciousness about home hygiene in significant manner, home hygiene it could be toilet hygiene, it could be bathroom hygiene, it could be floor hygiene, it could be dishwashing, these have seen a conscious emergence only in the last 15 years and in the last three years I would say these categories their pace is small have seen significant growth, they have seen double digit growth, high double digit growth, high teen growth what I would call.

Rohit Sinha: Basically we will remain in these home hygiene and personal care segment continuously with added new products or may be some segment you can say, which will be driving the growth?

Unnathan Shekhar: Our focus always has been the home and personal care industry and we are possibly the only company in our industry both in India and globally were totally focused on HPC segment.

Moderator: Thank you. The next question is from the line of Nav Bhardwaj from Anand Rathi. Please go ahead.

Nav Bhardwaj: Thank you for taking my question and congratulations on completing four decade Sir. Sir just question on the gross margin part, as a cost of repetition could you please explain us how much of it has been from the raw material part where you said that prices are supposed to remain soft for the next quarter or so, increase in prices due to product mix change or any new products that we put in and how much of this would you say that it is artificially induced with the current situation?

K. K Natarajan: I do not think we will be able to give the breakup, but what is that there is a combination in terms of the way that our portfolio change with regard to our Tier-1, Tier-2, Tier-3, the way it change between within specialty and within performance and the way we manage the raw material risk so it is a combination so what I would like to say is that if you add this momentum continuing things would be the same moving forward, but then yes let us say there is nothing that we could say for something one time that came in the last quarter that I explained earlier when Sanjesh asked it.

Nav Bhardwaj: Right. So we do feel that this is pretty much sustainable for the foreseeable future at least?

Unnathan Shekhar: What happens is that the degree may vary but in terms of the composition we do not see that being significantly different, but the degree may vary so if you see that it all depends on what sort of demand profile emerges for some of the performance surfactants, some of these specialty care ingredients, oil portfolio churn happens, that all depends on how the demand is going to emerge from the customer side, so it will be too premature for us to comment on that.

Nav Bhardwaj: Fair enough. Got it. Thank you so much and all the best going ahead.

Moderator: Thank you. The next question is from the line of Abhijit Sinha from Pi Square Investments. Please go ahead.

Abhijit Sinha: I just wanted to understand what is the view on the fatty acid prices going forward now?

K. K Natarajan: Which prices?

Abhijit Sinha: Fatty acid prices.

K. K Natarajan: As of now they seem to be in a steady state, but it all depends on how the supply side is going to be in terms of the yields of the farm and farm derivatives, so in the high season months will start from now how the production is going to be keeping up with the consumption is what is important, but it will continue to remain flat at these levels with sideways movement that is the way we are seeing it.

Abhijit Sinha: Because in your presentation you have shown that the fatty acid prices have actually gone up since Q2 FY2020 for the last three quarters?

Unnathan Shekhar: That is fatty alcohol.

Abhijit Sinha: Sir I just wanted to understand that the home care segment and the hand hygiene segment is a part of the performance surfactant segment right?

Unnathan Shekhar: Not everything, hand hygiene can have both performance as well as specialty.

Abhijit Sinha: Okay. So one is the anionic surfactants and other would be what?

Unnathan Shekhar: Some of the specialties could be some fatty acid esters, some betaines, derivatives and so on.

Abhijit Sinha: Sir how much would be revenues will actually be coming in FY2020 come from the home care segment or the hand hygiene segment?

Unnathan Shekhar: No that is something that we would not maybe able to comment now. We would not like to comment also.

Abhijit Sinha: Sure. Thank you.

Moderator: Thank you. Due to time constraints, we will take the last question from the line of Pawan Shah from ICICI Securities. Please go ahead.

Pawan Shah: Thanks for the opportunity. Two bookkeeping questions, can you share the volume breakup for India business between performance and specialty for the quarterly and yearly numbers?

Unnathan Shekhar: No, we would not able to do that; we would not like to do that also. On overall basis as we said the volumes constituted by performance is about 65% around and specialty is about 35% and this will keep going up and down year after year because we continue to invest for both of these legs are very, very critical and important because this is in terms of responding to the consumers and the market needs and the customer needs.

Pawan Shah: Okay but can you share the revenue percentage number, how much revenue came from the India business last quarter and the yearly numbers?

Unnathan Shekhar: I think again as far as revenue is concerned India is 35% of our overall revenues, India business, pure India.

Pawan Shah: Fatty alcohol prices you mentioned in Q3 FY2020, but it was around 1188 dollar per ton so what was in the Q4?

Unnathan Shekhar: See in Q4 I think 1300 dollar because it kept going up and down last year, so I think my guess was it was about say 1150 to 1250 sort of the range.

Pawan Shah: Okay. That is all from my side. Thank you.

Moderator: Thank you. I now hand the conference over to Mr. Unnathan Shekhar for closing comments.

Unnathan Shekhar: Thank you gentlemen. I think it has been a pleasure talking to you and answering your questions. Look forward to seeing you again may be in three or four months. Thank you once again. Have a great day.

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