

Galaxy Surfactants

14 August 2026

Operator: Ladies and gentlemen, good day and welcome to Galaxy Surfactants Ltd. Q1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during this conference call, please signal the operator by pressing star and then zero on your touchtone telephone. Please note that this conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. I now hand the conference over to Mr. K. Natarajan, Managing Director, Galaxy Surfactants Ltd. Thank you, and over to you, sir.

K. Natarajan – Managing Director: Thank you. A very good afternoon, ladies and gentlemen. It gives me immense pleasure to welcome you all to our Q1 FY27 conference call. There is a saying that smooth seas do not make skilled sailors. Over the last 2 years, your company has navigated some exceptionally turbulent waters: geopolitical uncertainty, supply chain disruptions, reformulations, and unprecedented volatility across feedstocks. While these challenges tested us, they also strengthened us. They sharpened our execution and enhanced our resilience.

Today, as we report our highest-ever quarterly EBITDA of 252.5 crores, I believe we are beginning to see the benefits of the capabilities, enduring relationships, and strategic foundations that we have been building over the last several years. Our ability to anticipate risks, manage volatility, make disciplined commercial decisions, and leverage a diversified portfolio across markets and customer segments has been critical in preserving competitiveness through multiple external disruptions. Supported by decades of industry experience, deep customer and vendor relationships, the operational excellence of our team, and a robust risk management framework, these capabilities have enabled us not only to navigate uncertainty but also to emerge stronger, culminating in nearly doubling our profitability during this quarter.

Many of the factors that constrained growth over the last 2 years, including customer reformulations and trade-related uncertainties such as the USA tariffs, have either normalized or become significantly more manageable. Before I move to our regional performance, it is important to understand the broader environment in which these results were delivered. Q1 was characterized by significant volatility in feedstocks, both petrochemicals and oleochemicals, primarily driven by developments in West Asia. Crude remained elevated throughout most of the quarter, averaging above USD 100 per barrel. Oleochemical feedstock prices also moved from average levels of USD 2,800 per metric ton to a high of USD 3,300 per metric ton during the quarter, before correcting below USD 2,500 per ton towards the end of June.

Such sharp movements within a short period create significant challenges and opportunities across procurement, pricing, and inventory management. In such circumstances, disciplined execution and supply chain agility become key differentiators. Against this backdrop, I am pleased to report a meaningful recovery in growth momentum. Consolidated volumes grew by 5% year-on-year, with both our segments growing in the mid-single digits.

Moving to our regional performance, India, our primary engine, grew by an impressive 11%, led by double-digit growth in the performance segment and high-single-digit growth in specialty

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products. More importantly, we witnessed a recovery in Tier-1 customer demand and the return of positive growth momentum in businesses that had been impacted by reformulations over the last several quarters. Due to geopolitical developments, the relative economics between oleochemical-based and petrochemical-based feedstocks reversed. Availability constraints and cost pressures in portions of the petrochemical value chain made oleochemical-based solutions increasingly attractive, enabling good growth momentum. Non-Tier-1 and direct-to-consumer segment volumes also grew by near double digits year-on-year, showing good momentum across regions. With a strong premiumization drive, we remain confident that our India regional performance will continue to deliver on its long-term growth trajectory in the coming quarters.

Rest of the World region volumes grew by 6% year-on-year. The Americas led the growth as demand recovered following greater clarity on tariff-related developments, while our premium specialty business at HK continued its strong performance. It was also encouraging to see APAC deliver double-digit growth, reflecting the investments and strategic actions we have been taking over the last few years. Whether it is strengthening our market presence, expanding our distribution reach, localizing portfolios, or deepening customer engagement, these efforts are now translating into tangible business outcomes. Within the specialty care mix, which has improved, this is contributing positively to growth in EBITDA per metric ton and moving us steadily towards our objective of improving the quality of our earnings through a richer and more differentiated product mix.

Coming to the AMET region, the quarter began under extremely challenging circumstances. The developments in West Asia created significant disruptions across the region during April and early May, impacting both inbound and outbound supply chains. Our Egypt operations were also affected during this period. What I have found particularly encouraging, however, is the resilience demonstrated by our regional business and operations teams. As conditions gradually stabilized, we saw a strong recovery in momentum, supported by close coordination across manufacturing, supply chain, procurement, and commercial teams. Their ability to adapt quickly, maintain strong customer engagement, and ensure uninterrupted business continuity enabled us to recover a substantial portion of the volumes impacted during April and May, driving a strong improvement in performance from June onwards. While AMET volumes were down 4% year-on-year, they improved by an impressive 19% sequentially, reflecting both the underlying strength of customer demand and the resilience of our business model in the region.

At the same time, we remain watchful of the evolving geopolitical situation and its potential implications for global supply chains. The operating environment continues to remain dynamic, and while the long-term growth potential of the region remains intact, we will continue to prioritize agility, supply continuity, and exceptional customer service as we navigate the quarters ahead.

Coming to the financial performance for Q1, I am pleased to inform you all that EBITDA stood at 252.5 crores compared to 135.1 crores in Q1 FY26, while EBITDA per metric ton improved to 35,458 per metric ton from approximately 20,900 per metric ton in the corresponding period last year. The business performance reflects the benefits of a superior business mix, recovery in customer demand, increasing contribution from our specialty care portfolio, superior inventory risk management, disciplined commercial execution, strong cost management, and the superior collaborative efforts of our teams across the organization.

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I am also pleased with the progress being made with our EPC project in Mexico. The project continues to progress as planned, contributing EPC service income during the quarter, and we remain on track for commercialization over the next 12 months. Innovation continues to remain at the heart of our strategy as we progress on our 2030 journey. During the quarter, we introduced Simplex, an innovative platform designed for modern, mild personal care formulations such as body washes, facial cleansers, and shampoos. Simplex helps formulators simplify product development while delivering superior mildness, enhanced sensory attributes, and formulation flexibility to meet evolving consumer preferences.

We are also proud to share another significant innovation milestone for Galaxy. Galaxy Hearth Biosurf received recognition at the Innovation Zone Award 2026 held at the Cosmo Home Tech Expo. Galaxy Hearth Biosurf is an innovative enzyme-surfactant synergy that combines cleaning performance, formulation efficiency, and sustainability for next-generation laundry care solutions. This recognition further validates our commitment to science-led innovation and sustainable product development.

As we look ahead, demand indicators remain encouraging across many of our key markets. With the upcoming festive season in India and improving momentum across several international markets, we expect demand to remain healthy through the coming quarters. At the same time, we remain watchful of developments in West Asia and their potential impact on feedstock availability, freight markets, and global supply chains. While supply-side pressures had started easing towards the end of June, the situation remains fluid, and recent geopolitical developments have once again introduced volatility across commodity and logistics markets. Longer transit times, port congestion, and elevated freight costs continue to be areas that require close monitoring.

Our experience over the years has taught us that agility, disciplined execution, and proximity to customers become even more important when external conditions are uncertain. Our focus remains clear: ensuring supply continuity, maintaining the highest levels of customer service, and responding quickly to changing market dynamics to help our customers win in the marketplace.

As regards our guidance for the full year, we maintain our volume guidance at 6–8% for the full year FY27. However, I am increasing the range of the EBITDA per metric ton guidance from the current 19,000 to 21,000 per metric ton to 24,000 to 25,000 per metric ton. Thank you, ladies and gentlemen, for your continued trust and support. Wishing you all a very happy Independence Day in advance. I now open the floor for questions.

Operator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Anyone who wishes to ask a question may enter star followed by one on their touchtone telephone. If you wish to remove yourself from the question queue, you may enter star and two. Participants are requested to use only handsets while asking a question. We will wait for a moment while the question queue assembles. The first question is from the line of Sanjesh from ICICI Securities. Please go ahead.

Sanjesh – ICICI Securities: Good afternoon, sir. Thank you for the opportunity. I have a couple of questions. First, on EBITDA per kg, if I take 35 for this quarter, and you said we will do 24 to 25 for the entire year, are we indicating that this 35 should come down to our normalized range of 21–22 rupees? Is that the way to think about it?

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Management: In a way, yes, but it also factors in certain things because when we are giving this guidance, we also look at the positives as well as some possible implications. That is the basis for the guidance.

Sanjesh – ICICI Securities: Understood. Can you help us understand this? Generally, we had a very narrow range. I think only once during COVID did we achieve this kind of a very high EBITDA per kg. What led to 35 rupees of EBITDA per kg in this quarter? How much was inventory gain, how much was due to a product mix change, and how much was due to getting a better spread because of higher demand that helped the situation? What led to this expansion?

Natarajan: First of all, as I said, if you see the last conference call for the full-year results, I did say that with the easing of the US tariff and things getting better, it would be reflected in our specialty ingredients business. This obviously started doing well, and that is how I had the confidence to say that we would be at the higher end of the volume guidance as well as at the higher end of EBITDA per metric ton.

When I gave that guidance in the last call, things were still fluid because we were only 45 days into the quarter and conditions were extremely challenging. In that context, I also said that various opportunities could emerge. There would be some challenges and some opportunities, but it is all about how the team capitalizes on the opportunities and manages the challenges to mitigate a good portion of the impact. That is actually what happened.

If you have to look at how we delivered Rs. 35,000 per metric ton, all the structural work that we were doing last year, when the external situation was against us, started coming in our favor. The first factor was reformulation, as I said, because that gave us the volumes back as well as good operating leverage, which was missing last year because of the external impact on volumes due to reformulation.

The second factor was the improvement in the structure of our specialty ingredients portfolio and the improvement in the mix within that specialty ingredients portfolio. That was one factor because volumes started coming back into the US and APAC regions. The other factor was certain opportunities we had in terms of commercial execution, which we were able to selectively leverage. Some of this may continue and some may not continue; it depends on how the situation develops as the quarter progresses.

Sanjesh – ICICI Securities: Very clear. One thing, because I think the US is a reiteration: we had an impact, and we are going back to a normalized level. That should not have led to a material improvement; we probably would have gone to 21-22. How does the US market look for us for the remaining 9 months? Is demand sustained? Are we seeing the order book building up? What is the status of new product development? How is the US market looking for us in particular?

Natarajan: In the US market, our premium specialties led by our TRI-K business are certainly doing well. We also launched a new product called Evermon last year, and it is showing very significant momentum in terms of customer acceptance. It has started contributing meaningfully to our revenues in the TRI-K business.

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Our specialty ingredients portfolio from India and Egypt into the US market has also been enabled well. We expect this to continue because we are seeing good customer acceptance, and many project approvals and customer approvals have also started falling into place. That has also contributed to this performance.

One factor is the removal of the tariff, while the other factors are customer approvals and the fact that everything had been put in place. This work was undertaken last year, and these approvals started happening sequentially from February this year as the tariffs also came down.

Sanjesh – ICICI Securities: Understood, sir. I have 2 final questions, one on India and one on Egypt. India has obviously returned to double-digit growth, which is very good to see. However, the risk of reformulation still remains if crude goes back to normalized levels. Have we changed our approach? We were thinking of entering some of those products; have we changed any plan there?

Also, BASF has announced the shutdown of its consumer care plant, which was competing with us. This should give us more volume now that one of the largest competitors is closing its operations in India. What is your view?

Finally, on Egypt, despite all the positive factors, volumes continue to decline even on a low base. How should we look at this? Is it more of a demand-side issue or a supply-side issue? Should we end up with positive volume growth in Egypt in FY27?

Natarajan: I will answer the Egypt question first, going from the last question to the first. As I have also been telling my team, somehow the stars do not seem to be aligning well for Egypt because the team is constantly challenged. As they overcome one challenge, they end up facing another. However, credit to the team: they have been extremely agile and resilient.

Q1 was not a demand issue. Almost 7 weeks of our Q1 at our Egypt location were effectively washed out because there was no incoming raw material. Every material was stuck in Jebel Ali, Port Qasim, or Jeddah, so nothing was reaching us. Materials only started flowing in from the last week of May, and we are seeing that we are making up for what we lost. We are seeing good traction from June onwards.

Demand is not a cause for concern. If we had not faced the logistics issue due to the West Asia crisis, I think you would have seen good year-on-year growth. Sequentially, the Egypt business grew by 18%, although we are down 4% year-on-year. That should indicate how demand momentum has been maintained. The supply-led situation did not allow us to register year-on-year growth.

Sanjesh – ICICI Securities: Understood.

Natarajan: The other question you had was regarding the India business. The first and second questions were related, so I will address them together.

First, is there a risk of reformulation returning to what it was earlier? I would say that if petroleum prices come down significantly while alcohol prices remain elevated, then there could be a risk. However, as of today, when we look at the balance, we do not see the balance as significantly concerning from the perspective of reformulation worsening. We expect this advantageous

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situation, in which reformulation is in our favor, to continue for some more time because it depends on the balance between oleochemicals and petroleum. We see that balance remaining favorable as of today. However, we need to wait and watch how these factors develop in the coming months.

Regarding BASF announcing the closure of its care chemical and sulfation plant in Dahej, this can have an impact. We are waiting for our customers to engage with us, but it is too soon to say anything because the announcement was made only last week. Put simply, if one major player in the country closes its operations, this can result in some upside to demand. However, we are not able to make any clear statement right now because this is only a 1-week-old development.

Sanjesh – ICICI Securities: Just one final follow-up on Egypt. What is our view if we continue with oleochemicals, or were we also considering adding the petrochemical portfolio? Has there been any change in our longer-term view as we seek to de-risk?

Natarajan: No, we are very clear. We are already ready, have commercialized the product, and have started supplies. As I said even in the last meeting, we had already started supplies of the petrochemical derivative. However, the derivative itself was not available when these events occurred. We had the facility, but we could not use it because we had to deploy our entire capacity toward oleochemicals.

There is no change in our approach. We will continue to monitor the situation, and the flexibility that we have built will remain in place. There is no change. It has been well established, all approvals are in place, and we are ready.

Sanjesh – ICICI Securities: Thank you, Natarajan. That was very helpful, and best of luck for the coming quarters.

Natarajan: Thank you.

Operator: Thank you. Our next question is from the line of Rohit Natarajan from 361 Capital. Please go ahead.

Rohit Natarajan – 361 Capital: Thank you for the opportunity, and congratulations on a very strong set of numbers. My first question is on the availability of key raw material from Indonesia. Indonesia has now mandated biodiesel at 40% to 50%. Have we seen any visible impact, or will the pricing of fatty alcohols remain at elevated levels? I would appreciate your thoughts on this.

Natarajan: The Indonesian government has already been discussing the increase in the mandate from 40% to 50%, and I think palm oil pricing on the MDEX has already factored this in. Palm oil prices today are at around USD 1,100 to USD 1,200. Since the high-season months are continuing, the forecast is that prices should remain at these levels.

We do expect some stability in fatty alcohol prices because they are currently at about USD 2,700–2,800 CIF India. We expect them to move sideways between USD 2,600 and USD 2,800. We do not see any significant jump or any significant downward correction. Stability should help us manage the business well.

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Rohit Natarajan – 361 Capital: Understood. My second question is regarding the quarter that just ended. Because of the supply chain challenges in many geographies, including India, did we see any inventory stocking by our customers that also benefited our volume growth?

Natarajan: I can answer that in a different way. Following the GST rationalization, almost until November, all our customers were flushing out their higher-GST stocks, relabeling them, and undertaking related activities. They really started gaining momentum in terms of picking up products only from January and February.

As they were building that pipeline, the West Asia crisis occurred. What we are seeing is that when the festive-season and summer-season demand was being catered to and customers were preparing for it, the crisis occurred. Therefore, we had a situation where a lower pipeline, combined with some concern about feedstock availability, would have driven some amount of additional buying.

We will probably know more as the year progresses. Even today, we see that the momentum is in place, which essentially means that customers are prepared, or are preparing, for festive demand. As of now, the momentum appears healthy.

Rohit Natarajan – 361 Capital: Perfect. Just one final clarification: in terms of our guidance, you mentioned 6–8% volume growth. At the higher end, given that we achieved about 5.5% in the first quarter, if we were to reach 8%, we would have to grow by more than 8.5% in each of the next 3 quarters. At the midpoint of 7.5%, we would have to achieve that consecutively for the next 3 quarters.

If we were to achieve 7% blended volume growth, how confident are you? You just said that momentum is good, but after Q3 and Q4, are we still confident that we will be able to maintain 6–7% average volume growth, given that Egypt is still facing some challenges?

Natarajan: I am confident, and I will explain why. First, in terms of demand momentum in Egypt, we are not seeing any issues. I do not know whether another black swan event could occur and cause an impact, but as of now, we do not see that.

The only reason we could not grow year-on-year in Egypt was the supply chain constraint, which has now been resolved. If the demand situation is not impacted by another black swan event and there are no further supply-side issues, I do not see any reason why Egypt will not return to its growth trajectory this year.

The second factor is the India market, because India and Egypt are the major drivers of volume growth. In India, demand continues to outpace urban demand. All our customers are giving very positive commentary about demand momentum improving. I also see all of them undertaking many market-development and demand-generation initiatives, which tells us that they see good potential for demand to grow and remain sustainable.

The only possible spoiler could be reformulation. Reformulation impacted India volumes last year, but as I said in response to Sanjesh's question, given the way the balance stands today, I do not see it as a major risk. We can never be certain, but based on our current understanding and evaluation

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of the market, the momentum is very healthy.

Management: If this continues next year, we should get back to the same 6–8%. I do not see any reason why we will not.

Rohit Natarajan – 361 Capital: That answers all my questions. Thank you very much, and all the best.

Operator: Thank you. The next question is from the line of Arun Prasad from Avendus Spark. Please go ahead.

Arun Prasad – Avendus Spark: Good morning, everyone. Thank you for the opportunity. Natarajan, my first question is on gross margins. In the last 2 years, since the second half of FY22, because of the additional [inaudible]...

Operator: Mr. Arun, sorry to interrupt. There is a lot of background noise.

Arun Prasad – Avendus Spark: Is it better now, sir?

Natarajan: Yes, it is better.

Arun Prasad – Avendus Spark: Apologies for that. In the last 2 years, we have consistently achieved a gross margin trend of 52–53 rupees per kg. This quarter is obviously an aberration. However, if we consider the rupee depreciation over the last year, almost 8–9% has occurred. Naturally, on a steady-state basis going forward, we should also be achieving more than 58 rupees per kg of gross margin.

Whenever we have reached this kind of gross margin on a per-kg basis, we have also consistently delivered 25 rupees per kg of EBITDA margin. Therefore, irrespective of what happens because of the Iran crisis and other factors, should the current-year guidance become our long-term guidance going forward, at 22–25 rupees per kg? Is that how we should be thinking about this?

Natarajan: I would like it to be that way, but we should wait. I am a very optimistic person, but at the same time, I do not want to overpromise and underdeliver. I also need to guide properly. You are right in terms of how you are evaluating it, but if I need to change my guidance, I would like to wait at least for 1 quarter.

Arun Prasad – Avendus Spark: Understood. Is there any pressure on pricing in rupee terms? There will obviously be some negotiation regarding passing on the benefit of rupee depreciation. Is that common in our industry with our customers, or how do they view it in the current context?

Natarajan: I would not say there is any pressure on pricing because one of the ways we engage with our customers on any pricing decision is through transparency. They know that we do not use any opportunity to profiteer, but they are also very clear that, based on this transparency, they understand the reasons why prices are increasing.

Once they are able to understand the rationale, I think they accept it. There is no way around it if the rupee depreciates from 88 to 95. They are aware of it, and I am aware of it. If we are transparent about the components of the price increase, customers do come around and look at it favorably.

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That is what we do, and it helps us because we deal with all our customers in an extremely transparent manner.

Arun Prasad – Avendus Spark: Understood. Secondly, in the domestic market, when palm oil prices increase, grammage cuts typically happen as a stopgap arrangement. On top of that, we have seen some restocking because of the crisis. Should the second half be slightly weaker, as we have seen in the past, making it difficult for us to fulfill the full-year volume growth and other elements of the guidance?

Natarajan: When I give the guidance, we also have to think through all these factors and consider what our customers are indicating in their commentary. If you look at what our customers are indicating, they are very clearly saying that they are seeing Q2 momentum remain intact.

If Q2 momentum remains intact and festive demand catches up, everyone is talking about the impact of the monsoon deficit in H1 and its implications for the harvest. We will have the answer by the end of Q2, which will give us much greater clarity.

If that does not become an issue, I think H2 will be very different and will suddenly be better. However, when we look at the guidance, we are also constrained to base it on what our customers are seeing in terms of demand and how it is likely to develop.

You are right: if there is a demand headwind because rural demand is impacted, H2 can be lower.

Arun Prasad – Avendus Spark: Understood. Slightly zooming out, regarding the long-term guidance from last year's Investor Day, can you share any updates on where we stand in terms of moving towards more cosmetics-related ingredients and other value-added products? Have we started adding capacities? How is our capex being deployed toward those avenues? What has been the customer feedback? A broad commentary would be helpful.

Natarajan: First of all, we had said that we had introduced beauty and wellness as one of the end-use segments that we would cater to. We also said that we would enhance our presence in the leave-on segment through our emollients and esters business.

We have started doing that. If you look at the new products we have launched, including Bio-Surf, Lumisurf, and Simplex, as well as Everbond, which is one of the super-specialty ingredients launched by TRI-K, we are seeing a good positive pipeline. We are also seeing these products becoming accretive to our revenues.

Therefore, in terms of what we said in our Strategy 2030, execution is taking place along those lines. Pipelines are being built, and everything is on track.

The only point is that our beauty and wellness strategy will also have an inorganic growth component. A significant amount of work has taken place, but we have not been able to make an announcement. It is sufficient to say that a substantial amount of work is underway. I hope that we will be able to announce something in the coming months.

Arun Prasad – Avendus Spark: Can you indicate what percentage of capex we will be spending on beauty and wellness going forward, or have we already started? Finally, where will we deploy this

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year's capex?

Natarajan: First of all, we have already front-loaded some of the capex. That is why we said that some of the capex has already been incurred and some of it will be commissioned this year. It is all part of the 150 to 200 crores of capex that we incur every year.

We also prepare in anticipation of certain businesses participating because if you do not have the capacity, you cannot even start the market-development exercise. One of the things we may consider, if we want accelerated growth, is M&A. Inorganic growth will be one component.

We may not be able to comment on the deal size and other details because it is about finding the right fit and the right candidate. A substantial amount of work is underway on this initiative.

Arun Prasad – Avendus Spark: Understood. Any capex guidance for this...

Operator: I am sorry to interrupt, sir, but could you return to the question queue?

Natarajan: We have discussed the capex guidance. I think this year we will incur approximately an additional 150 crores.

Arun Prasad – Avendus Spark: The same as last year. No problem. Thank you, sir. All the best.

Natarajan: Thank you.

Operator: Thank you. The next question is from the line of Jignesh Kamani from Nippon Mutual Fund. Please go ahead.

Jignesh Kamani – Nippon Mutual Fund: I would like to understand the quantum of the pricing gain. If we take the price of our specialty alcohols, it is up only about 3% year-on-year and 2% quarter-on-quarter. However, our average ASP has increased by approximately 30% from 190 to 250, and quarter-on-quarter it increased from 217 to almost 15%.

Was there a shortage of material because of West Asia, causing the finished-product price to spike and thereby benefiting us? Will this reverse once the supply situation normalizes, or is there something else to consider? Even if I look at the growth rate in specialty chemicals, it is lower than that of the performance segment.

Natarajan: First of all, there was also a cost increase. If you look at our freight rates, they more than doubled on the export side. That also goes into the price because it is a CIF price.

Second, we had a mix change. When reformulation happened, there was a mix change within our performance products portfolio, which also led to the increase. Some products are sold at 70% active, while some products are sold at 100% or 95% active. When the mix changes, that also increases the selling price.

Dry products are priced higher than liquid or paste products. That also contributed to the increase in the selling price. However, what this also means is that we were very well prepared when the opportunity presented itself. When all the headwinds that existed last year were converted into tailwinds, I think we were in a good position to leverage the opportunity.

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Jignesh Kamani – Nippon Mutual Fund: Let me ask it another way. If we remove the increase in raw material prices and the spike in finished-good prices, simply because of the better mix, what kind of increase have we seen in the average ASP?

Natarajan: I would not want to comment specifically on that. It is not that I do not want to, but too many things have happened, and I do not want to point to one specific factor because it could create confusion.

Essentially, you want to know what level of performance will be sustainable.

Jignesh Kamani – Nippon Mutual Fund: Exactly. Out of the current EBITDA per tonne of 35,000, what is the element of the inventory spike or finished-good price spike benefit that might reverse once the supply situation normalizes?

Natarajan: I would not characterize it that way because that would not be the right indicator. What I can say is that we achieved 35,000. Going forward, we are looking at achieving something like 21,000 for the next 3 quarters, with the average coming down to 24,000–25,000.

That factors in all the structural developments that have fallen into place compared to last year. Last year, for the full year, we were at only 19,000. This means that the improvement in our specialty ingredients portfolio in the USA, the strong momentum in our premium specialties through our TRI-K specialties business, the return of volume growth in India, and the continuation of reformulation being favorable to us have all been factored in.

Based on this, I have increased the full-year guidance to 24,000–25,000 rupees from 19,000. This is alongside volume growth of 6–8%, whereas until last year we were declining by approximately 1%. As of now, we are confident about sustainable quarterly EBITDA per tonne of approximately 21,000–22,000.

Jignesh Kamani – Nippon Mutual Fund: In terms of sustainability, that is what we are looking at. Understood.

Natarajan: Yes, that is what we are looking at.

Jignesh Kamani – Nippon Mutual Fund: Thank you very much.

Operator: Thank you. Participants are requested to kindly limit their questions to 3 questions so that management can address questions from all participants in the queue. The next question is from the line of Aditya Khetan from SMIFS Institutional. Please go ahead.

Aditya Khetan – SMIFS Institutional: Thank you, sir, for the opportunity, and congratulations on a good set of results. I have a couple of questions. When we look at the customer mix, approximately 40% comes from regional players. I believe that regional and local players have limited pricing power to absorb this much of a raw material price increase. Even so, we have taken a significant increase in prices.

What actually changed in terms of demand? Have these players also been able to absorb this much of a price increase from you? Do you have any qualitative view on the demand side? We are

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witnessing personal inflation, and inflation is also increasing. Is consumer expenditure on personal-care products still intact?

Natarajan: If you look at the results of our customers, they indicate that consumer demand still appears to be intact. HUL reported almost 5% volume growth for this quarter, following 6% volume growth last quarter.

The commentary from HUL is clearly indicating the same thing that we are seeing across our other customers and end customers that have reported good volume growth. This shows that, although all of them have also talked about increasing prices because inflation has gone much beyond what anyone can absorb, demand remains resilient.

We do see that price increases have, to some degree, gone much beyond what anyone can absorb while keeping consumers insulated from them.

Aditya Khetan – SMIFS Institutional: Understood, sir. When we look at the overall mix, specialty surfactants have declined as a percentage on both a quarter-on-quarter and year-on-year basis. The percentage has come down from 40% to around 34%, although the absolute performance definitely looks quite good.

In terms of the mix, if I remove all the benefits of inventory and freight costs, what could we have achieved in terms of EBITDA per kg this quarter?

Natarajan: As I said, even without these factors, we could still have been at approximately 21,000 per metric tonne. The reason the specialty portfolio has declined as a percentage is that the denominator has increased. Performance products also grew significantly. When the denominator increases, the percentage will obviously appear lower. Last year was a different story because the denominator itself was lower.

Management: It also tells you that the specialty momentum, in absolute terms, has registered very good growth. What this essentially means is that it is a good indicator of how structurally things will continue to remain and improve going forward.

Aditya Khetan – SMIFS Institutional: Perfect, sir. My third question is on demand from international markets in Europe and the US. We understand that, as you mentioned, the negative impact of tariffs is currently behind us and we are receiving good customer approvals.

However, you had also mentioned about 2 quarters ago that there were some structural demand-related issues that could change. Have you seen any such developments in customer commentary from the US? Is there some structural change taking place, or could we continue to witness double-digit volume growth for at least the next 2–3 years?

Management: Regarding both markets, first of all, we do not hold a significant share in any of these markets, whether in Europe, Latin America, or the US.

What I said 2 quarters ago was that, in specialty ingredients, because of the interest-rate situation, project pipelines were not maturing quickly enough. Customers were taking time to approve products because they were also considering the possibility that demand could lag. This was more

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relevant to Europe, which is where I had made that comment. We had a good project pipeline, but it was not maturing.

When the situation was difficult, including during the developments in February and March, many of our customers in Europe slowed down. We have now seen that situation improve. From that perspective, things are better.

In the US, we are seeing demand remain upbeat. The US is also growing in line with the economy. Inflation appears to be improving based on what the Federal Reserve has indicated. Therefore, I do not see any demand implication there.

However, when customers are considering entering new products, they may take some additional time. We do see that this has also improved, based on the way the situation is reflected in our first-quarter numbers in the US market.

Aditya Khetan – SMIFS Institutional: Just one final question, if I may squeeze...

Operator: I am sorry to interrupt, sir. Could you return to the question queue?

Aditya Khetan – SMIFS Institutional: Understood. Thank you.

Operator: Thank you. The next question is from the line of Tanvi Parekar from Anand Rathi. Please go ahead.

Operator: Tanvi, your line is unmuted. Please ask your question.

Operator: There appears to be no response from this participant. We will move on to the next question. It is from the line of Umang Shah from Banyan Tree Advisors. Please go ahead.

Umang Shah – Banyan Tree Advisors: Thank you for the opportunity, and congratulations on a good set of results. My first question is that in FY20 and FY22, we saw a similar spike in fatty alcohol prices. After that, prices became stable and declined for the next 2 years.

We saw something similar in Q3 FY25, when prices crossed or neared USD 2,500 per metric ton. After that, they have been hovering in a similar range, with the first quarter at 2,300 being one of the highest levels. Is there any reason why you are not expecting stability or a decline in prices over the next 1-2 years?

Management: Are you asking why I am not expecting stability or a decline?

Umang Shah – Banyan Tree Advisors: A decline in prices.

Management: In fatty alcohol prices?

Umang Shah – Banyan Tree Advisors: Yes.

Management: Fatty alcohol prices are driven by palm kernel oil prices, and palm kernel oil prices are driven more by palm prices. Palm prices are obviously influenced by how petrochemical and crude petroleum prices behave because they are closely connected through the biodiesel mandates.

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If I look at the chart purely from a technical perspective, I could probably say that you are right. Our sourcing team also prepares these technical charts. However, over the last year, we have seen that actual developments have not been in line with those charts because many other factors suddenly emerge.

One such factor is the Indonesian mandate increasing from 40% to 50%. I would be happy if it came down; logically, it should. However, there is also the aspect of El Niño next year. El Niño this year is going to impact production yields next year, so there could be supply-led support for prices.

There are many moving parts, which is why I am not making any prediction. We need to look at the situation quarter-on-quarter, and that is the best way to manage it.

Umang Shah – Banyan Tree Advisors: Absolutely. Going forward, would we be committing more capital through capacity expansion or acquisitions in the AMET markets?

Management: Are you asking whether I am going to commit capital to the AMET market?

Umang Shah – Banyan Tree Advisors: Yes.

Management: In the AMET market, we have already completed our capex. Any capex we undertake there will be more in the nature of investments for certain debottlenecking exercises. We are not planning any acquisition in AMET. There is no such plan as of now.

Umang Shah – Banyan Tree Advisors: Understood. The market has not structurally changed for us in the AMET market, correct? Last year, one of our competitors—or one of our customers, if I remember correctly—backward integrated. In that context, the market has not permanently changed; it is just a decline for now, and once things stabilize, it will also recover.

Management: What has changed has changed. The situation is not worsening from there, but it is also not reversing. That shift at the end-customer stage has certainly taken place.

What we are saying is that, after that shift, we are looking at other growth avenues in various markets that have constantly been challenged due to one external situation or another. Those issues had actually been resolved last quarter, but the West Asia crisis further aggravated the situation and created supply constraints.

Based on the current situation and our order-book position, we see that things are looking better from a demand perspective. It is also about how we are able to respond. The change in our end customers' business share occurred in the local Egypt market. However, we have also been working on diversifying our portfolio into other countries to address this. All these efforts are working well for us.

Umang Shah – Banyan Tree Advisors: Understood. Thank you very much, sir. Have a great quarter ahead.

Management: Thank you.

Operator: Thank you. The next question is from the line of Tanvi Parekar from Anand Rathi. Please go ahead.

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Tanvi Parekar – Anand Rathi: Hello, sir. Am I audible?

Management: Yes, ma'am. Please proceed.

Tanvi Parekar – Anand Rathi: Congratulations on a great set of numbers. I have one question regarding the service income that you mentioned was recorded this quarter. If you could quantify this, and whether, as you mentioned in the last call, FY27 would be the last period of recognition, is it spread equally across the next 3 quarters as well?

Management: First of all, due to confidentiality requirements with the customers with whom we have entered into these arrangements, we cannot disclose the amount we have recognized. However, it is sufficient to say that although we have recognized the income, the amount recognized is not having a significant impact on the overall numbers we have reported. To that extent, I can give you clarity.

This will be completed this year, and I think we will have the recognition completed by the end of this financial year.

Tanvi Parekar – Anand Rathi: Understood. One more thing: was this recorded in the performance surfactants segment itself?

Management: No, this is a separate segment. It is not the performance segment. It is a separate business model and is not related to that segment.

Tanvi Parekar – Anand Rathi: Understood. Thank you very much.

Operator: Thank you. The next question is from the line of Rohit from Sunidhi Securities. Please go ahead.

Rohit – Sunidhi Securities: Thank you for taking my question, sir, and congratulations on a good set of numbers. I have 2 questions. First, we have seen contract revisions from the customer side. I want to understand whether all these contracts are on a spot basis, or whether long-term contracts have also been revised in terms of pricing. Is this only on a spot basis to absorb the raw material cost increase?

Management: One thing is very clear: wherever there is contractual business, there is a clearly laid-down methodology for passing on cost increases or decreases. That is being ensured, which is why I said that the process is transparent.

For spot prices, there is also a clear process, and whatever needs to be revised will be revised. As I said during the initial part of my call, it is about how transparent we are with customers. Customers understand that there is a genuine reason that was not within our control, and that this is the reason for the increase.

They are extremely fair in absorbing the increase when they understand the rationale. Similarly, they also know that when a reduction is possible, Galaxy will pass it on at the first available opportunity.

That ensures that there is a process in place. It is not a situation where customers continue to resist, as long as they are able to understand the rationale for the change.

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Rohit – Sunidhi Securities: Understood. Secondly, regarding inorganic expansion, as we discussed earlier, are we still progressing well, and how should we look at inorganic expansion over the next 1-2 years?

Management: We are progressing well in terms of how we are evaluating and identifying potential targets. However, we need to find the right fit. We are very clear that we will not do anything that does not meet the criteria we have established.

Anything we do has to be in line with our strategy and accretive to our profitability. We are fully focused on this, and a lot of work is taking place in terms of evaluation.

I hope that, based on the work we are doing, we will be able to announce something in the coming quarters. However, we need to wait and watch. We will not do anything merely because of a fear of missing out. We certainly will not do that.

Rohit – Sunidhi Securities: Understood. That is all from my side, sir. Thank you, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Bhavesh from IDBI Investment Advisors. Please go ahead.

Bhavesh – IDBI Investment Advisors: Hello. Am I audible?

Management: Yes, sir.

Bhavesh – IDBI Investment Advisors: Thank you for the opportunity. I want to understand the company from a 3-4-year perspective and the overall transition from performance to specialty chemicals. We have introduced products such as Tricore and Simplex. Are there more products in the pipeline? What is the competitive intensity in these products? How are we looking at the mix between performance and specialty over the next 3-4 years?

Management: First of all, I would like to clarify that our strategy is not a transition from performance to specialty. Our strategy is very clear: we have to grow both legs of our business, performance and specialty ingredients.

When we presented our last Analyst Day presentation, we clearly explained how we would approach growth for both businesses. We are not going to say that we want to deprioritize our performance surfactants business. I want to clarify that very clearly.

We have clear plans to grow both businesses. For performance surfactants, remaining relevant and competitive depends on operational excellence and on ensuring that it gives us strength. That will enable us to withstand competitive intensity and still deliver profitable growth.

Regarding Simplex and all the other products we have launched, we have more products in the pipeline. Some of them will be launched next quarter. There is a clear plan.

For all new products, our target is that by 2030 they should contribute more than 5% of our total revenue and contribution margin.

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Bhavesh – IDBI Investment Advisors: As we introduce these new products, do we have peers making similar products with similar chemistries, or are we effectively a monopolist?

Management: Our peers may be making similar products. What we bring is a clear positioning based on what our product delivers in line with consumer trends, along with our studies, claims substantiation, and ease of formulation.

Many of the products we launch are being introduced for the first time. That is why, when we introduce a product that is new and not already in the market, customers take time to approve it after they are convinced of its relevance to their requirements. They need to undertake a complete set of tests.

If the product is similar to something already available, they only need to follow an incremental approval mechanism. However, we do not want to compete on that basis within our innovation platform.

Bhavesh – IDBI Investment Advisors: That is all from my side. Thank you.

Operator: Thank you. The next question is from the line of Ishika...

Operator: Bajaj Finserv and Family Office. Please go ahead.

Ishika... – Bajaj Finserv and Family Office: Am I audible?

Operator: Yes, ma'am.

Ishika... – Bajaj Finserv and Family Office: You mentioned that you improved your EBITDA per tonne by {? 1,000 ?} rupees as well. At the company level, I understand that, but are you seeing any industry tailwind? Competitors in this space have also reported good numbers for the quarter. I wanted to understand your view on the industry going forward.

Management: If you look at the industry in terms of demand, I would say that demand currently appears resilient despite the inflation caused by commodity prices increasing due to the West Asia crisis.

Across areas such as apparel in India, we see that customers at all tiers are looking for demand momentum to remain sustainable. I cannot comment on what our competitors are doing because many of them are not present across the entire range of products that we offer.

In India, we have the largest portfolio, significant scale, and a large customer base. We are therefore quite different. That also differentiates our business model and underscores its robustness.

Ishika... – Bajaj Finserv and Family Office: Thank you.

Operator: Thank you. Ladies and gentlemen, we will take that as the last question. I now hand the floor over to management for closing comments.

Management: Thank you, ladies and gentlemen. Have a great weekend, and once again, wishing you all a very happy 78th Independence Day.

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Operator: Thank you very much. On behalf of Galaxy Surfactants Ltd., that concludes this conference call. Thank you all for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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