Global Supplier to Global Brands

August 16, 2022

National Stock Exchange of India Ltd., Listing Compliance Department Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East) Mumbai – 400 051 **Scrip Symbol: GALAXYSURF**	BSE Limited, Listing Department, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 **Scrip Code: 540935**

Subject: Transcript of concall Q1 of FY 2022-23.

Ref.: Regulation 46(2)(oa) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015.

Pursuant to the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, we are enclosing transcript of Earnings Conference Call for Q1 FY 2022-23.

This is for your information and records.

Yours faithfully,
For **Galaxy Surfactants Limited**

NIRANJAN ARUN KETKAR Digitally signed by NIRANJAN ARUN KETKAR Date: 2022.08.16 17:27:58 +05'30'

Niranjan Ketkar
Company Secretary
M. No. A20002
Encl: as above

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

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

"Galaxy Surfactants Limited
Q1 FY2023 Earnings Conference Call"

August 10, 2022

(Disclaimer: E&EO- This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 10th August, 2022 will prevail.)

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, good day and welcome to Galaxy Surfactants Limited Q1 FY2023 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not 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 the 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 & Managing Director of Galaxy Surfactants Limited. Thank you and over to you Sir!

Unnathan Shekhar: Thank you. A very good afternoon ladies and gentlemen. I would like to welcome you all to our first quarterly earnings call for FY 23 and let me wish all of you and your family members a safe and healthy living. In the financial year 2016, Galaxy's full-year profit stood at 101 Crores. It gives me immense pleasure to share with you all that despite numerous challenges we have witnessed in the last 6 years, Galaxy's march has consistently continued. As we see the world gradually moving back to normalcy, the year FY2023 began on a very positive note for your company as well. For the first time in the history of Galaxy we have crossed the 100 Crores profit mark. Despite facing a setback in Q2 and Q3 of last year, we not only rebounded in Q4, but we were also able to sustain the momentum in Q1 of FY2023.

Improving supply chain conditions, better mix, realizations, new-age products and leveraging on emerging opportunities, have helped us achieve this growth. As you would have noticed our EBITDA per metric tonne for the quarter stood at Rs. 26,418. While we have a good start the strong persistent inflationary headwinds impacting both the developed and developing economies though with varying intensity remains a cause of concern for us. As stated previously, FY2023 will be all about managing supply as well as demand side risks. While supply side factors did improve in this quarter, they are yet to revert to pre-pandemic levels. This inflationary scenario globally combined with the deterioration of macro factors of a few countries severely has impacted the mass categories, which in turn impacted our performance surfactants volumes and this impact was particularly adverse in AMET.

The AMET region declined by almost 21% year-on-year. The energy crisis in Europe and the impending slow down remains a cause of worry and risk for our speciality care products going ahead. This is reflected in our ROW performance, which declined 5.5% year-on-year;

however, on the brighter side demand in India continued to remain stable and showed signs of improvement quarter-on-quarter by growth 8.5%. With the upcoming festive seasons, we believe the demand will pick up momentum from Q2 onwards. Recently keeping in mind the needs of the future, Galaxy launched shampoo bar base Galseer Tresscon. These are a solid bar for shampoo prepared with the solid surfactants system that finds best fit value as it enables multiple sustainability elements such as reducing the usage of fuel, space, utilities and water.

The ingredients used are also sustainable and are derived from our patented amino acid-based green chemistry. This is in line with our overall sustainability initiatives. The earlier planned capacities have got commissioned in this quarter and will help us grow in terms of value. While Q1 FY2023 has been a good start going ahead a conducive environment will be helpful to ensure that the momentum continues. At Galaxy we remain committed to enabling and ensuring the same. Thank you, ladies and gentlemen.

Moderator: Sir, should we open up for questions?

Unnathan Shekhar: Yes, please.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sanjesh Jain from ICICI Securities. Kindly proceed.

Sanjesh Jain: Good afternoon, Sir. Thanks for taking this question. Few from side, this quarter looks like performance in two half, India still struggling, I mean standalone still struggling, margin are dipping, while the consol minus standalone, which I think the pre-dominantly with our US and Egypt, there the margins continues to increase significantly, now we are there at 23% EBITDA margin, 48% gross profit margin, two part in it, how is the US doing, number two is that specialty which we are manufacturing now and supplying to US a significant portion of margin is captured in the US subsidiary and this is despite the weakness in Egypt, so with this I think Egypt still continues to struggle. So what is driving such a strong performance in the non-standalone entity and what is the steady state margin should we look at there that is my first question?

Unnathan Shekhar: Sanjesh, yes, the US has done well and has been pretty consistent in the last maybe 18 to 24 months and touchwood, we would expect it to continue, but we have to be candid enough to say that one does see the stress on consumption even in the US market. That is it the US operations also sells products of Galaxy because as you know it is important that we maintain the stocks of these products at the warehouse in USA so that we are enabled to serve our customers from our warehouses there, so a number of specialty products which goes from India it gets serviced through the US subsidiary, so Egypt has certainly declined, but when you talk about India, Indian volumes have grown certainly in the last quarter, we have grown higher the market, we have taken shares, but there are still a lot of what I would call operational bottle mix which emerges because the supply chain situation has not come back to real normalcy. Even today, there are certainly significant amount of disruptions and disturbance is continuing and these are in level in terms of having what I want to call, a rhythmic performance as far as India is concerned in terms of operations.

Sanjesh Jain: What is driving such a strong growth in U.S., can help us understand, protein because I do not think we have expanded so as far as U.S is concerned?

Unnathan Shekhar: So, as far as US is concerned as you said the introduction of these new products certainly had driven growth one, of course also the innovation on proteins that we do has been driving our growth as far as the protein segment is concerned in US. First this introduction of specialty products made at the Galaxy India, these are also sold very well in US.

Sanjesh Jain: No, that I got the point, I am telling you what is this incrementally driving the strong growth, is the combination of all this product, it is mild surfactant portfolio, it is preservative portfolio, it is protein portfolio and how much will be the volume?

Unnathan Shekhar: You have seen Sanjesh, you would have seen that our concern will be the volume de-growth that we have seen at the overall level, so the strong performance has been because of the mix and the introduction of new products.

Sanjesh Jain: And Sir, Egypt the mix will fall more towards performance and marginalization, is it a fair understanding?

Unnathan Shekhar: Yes.

Sanjesh Jain: Continuing with the margin, now we are at Rs.26 per kg kind of EBITDA, our guidance is 16 to 18, it looks like we have come a long way from 16 to 18, so we still want to stick with 16 to 18 or we think sustainably we have to move?

Unnathan Shekhar: Sanjesh, we have a particular mix of performance surfactants and specialty products in mind, now there may be temporary deviations with respect to this and particularly in the last one year or 18 months, the deviations have been one too many, there have been a whole lot of disruption as well as volatilities whether you talk about the geopolitical unrest or various different markets behaving in different ways at different points of time, so we need to see some element of what I would call a rhythm or a steady state, which has not been there for the almost 18 to 24 months.

K. Natarajan : One of the reasons we also need to consider, given this severe inflation scenario leading to recession, if you look at our specialty portfolio, we have a good portfolio in terms of a NewAge products, good pipeline of products are placed, good amount of commission will happen, but given this scenario we cannot rule out, some of the customer are de-formulating because they need to manage their cost structure, which will be temporary, but we need to be conscious of that as well, so that is one of the reasons why we don't want to be changing the band beyond this 16000 to 18000, but we are sure we are at the higher end of this band facilitating us.

Sanjesh Jain: Just to understand is this EBITDA of 150 Crores what we have done in this quarter right, forget about the EBITDA per kg and all, is this 150 sustainable and can grow from here now considering this is on a lower volume our volumes will come back, do we think this 150 Crores is sustainable and this becomes a new base and we will grow it from here?

Unnathan Shekhar: There I think all of us would like it to be there, but as we said there are a whole lot of challenges, which are possible, we do not want to be blind to that, so we would certainly be careful and alert both to the opportunities as well as to the challenges that can I much.

Sanjesh Jain: Fair, Sir. I will come back in the queue for more questions. Thank you and best of luck for the coming quarters.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Kindly proceed.

Rohan Gupta: Sir, good morning and congratulations on such a strong set of numbers despite we are seeing the pressure on volumes. Sir, just extending from the previous conversation that definitely the performance from non-surfactants and specialty business has been very solid and it is especially coming from the developed markets, you gave that reason for that is basically the new product launches which has led to a strong profitability and higher margins, once we come back to the previous levels in terms of product mix with the higher revenue coming from the surfactants then you are cautioning us that the margins may go back to the previous year of your guidance of Rs.16,000 to Rs.18,000 per ton so the products which you have launched are definitely new age and , our clear indication that we had the ability and capability of launching new age product with a very high margins, which are much higher than the current business then only we will be probably be able to enjoy Rs.25,000 to Rs.26,000 EBITDA per ton what we are enjoying right now, so the question are those issues you think that in our ability to keep on launching new such products in the next one year to two years that we keep on improving our product mix, I am not saying that we want to get away from our basic surfactants business model, but I am saying that the performance which has been driven in the last one-and-a-half year and when we have commissioned our speciality chemicals business in last year with the additional capacity, why we think or assume that the speciality part of the products are high value added products will not keep on driving the revenue growth even in the next one to two years also?

Unnathan Shekhar: Rohan, thank you. See, we have seen the end use market and particularly this year because of the real hyperinflation, the stress on consumption we have started experiencing across various markets, customers when there is hyperinflation like its happened about three years back, four years back, tend to downtrade okay and when that happens the store brands start gaining traction for that particular period of time of course the consumers come back to the mass and masstige when I talk about the speciality assume that the specialty products find use or find their place in masstige and prestige brands and they have to consistently grow, but which can be challenged during times of hyperinflation, so we know that we have talked about various consumer trends on sustainability go into prestige, but these premises get challenged during difficult times for a consumer and the difficult times can be when there is hyperinflation, you saw that happened now, and once the things start regularizing and as you have seen the commodity prices have started sharply coming down, now when that happens I think the customer has certain flexibility is his valid to indulge in prestige products also, so we would apprehend temporary challenge possibly to this specialty growth; however, what I want to say is that we have had a continuous stream of innovations over the last ten years or so, Galaxy has built its specialty portfolio significantly over the last year and we will continue to build, new products will keep coming up, but at the same time we have to ensure that we do not ignore the broad market in all the emerging economies as well as the evolving economies particularly the AMET region and the African region because Galaxy would like to be present across various consumer segments as a part of a strategy both in emerging markets as well as developed markets.

Rohan Gupta: Got it. Sir, I think you are expecting hyperinflation and you are fearing that, how are the raw material prices have already started coming down as you rightly mentioned, it is already down by 30%, I think that definitely we are not expecting the prices to go back to the previous levels, but yes, I think that even not likely to remain on the peak what we had seen probably in the month of February or March, so now with the softening of the RM prices, what the current prices and assuming that 10% to 20% further fall in the RM prices was stabilizing there, what you will see and think that our percentage or EBITDA per tonne margin can sustain, I hear you that you are consistently maintaining Rs. 16,000 to Rs.18,000 at the upper end guidance, but do you see that the RM prices sustain here maybe 10% lower from there, can we expect our EBITDA percentage margins what we are enjoying right now in terms of percentage can sustain like 13% to 14%?

Unnathan Shekhar: Rohan, let us wait for a few more quarters before we come to a secular trend, let us wait for a few more quarters.

Rohan Gupta: Got it. Sir, just a last question and come back in queue for the follow up. Sir, we had seen that our specialty capacity is launched last year and if you can give us some sense in kind of utilization is there and what are our utilization right now and capex plan for the current year and I think that our capex will be much lower than the free cash flow, which we will be generating, so what are the plan for our additional free cash flow this year?

K. Natarajan: Natarajan here, so our capacity utilization has been about 64% and the capacity we added were all are to specialty ingredients segment, and which obviously has been we have started gaining on capacities in the way the products and the customers are maturing. With regards to our deployment of the cash, we have said to you know this is our capex outlay would be about 150 Crores per annum and we do have project that has been rolled out on both the performance and specialty ingredients segment over the next two years, so per annum we are doing Rs. 150 Crores of capital outlay on our expansions.

Rohan Gupta: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Kindly proceed.

Rohit Nagraj: Thanks for the opportunity and congrats on a very strong set of numbers. Sir, first question I mean asking on the EBITDA per ton so is it differs where you are seeing a lag in terms of the input cost inflation which you passed on and prior to two quarters back we have struggled to keep the EBITDA per tonne at our current levels and because of which this impact has come in Q4 as well as Q1 and incrementally as the raw material price substance based on your commentary it will normalize to our 16,000 to 18,000 level, is that the right understanding?

K Natarajan: Yes, that is the right understanding, only thing is what we need to when the Q2 and Q3 of last year performance was seemingly impacted, we said the raw material prices have been increasing both in frequency and intensity of the increase was pretty high, and then by the time you are passing on one increase the price will go further and from Q4 it stabilized although at the higher levels and that continues, so you are right with your understanding because it enables us to not have an impact because we have not able to pass on, we will pass on say with the lag of the quarter.

Rohit Nagraj: Right, got it. Sir, the second question is in the last couple of quarters despite the lower volume, we have not benefitted because of the supply chain challenges probably faced by our competitors and we have to supply across different geographies because of which we had been able to charge a premium instead of the normal pricing, thank you?

K Natarajan: Can you repeat your question, Rohit, I could not get it clearly?

Rohit Nagraj: Right, so in Q4 and Q1, it was of maybe supply chain challenges faced by competitors where we benefited in terms of pricing premium for our products because our products are available at different geographies?

K Natarajan: You know that, like you had said there were opportunities that were presented, we also have some challenges, but I think the story of the last quarter has been where we managed the challenges well and leveraged from the opportunities that were present and also what is important is that given this particular uncertainty in terms of various economies being in trouble, so we are also being choosy in terms of which customers we will be selling to because there is also a risk that we need to worry about just in case the economies are not doing well, the customers based there so how do we then recalibrate our customer portfolio. That has also been one way that we have been able to rejig our customer portfolio to aid the numbers.

Rohit Nagraj: Right, got it. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Anupam Tiwari from Axis Mutual Fund. Kindly proceed.

Anupam Tiwari: Good morning, Sir. Anupam, here. Sir, wanted to understand a little in detail if possible in terms of green surfactants, so I am sure you guys also have green surfactants in your portfolio, but the way things are being defined now, so whether let us say a sulphate-free surfactant can be classified as a pure greens surfactant or it is a partial green surfactant and is there any newer kind of product with very different technologies are being accepted in the market has been surfactant and where our product development stands in terms of this journey to reach to pure green surfactant if you can help us understand?

Unnathan Shekhar: Yes, thank you, Anupam. I think Galaxy has been a significant player and leader as far as green surfactants are concerned, as you know our amino acid surfactants, which has a world patent, an exclusive patent is totally based on green chemistry, which gives us an exclusive edge, one, again our nontoxic preservatives are from green sources, we introduced product called sodium lauroyl lactylate, which is totally green surfactant cum emulsifier in this particular year, so and that is a matter of fact a significant amount of growth that we have seen in the last three years with respect to specialty products have come from our green chemistry, green innovations and this is an important priority as far as organization is concerned and so sustainability is built in our developments so a whole lot of our specialty products are based on green chemistry, where the effort is with respect to atom efficiency, recycling very, very negligible or minimal environmental footprint, no wastage, so these are the various elements of green chemistry as a matter of fact our patent that we have fulfilled all the 12 principles of green chemistry, and this has been very well acknowledged not only by industry bodies, our competitors, our customers as you know we received the P.C. Ray award instituted by the Indian Chemical Council last year for our innovation with respect to amino acid surfactants.

Anupam Tiwari: Sir, how is the competitive situation over here globally in terms of offering pure green products?

Unnathan Shekhar: See, Anupam, as far as the personal home care industry is concerned there are a whole lot of products, there are huge number of customers and huge number of players also, so when you talk about edge, yes, one does have an edge when you play the same this things, but different players have different edges and different niches that is the reality because as well far as the personal care market is concerned because there is a place for a large number of people.

Anupam Tiwari: In terms of customer acceptance what I am talking about is that in customers' acceptance, not a new line for green products and they would be expensive so in terms of cost acceptance how it is panning out globally?

Unnathan Shekhar: No no no, here it is one off let us say what you are creating and responding to the various emerging consumer needs. The emerging consumer needs are certainly distinctly towards sustainability and green nontoxic and less amount of what I would call so-called ingredients, people want as least the number of ingredients is possible, so that is where consumer and this consumer is primarily at a very significant level in the US and the Europe markets and India is again catching up, so we do see a consistent growth of specialty products even in India though albeit it is not as comparable as what is in the US, so this is a significant and a definitive trend which is happening.

Anupam Tiwari: Sir, in terms of regulatory requirements on the surfactant side, are you seeing any change in the next couple of years?

Unnathan Shekhar: Yes, particularly in US, it is a very, very major change happening on home care products are expected to have dioxane less than 1 PPM, this is a New York directory which has come which will go live by the end of this year that is starting January, 1, 2023, this is a very, very major change and Galaxy is already ready as a matter of one of the major innovations for this year in the introduction is a product called GalEcoSafe which is the sodium lauryl ether sulfate where we have been not only present, but a significant player globally and that will have a dioxane content of less than 5 PPM and 10 PPM, which ensures or enables the final consumer product to have dioxane less than 1 PPM, so these are regulatory challenges which are of course opportunities, we have responded to them, we are ready with the products and we have already made foray into certain markets in both Europe as well as US.

Moderator: Mr. Tiwari, I am sorry to interrupt, Sir, we would request you to kindly get back in the queue for further questions.

Anupam Tiwari: Okay.

Moderator: Thank you. The next question is from the line of Bobby J from Falcon Investment. Kindly proceed.

Bobby J: The question is EBITDA per tonne where for the past two quarters you have been around 40% higher than your normal range, so if you actually saying that you will revert to the 16,000 to 18,000 k and your volumes do not grow up drastically that would have a big impact on your profits?

Unnathan Shekhar: See, as we said for a couple of parameters which were at play in the last two years, one was of course the supply chain geopolitical disturbances and the supply chain disturbances which impacted your rhythm of operations both the predictability of operations or planning of operations or rhythm of operations and the output of operations, apart from that the challenges with respect to outgoing cargo also put a stoke in terms of your dispatches and delivery, so there was a huge supply chain elongation which one the world experience including us, the second is of course because of this geopolitical uncertainties, there was hyperinflation, which impacted consumption and the impact or the stress on consumption, we are seeing it in a more pronounced way in the last quarter and possibly in the existing quarter, that is quarter two of the financial year that is July to maybe September, which we expect we would see stress on consumption in this quarter. The third is a number of economies particularly there have been gone into weakening as a result of which we have been very, very choosy about customers because we want to protect ourselves against default, so there have been where we have withdrawn ourselves with respect to certain economies and certain markets and has a very conscious decision, which we will get back to once things come back to normalcy, so it is important that the world come back to normalcy how so ever hopeless or hopeful it may have seemed, we would like the world to come back to normalcy so that there is predictability, till that time, there will be an element of opportunism, which is inherent and there will also be these deviations that we have seen. But in a secular assumption, because the entire EBITDA guidance that we have given is based on a particular secular assumption, so for the next maybe let us say three or four quarters is concerned and that is why we said let us wait for a couple of quarters, but for the next, three or four quarters is concerned, we would like to say that we would be at possibly the higher end of our EBITDA guidance that we have given.

Bobby J: Mr. Shekhar, perfectly understand all that you have described and we are well aware of it, I guess my specific question is, are you saying that when your EBITDA per tonne reversed to the original stage your volumes would go up drastically?

Unnathan Shekhar: Yes, obviously.

Bobby J: That is what I am trying to understand because what we are concerned about as investors is your absolute profit right, if EBITDA per ton goes down and the volumes do not go up, your absolute profits will come down this is just mathematical way, right so if I understand correctly what you are saying is as the consumption picks up your volumes will climb up and because there will be more performance surfactants, your EBITDA per ton might edge lower but, the absolute numbers trend should continue is my understanding correct?

Unnathan Shekhar: Yes, your understanding is right.

Bobby J: Thank you. The other question was there was a drastic fall in fatty alcohol prices in this quarter, so did you have, but your presentation does not mention any inventory loses or MTM loses or any such thing, so how did you manage that?

Unnathan Shekhar: We have explained this thing, we have a very good risk management mechanism to ensure that the impacts were minimum, I mean its not that we are totally immune to any impact, but the impacts are pretty minimal, so that has been the case, so we have not had any significant impact because of this.

Bobby J: Would the lower prices be passed on to your customers?

Unnathan Shekhar: Obviously yes, the competitive market or the competitive scenario ensures that ultimately the benefit of lower prices on feedstocks will go ultimately to consumers.

Bobby J: Alright, thank you. That is all.

Moderator: Thank you. The next question is from the line of Krishan Parwani from JM Financial. Kindly proceed.

Krishan Parwani: Sir, congrats on a good set of numbers. Sir, just two questions from my side, so the first is just wanted to check, has there been any addition of value-added products in your performance products portfolio over the last couple of quarters?

Unnathan Shekhar: We did mention as far as the performance products is concerned our view, the innovation that we worked on GalEcoSafe is having very, very low dioxane, which would help our customers to meet the New York regulations with respect to dioxane, we have already launched this in Europe as well as USA and we have already done a significant amount of business or some businesses on this thing with our customers in Europe and US.

Krishan Parwani: Sir, just on a followup on that, so what would be the contribution of this in the current performance surfactant like maybe a ballpark number should do, not an exact numbers?

Unnathan Shekhar: Not a very, very big number, gradually it climbs because the regulation will kick in only from January 1, 2023, whatever we have done or whatever customers have brought in is in the form of preparation for themselves, the regulation starts kicking in only from January 1, 2023.

Krishan Parwani: Understood and the second question is that so basically whatever price that we are witnessing in the performance surfactants is mainly driven by the higher input cost is that correct? Because you mentioned that value-added product addition is only limited?

Unnathan Shekhar: Yes, you are right, see in performance surfactants, that is a very clear correlation at the market level between your feedstock prices as well as the final selling prices.

Krishan Parwani: Understood, that is very helpful, Sir and wish you all the best, thank you so much.

Moderator: Thank you. The next question is from the line of Poojan Shah from Congruence Advisers. Kindly proceed.

Poojan Shah: Sir, actually I just want to have a broad outlook on performance and specialty, so we have revenue segregation on performance and specialty, so on a moving trajectory like 4 to 5 years are will be on the same line or will specialty contribute to let us say 50:50 so can you give some trajectory towards that?

Unnathan Shekhar: Yes, see we have always said that the split between performance and specialty will be 65:35, but this ratio will certainly go towards maybe to 60:40 or even maybe 55:45, but not overnight or immediate, but over a horizon let us say five to ten years or so.

Poojan Shah: Okay and Sir, my broad understanding would be so the majority of our sales you can say would be on performance, but the margins would be contributing from specialty so more of the margin performance improvement will be from the speciality and the sales performance could be majorly from the performance, right, is my understanding correct?

Unnathan Shekhar: Yes.

Poojan Shah: And my second question would be can you just give us some like I was seeing the presentation can you just tell us top ten contribution products like how much contributing to the revenue gives us to like a top ten?

Unnathan Shekhar: We would not be able to talk on that.

Poojan Shah: That is all from my side. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Kindly proceed.

Sanjesh Jain: Thanks for taking my question, again. More on the volume side, I wanted to understand how are we trending on a month-on-month basis, I know for the quarter we have declined by 29%, last quarter it was 29%, just wanted to understand the progression, is it on the improving side are we seeing the pressure coming down that is one, number two on the rest of the word side where we had declined 5.5% in the volume terms like last quarter it was positive and now given that we have commissioned the plant that should give us the momentum in the new product as well, how should one think about the volume progression from here and this is a premise that India will continue to do good because now we are approaching festive season, the pressure on raw material price is coming down so that will give some more push on the volume, just wanted to understand how are we thinking of volume progression from here to say for the next four to five quarters?

K. Natarajan: Sanjesh, as far as the AMET volumes are concerned I think we would have to wait for the Egypt and Turkey market to really start coming back once we adjust to significant inflation that they are having, so that is going to be very critical and to your question whether we are seeing some green shots and this is a improving trend, I would say that directionally improving, but we are not be able to make any comment that they will sustain because we have also Eid, which was there in the month of July so we were not be able to make so we will be able to make clear statement on the direction by end of this quarter that is one, second with regards to the rest of the world, it is driven majorly by specialty ingredients and the only thing that we would want in terms of a conducive environment is that we have the inflationary situation correcting, the recession not prolonging and that would enable us to be able to continue and leverage on the various products and mature on specialty with many of our customers.

Sanjesh Jain: Just a continue there on the volume front, are we seeing any de-stocking because in the fall in prices and this commentary has come from multiple chemical companies, the customers tend to destock because they fear that they will continue to fall so they keep de-stocking and thereby just in time kind of a requirement. Is it also adding to the volume thing?

K. Natrajan: That is also one of the reasons, but then if you look at say US, there is a good amount of de-stocking that is happening, which is what many of our customers who have been talking about this being one of the reasons why their volumes have been lower because one is the pantry stocking that was done by the households also has come down, it is then passed on into the chain wherein you have all the big stores like the WalMart and all of them are also destocking that is one of the reason why it is happening, second is with the reducing prices yes, they would want to be on the lower side of the inventory in the pipeline so that the impact in terms of a significant correction is limited in terms of the financial impact so there are multiple reasons, but one major is that what is happening is the consumer demand itself is correcting from the highest that we have seen earlier because of the inflationary scenario, so the only thing that can correct always is the consumer demand because de-stocking and all that is only a response by the customers okay to take care of the situation, but the good point is how does the consumer demand come back to the robust levels that it was say last year.

Sanjesh Jain: If I hear you properly, you are giving a very cautious statement on the volume growth particularly Europe, US where we are feeling stress, how are we seeing demand really slowing down or just a transitory phase or people are really facing the pinch now because I think from the peak of the inflation now we are only coming down that the inflation will be lower than what it was earlier so probably the worst is behind of the inflation and our performance even during the inflation was a very incredible performance why are we turning so cautious, where we can probably more prevalent that the inflation will only be.

K. Natrajan One of the reasons is if you see the demand cutback is happening it has started only beginning of last quarter, and the commodity price also start correcting only towards middle of the last quarter, so for things to settle down, come back and regain their robustness is something that we need to wait and watch, the others also in terms of Europe, the energy crisis is going to have its own implications, so we need to wait and watch, so it is a combination of factors, although we would want things to pan out the way that you have been articulating that is what is going to be good for us and that is what the conducive environment that we would want it to be there for us to be able to churn out good volume numbers, but yes, we are not able to make any clear statement because of the headwinds that we are already seeing in the market by the commentary that our customers are giving.

Sanjesh Jain: I think Europe being in trouble probably is good news for us because they will try to do more outsource and the production cost of the local surfactants with any which way is sold at a very thin margin so for them to compete will be very difficult so for AMET market we become even more efficient to look at in Europe does not it make us even more efficient to export from AMET to Europe and that market opens up very well for us?

Unnathan Shekhar: Yes, that is what, what I said was as we do see because the various geopolitical situation and the energy crisis, we have challenges that we need to be very properly managing and it also presents us with opportunities that we as a team are well gear to leverage on, so you are right if this particular hypothesis that you have is something that really good and if it pans out that way we certainly would be well positioned to be leveraging on that opportunity, you are right.

Sanjesh Jain: Thank you, Sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Kindly proceed.

Rohit Nagraj: Sir, thanks for the opportunity. One question, how historically the FMCG company price hyperinflation has behaved, generally once the FMCG consumers product if rise to a particular level, you said that prices do not correct, so historically what is our understanding of this in the last maybe 12 to 25 years?

K Natarajan: So, what you have seen is how the consumer responds, so overall if it doesn’t pinch the consumers too much in terms of the disposable income then they would not mind continuing the high prices, but if you ask my personal opinion in terms of what would be the response to the current situation, I think everyone wants to be incentivizing consumer demand and they would certainly end up passing on any reductions, but yes, they would want that to get going to sustain so they did not want to be reducing or increasing it again so they would probably wait for some months, but surely everyone wants to pass on because they want the demand to come back to the robust levels that they have seen earlier.

Rohit Nagraj: Right, Sir. Second is the bookkeeping question, we had seen that by end of FY2022, the debt has increased and given that we have very strong cash flow during Q1, how has been the debt situation at the end of the quarter, has it reduced substantially and reducing over the next two quarters just similar kind of result in coming?

Unnathan Shekhar: Our Abhijit, CFO will respond.

Abhijit Damle: The overall debt situation continues to be at the same levels that we had in the previous quarter with debt-equity ratios of around 0.2 and this will continue going ahead, I mean there would not be any significant change going ahead till the end of the year.

Rohit Nagraj: Sure, thank you so much and that is it from my end.

Moderator: Thank you. The next question is from the line of Priyan Purohit from Kamayakya Wealth Management. Kindly proceed.

Priyan Purohit: Thank you so much for taking my question. Sir, I am just trying to understand, there being two reasons, first it that obviously they has been constraints on the volume side as we were talking about inflationary scenarios in your target market and secondly with your RM price is coming down as you had mentioned that even the lower prices you will have to be passing them on to the consumers, so I am just trying to understand in both ways you know these situations are not really working in our favour so what exactly are the growth drivers for say the coming two, three quarters or is the scenario just going to be like this and probably we just have to wait and see what is going to happen or do we have some kind of a strategy now?

Unnathan Shekhar: See, let us admit and acknowledge that the consumer demand is a very, very extremely important parameter, if the consumer does not buy, I do not think any unique strategy will make your sales grow, so it is important that consumer demand comes back to robust levels, now all indications for right to happen because the commodity prices are correcting and you would have also seen some of the festival season is coming back, people today obviously when they are coming back to normalcy with respect to daily life I mean maybe for the first time India will be celebrating the festivals in full mission in this year whether it is your Ganesh Chaturthi or Deepavali okay, so these should certainly augur well as far as consumption is concerned, so our strategy is to ensure that we have a rhythmic operations, we are able to respond to our customer needs very well which was a concern in the last 18 to 24 months because of supply chain disruptions. I am not talking about just Indian customers, I am talking about our global customers, India as well as global, so we would want to ensure that we are able to very agile and prompt way and consistently we are able to respond to various our consumer needs with respect to demands. The consumer demand to come back and thirdly, the inflation to correct because that will ensure that the wallet of a consumer is able to appropriately devote some of it to the prestige product which is what has driven the specialty portfolio and which will drive a specialty portfolio consistently, see when there is a stress with respect to his wallet, the customer reverts back to minimal whatever he wants to consume that is what we have seen. We have also seen for example, the reflection of this is consumers going back to store brands as well as the dollar store brands in USA and the same thing happens even in India, so these are the sort of situations that would correct themselves in the coming quarters.

Priyan Purohit: Alright understood and Sir, lastly just one point in question, you had mentioned earlier that you are looking at a capex of about 150 Crores per annum for coming one or two years so could you just elaborate a little bit more on that whether are you going for more capacity enhancements or is it just regular internal capex?

Unnathan Shekhar: We maintain that, that will continue, you would have a capex of approximately 150 Crores year-on-year.

Priyan Purohit: No, Sir, my question was whether this is going for capacity enhancements or is this general maintenance capex only?

Unnathan Shekhar: No, it is also the capacity enhancements, some are already underway.

Priyan Purohit: Understood. Thanks a lot, Sir.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Kindly proceed.

Rohan Gupta: Thank you for the follow up. Sir, first question is on our working capital itself, so last year because of the sharp increase in input prices we have seen a large part of our cash flows was deployed in working capital and that led to almost flattening of the debt level and even also it was added up with the capex, which you had close to 200 Crores plus, this year we see that reverse is slightly to happen with the fall in raw material prices I mean we are expecting some relief of the working capital so just to give some numbers on the balance sheet last year we had deployed close to Rs.300 - 350 Crores additionally in working capital, so the question remains the same that with the surplus cash flows, which we had this year at the end of FY2022 and even if we say some of the working capital are going to be get into this year, so not only that is apart from the debt, we should be ending up with solid cash at the end of this year, do we have any plans given that the limited capex plan we have, so we have any plan to reward it to the shareholders in terms of additional distribution through dividend or any buyback?

Abhijit Damle: See, this working capital increase which has happened has basically happened from the borrowing and this will be distributed in the different jurisdictions in different subsidiaries. So as the raw material prices correct obviously there is also going to be a release of working capital, which will essentially go on to reduce the borrowing.

Rohan Gupta: So, you are saying that this still would be having surplus cash on the balance sheet distributed to the shareholders?

Abhijit Damle: Yes, correct.

Rohan Gupta: Sir, second question is on our realization, so definitely even the current quarter also we had seen that on quarter-on-quarter basis also, the realizations of performance and specialty has gone up by close to 14% to 15% on Q-on-Q basis itself with the performance surfactants and net realization going from 122,000 to close to 200,000 and specialty from 200,000 to 230,000 that is 15% increase, however, the raw material prices have fallen on quarter-on-quarter by close to 20%, so I understand that is because of the lag, so we see that from the Q2 itself, which will correct and the realizations has already started coming down and our net realization will be down by close to 15% to 20% from Q2 itself or it will take some time to get it reflected in the revenues?

K. Natarajan: So, what is important Rohan is that we need to ensure that we are able to calibrate appropriately in terms of how the market responds to the lower commodity prices whether it is important that we respond well and that is what we would do, how it pans out in terms of a margin is something is a consequence, but we do see we will do everything that is required to be done in a very calibrated way ensure as to protect value as well as market, so that is the approach we will take, subsequently how it pans out will be a consequence, but we do see that things will start that is always we need to correct the prices in terms of the way the feedstock prices are correcting, otherwise your demand can get impacted, so we will do what is appropriate.

Rohan Gupta: And Sir, just last from my side and this is on basically our new product launches Galsoft, and Hearth, which in terms of pods which we had launched this year, how is the performance of Galsoft and Galguard and Hearth is coming and do we see that any new product basket, which for FY2023 can be a significant driver for us?

K. Natarajan As I said it progressed well in terms of certain projects in the pipeline majorly with the customers, but there are good amount of production pipelines that are in advanced stage in terms of a commercializing, but we to keep our fingers crossed with the current situation as we explained in items of recession and inflation, we need to see as to how quickly this product gets rolled out, so we need to wait, but yes, in terms our engagement with the customers and the way that we are progressing it is in a pretty good state.

Rohan Gupta: That is it from my side, thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

Unnathan Shekhar: Thank you, ladies and gentlemen. We would once again meet about three months from now. Thank you once again.

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