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Pursuant to the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, we are enclosing transcript of Earnings Conference Call for Q4 FY 2021-22.

This is for your information and records.

Yours faithfully,
For **Galaxy Surfactants Limited**

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"Galaxy Surfactants Limited
Q4 FY2022 Earnings Conference Call"

May 18, 2022

(Disclaimer: E&EO- This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 18th May, 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: Good day, ladies, and gentlemen. Welcome to Galaxy Surfactants Limited Q4 & FY2022 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 the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. 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. It gives me immense pleasure to welcome you all for our final quarterly earnings call for FY2022. Nicholas Taleb in his famous quote summarizes in one statement what happened in the year 2021-2022. He says 'Fragility is the quality of things that are vulnerable to volatility.' Taking from this if we were to summarize 2021-2022 in one statement, we would say it was the year that separated the best from the rest, differentiated fragile from robust and tested the vulnerabilities of every business model. While the year began on an optimistic note, supply-led volatility on account of feedstock shortages, shipment delays, rising freight costs and feedstocks adversely impacted our performance in the first 9 months of this financial year. Though the situation exacerbated on account of Russia-Ukraine war and the Chinese lockdowns, our Q4 performance clearly reflects the robustness of our business model. But we need to understand the crux of this U-shaped recovery. There were multiple factors responsible for the same. One, the application of our learnings and experience gained during Q1 to Q3 helped us manage the situation better despite the supply situation deteriorating further in Q4. Better mix and higher share of specialties in the developed markets played a key role in notching up our highest quarterly EBITDA per metric ton of Rs.25,400. Contract divisions and recoveries ensured better realizations. Disruptions and inflationary scenario too created opportunities, which we could capitalize on in this quarter.

While EBITDA per metric tonne and profitability improved remarkably quarter-on-quarter the volume decline is something to be noted and cautiously managed. Ladies and gentlemen the global scenario remains delicately balanced. Global inflation has not only started impacting people now but has also started engulfing countries. The crisis in Sri Lanka, Turkey, devaluation in Egypt,cutback in demand especially for our performance surfactants due to overall reduction in consumption and grammage cutbacks, are the risks that will have our attention. The home and personal care market grew in the minus 1% to 1% band globally with most of our customers registering a decline or flat volume growth. Though the situation remains muted we are optimistic that the situation will reverse in the coming quarters. A volatile supply-side combined with cutback in demand due to downtrading will be the potential downside to our business model in the coming year. FY2023 we believe will be all about effective risk management and capitalizing on every metric tonne of volumes to ensure sustainable growth.

Coming to regional performance and outlook, the inflationary scenario has impacted consumption in Turkey and Egypt. These markets make up 50% to 55% of our AMET business. The entire decline in our Q4 volumes was due to the decline in our performance surfactants business in these markets. The situation remains muted in the short-term and while we are geared up to address the same, we remain cautious. India while has registered 9.4% volume growth for FY2022, the trajectory of growth has been scaling down every quarter. We are seeing the first signs of demand cutback in India. While the situation is not as serious as the Africa and Middle East, we need to be extremely vigilant and geared up. While the scenario appears concerning in the short-term for our performance surfactants, our specialty portfolio has finally got its mojo back. The opening of the developed markets along with the operationalization of our new specialty Capexes has started yielding results. We see this trend continuing in the coming quarters, which will ensure that we meet our stated EBITDA per metric tonne guidance of 16,000 to 18,000 per metric tonne with a higher probability of us remaining in the upper band. While FY2023 will see Galaxy facing both supply as well as demand driven volatility, let me assure you we are geared up for the same. The strong performance registered in Q4 is a clear reflection of our preparation and resolve.

Before I conclude I want to highlight some of the important developments which have happened in Galaxy. On sustainability, I am extremely delighted to share with you all about the accomplishment of our goal of becoming a 1.4x water positive company, which is a rare achievement by a chemical company. We are very, very proud of this accomplishment. The outcome we see today is a result of our sustained efforts laid down by our sustainability and corporate social responsibility team throughout the entire journey which began more than a decade ago. On capexes, some of our capexes got operationalized in Q4 and the complete operationalization of the same will happen by Q1 FY2023. These expansions will usher in more opportunities for our specialty care products. Ladies and gentlemen to conclude growth is never linear. There will always be short-term hurdles and bumps as we march ahead. While there be might short-term challenges, the long-term structural story continues to remain robust. As John Allen Paulos, a famous professor said, "Uncertainty is the only certainty there is, and knowing how to live with insecurity is the only security," amidst these uncertain times we continue to focus on our internal stability and march ahead steadily and with firm result. Thank you, ladies and gentlemen.

Moderator: Sir, shall we open up for questions?

Unnathan Shekhar: Yes.

Moderator: Thank you. Ladies and gentlemen we will now begin with 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. Please go ahead.

Sanjesh Jain: Good afternoon everyone. First of all, congratulations on exceptional performance and Shekhar, Sir, opening remark, which gives a lot of confidence and how the FY2023 is going to pan out. A few questions from my side, first on the gross profit per kg Rs.60 from a Rs.44 from Q3, can you help us bridge this expansion even rough guess will do on what is the pricing realignment benefit, what is the mix improvement benefit, what is the gain on some inventory and any other factor, which has helped because this expansion in a quarter looks quite sharp for us and how much of it should be a sustainable number?

K. Natarajan: Yes, Sanjesh, Good afternoon. So, if you look at the margin expansion that has happened we had said there have been three factors, so what I like to say about the inventory gains and the recovery is that we have started getting a new contract and the mix improvement that happened in terms of our specialty ingredient getting better in the last quarter were the major reasons for this gross margins to go up to Rs.60 per kg. It is also important to note that our US subsidiary TRI-K has been doing exceptionally well given that the US market has been pretty robust, and they have been able to get the realizations and their volumes in a much significantly better manner. Q4 was a very big highlight for them in terms of the performance and what has aided that also was the expansion we commissioned in our US facility just before COVID hit us, and that stood us in good stead in terms of this particular expansion and gross margin that you are seeing.

Sanjesh Jain: How much will be proteins now for us?

K. Natarajan: See, in terms of volume it is not so significant, but in terms of the realization they are pretty significant and they have been doing pretty well, a lot of work has been done over the last two years in terms of expanding our proteins portfolio and in terms of the sort of range we have on the various vegetable proteins and the way we could capitalize on the opportunities during the last 18 months, we continue to see that going to be in the same trajectory in the coming months.

Sanjesh Jain: Is it fair to assume that our US has grown in FY2022 upwards of 40% to 50%?

K. Natarajan: In terms of their performance they have grown.

Sanjesh Jain: They have grown?

K. Natarajan: Yes.

Sanjesh Jain: You think that that can continue for a few more years to come back on a low base?

K. Natarajan: Yes, we do see that continuing okay, except that I would like the word of caution because we are also seeing that inflationary pressures are impacting the US as well, so how that market pans out or how the consumer demand will get impacted because inflation is the question that none of us are able to answer now, but if I see as of today I expect these things to continue because everything remaining same.I do not see why this can't continue

Sanjesh Jain: I am more thinking in a way that this is more of a luxury product where inflation does not really impact too much, right, inflation is more on the mass and the mass-tige products, the luxury we have generally protected?

K. Natarajan: What I was trying to explain was, these are specialty highly special cosmetic proteins, so what can happen is that if the inflation situation continues to be very high you can have consumers starting to downtrade so that can be a risk there, although that is something that may not happen quite suddenly.

Sanjesh Jain: Generally it does not happen that way.

K. Natarajan: Yes, that is why I am saying that as of now we do not see this not continuing, there is no reason for that.

Sanjesh Jain: On the AMET side this is the fifth quarter of a volume decline and they have declined quite sharply by 29% on a base where they have declined already 5% , it looks like a complete collapse in AMET and in the last few quarters I could have understood that we were fighting with ethylene oxide availability and so on so forth, on even on a low base 29% decline was it difficult to place the volume from the Egypt and Turkey to the other markets or was it a difficult situation or it happened and you were also not prepared for it and hence we should be able to adjust this volume in the coming quarter, how should we see this?

K. Natarajan: There are two things, one is EPC almost the first six to eight months of the financial year there were severe supply-side constraints because of the global international logistics scenario, now obviously it also meant that there are some customers obviously they would have met the requirement elsewhere people who could give them the material so as our team looks at keeping all our key customers in place in terms of servicing the volumes and as we were doing that and the supply situations are improving you had this huge impact in terms of inflation and the Egypt and Turkey devaluation, which started impacting demand, so it is something that we are working on and we do see things improving, but demand cutback will happen because of the inflation scenario is something that we need to factor in right now, it is not that we are not seeing this trend coming down in terms of volumes, but to this extent, we did not expect.

Sanjesh Jain: So, we could now take some course correction from developing and few other markets and all? What was the learning from ourselves because this happened in Turkey in 2019 alsoright, where we saw two quarters of sharp decline and then we smartly bounced back. What was the learning from that one and do you think this time also that is fairly possible?

K. Natarajan: Last time what happened was if you look at learning, the consumer demand did not get impacted significantly so there was a situation where people were adjusting to it and they adjusted it quickly, now what we need to be waiting for is whether the consumers adjust to this sort of inflation quickly, so this is all about consumers adjusting to the changed dynamics correct, but we are always well prepared in terms of leveraging on the opportunities that are present once the consumer starts adjusting to the inflationary scenario and we expect the same thing would happen now, the only thing we are not able to make a precise guess on what the timing would be, whether it would be six months like last time or it can be beyond that or even lesser than that.

Sanjesh Jain: Do you think there is a scenario where inventory liquidation has also happened, which will correct, right sometimes in high inflation people tend to liquidate the inventory?

K. Natarajan: Yes, that is possible, so it is quite possible and obviously people wanting to carry on the price increases they would want to flush out the lower base inventory from the system, so this is something that can be a good tailwind, but the only hope that this way it pans in the coming months.

Sanjesh Jain: Got it and just one last from my side, on the rest of the world the bounce back look quite interesting it is because we were constrained by capacity and new product addition have done very well and which are the segments which are performing so well, is it more of a preservative and mild surfactants pulling us and that is why the realization have so much of a large benefit because these are high margin products?

Unnathan Shekhar: All the specialties, Sanjesh, we would certainly say yes, there was a constraint on capacitybecause we were waiting for the operationalization of the new capexes and number two of course we have repeatedly said that we were also constrained by the outbound logistics, which certainly improved in last quarter, but we are afraid I think it is again reverting back to square one with whatever is happening in China now, so these are situations which is what we say highly volatile and we need to be very careful in navigating these waters.

Sanjesh Jain: Just one book keeping, which are the products which we have commissioned now, and what is the capacity addition?

Unnathan Shekhar: We have commissioned capacities on mild surfactants, and nontoxic preservatives, and we also commissioned our proteins plant in a new plant in TRI-K just before COVID hit us that was in 2020.

Sanjesh Jain: What was the capacity we added there?

K. Natarajan: Capacities we would not want to be mentioning because that is something that we would want to keep confidential because these are specialty ingredients and in order of magnitude they can be in the zone of about 10000 tons odd.

Sanjesh Jain: But I think we had only 1000 odd tons earlier, right?

K. Natarajan: Which one?

Sanjesh Jain: In TRI-K the protein capacity?

K. Natarajan: All put together including all my mild surfactants, nontoxic preservatives and other specialty care ingredients.

Sanjesh Jain: So, this is not particularly for US?

K. Natarajan: No.

Sanjesh Jain: That is fair enough. 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. Please go ahead.

Rohan Gupta: Good afternoon and thanks for the opportunity and Shekhar Sir thank you very much for sharing all those insightful wisdom quotes in your opening remark that is great.

Unnathan Shekhar: All the credit goes to our team.

Rohan Gupta: Sir, definitely they have done a remarkable job in linking all those quotes with our current performance of the company. A few questions from my side, the first is on this EBITDA per tonne or gross margin per tonne, definitely, it is unheard journey improvement in such a small period of time from EBITDA of almost Rs.12,000 to Rs.13,000 couple of quarters back to Rs.25,000 driven by gross margin, we have seen that how the Galaxy's journey has been from almost Rs.12,000 average margins to 15 to 18 sustaining there and now we have seen this unheard Rs.25,000 per tonne, though I understand the challenges of the business and volatility, which any business have, do you see this FY2023 is going to sustain on an average these kinds of margins or probably the change in the product mix will pull it down, that is the first question?

K. Natarajan: What I would respond Rohan is that we improved our guidance from Rs.15,000 to Rs.17,000 per metric tonne to Rs.16000 to Rs.18000 tonne and then if you see now we had told in the last investor call that we would come back, we were lower than Rs.16,000 per metric tonne for the nine months and we said we will get back to 16,000 to 18,000 tonne at the full year level, which has happened because of what we did in Q4. Now moving forward what we would like to make it clear is that we will continue with Rs.16,000 to Rs.18,000 per metric tonne and yes, to be a little bit more positive we do see it can be at the upper end of the band of 16,000 to 18,000.

Rohan Gupta: Sir, any particular reason that still we will not change the guidance to slightly on maybe 20,000?

Unnathan Shekhar: The trajectory is towards the upward trend, but nothing will happen overnight, they will be gradual, they will be progressive because as you have said for us, both the pillars, both performance surfactants as well as specialty ingredients are key in terms of sustainability for a business model, both are equally important as far as this market is concerned, the customers are concerned, so given our strategy, as you have mentioned is to grow on both these legs that is performance surfactants as well as specialty ingredients.

Rohan Gupta: Right, Sir. In the current quarter, it was more driven by the higher share?

Unnathan Shekhar: In the current quarter as you would have seen we did talk about challenges to our performance surfactant business obviously the specialty has performed much, much better, they constituted more of the total portfolio of our products and they resulted in this particular EBITDA margins.

Rohan Gupta: Exactly and it also tells that how high margins are in our specialty products.

K. Natarajan: I like to clarify Rohan, as I explained when Sanjesh asked the question there are three factors, one is in terms of the raw material price increase that was happening say almost up to November almost every 15 days where the intensity and frequency were high, so as we are passing on one increase, another increase happening on raw materials now that actually started to stabilize at the higher level say from December onwards that enabled us. Otherwise is always a lag in terms of passing on so that obviously did not happen, the lag was not there because the prices have stabilized at the higher levels. Second is we also said that we had a lot of logistics related cost that were higher in terms of freight cost going up which also started tapering off in terms of increase and then we did not have any backlog in terms of recovery. The third is we talked about the certain recoveries and when we did sudden contracts that were there in place and we renegotiated the contracts, with the sort of equations and relations with the customers we are able to get some of them added to our pricing in the new contracts and the fourth obviously is also the mix that improved, so there were four factors that led to this.

Rohan Gupta: Second question is on the tepid volume growth for the quarter, especially in the Surfactants, so is there any particular one reason that this volume was impacted?

Unnathan Shekhar: Inflation across the world, unprecedented inflation, so the inflation has certainly impacted consumption and as we said inflation has impacted even countries.

K. Natarajan **:** When there is such a unprecedented inflation the issue is in terms of people wanting to wait, so what people would say is that my customers who essentially have to make the finished products especially in my Tier-2 and Tier-3 customers they would say let me watch as whether the increase is going to get absorbed by the consumers when we increase the price so there will be this situation where they will say that they will reduce further inventory, they would wait for the consumers to digest that fully enhanced prices and they would want to test that out because they would not be buying in a normal way that they buy if the things are stable correct, so that is also one of the reasons.

Rohan Gupta: Absolutely I agree, Sir and that is what uniqueness of our business is that we are catering to we are proxy FMCG where people would not stop taking bath and would not stop washing their hands, but I understand that the weakness may be more to do with a vacuum in the channel filling or in the trade that should pickup or that may pickup going forward because ultimate consumption is not getting it or you see that there is an ultimate consumer level the demand is getting impacted and if the inflation and the prices remain at the current level we may see that the lower demand from the FMCG?

K. Natarajan: I have to explain to you say for example, which is what I am saying, I am saying that the way the demand cutback would happen is that, one is people will downtrade, downtrading does not impact us because we serve customers across all segments in the Tier-1, Tier-2 or Tier-3 and we have product portfolio cater to all the segments. But what we have to note is that for example, in rural India, the people in the last two years is the rural started using say a shampoo, from what they are using once a week to three times a week in the terms of habit change and what did they say because of the disposal income getting reduced it all will come back to twice a week so that obviously can have demand cutback, that is something is what we need to wait and watch just to see how things are panning out. If the harvest is good and there is a good liquidity in the hands of the rural population we do see that the demand is not going to be significantly impacted, so we need to see the ability to observe the various moving parts and we think these things all have to play out very well and that is why we say that in the next three to four months will tell us the story as to how things will look going forward.

Rohan Gupta: Sir, can you provide us regional market share for the quarter and versus last year?

Unnathan Shekhar: How the market has moved in various regions?

Rohan Gupta: Sir, we have got, you share the volume growth.

K. Natarajan: If you ask our business it split almost one third across India, Africa.

Unnathan Shekhar: Last year it was approximately India and AMET put together was approximately 75 to 76 and FY2022 was 37, 31 and 32. 37 was India, 31 was AMET and the rest of the world was 32.

Rohan Gupta: What it will be this year?

Unnathan Shekhar : This year, we do not expect these ratios to significantly alter, but AMET is something that can be a little muted. Again for Q4, India was a little down compared to the last quarter of last year.

Rohan Gupta: Sir, as far as the surfactants business is concerned, we have done a significant capex in last year completed and we see that this year was a ramp up year for the specialty chemical business, what kind of growth one can expect in FY2023 from our specialty chemical business because given that we do not have any capacity constraint now?

Unnathan Shekhar : See, normally as we say when we build the capacity for horizon in the specialty for something like 7 to 8 years or so, so there will be progressive growth as far as these products are concerned, so we have seen the first leg of growth in last year and this will continue, this momentum will continue.

Rohan Gupta: Sir, just lastly, the capex number for FY2023?

Unnathan Shekhar: Yes, FY2023 will be again approximately 150 Crores to 200 Crores. Last year we spent 155 Crores, so again the coming year that is FY2023 will be 150 Crores to 200 Crores.

Rohan Gupta: Fine Sir. Thank you very much. I will come back in the queue for any further followup.

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

Anubhav Sahu: Thanks for the opportunity. Couple of questions, one is in previous quarters you have also mentioned that volume is getting impacted because of supply issues in terms of timely availability of raw material something like that, how is the situation on that front, are we still getting impacted on that front?

K. Natarajan: The situation did improve in Q4, but because of the Russia-Ukraine issue and also because of this very, very stringent lockdown in China we suddenly again see presenting new challenges and we are already seeing that, so we do hope that it will take another about two months with something new not happening for things to resolve itself, so we were pretty happy in the beginning of Q4 the things are getting resolved, but these two events again started complicating the international logistics scenario and thereby also creating issues on the supply side.

Anubhav Sahu: By anyway can you quantify this impact, in terms of volume, which would have been possible, but it is not happened because of the supply issue?

K. Natarajan: I do not think we will be able to quantify that, it is only that we did say that there was a good amount of impact up to first 9 months, Q4 I would not say there is anything significant because things are improved so moving forward we would not be able to quantify, we only are hoping that we are able to manage it without a significant impact.

Anubhav Sahu: Got it and secondly you have alluded to downstream situation that there is a probability of demand cutback and inflation in consumption, but on the other hand the other narrative was of course that with the opening up of economy demand should actually firm up as far as the home applications are concerned, so wanted to understand right now is it more a channel inventory correction which is that what you are seeing right?

Unnathan Shekhar : Yes, Anubhav, let me say that the long-term outlook is excellent as far as the industry is concerned, whatever we will see now there are short-term challenges, so as Rohan said, people cannot stop taking bath or brushing their teeth or washing their hands, so whatever we see it will be short-term blips.

Anubhav Sahu: Got it and what is the market share we have in the domestic market?

Unnathan Shekhar : We have a significant market share, we will not talk about the number, as we have always said that we have a significant market share and we have had it over the last now 42 years.

Anubhav Sahu: Sir, last question on the fatty alcohol prices, how is your reading situation now and I know there is a supply setback of palm oil, but how much that is impacting palm oil derivatives?

K. Natarajan: First correction is the market is so volatile that we are not reading, we are only watching, so if you see it went up significantly because of that Indonesia stuff and then it started correcting downwards, then again it went up because of the ban that Indonesia put. But we do see that this particular, there are high season months approaching now, so we do see that things should start stabilizing, but we do not know, we cannot make any clear judgement on this because there are too many things that are happening at the same time, so as of today the prices of fatty alcohol was close to $2800 per metric ton, we do hope that you know with the high season months coming in and the inventory level going up things can start coming down, but we need to wait and watch.

Anubhav Sahu: So, on a longer term, how you are seeing the palm oil of course there are a lot of supply side issues as far as the palm oil is concerned, labour shortage is also one of the reason post-COVID era, is there also a structural reason that the palm oil getting diverted to bio-fuel and all those kind of things?

Unnathan Shekhar: If you see the last 15 years this volatility has been a part of this commodity industry and particularly with respect to palm and palm kernel oil, so as we said the bottomline for us is that the way to grow our business is to have effective risk management with respect to our feedstocks and that is what Galaxy has been doing over the last 10 years. We have gained our skills with respect to effective risk management on this and we do not believe in predicting what will happen whether feedstock prices will go up or go down, for us the constant is how we manage this risk.

K. Natarajan: Why do the mandate is only for palm oil, palm kernel oil, which is the major, palm kernel oil derivate is what we use, so bio-diesel mandates are for palm oil, I would like to correct that.

Unnathan Shekhar: Palm derivatives are not the major raw materials for us, for us the major derivatives, which is fatty alcohol is from palm kernel oil and not palm oil.

Anubhav Sahu: On the risk management part, so how are the contracts that are happening on that side as far as procuring Lauryl alcohol?

K. Natarajan: I cannot say how we manage it because that is something that is proprietary to us, but it is suffice to say that it is ensuring that we did not have any open positions which are something that we cannot digest in case a big correction happens that is the way risk is managed.

Anubhav Sahu: Got it, that is helpful. Thank you a lot, Sir.

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

Rohit Sinha: Thank you for taking my question, Sir and congratulations for a good set of numbers. So, some of my questions were already answered, one obviously we know that there would be some contract revision in this January period commissioning of this new year, so out of how much total contracts being revised and let us say contracts to be realigned with the current existing price or we should be having all those contracts has been already realigned to the current market price?

K. Natarajan: There is nothing like our contact will happen only in the beginning of the calendar year, so there are contracts starting at various periods during the year, so it is not that the contracts that start getting only at the beginning of January, so there are lot of contracts that keep happening at various times of the year depending on the products and the customers, so what we would need to know is that we are ensuring that every contract is properly renegotiated to take care of the current scenario.

Rohit Sinha: What we are probably seeing also in the current scenario is that the long-term contracts, which were more than one year contracts so lot of contacts are now shifting from annually to maybe quarterly or maybe half year kind of change is there, so is that happening for us also or is it that all our contracts are in place with the long-term perspective?

K. Natarajan: There is nothing major change is happening in terms of the contract tenures, things are in line with what we used to be doing earlier.

Rohit Sinha: In terms of the volume growth, just wanted to understand since we have a decent size of customer base, so the increment of volume growth which we were seeing would be coming from penetrating these customers or we have still sort of scope for adding new customers?

K. Natarajan: Yes, we have a huge scope of adding new customers, which we are constantly doing, so our whole this thing is based on how do we penetrate various countries that we are currently not present, how do we gain share from existing customers and how do we hunt for new customers and there is a huge opportunity for us to mine newer and newer customers in various geographies.

Rohit Sinha: Any ballpark number you can put on in the volume outlook for maybe 2023-2024?

K. Natarajan: No, we would not, that is why I said I do not want hazard any guess because things are pretty, pretty, what do you say nebulous so with various events happening so we need to wait for at least two to three months to understand as to how things are panning out.

Rohit Sinha: One last question from the Turkey side, currently their position has not been there, how we are seeing the scenario currently and any takeaway we can have from the current development there majorly in terms of our exposure in those region?

K. Natarajan: What I explained to Sanjesh is typically we had to wait for the consumers there to be able to adjust to the higher price scenario and yes as our products are into daily use items once consumers adjust then the demand will start coming back, so as Sanjesh said earlier when the similar thing happened of Turkish depreciation I think started improving after six months we do hope that it happens earlier than that.

Rohit Sinha: That is it from my side Sir. Thank you.

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

Rohit Nagraj: Thanks for the opportunity and congrats on a very good Q4. Sir first question again on the volumes front, I understand since our IPO we had been saying that our volume growth will be in the range of 6% to 8%, last two years have been quite challenging, FY2023 also you just suggested that would be a challenging and we are not having any clarity, but instead of having this volume growth, which will probably be skewed towards specialty care products where the volumes will be lesser for the incremental quantities like mild surfactants, etc., however, the pricing and EBITDA would be far better than the existing profile, do we like to give a guidance on absolute EBITDA increase because I think earlier we used to say that 6% to 8% volume growth and absolute EBITDA increase would be in teens or double digits, so would you like to give any such guidance for FY2023-FY2024 or incrementally? Thank you.

K. Natarajan: On EBITDA we said that the guidance will be at Rs.16,000 to Rs.18,000 per metric tonne and we said if you look at a positive side we probably will be in the upper end of the band.

Rohit Nagraj: I am talking about absolute EBITDA in items of not EBITDA per ton?

K. Natarajan: Absolute EBITDA I do not think we will be able to give that guidance.

Rohit Nagraj: Fair enough Sir. No worry. Sir, the second question is in terms of our product basket or diversification, so earlier we had gone into adjacencies like TRI-K acquisition where it is into proteins and high end products, so any such adjacencies are there for us to venture into that is A and are we looking very concretely in terms of getting into certain adjacencies given that the current environment, the existing business is going through a rough patch and these adjacencies probably would be beneficial from a revenue profitability perspective and second these could be also a growth driver going forward? Thank you.

K. Natarajan: Yes, we have always been catering to adjacencies, while we say our focus is on catering to the home and personal care market, which is the focus market where we essentially a solution provider. For adjacencies we obviously sell the molecules, we do supply into agro, we do supply into pharma, we do supply into textile, we do that and that is something that we are ensuring that we are able to capitalize on all the opportunities available, but we cannot shift our focus saying that the HPC is not growing I will shift to the other industries that is something will be fraught with a huge amount of risk which we will never do because HPC industry is the best industry to be in, in terms of the way that we have build our capabilities, so these are short term blips, the long-term structure of this business and this industry is extremely ready.

Rohit Nagraj: Right, got it. Sir, just one clarification on this front, this particular confidence which we have in terms of the long-term prospect does it come from a sense that other global players are not really keen on expanding their business, or is there any other element into it? Thank you?

Unnathan Shekhar: We do not know anything about those things, we focus on ourselves.

K. Natarajan: The only way to explain is the confidence is in terms of emerging from the way we know this industry and our 40 years of being in this industry.

Rohit Nagraj: Right, Sir. Got it, thank you so much for all the answers and best of luck Sir.

Moderator: Thank you. The next question is from the line of Sudhanshu from Marcellus Investment Managers. Please go ahead.

Sudhanshu: Sir, my questions is on the working capital of the company so we see a lot of deterioration in the operating cash flows of the company primarily because the company is being invested in the inventories and receivables, so can you give us some clarity on where does the company stand in terms of trade since we have structurally changed our inventory days or inventory levels and payment terms or is it just a transitionary phase which we are witnessing right now?

Ganesh Kamath: See, in case of working capital it is essentially a function of what the dynamics of the market is today. Earlier also we have said higher price values will result in higher monetary working capital I think during the discussion we have said that right, it is a feature, now the price levels are impacted that is one. The second is transit times and the third is essentially raw material uncertainties have resulted in procurement of raw material from those sources which are not regularly resulting in advancement, these are temporary factors and once they cease to exist this liquidity will get released.

Sudhanshu: So, would it be fair to say that there has been no change in the credit terms offered to our customers?

Ganesh Kamath: No, not at all, credit terms have not changed.

Sudhanshu: Alright, Sir. Thank you very much.

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

Abhijit Sinha: Good afternoon, Sir. I wanted to understand the debt, that has been increased this year, where that has been allocated and the capex that you mentioned about 150 to 200 Crores next year wherein we will be using that and the 150 Crores that we used last year, where did we use that?

K. Natarajan: We were not able to hear you clearly, can you repeat your question, and we were not able to hear you clearly?

Abhijit Sinha: I will go step by step, firstly, the debt that we have?

Unnathan Shekhar: What you say the debt is increased?

Abhijit Sinha: The short-term debt size if you see is about 290 Crores.

Ganesh Kamath: That is on an account of two things, the cash generation has gone into the working capital which has been expressed right, but the debt equity ratio has not changed it remains as it is.

Abhijit Sinha: That has not changed; this is for working capital requirement?

Ganesh Kamath: What we have mentioned earlier in the last question is that the entire cash generation that has happened during the year have got basically happened into the working capital and that has happen on an account of higher raw material prices, so what is going to happen is that to the extent of our other funding needs in capex, there has been a borrowing right up to 90 Crores extra, but in terms of debt equity if you look at it, it remains 0.22 only it has not increased.

Abhijit Sinha: The 150 Crores that we used last year was used for which plant exactly?

Unnathan Shekhar: It was used for the various specialty products as well as certain performance products both in Egypt as well as India and India largely we incurred it on our Jhagadia project for manufacture of mild surfactants and nontoxic preservatives and also our R&D center in our pilot plant center in Tarapur where we spent this, so as we also said some of these have got operationalized and some of this will get operationalized by the end of this Q1.

Ganesh Kamath: We have mentioned that our cash outflow on an account of capex is Rs.155 Crores.

Unnathan Shekhar: Yes, we have also mentioned in our capex last year was Rs. 155 Crores.

Abhijit Sinha: Yes, Sir, I totally understood that that, so just for my understanding, the capacity has not increased just for the supplementary subset R&D sectors and everything which will help eventually for the company, right?

Unnathan Shekhar: No, certain capacity increases has also had happen, we did mention right in the beginning we have increased capacities on mild surfactants and nontoxic preservatives and also our investment in the private plant and R&D center, which will really drive our innovation over the next coming years.

Abhijit Sinha: Exactly and for the next Rs.150 Crores that we are planning for this year that we used in the similar region?

Unnathan Shekhar: Yes, we used for similar regions.

Abhijit Sinha: So, in R&D?

Unnathan Shekhar: Mild surfactants and nontoxic preservatives.

Abhijit Sinha: Last question would be that I think you mentioned it earlier, but since obviously Egypt and AMET region is facing quite a bit of a problem for us right now since the economy is not that great, what is our guidelines as a business, when do we see things stabilizing there and if it still impacts this year FY2023, what kind of impact do we see?

Unnathan Shekhar: See, if you remember correctly, Egypt we have seen impacts in 2016, 2017, but Egypt as a country the population is certainly growing, so it will pass through these challenges and ups and downs, but then eventually it will come back to its control, it has to.

Abhijit Sinha: So what kind of timeline do we think that it should come in?

K. Natarajan: There is no point in me thinking, we can only say based on our past experience, when earlier this happened in terms of when the depreciation of the currency happens it took almost six to nine months for things to come back for the consumers to adjust to the inflationary scenario, we do hope that it can happen earlier than that, but we would not be able to make the statement.

Abhijit Sinha: Because the situation in Turkey is even worse the Egypt?

K. Natarajan: I would not be able to make a statement because consumers now to adjust, governments are also be equally concerned about ensuring that the consumption picks up correct, so the government can come up with some stimulus we never know, as much as we have bothered the governments have no bother in terms of ensuring that the people are able to manage in inflationary scenario, so we need to wait and watch, so we can only go based on what the past experience was, we do not have a crystal ball in terms of saying as to when things would improve, we only want to hope that it improves much earlier than what happened last.

Abhijit Sinha: Fair enough. Sir, you mentioned that you specified that our raw material is not the palm oil, it is the palm oil kernel, and so what would be the demand supply?

K. Natarajan: Demand supply situation of?

Abhijit Sinha: of the kernel, you mentioned that that is our actual raw materiel not palm oil?

Unnathan Shekhar: Correct, so the palm kernel oil also has seen significant volatility, so as Natarajan mentioned the ups and downs in lauryl alcohol that we saw was in sympathy with the price of palm kernel oil going up and down, so in this year, in the last year I think we have seen the swing of the lauryl alcohol prices right from 2,100 to 3,200 coming back to 2,450 and again going back to 2,800 this has been happening over the last year and we see this happening even in the coming years.

Abhijit Sinha: Sir, 16% EBITDA margins are not that likely for FY2023, but can we expect about 12% to 13%?

K. Natarajan: No, we would not make as far as EBITDA percentage..

Unnathan Shekhar: EBITDA per tonne we have talked about the guidance between 16,000 and 18,000 and we are pretty optimistic and hopeful that we will remain on the upper band of this range in the coming year.

Abhijit Sinha: Thank you so much.

Moderator: Thank you. The next question is from the line of Bob from Falcon Investments. Please go ahead.

Bob: Regarding the performance surfactants how is the demand now versus the COVID times, whether it gone back all the way to 2019?

Unnathan Shekhar: The demand certainly as we said there has been a cutback, your inflation has certainly had an impact on consumption, our customers and that is FMCG manufacturers that is home and personal care manufacturers have resorted to maintain their magic price points by reducing grammages. That is how they are trying to serve the customer so that they are able to retain the customers albeit with the volume really impacted at their end, so this is going to be certainly an issue on a situation while the commodity prices remain very high, once the commodity prices start correcting I think we should see we should come back to normal in terms of the volume growth that we see as far as this industry is concerned. We have seen that for ourselves this industry has grown globally at a level of 2% to 3% and the Indian market has grown at a level of something like 8% to 10% over a long time span, so we see this coming back once this commodity prices start correcting.

Bob: Right, when you say coming back you mean the whole demand or the post-COVID demand because there was a stop of some of the hygiene practices?

Unnathan Shekhar: The COVID demand, which happened on hand sanitization and hand wash, corrected in last year itself, but then the habit of washing their hands is something which will be sustainable so we saw the hand wash markets, which were growing in the COVID times by 30% got corrected to coming back in terms of growth rate of about 10% to 15% or so in the last year.

Bob: But still higher than normal?

K. Natarajan: Yes, they are higher, so to answer your question, the overall entire HPC category obviously is settled at a higher level than the pre-COVID volumes, very clearly only the rate of growth is getting corrected, but yes it is higher than the pre-COVID volumes.

Bob: Second question on downtrading, you had mentioned earlier that you have an effect on your sales, but you do supply to your range of manufacturers so to the Tier-2 and Tier-3 have lower pricing for your chemicals versus the last year?

K. Natarajan: No, it is not what they buy, so essentially the formulations are different for products that are say at the mass segment, the products are different, so they require different ingredients that because the ingredients are having a different specification in performance there will a lower price so it is not that for the same product we have lower prices for Tier 2 and Tier 3 customers

Bob: So, in that case downtrading would affect your business?

Unnathan Shekhar: What we are seeing, what our sales people tell us is that the small customers problem is now cash because the prices have risen significantly they would have to work or manage their operations with a lower level of inventory, they cannot afford to have or maintain more inventory so they would possibly live for the day in a way of saying they live for seven days in a series.

Bob: Thank you.

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

Unnathan Shekhar: Thank you very much ladies and gentlemen. See you again in another 90 to 100 days, thank you.

K. Natarajan: Thank you all of you. Thank you so much.

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