

## Galaxy Surfactants Q4FY20

### Financial Results & Highlights

#### **Brief Introduction:**

Galaxy Surfactants is engaged in manufacturing of surfactants and other speciality ingredients for the personal care and home care industries. The Company produces a range of vital cosmetic ingredients, including active ingredients, ultra violet (UV) protection and functional products. Its products cater to various brands in the fast moving consumer goods (FMCG) sector and offers in various applications, including skin care, hair care, oral care, body wash, sun care, household cleaners and fabric care segments. Galaxy Surfactants is a global leader supplying a wide range of innovative products to over 1000 customers in 103 countries.

Standalone Financials (In Crs)								
	Q4FY20	Q4FY19	YoY %	Q3FY20	QoQ %	FY20	FY19	YoY%
Sales	435.4	496.0	-12.22%	437.5	-0.48%	1798.5	2032.3	-11.50%
PBT	59.3	61.2	-3.10%	49.3	20.28%	229.7	254.4	-9.71%
PAT	45.8	40.1	14.21%	36.5	25.48%	182.2	168.5	8.13%
Consolidated Financials (In Crs)								
	Q4FY20	Q4FY19	YoY %	Q3FY20	QoQ %	FY20	FY19	YoY%
Sales	656.7	685.5	-4.20%	629.2	4.37%	2602.3	2767.7	-5.98%
PBT	81.6	78.0	4.62%	63.2	29.11%	288.8	276.9	4.30%
PAT	62.8	57.1	9.98%	48.0	30.83%	230.4	191.0	20.63%

#### **Detailed Results:**

1. Consolidated revenues fell 4.2% YoY in Q4 mainly on the back of lower fatty alcohol prices which declined from \$1342 to \$1171 YoY.
2. EBITDA for Q4 grew 3.9% YoY while PAT grew 10% YoY. EBITDA margin improved 112 bps YoY to 15.6% in Q4.
3. For FY20, total volumes grew 4.4% YoY with performance surfactants growing 6% YoY and specialty chemicals growing 1.7% YoY.
4. Volume growth in different geographies in FY20 is as follows:
  - o India: Up 0.5% YoY
  - o AMET: Up 9.4% YoY
  - o Rest of the World: Up 2.8% YoY
5. In FY20, revenue decline in performance surfactant division was 8.8% YoY while specialty care products fell 1.1% YoY. Overall EBITDA & PAT grew 4.7% and 20.6% YoY respectively.
6. The cash position of the company was at Rs 47.7 Cr on 31<sup>st</sup> March 2020.
7. The company has announced an interim dividend for FY20 at Rs 14 per share.

### **Investor Conference Call Highlights**

1. The company had an incident in its Tarapur plant where an explosion occurred in the M3 unit and caused 3 casualties. This incident is expected to impact Q1.
2. The Capex plan for the company's Specialty Products remains on track, though execution and operationalization will get delayed by 6 months.
3. Egypt saw good momentum in Q4FY20 which is expected to continue into Q1FY21.
4. The management has attributed margin expansion on the improved product mix and the improved pricing from performance surfactants.
5. Capex for FY21 is going to be Rs 100 Cr. The company will try to keep CAPEX at this level going forward.
6. The impact of the Tarapur incident is somewhat mitigated as the company has it covered by insurance and even loss of profit is covered under this insurance.
7. The management does expect specialty chemicals to stay muted for the short term as discretionary spending goes down. But it is also optimistic of growth in performance surfactants due to the renewed focus on health and hygiene from COVID-19.
8. The company does not have a specific target for the growth of the specialty chemicals segment and will let all divisions for the company grow organically.
9. The company saw good demand for the GLI 21 which was launched last year and is expecting the R&D infra enhancement at Tarapur to be completed by the end of this year.
10. Capacity utilization in specialty chemicals is only at 61% currently and thus there is significant room for sales to grow before the company has to expand capacity.
11. The only risk to the growth momentum in Egypt is the future impact of COVID-19 according to the management.
12. The management is cautiously optimistic about whether the increased focus on cleanliness and hygiene is going to bring a structural change in the industry or whether it will stay as a short term phenomenon only.
13. International business constituted around 65% of total sales. Within AMET revenues, 40% was from Egypt alone.
14. The management has stated that the new products have grown around 5-7% in FY20. Around 95% of business is from existing customers.
15. The management acknowledged that the company does supply to all handwash makers in India but they are not applying any ingredients for hand sanitizers.
16. Input costs are expected to remain stable at current levels going forward.
17. The management has stated that the company will spend Rs 60-70 Cr on innovation capability of the multipurpose plant in Tarapur and it will spend around Rs 400-450 Cr in both performance surfactants and specialty care divisions in the next 3-5 years. The company is expecting

incremental revenues of Rs 1000 Cr from these investments given its historical asset turnover ratio.

18. The management has clarified that the US facility is specifically for cosmetic proteins.
19. The management expects long horizons of 30-50 years on its specialty care chemicals.
20. In India, the company expects home hygiene to expand fast given the significant growth in this segment in the last 3 years.
21. The volumes breakup in India is 65% for performance surfactants and 35% for specialty care.

**Analyst's View:**

Galaxy Surfactants is one of the most consistent specialty chemical makers in India. The company has done well to achieve sales volume growth despite the domestic slowdown and has even achieved profit growth despite a dip in revenues. The company suffered a revenue decline despite volume growth mainly due to a fall in fatty alcohol prices which forms around 52% of its requirements. The company has seen good growth coming from the AMET region particularly Egypt and demand in India reviving. The company is expecting good demand for its products going forward due to the renewed focus on health & hygiene going forward. The company has enough spare capacity to handle any upsurge in demand. It remains to be seen how the whole situation will pan out going forward and what final impact it will have on the global economy and whether the focus on health and hygiene is going to stay or not post COVID. Nonetheless, given the company's robust product portfolio and the ever-increasing list of both FMCG majors and niche specialty product makers, Galaxy Surfactants remains a good stock to watch out for in the specialty chemicals space.

If you found this report useful and would like to receive more such investing insights, you can [subscribe to our updates](#).

**Subscribe**



Click here to Subscribe  
on WhatsApp