GALAXY SURFACTANTS

nuvama institutional equities

COMPANY UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	2,489
12 month price target (INR)	3,061
52 Week High/Low	3,370/2,021
Market cap (INR bn/USD bn)	89/1.0
Free float (%)	29.1
Avg. daily value traded (INR mn)	107.6

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	70.91%	70.91%	70.91%
FII	4.10%	4.19%	4.08%
DII	12.94%	12.98%	12.99%
Pledge	0.02%	0.02%	0.02%

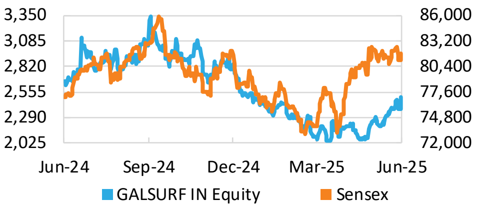
FINANCIALS (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	37,944	42,237	45,193	48,357
EBITDA	4,622	4,842	5,747	6,475
Adjusted profit	3,015	3,049	3,536	4,019
Diluted EPS (INR)	85.0	86.0	99.8	113.4
EPS growth (%)	(20.9)	1.1	16.0	13.6
RoAE (%)	14.8	13.4	14.0	14.2
P/E (x)	29.3	28.9	25.0	22.0
EV/EBITDA (x)	18.9	18.1	15.0	13.1
Dividend yield (%)	0.9	0.9	0.9	1.0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY2E	FY27E	FY26E	FY27E
Revenue	45,193	48,357	2.7	0.7
EBITDA	5,747	6,475	0.2	0.9
Adjusted profit	3,536	4,019	2.7	3.4
Diluted EPS (INR)	99.8	113.4	2.7	3.4

PRICE PERFORMANCE



From legacy to leadership

We attended Galaxy Surfactants's analyst meet and noticed a pivotal shift in management's approach towards growth. The company—now in the hands of professionally-run management—is eyeing an entry into high-value and growing areas such as Beauty and Wellness with fresh focus on the "Leave-On" category.

Galaxy is targeting 2x volumes, 2.5x EBITDA and 22%-plus RoCE over FY25–30. We believe the company is shooting for the moon, but shall land among the stars, which also makes a favourable investment case. Assuming slightly better volumes, we are raising FY26E/27E EPS by 2.7%/3.4% with a revised target price of INR3,061 (earlier INR2,693).

Aiming high: Ambitious vision for FY25–30

Galaxy has laid out bold targets for FY25–30: 2x volume growth, 2.5x EBITDA and 22%-plus RoCE. While the vision may seem lofty, the path laid out is methodical. The company aims to derive 50% of incremental EBITDA from organic growth, 30% from the new portfolio (Beauty & Wellness) and 20% from new avenues, including potential inorganic plays. Galaxy plans to launch 20 new products over the next five years and increase R&D spending to 2% of sales, up from 0.9% currently.

From Rinse-Off to Leave-On: a structural shift

Given a historical ten-year CAGR of ~5% in volumes and ~10% in EBITDA, these new targets mark a significant departure from past trajectories. Management's willingness to take bold bets—such as entering premium "Leave-On" care categories and actively pursuing M&A—signals a shift from steady-state growth to aspiration-driven growth.

Even falling short a climb upward

Our analysis suggests that even if Galaxy falls short of its moon-shot goals, the outcomes could still be impressive. Assuming FY25 volumes at ~256,816 tons, doubling them implies ~513,633 tons by FY30. If EBITDA/ton rises to ~INR23,000 for the core business, incremental EBITDA from organic growth alone could touch INR3.8bn. Based on a blended bridge, volumes from the new portfolio and new avenues would need to deliver ~90,499 tons at an implied EBITDA/ton of INR42,269—more than 2x current levels. That would be challenging, but not implausible, especially with a ramp-up likely post-FY27. Even if the company lands shy of the summit—say at ~INR10bn EBITDA by FY30 (2x current levels)—the outcome would still mark a meaningful transformation. Given the current visibility, we maintain near-term estimates, but remain constructive on the long-term thesis.

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Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	37,944	42,237	45,193	48,357
Gross profit	12,164	13,381	14,326	15,474
Employee costs	2,755	3,025	3,237	3,431
Other expenses	4,787	5,513	5,342	5,568
EBITDA	4,622	4,842	5,747	6,475
Depreciation	998	1,103	1,206	1,332
Less: Interest expense	224	193	240	260
Add: Other income	355	258	120	140
Profit before tax	3,755	3,805	4,420	5,023
Prov for tax	740	755	884	1,005
Less: Other adj	0	0	0	0
Reported profit	3,015	3,049	3,536	4,019
Less: Excp.item (net)	0	0	0	0
Adjusted profit	3,015	3,049	3,536	4,019
Diluted shares o/s	35	35	35	35
Adjusted diluted EPS	85.0	86.0	99.8	113.4
DPS (INR)	22.0	22.0	23.0	24.0
Tax rate (%)	19.7	19.9	20.0	20.0

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	355	355	355	355
Reserves	21,793	23,625	26,783	29,950
Shareholders funds	21,793	23,625	26,783	29,950
Minority interest	0	0	0	0
Borrowings	1,317	1,418	1,418	1,418
Trade payables	4,461	6,200	5,159	5,225
Other liabs & prov	1,007	2,655	2,342	2,347
Total liabilities	29,147	34,621	36,429	39,673
Net block	8,251	8,398	8,798	9,073
Intangible assets	74	64	53	41
Capital WIP	1,585	2,619	2,619	2,619
Total fixed assets	9,910	11,080	11,469	11,732
Non current inv	0	0	0	0
Cash/cash equivalent	2,393	2,158	3,713	4,681
Sundry debtors	5,931	6,865	7,924	8,744
Loans & advances	0	0	0	0
Other assets	8,696	11,913	10,669	11,813
Total assets	29,147	34,621	36,429	39,673

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Surfactant vol growth	(21.1)	7.8	0	0
Specialty vol growth	53.5	53.0	54.0	56.0
Avg realisation growth	57.1	62.1	64.0	66.0
EBITDA margin (%)	12.2	11.5	12.7	13.4
Net profit margin (%)	7.9	7.2	7.8	8.3
Revenue growth (% YoY)	(15.0)	11.3	7.0	7.0
EBITDA growth (% YoY)	(18.7)	4.8	18.7	12.7
Adj. profit growth (%)	(20.9)	1.1	16.0	13.6

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	3,015	3,049	3,536	4,019
Add: Depreciation	998	1,103	1,206	1,332
Interest (net of tax)	224	193	240	260
Others	(61)	(214)	(362)	(44)
Less: Changes in WC	(885)	(785)	(852)	(1,892)
Operating cash flow	3,291	3,346	3,769	3,674
Less: Capex	(1,701)	(2,274)	(1,595)	(1,595)
Free cash flow	1,590	1,072	2,174	2,079

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	5.8	6.3	6.3	6.3
Repo rate (%)	5.5	5.0	5.0	5.0
USD/INR (average)	78.0	77.0	77.0	77.0
Inventory days	63.2	61.2	61.0	58.0
Receivable days	47.4	53.9	57.0	64.0
Payable days	19.7	19.9	20.0	20.0

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	14.8	13.4	14.0	14.2
RoCE (%)	17.8	16.6	17.5	17.7
Inventory days	85	81	82	78
Receivable days	58	55	60	63
Payable days	62	67	67	58
Working cap (% sales)	31.2	29.4	32.8	36.5
Gross debt/equity (x)	0.1	0.1	0.1	0
Net debt/equity (x)	0	0	(0.1)	(0.1)
Interest coverage (x)	16.2	19.4	18.9	19.8

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	29.3	28.9	25.0	22.0
Price/BV (x)	4.1	3.7	3.3	2.9
EV/EBITDA (x)	18.9	18.1	15.0	13.1
Dividend yield (%)	0.9	0.9	0.9	1.0

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	(20.9)	1.1	16.0	13.6
RoE (%)	14.8	13.4	14.0	14.2
EBITDA growth (%)	(18.7)	4.8	18.7	12.7
Payout ratio (%)	25.9	25.6	23.1	21.2

Source: Company and Nuvama estimates

Exhibit 1: EBITDA/t of new portfolio/products to exceed INR40,000/ton

Existing Volumes (FY25) - TPA	2,56,816
Specialty Volumes - TPA	88,808
Performance Chemicals Volumes - TPA	1,68,008
Current EBITDA (INR mn)	4,842
Other income (INR mn)	258
EBITDA (inc OI INR mn)	5,100
Current EBITDA/t (FY25)	19,860
FY30 volumes (2x) - TPA	5,13,633
Target (2.5x EBITDA)	12751
EBITDA bridge	
Incremental EBITDA - Organic Business	3,825
Incremental EBITDA - New Portfolio	2,295
Incremental EBITDA- New avenues	1,530
Expected EBITDA/t of Organic (Nuvama estimate)	23,000
Implied Organic volumes (incremental)	1,66,317
Implied other volumes (new avenues and new products)	90,499
Implied EBITDA/of new avenues and new products	42,269

Source: Company, Nuvama Research

Management meet: Key takeaways

i) Strategic evolution: from legacy to leadership

- FY15–20 was a high-growth phase (8% volume CAGR), driven by capacity additions (Tri-K, Egypt and Jhagadia).
- FY20–25 moderated (3% volume CAGR) though RoCE remained strong, reflecting disciplined capital use.
- With Vision 2030, Galaxy aims to evolve from a dependable supplier to a category leader in the high-value beauty & wellness segment.

ii) Vision 2030: bold growth targets

1. FY30 targets:
   - **2x volumes** (implied 15% CAGR versus historical 6–8%).
   - **2.5x EBITDA.**
   - **22%-plus RoCE.**
2. Growth breakdown
   - **50%** from organic Rinse-Off categories.
   - **30%** from new portfolio (Leave-On).
   - **20%** from new avenues (M&A and partnerships).
3. EBITDA/ton guidance raised to **INR25,000**, up ~25% from current.
4. Capex – 50–60% of OCF.
5. In AMET, management anticipates a 10–12% volume CAGR over FY25–30.
6. In RoW, they expect a 10–12% volume CAGR during FY25–30.
7. In India, management expects an 8–10% volume CAGR over FY25–30.

iii) Five key growth levers

i) Premiumisation and market penetration

- Deeper push into **developed markets** with masstige and prestige SKUs.
- In emerging markets, value expansion to follow volume penetration.
- Volume growth to be a derivative of **higher-value mix**, not just scale.

ii) New applications and product expansion

- Expansion beyond Rinse-Off into **skin care, sun care and wellness** categories.
- Focus on **appearance-led wellness** (clean, clinical, natural and sustainable ingredients).
- Launch of **20 new products** over FY25–30 in green chemistry, tailor-made and mildness-focused categories.

iii) D2C and private label opportunity

- Increasing traction of private labels and celebrity-backed D2C brands in the US/EU aligns with Galaxy's strength in custom blends.
- Brand fragmentation supports a shift from MNC dependence to regional partnerships.

iv) Green and sustainable innovation

- Portfolio focus: bio-actives, vegan proteins and eco-safe surfactants.
- Recent launches include *Derma Green* and *PreBiotiv* targeting Leave-On categories.
- Among the few to meet stringent US norms (e.g. 1,4-Dioxane <1ppm).

v) Strategic expansion via partnerships

- Intent to pursue **JVs, EPC alliances** and selective M&A, especially in the Leave-On space.
- Acquisitions to complement innovation in high-value and bio-based actives.

Opportunity landscape

Personal care and beauty (~USD475bn, at a 5.7% CAGR)

- The **Leave-On** segment (skin care, sun care and colour cosmetics) is now larger than Rinse-Off, offering higher margins and growth potential.
- The **ingredient market** is ~USD42bn, with Galaxy addressing ~USD30bn via surfactants, emollients, emulsifiers, sun-care actives and green bio-actives.
- **Developed markets (US/EU)** represent ~50% of this, aligning with Galaxy's push into premium regions.
- The **appearance and wellness** sub-segment alone commands ~USD20bn and is a key focus: natural, clean and clinically active leave-on ingredients.

Home care (~USD191bn, at a 1.8% CAGR)

- Laundry remains dominant; newer segments such as **liquid detergents, pods and sheets** are growing in developed countries.
- Ingredients represent ~USD26bn of this, with surfactants comprising ~72%.
- A strategic shift is underway from **petro-based to oleo-based surfactants** and from powders to liquids—driving higher value per unit.

Rinse-Off to Leave-On transition

- Galaxy currently excels in Rinse-Off (bath, shower, hair and oral), but **Vision 2030** pivots toward **premium Leave-On categories**, leveraging custom blends and green chemistry.
- Given an R&D ramp-up and 20 products in the pipeline, the company is positioning itself to capture **new high-margin segments** across core and emerging geographies.

Other highlights

- In the next two years, specialty chemicals will be the primary growth driver for Galaxy Surfactants, especially in exports, with the current 60:40 domestic-to-export mix likely to tilt further towards exports.
- The company plans to launch 20 new products over FY25–30, focused on green chemistry, Leave-On applications, mildness and tailored solutions, with staged launches over 6–18 months depending on complexity and regulatory approvals. EBITDA growth will be back-ended, resembling a hockey-stick trajectory, with higher EBITDA/ton coming from premium Leave-On categories such as sun care, derma, anti-aging and moisturisers.
- Galaxy is well-recognised in the US and is strengthening its presence in Europe through a local subsidiary, given limited scalability with distributors. The company expects a 20% EBITDA CAGR over FY25–30, driven by a mix of new products, new geographies and higher-margin categories.
- Around 50–60% of operating cash flow would be reinvested in organic growth, with inorganic initiatives largely focused on the Leave-On space. Importantly, while the Leave-On product market is fragmented, the supplier base remains relatively consolidated—offering margin resilience.
- Organic growth shall continue to support the Rinse-Off business while demand for existing categories is likely to grow 6–8%, with India’s recovery potentially skewing growth to the lower end of that band.

Company description

Galaxy Surfactants (GSL) is India's leading manufacturer of surfactants and other specialty ingredients for home & personal care (HPC). The company's products find application in a host of consumer-centric personal & home care products including skin care, oral care, hair care, cosmetic, toiletries and detergents. Since incorporation in 1986, GSL has expanded and diversified its product portfolio, client base and geographical footprint. The company's customers include some of the leading MNC, regional and local players in home & personal care industries. GSL's product portfolio comprises over 200 product grades, which are marketed to more than 1,750 customers in over 75 countries.

Investment theme

Galaxy Surfactants (GSL) is India's leading manufacturer of surfactants and other specialty ingredients for home & personal care (HPC). We believe: 1) a 200 plus product portfolio in fast-growing oleochemicals; 2) diversified geographical footprint & clientele including MNCs and regional players (creating strong entry barriers); and 3) leading presence in high growth potential markets of India & Africa, Middle East and Turkey (AMET), place GSL ideally to benefit from structural growth opportunity. Moreover, we envisage healthy return ratios (ROCE of 25% plus) coupled with robust earnings growth (13% CAGR over FY19-21E) to keep the valuation multiple high.

Key risks

- Absence of long-term raw material supply contracts.
- Significant dependence on top customers.
- Over dependence on single supplier.
- Foreign currency fluctuation.
- Discontinuation of export promotion scheme

Additional Data

Management

MD	U. Shekhar
ED & COO	Natarajan K. krishnan
CFO	Abhijit Damle
Whole-time Director	Vaijanath Kulkarni
Auditor	Deloitte Haskins & Sells LLP

Holdings – Top 10*

	% Holding		% Holding
Axis AMC	4.38	Dimensional Fun	0.36
Nippon Life	3.63	Bank of India I	0.29
ICICI Pru	2.91	Norges Bank	0.24
Emirate of Abu	1.35	Blackrock	0.17
Vanguard Group	1.08	Bajaj allianz I	0.16

**Latest public data*

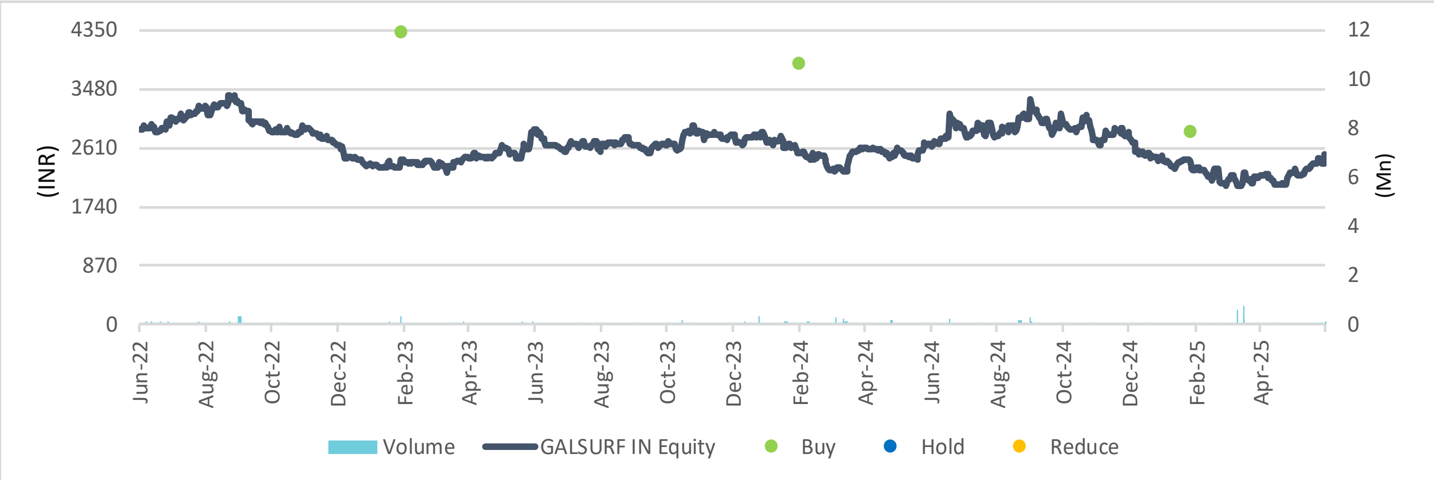
Recent Company Research

Date	Title	Price	Reco
19-May-25	Gradually moving towards growth; *Result Update*	2276	Buy
11-Feb-25	Specialty volumes hurt profitability; *Result Update*	2401	Buy
13-Nov-24	In-line performance; *Result Update*	2770	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
29-May-25	Deepak Nitrite	Effervescence: One-off drives rebound; *Result Update*
27-May-25	Gujarat Fluorochemicals	Steady quarter; *Result Update*
20-May-25	PI Industries	Near-term growth plateaus; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	203
Hold	<15% and >-5%	62
Reduce	<-5%	37

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