

Galaxy Surfactants

Estimate changes

TP change

Rating change



Bloomberg	GALSURF IN
Equity Shares (m)	35
M.Cap.(INRb)/(USDb)	80.7 / 0.9
52-Week Range (INR)	3370 / 2021
1, 6, 12 Rel. Per (%)	-1/-19/-21
12M Avg Val (INR M)	71

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	42.2	48.0	55.0
EBITDA	4.8	5.2	5.8
PAT	3.0	3.3	3.8
EPS (INR)	86	93	106
EPS Gr. (%)	1.1	8.4	13.8
BV/Sh. (INR)	666	736	815

Ratios

Net D:E	-0.0	-0.1	-0.1
RoE (%)	13.4	13.3	13.7
RoCE (%)	13.1	13.0	13.5
Payout (%)	25.6	25.6	25.6

Valuations

P/E (x)	26.7	24.7	21.7
P/BV (x)	3.4	3.1	2.8
EV/EBITDA (x)	16.7	15.2	13.4
Div. Yield (%)	1.0	1.0	1.2
FCF Yield (%)	2.5	2.7	3.0

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	70.9	70.9	70.9
DII	13.0	13.0	12.7
FII	4.1	4.2	3.8
Others	12.1	11.9	12.6

FII Includes depository receipts

CMP: INR2,277

TP: INR2,650 (+16%)

Buy

Margin above est. with strong RoW growth; demand mixed

- Galaxy Surfactants (GALSURF) reported an EBITDA/kg of INR20.4 (est. INR11.5), up 22% YoY, in 4QFY25. Total volume inched up ~2% YoY to 62.2tmt (our est. 59.9tmt), with strong YoY performance in the RoW region. Subsequently, EBITDA stood at INR1.3b (up 25% YoY), while PAT came in at INR759m (down 2% YoY, our est. INR352m).
- The business environment remained dynamic and complex throughout FY25, with persistent supply-side volatility, though it stabilized toward year-end. Fatty alcohol prices remained elevated due to plant shutdowns in Southeast Asia and are expected to remain firm for another quarter, while international freight costs have eased a bit but are still at elevated levels. However, geopolitical uncertainties continue to warrant caution.
- Demand trends were mixed. India and AMET saw flat performance in FY25, with domestic volumes down 1% YoY in 4QFY25 due to the lingering impact of higher fatty alcohol prices. Despite this, the company remains optimistic about a recovery in domestic demand in the coming quarters. Meanwhile, the RoW region posted strong double-digit growth, supported by favorable markets, portfolio expansion, and a 9% YoY volume increase in 4QFY25—demonstrating the company's growing global footprint.
- GALSURF remains resilient, focused on long-term goals despite inflationary headwinds. A significant portion of input cost increases has already been passed on, albeit with a lag. Volume growth guidance for FY26 is at the lower end of the 6–8% range, with long-term volume expectations unchanged. EBITDA/kg, including other income, is guided at INR20.5–21.5 for FY26. The India-Turkey exposure is minimal, posing no immediate risk to GALSURF.
- Given the beat in 4Q, we raise our EBITDA/PAT estimates by 8%/9% for FY26 and by 5% each for FY27. The stock currently trades at ~22x FY27E EPS of INR106 and ~13x FY27E EV/EBITDA. We value the company at 25x FY27E EPS to arrive at our TP of INR2,650. **We reiterate our BUY rating on the stock.**

Beat across the board; margin dips sequentially

- Revenue stood at INR11.4b (+23% YoY) in 4QFY25.
- EBITDA came in at INR1.3b (est. of INR689m, +25% YoY).
 - Gross margin was 29.4% (-320bp YoY), with **EBITDAM at 11.1% (+10bp YoY)**.
- GALSURF's PAT came in at INR759m (est. of INR352m, -2% YoY).
- In **FY25**, revenue stood at INR42.7b (+13% YoY), EBITDA was INR5b (+9% YoY), and PAT came in at INR3.2b (+6% YoY).
 - EBITDAM was at INR11.8% (-40bp YoY).
- The Board declared a final dividend of INR4/share for FY25 (with an interim dividend of INR18/share), taking the total dividend to INR22/share.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

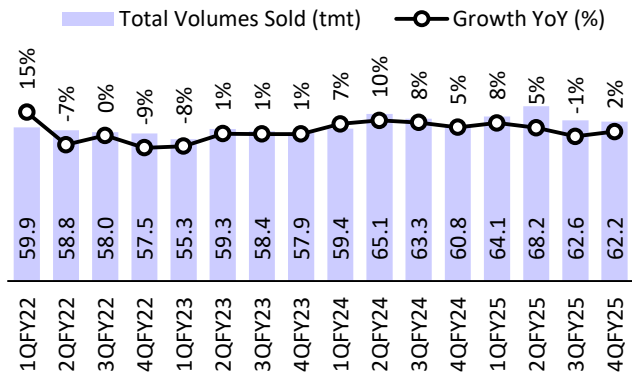
- We believe that going forward, volume growth will be driven by the company's steady focus on R&D (with an annual expenditure of INR400-500m), increased wallet share from its existing customers, and acquisition of new customers. Margin is also likely to expand gradually with an increase in the volume of premium specialty products.
- We estimate a volume CAGR of 6% over FY25-27, with volumes picking up in the Specialty Care segment in the developed markets and a recovery in demand, albeit gradual, from the rural and urban markets in India. The stock is currently trading at ~22x FY27E EPS of INR106 and ~13x FY27E EV/EBITDA. We value the company at 25x FY27E EPS to arrive at a TP of INR2,650. **We reiterate our BUY rating on the stock.**

Consolidated - Quarterly Snapshot

	(INR m)											
Y/E March	FY24				FY25				FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Gross Sales	9,418	9,831	9,405	9,290	9,741	10,630	10,417	11,449	37,944	42,237	10,050	14%
YoY Change (%)	-18.7	-20.5	-13.3	-5.2	3.4	8.1	10.8	23.2	-14.9	11.3	8.2	
Gross Margin (%)	32.4%	31.5%	31.8%	32.6%	33.6%	33.0%	31.1%	29.4%	32.1%	31.7%	28.1%	1.3%
EBITDA	1,232	1,249	1,125	1,017	1,241	1,276	1,056	1,269	4,622	4,842	689	84%
Margin (%)	13.1	12.7	12.0	10.9	12.7	12.0	10.1	11.1	12.2	11.5	6.9	4.2
Depreciation	238	247	251	262	266	278	277	283	998	1,103	280	
Interest	57	54	59	54	40	41	50	62	224	193	54	
Other Income	25	27	64	239	54	87	40	78	355	258	75	
PBT	962	975	878	940	989	1,045	769	1,001	3,755	3,804	429	133%
Tax	210	201	165	165	192	198	123	243	740	755	77	
Rate (%)	21.8	20.6	18.8	17.5	19.4	18.9	16.0	24.2	19.7	19.8	18.0	
Reported PAT	752	774	714	775	797	847	646	759	3,015	3,049	352	116%
Adj PAT	752	774	714	775	797	847	646	759	3,015	3,049	352	116%
YoY Change (%)	-25.1	-7.7	-32.8	-14.4	6.0	9.4	-9.5	-2.1	-20.9	1.1	-54.6	
Margin (%)	8.0	7.9	7.6	8.3	8.2	8.0	6.2	6.6	7.9	7.2	3.5	3.1
Total Volumes (tmt)	59.4	65.1	63.3	60.8	64.1	68.2	62.6	62.2	248.6	257.1	59.9	4%
Operating Performance (INR/kg)												
Implied realization (INR/kg)	158.6	151.0	148.7	152.7	151.9	155.9	166.3	184.2	152.7	164.3	167.8	10%
Gross margin (INR/kg)	51.4	47.5	47.3	49.8	51.0	51.4	51.7	54.1	48.9	52.0	47.2	15%
EBITDA (INR/kg)	20.8	19.2	17.8	16.7	19.4	18.7	16.9	20.4	18.6	18.8	11.5	78%

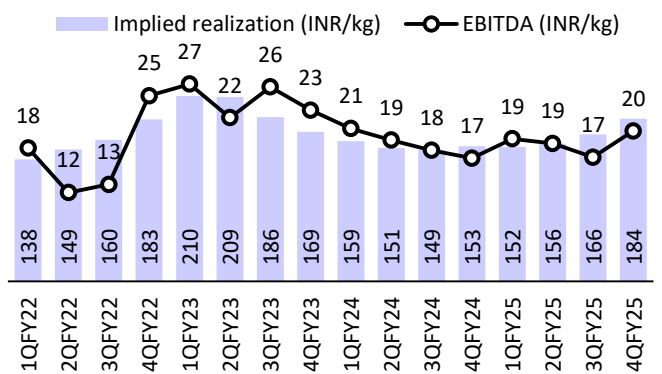
Story in charts: 4QFY25

Exhibit 1: Total volumes inched up 2% YoY...



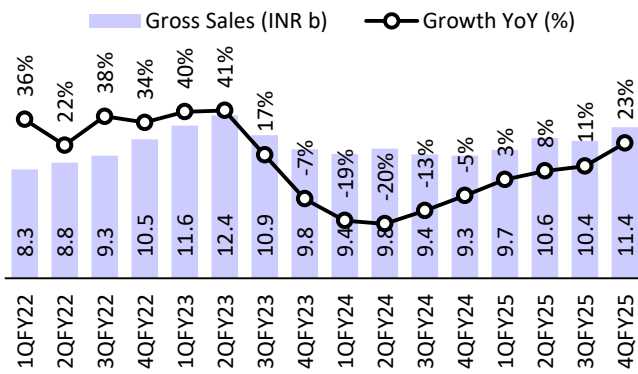
Source: Company, MOFSL

Exhibit 2: ...with EBITDA/kg at INR20.4 (up 22% YoY)



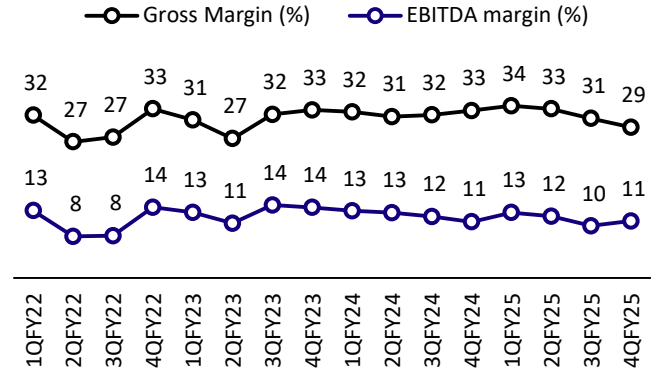
Source: Company, MOFSL

Exhibit 3: Gross sales rose 23% YoY



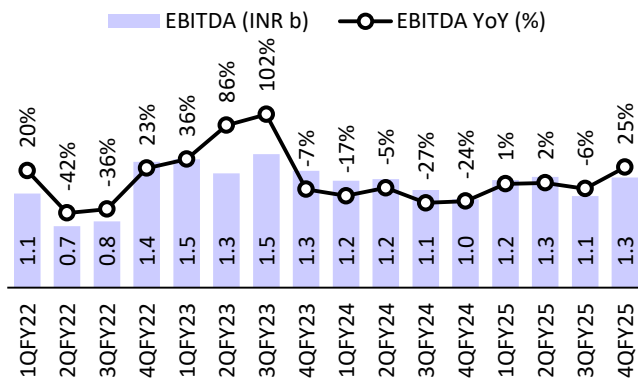
Source: Company, MOFSL

Exhibit 4: EBITDAM expanded 10bp YoY



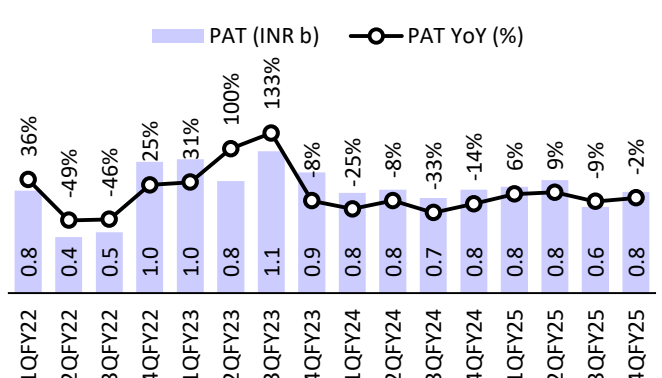
Source: Company, MOFSL

Exhibit 5: EBITDA increased 25% YoY...



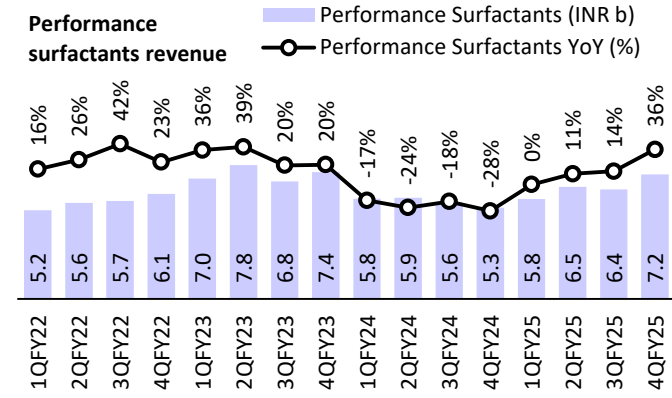
Source: Company, MOFSL

Exhibit 6: ...but PAT dipped 2% YoY



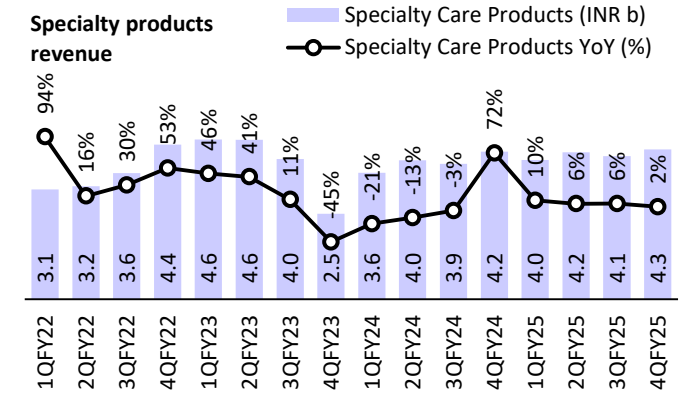
Source: Company, MOFSL

Exhibit 7: Performance surfactants revenue stood at INR7.2b



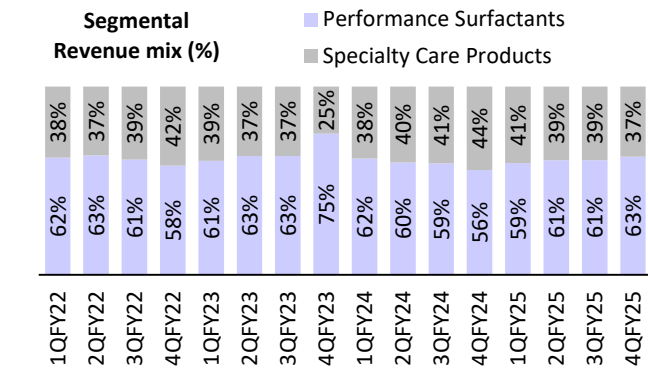
Source: Company, MOFSL

Exhibit 8: Specialty care products revenue stood at INR4.3b



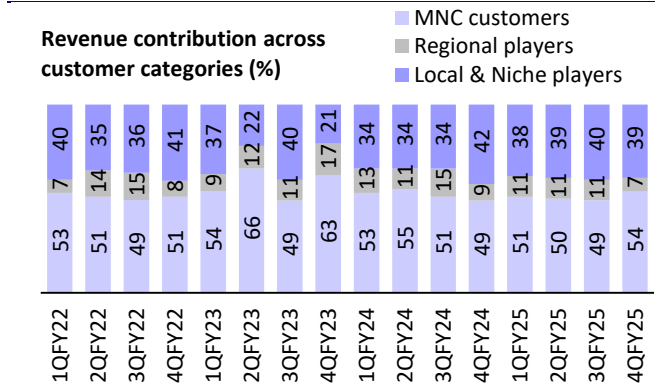
Source: Company, MOFSL

Exhibit 9: Mix of the specialty segment decreased YoY



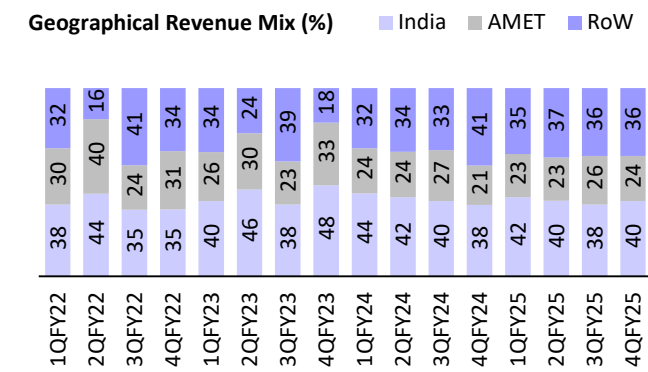
Source: Company, MOFSL

Exhibit 10: Contribution of MNC players increased YoY, while it declined for local & niche players



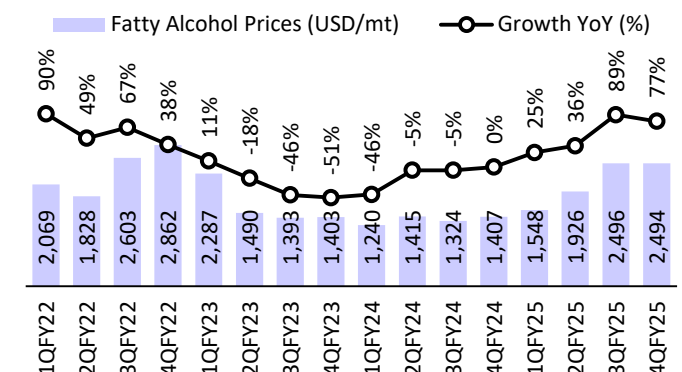
Source: Company, MOFSL

Exhibit 11: Geographical revenue mix declined YoY for RoW



Source: Company, MOFSL

Exhibit 12: Fatty Alcohol prices increased 77% YoY



Source: Company, MOFSL



Earnings concall highlights

- The business environment has been dynamic and complex.
- The supply-side validity has been a persistent theme, but has some stability in FY25.
 - Fatty Alcohol prices remain elevated because of shutdowns in Southeast Asia; to remain so for another quarter.
 - International freight costs have eased.
 - The geopolitical environment is still uncertain, and the company has to navigate with caution.
- Demand remains mixed
 - India has seen flat performance in FY25- lingering effect of slowdown due to rising fatty alcohol prices.
 - ✓ Remain optimistic about the domestic demand picking up in coming quarters
 - ✓ Volumes declined by 1% in 4QFY25
 - AMET- flat performance in this region as well but easing of supply chain is being seen
 - ✓ Proactive measures to enhance market share being taken
 - RoW – double digit growth in FY25
 - ✓ This is a testament to expand global footprint
 - ✓ Favorable market conditions with expanding product portfolio to help RoW growth remaining robust
 - ✓ Volume growth of 9% in 4QFY25
- Remain resilient and focused on the long term goals of the company
 - Broader concern lies in navigating the inflationary issues
- Good portion of the rise in Fatty Alcohol prices have already been passed on; price pass on is with a lag
- Volume guidance to be in the lower range of 6-8% in FY26; long term guidance of volume growth to be in the higher range of 6-8% intact
 - EBITDA/kg (incl. other income) guidance remains intact in the range of INR20.5-21.5 for FY26
- The India-Turkey business is not significant; therefore, no issues on that front.

Story in charts

Exhibit 13: Specialty products' share to rise going forward...

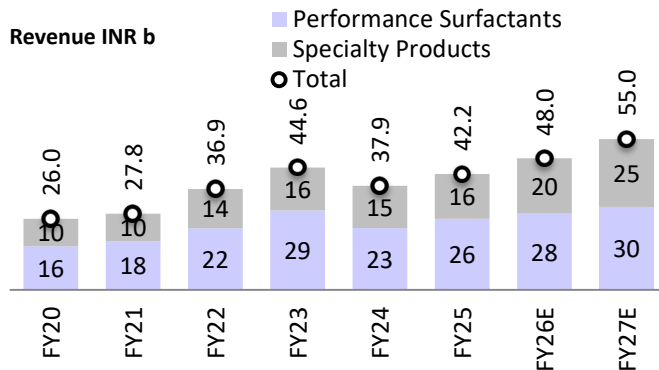


Exhibit 14: ...with Performance share at 55% by FY27E

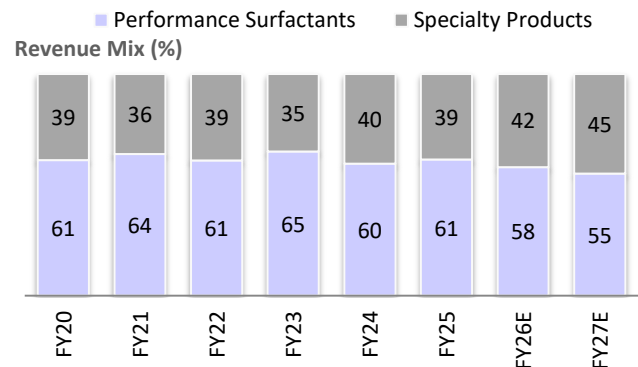


Exhibit 15: Volume CAGR of 6% expected over FY25-27...

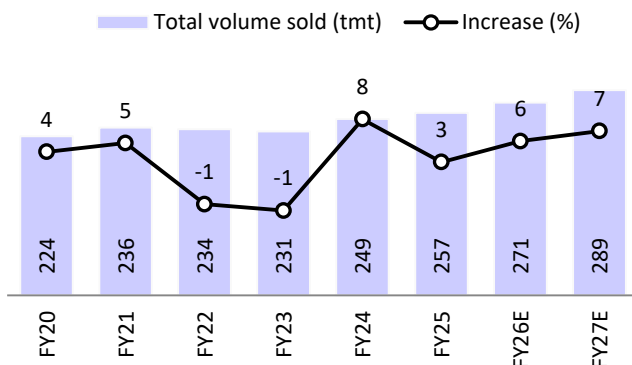


Exhibit 16: ...with higher EBITDA/kg

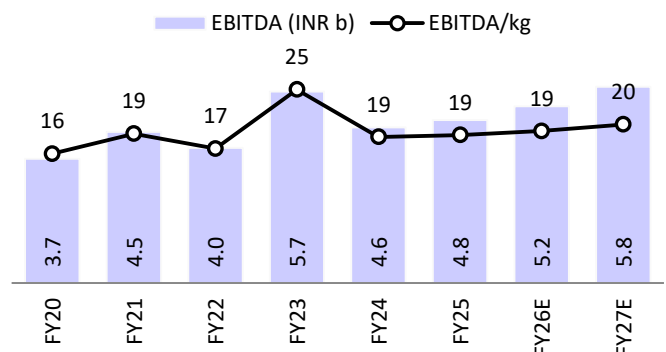


Exhibit 17: Expect PAT margin to remain stable

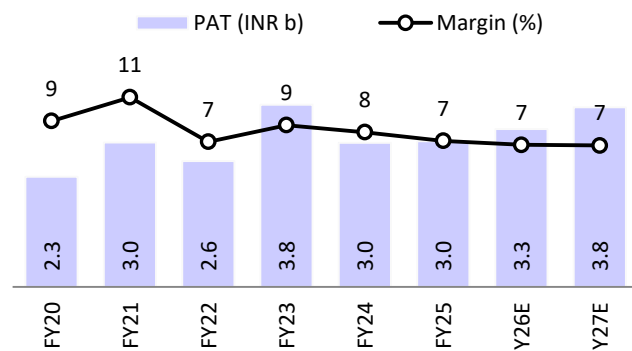


Exhibit 18: Likely to generate FCF of INR4.6b over FY26-27

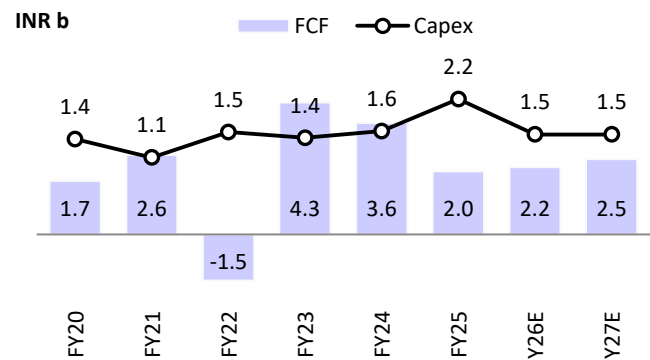


Exhibit 19: Return ratios to remain stable going forward

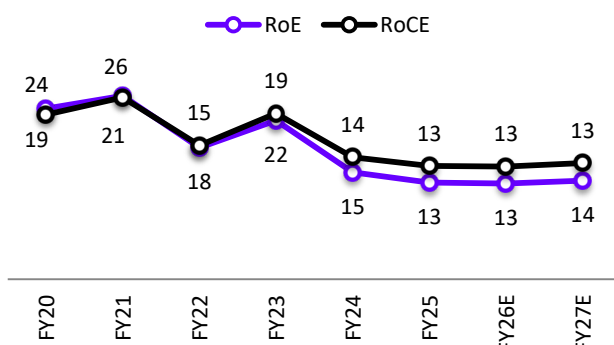
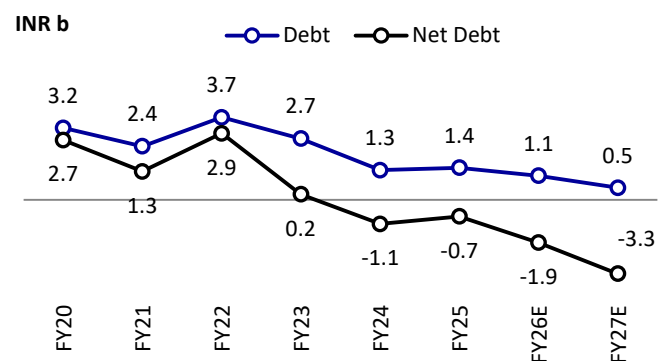


Exhibit 20: Debt profile of GALSURF



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	25,964	27,841	36,857	44,640	37,944	42,237	47,974	55,009
Change (%)	-6.0	7.2	32.4	21.1	-15.0	11.3	13.6	14.7
Gross Margin (%)	33.9	36.3	29.8	30.6	32.1	31.7	31.3	30.9
EBITDA	3,689	4,488	4,007	5,683	4,622	4,842	5,246	5,829
Margin (%)	14.2	16.1	10.9	12.7	12.2	11.5	10.9	10.6
Depreciation	622	740	711	835	998	1,103	1,195	1,282
EBIT	3,067	3,749	3,297	4,848	3,624	3,739	4,050	4,546
Int. and Finance Charges	238	134	129	217	224	193	175	112
Other Income	59	109	125	99	355	258	264	275
PBT bef. EO Exp.	2,888	3,723	3,293	4,730	3,755	3,805	4,139	4,709
PBT after EO Exp.	2,888	3,723	3,293	4,730	3,755	3,805	4,139	4,709
Total Tax	584	702	665	920	740	757	836	951
Tax Rate (%)	20.2	18.8	20.2	19.4	19.7	19.9	20.2	20.2
Reported PAT	2,304	3,021	2,628	3,810	3,015	3,047	3,303	3,758
Adjusted PAT	2,304	3,021	2,628	3,810	3,015	3,047	3,303	3,758
Change (%)	20.6	31.1	-13.0	45.0	-20.9	1.1	8.4	13.8
Margin (%)	8.9	10.9	7.1	8.5	7.9	7.2	6.9	6.8

Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	355	355	355	355	355	355	355	355
Total Reserves	10,323	12,660	15,389	18,471	21,438	23,271	25,729	28,525
Net Worth	10,678	13,014	15,744	18,826	21,793	23,625	26,083	28,879
Total Loans	3,196	2,374	3,660	2,718	1,317	1,418	1,064	532
Deferred Tax Liabilities	241	233	249	283	297	318	318	318
Capital Employed	14,115	15,621	19,652	21,827	23,406	25,362	27,465	29,729
Gross Block	11,525	11,945	12,828	16,721	18,214	19,891	21,391	22,891
Less: Accum. Deprn.	5,231	5,971	6,681	7,516	8,514	9,618	10,813	12,095
Net Fixed Assets	6,294	5,974	6,146	9,205	9,699	10,273	10,578	10,796
Goodwill on Consolidation	28	27	28	30	30	31	31	31
Capital WIP	660	1,240	2,055	1,392	1,585	2,619	2,619	2,619
Total Investments	58	435	5	0	1,980	2,985	2,985	2,985
Curr. Assets, Loans&Adv.	11,081	12,821	17,772	16,717	15,852	18,712	21,810	25,436
Inventory	3,250	4,278	7,118	6,458	5,561	7,239	8,271	9,520
Account Receivables	4,394	4,689	6,380	6,148	5,931	6,865	7,797	8,941
Cash and Bank Balance	542	1,114	711	2,476	2,393	2,158	2,975	3,821
Cash	477	815	638	2,319	2,205	1,934	2,751	3,596
Bank balance	65	299	74	157	188	224	224	224
Loans and Advances	2,894	2,740	3,563	1,635	1,968	2,450	2,766	3,154
Curr. Liability & Prov.	4,005	4,874	6,353	5,518	5,742	9,258	10,558	12,137
Account Payables	2,731	3,770	5,189	4,302	4,461	6,200	7,084	8,153
Other Current Liabilities	1,098	918	1,011	1,094	1,145	2,879	3,270	3,749
Provisions	176	186	153	122	136	180	204	234
Net Current Assets	7,075	7,947	11,419	11,200	10,110	9,454	11,252	13,299
Appl. of Funds	14,115	15,621	19,652	21,827	23,406	25,362	27,465	29,729

Financials and valuations

Ratios								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	65.0	85.2	74.1	107.5	85.0	86.0	93.2	106.0
EPS Growth (%)	20.6	31.1	-13.0	45.0	-20.9	1.1	8.4	13.8
Cash EPS	82.5	106.1	94.2	131.0	113.2	117.1	126.9	142.2
BV/Share	301.2	367.1	444.1	531.0	614.7	666.4	735.8	814.6
DPS	17.0	18.0	18.0	22.0	22.0	22.0	23.8	27.1
Payout (%)	31.5	21.1	24.3	20.5	25.9	25.6	25.6	25.6
Valuation (x)								
P/E	35.4	27.0	31.0	21.4	27.0	26.7	24.7	21.7
Cash P/E	27.9	21.7	24.4	17.5	20.3	19.6	18.1	16.2
P/BV	7.6	6.3	5.2	4.3	3.7	3.4	3.1	2.8
EV/Sales	3.2	3.0	2.3	1.8	2.1	1.9	1.7	1.4
EV/EBITDA	22.8	18.4	21.1	14.4	17.4	16.7	15.2	13.4
Dividend Yield (%)	0.7	0.8	0.8	1.0	1.0	1.0	1.0	1.2
FCF per share	49.2	72.7	-42.3	121.0	102.2	57.7	61.8	69.1
Return Ratios (%)								
RoE	23.7	25.5	18.3	22.0	14.8	13.4	13.3	13.7
RoCE	19.1	21.1	15.5	19.2	14.1	13.1	13.0	13.5
RoIC	20.5	23.7	17.7	22.4	16.4	17.1	17.7	18.5
Working Capital Ratios								
Fixed Asset Turnover (x)	4.6	4.5	6.1	5.8	4.0	4.2	4.6	5.1
Asset Turnover (x)	1.8	1.8	1.9	2.0	1.6	1.7	1.7	1.9
Inventory (Days)	46	56	70	53	53	63	63	63
Debtor (Days)	62	61	63	50	57	59	59	59
Creditor (Days)	38	49	51	35	43	54	54	54
Leverage Ratio (x)								
Current Ratio	2.8	2.6	2.8	3.0	2.8	2.0	2.1	2.1
Interest Cover Ratio	12.9	27.9	25.7	22.3	16.2	19.4	23.2	40.5
Net Debt/Equity	0.2	0.1	0.2	0.0	0.0	0.0	-0.1	-0.1

Consolidated - Cash Flow Statement							(INR m)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	2,888	3,723	3,293	4,730	3,015	3,049	4,139	4,709
Depreciation	622	740	711	835	998	1,103	1,195	1,282
Others	220	79	90	214	842	692	175	112
Direct Taxes Paid	-686	-706	-594	-953	-781	-681	-836	-951
(Inc)/Dec in WC	113	-186	-3,450	903	1,110	42	-982	-1,201
CF from Operations	3,157	3,651	49	5,729	5,185	4,205	3,692	3,951
Capex	-1,414	-1,073	-1,547	-1,439	-1,563	-2,158	-1,500	-1,500
Free Cash Flow	1,744	2,578	-1,498	4,291	3,622	2,047	2,192	2,451
CF from Investments	-1,511	-1,647	-841	-1,486	-3,439	-2,946	-1,500	-1,500
Inc/(Dec) in Debt	562	-951	941	-1,039	-1,404	92	-355	-532
Interest Paid	-226	-152	-131	-241	-235	-201	-175	-112
Dividend Paid	-940	-495	-142	-1,275	-143	-1,351	-845	-962
CF from Fin. Activity	-1,434	-1,650	592	-2,643	-1,889	-1,573	-1,375	-1,606
Inc/Dec of Cash	212	354	-201	1,601	-143	-314	817	845
Opening Balance	250	477	815	638	2,319	2,205	1,934	2,751
Closing Balance	477	815	637	2,318	2,204	1,934	2,751	3,596

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Explanation of Investment Rating	
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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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