

BSE SENSEX 77,578 S&P CNX 23,519

Galaxy Surfactants

CMP: INR2,652 TP: INR3,865 (+46%) Buy

Motilal Oswal values your support in the EXTEL POLL 2024 for India Research, Sales, Corporate Access and Trading team. We [request your ballot](#).



Stock Info

Bloomberg	GALSURF IN
Equity Shares (m)	35
M.Cap.(INRb)/(USD\$b)	94 / 1.1
52-Week Range (INR)	3370 / 2241
1, 6, 12 Rel. Per (%)	-5/-1/-26
12M Avg Val (INR M)	80
Free float (%)	29.1

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	41.6	47.6	54.7
EBITDA	5.2	6.3	7.2
PAT	3.4	4.2	4.9
EPS (INR)	96	118	139
EPS Gr. (%)	12.4	23.7	17.8
BV/Sh.(INR)	686	773	877

Ratios

Net D:E	-0.1	-0.1	-0.2
RoE (%)	14.7	16.2	16.9
RoCE (%)	14.4	16.0	16.8
Payout (%)	25.9	25.9	25.9

Valuations

P/E (x)	27.7	22.4	19.0
P/BV (x)	3.9	3.4	3.0
EV/EBITDA (x)	17.6	14.3	12.1
Div. Yield (%)	0.9	1.2	1.4
FCF Yield (%)	2.6	3.0	3.6

Triggers for sustainable growth in place!

- India's personal care market is at an inflection point, with rising disposable income and premiumization trends driven by new applications such as dish and washing liquids. Galaxy Surfactants (GALSURF) is positioned to benefit as rural awareness, robust distribution, and local players prompt a shift from mass to premium segments.
- GALSURF anticipates robust growth in FY25 across the RoW, AMET, and Indian markets, driven by demand recovery, inflation easing, and profitability focus barring ongoing macroeconomic risks, thereby aiming for PAT growth > EBITDA growth > volume growth and a 22% RoCE.
- We estimate a volume CAGR of 9% over FY24-27, led by robust volumes in the domestic market and a recovery in the volumes of specialty care products in developed markets, which have already started growing. The stock is currently trading at ~22x FY26E EPS of INR118.3 and ~14x FY26E EV/EBITDA. We value the company at 30x Sep'26E EPS to arrive at a TP of INR3,865. We reiterate our BUY rating on the stock.

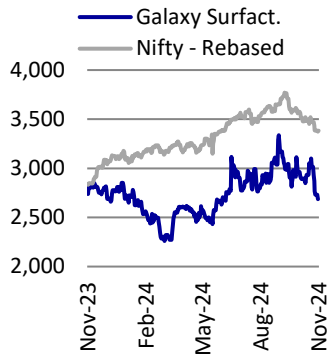
Decadal opportunity to ensure sustainable growth...

- India is at a growth inflection, similar to China in CY06 and the US in the CY60s. Currently, the personal care markets in the US and China are 6x and 5x the size of India's. Shampoo and toothpaste penetration in India exceeds 90%, but emerging applications promise further growth in performance and specialty care products. However, dish wash and washing liquids still have under 25% penetration.
- Premiumization is now more feasible, with GALSURF well-positioned to capitalize on this trend due to its existing global specialty care presence and anticipated growth from rising disposable income in India. Increased spending on premium beauty, personal care, and home care products (liquid detergents, dish washes, and premium powders) is expected to support growth opportunities. Rising expenditures on these products and consumer durables with sustainability awareness will further accelerate demand.
- The Indian market is set for growth across all segments, consistently expanding at 10-12% on a lower base. Rural awareness of personal and home care solutions is rising, and deep distribution channels promise last-mile connectivity, reinforcing our bullish outlook. Growth is also expected to be fueled by local and niche players, especially in South India, as some smaller players cater to limited areas with quality products (within 2-3kms radius). The entry of new players, private labels, and D2C brands will support growth in specialty categories and the migration of consumers from mass to premium tiers through better distribution.

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	70.9	70.9	70.9
DII	13.0	12.7	12.6
FII	4.1	3.9	3.1
Others	12.0	12.5	13.4

FII Includes depository receipts

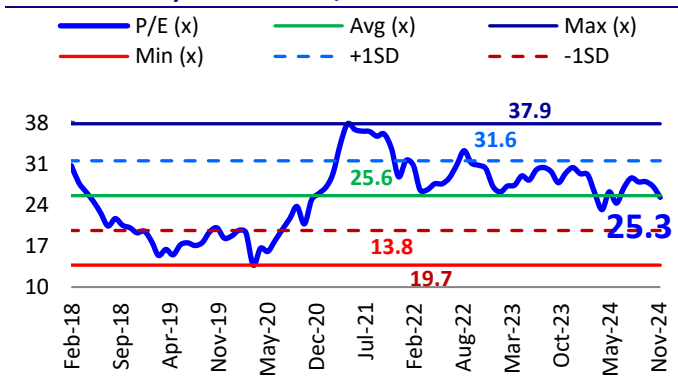
Stock performance (one-year)**...with recovery across regions to aid volumes and margin**

- The RoW market witnessed mid twenty's volume growth in 1HFY25 on YoY basis (13% for FY24), driven by post-destocking recovery and increased demand in the mass and masstige segments, positioning the company for growth in FY25. With easing global inflation, demand in North America and Europe is expected to rise, though GALSURF remains cautious about economic uncertainties- barring any macro-economic volatility management has maintained its guidance of 6-8% volume growth with a bias on the higher side of the range.
- The AMET region faced demand challenges in FY24 due to inflation and geopolitical tensions, but GALSURF anticipates a recovery in the remainder of FY25 (volumes flat in 1HFY25 on YoY basis) as inflation stabilizes and supply chain disruptions ease. The company is focusing on supply chain efficiencies and inflation mitigation to support demand rebound in personal care products as purchasing power improves.
- India is a key growth market and witnessed 11% volume growth in FY24 (volumes flat in 1HFY25 on YoY basis), with GALSURF focusing on urban demand and rural recovery to strengthen expansion. Supported by projected GDP growth (~8% in FY24 and ~7% in FY25), rising consumer spending on personal and home care products, and government-led infrastructure initiatives, GALSURF anticipates robust demand ahead, as highlighted above as well.
- That being said, macroeconomic risks such as geopolitical tensions, slow recovery in China, and high inflation in advanced economies pose ongoing challenges. With FY24 focused on volume normalization, FY25 is expected to see profitability normalization, driven by premium specialties growth in 2HFY25, supporting GALSURF's principle of PAT growth > EBITDA growth > volume growth and a target RoCE of 22%.

Valuation and view

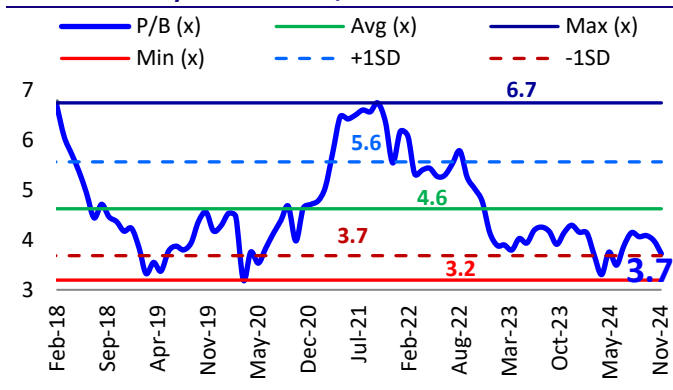
- The continued focus on R&D (with an annual expenditure of INR400-500m) and increased wallet share from its existing customers and acquisition of new customers should drive volume growth. Margin is also likely to expand gradually with an increase in volume of premium specialty products.
- We estimate a volume CAGR of 9% over FY24-27, fueled by robust volumes in the domestic market and a recovery in the specialty care product volumes in the developed markets, which have already started growing. The stock is currently trading at ~22x FY26E EPS of INR118.3 and ~14x FY26E EV/EBITDA. We value the company at 30x Sep'26E EPS to arrive at a TP of INR3,865. We reiterate our BUY rating on the stock.

Exhibit 1: One year forward P/E



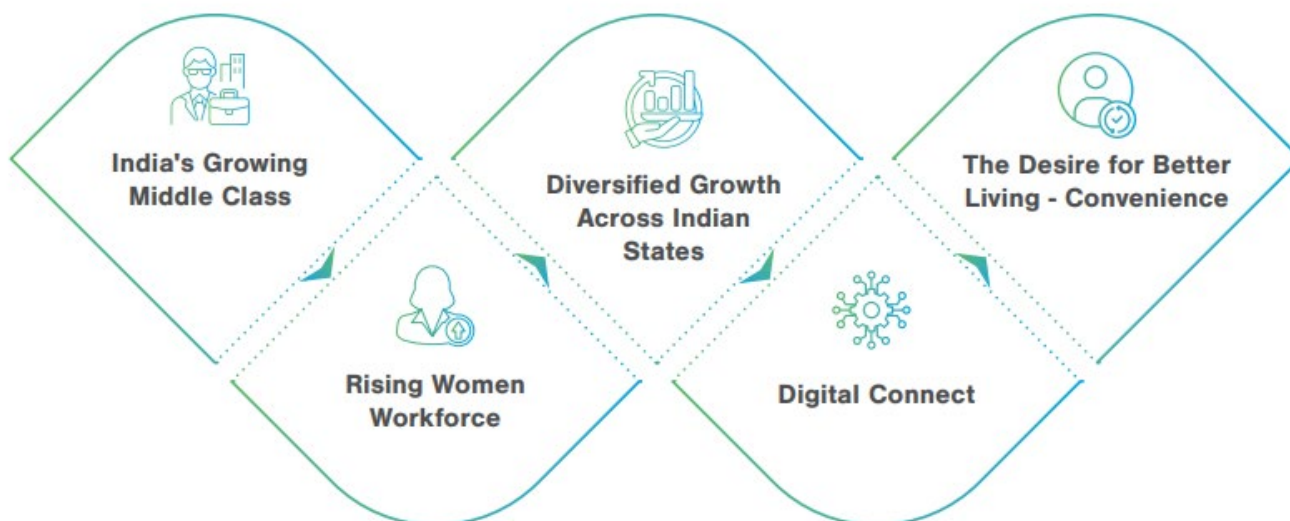
Source: MOFSL

Exhibit 2: One year forward P/B



Source: MOFSL

Exhibit 3: Triggers for sustainable growth of GALSURF



Source: Company, MOFSL

Exhibit 4: India in CY22 was at that stage where US was in CY60-61 and China in CY06

Parameter	India in CY22	US in CY60-61	China in CY06
Average Age	29	29	31
Essential Spend % (Food + Housing + Clothing)	57%	63%	56%
Per Capita Income (USD)	2,100	3,007	2,000
Working Age Population	71%	69%	72%
Personal Care Spend per Household (USD)	24	155	40

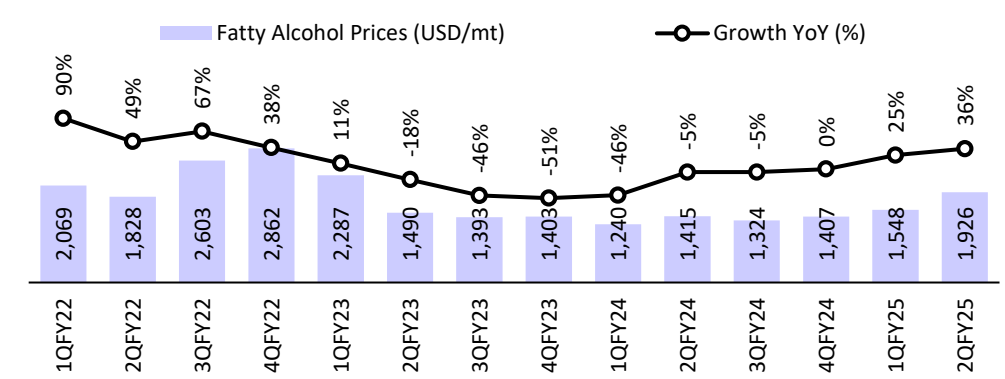
Source: Company, MOFSL

Exhibit 5: Categories where penetration is < 25% in India and is an addressable market for GALSURF



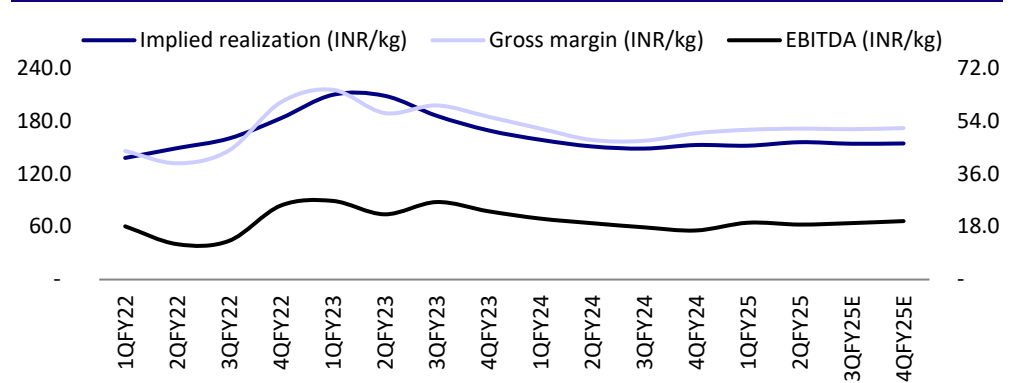
Source: Company, MOFSL

Exhibit 6: Fatty alcohol prices (USD/mt)



Source: Company, MOFSL

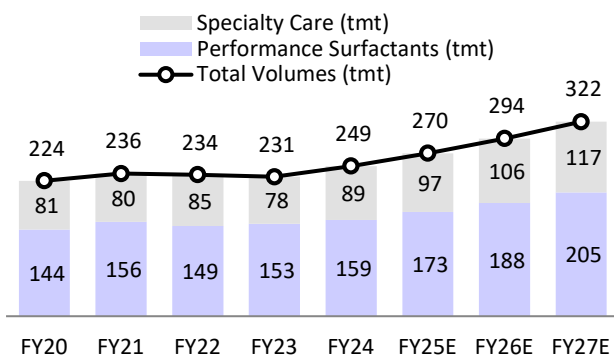
Exhibit 7: Operating performance trend on per kg basis



*EBITDA/ kg excludes other income

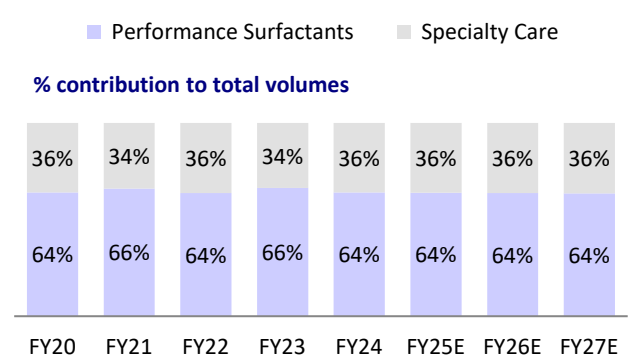
Source: Company, MOFSL

Exhibit 8: Specialty care volumes bounced back in FY24 after a lackluster FY23



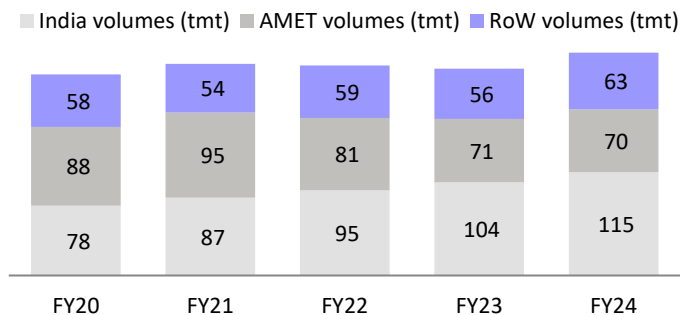
Source: Company, MOFSL

Exhibit 9: Performance volumes contribute to majority of the volumes and are likely to be the same going forward



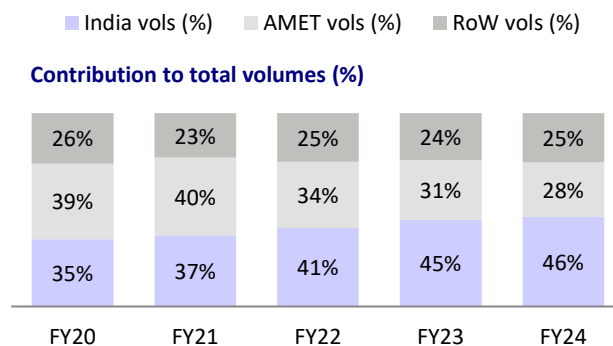
Source: Company, MOFSL

Exhibit 10: AMET volumes continued to decline in FY24 albeit at a much lower rate compared to FY23 and FY22



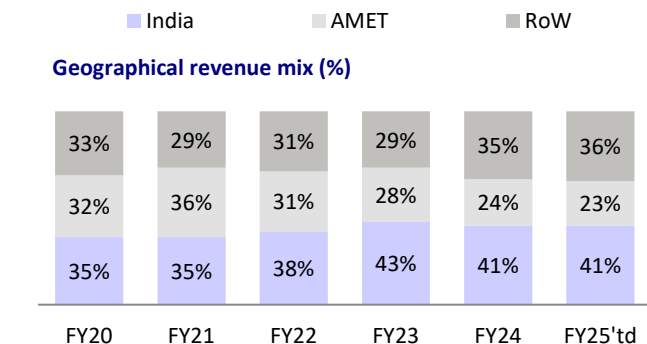
Source: Company, MOFSL

Exhibit 11: India volumes have historically contributed higher, in line with performance surfactant volumes



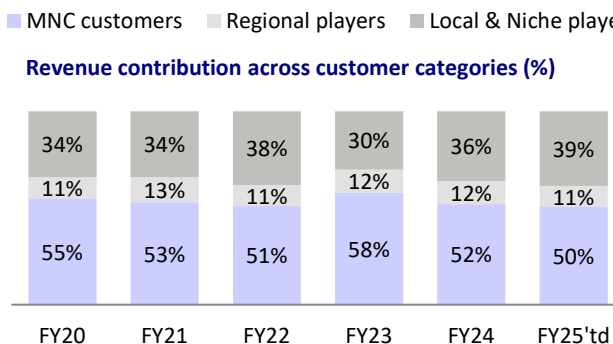
Source: Company, MOFSL

Exhibit 12: Geographical revenue mix



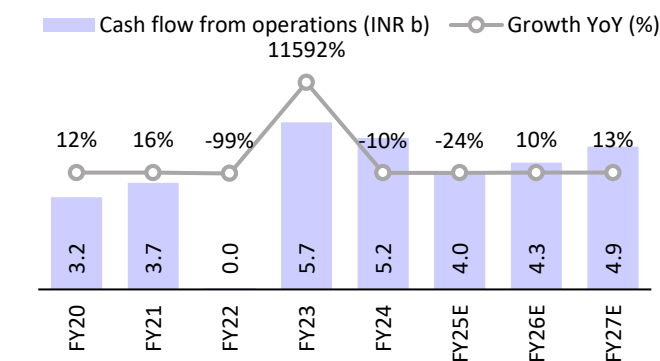
Source: Company, MOFSL

Exhibit 13: Revenue contribution across customer categories



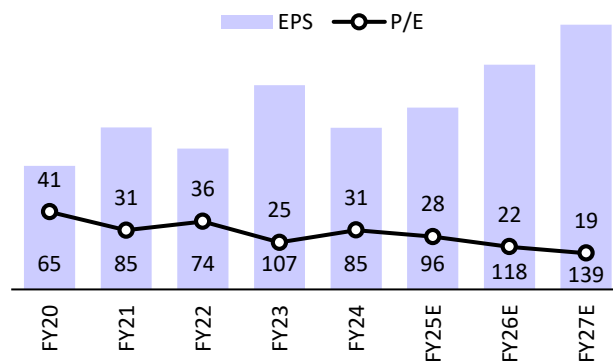
Source: Company, MOFSL

Exhibit 14: Strong cash flow generation from operations



Source: Company, MOFSL

Exhibit 15: Reasonable valuation compared to the sector average



Source: Company, MOFSL

Exhibit 16: GALSURF has been consistent in its R&D spends

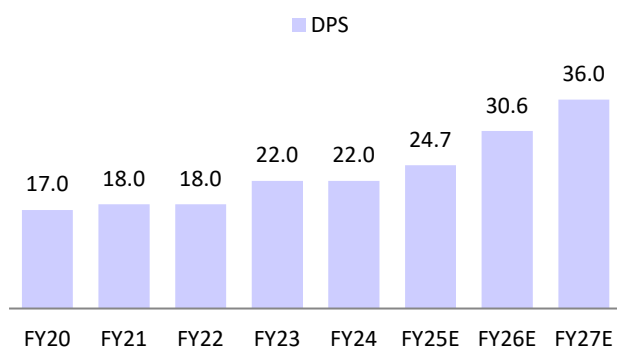
R&D Expenditure (INR m)	FY19	FY20	FY21	FY22	FY23	FY24
Capital Expenditure	13	24	10	10	18	23
Revenue Expenditure	142	148	130	145	127	137
Total Expenditure	155	172	140	156	145	160
Total R&D expenditure as % of total turnover	0.56%	0.66%	0.50%	0.42%	0.32%	0.42%

Source: Company, MOFSL

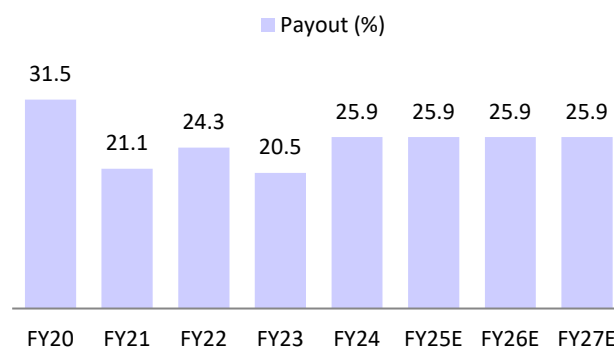
Exhibit 17: R&D expenses and capex in specific technologies to total R&D and capex

% R&D and capex investments to total R&D and capex investments	FY23	FY24	Improvements in environmental and social impacts
R&D	16%	8%	Innovation is key to GALSURF's strategy, providing a sustainable competitive edge. The company uses an innovation funnel to develop ideas into successful businesses. Investments in R&D focus on scaling new products, green initiatives, workplace safety, and emergency preparedness. Lab expansions support the study of natural and benign products.
Capex	20%	16%	

Source: Company, MOFSL

Exhibit 18: Dividend declared consistently

Source: Company, MOFSL

Exhibit 19: Payout ratio remained higher in FY24

Source: Company, MOFSL

Exhibit 20: Cash conversion cycle at 68 days in FY24, similar to FY23

Cash conversion cycle (year-end basis)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Days										
Inventory	46	46	52	51	46	46	56	70	53	53
Debtor	41	49	56	62	56	62	61	63	50	57
Creditor	33	38	41	49	40	38	49	51	35	43
Cash conversion cycle	54	56	67	65	62	69	68	82	68	68

Source: Company, MOFSL

Exhibit 21: Peer comparison for our coverage universe

Company	Reco	TP (INR)	EPS (INR)			P/E (x)			P/BV (x)			EV/EBITDA (x)			ROE (%)		
			FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Alkyl Amines	Neutral	2,095	37.2	51.4	68.4	52.4	38.0	28.5	7.2	6.4	5.6	32.1	23.4	17.9	14.3	17.8	20.8
Atul	Buy	9,995	177.3	231.0	282.0	41.1	31.5	25.8	3.9	3.5	3.2	22.4	18.6	15.6	9.8	11.7	12.9
Clean Science	Neutral	1,430	24.4	36.0	45.6	52.9	35.8	28.3	9.6	7.8	6.3	36.1	26.7	20.9	19.7	24.0	24.6
Deepak Nitrite	Neutral	2,485	61.5	78.0	87.5	43.5	34.3	30.5	6.6	5.6	4.9	27.6	21.5	19.0	16.2	17.7	17.1
Fine Organic	Sell	3,885	147.0	114.4	107.7	32.2	41.4	44.0	6.4	5.6	5.0	23.5	28.0	27.5	21.8	14.4	12.0
Galaxy Surfact.	Buy	3,865	95.6	118.3	139.3	27.7	22.4	19.0	3.9	3.4	3.0	17.8	14.5	12.3	14.7	16.2	16.9
Navin Fluorine	Neutral	3,240	57.6	82.1	103.1	57.9	40.6	32.4	6.4	5.7	5.1	33.8	25.4	20.8	11.5	14.9	16.6
NOCIL	Neutral	270	7.8	8.7	12.9	33.6	30.2	20.3	2.5	2.4	2.2	25.7	20.5	13.9	7.5	8.0	11.2
P I Industries	Buy	5,200	117.0	129.6	152.9	35.4	32.0	27.1	6.1	5.2	4.4	25.6	21.8	18.2	18.7	17.5	17.6
SRF	Neutral	2,080	40.5	67.4	88.9	54.3	32.6	24.7	5.4	4.8	4.1	26.0	18.8	15.1	10.2	15.5	17.9
Tata Chemicals	Neutral	1,070	30.7	49.0	61.6	34.7	21.8	17.3	1.2	1.2	1.1	12.4	9.3	7.9	3.5	5.4	6.5
Vinati Organics	Buy	2,545	41.5	51.9	61.3	42.7	34.1	28.9	6.6	5.7	5.0	31.3	24.6	21.0	16.3	17.9	18.4

Source: Company, MOFSL

Story in charts

Exhibit 22: Specialty products share to increase going forward...

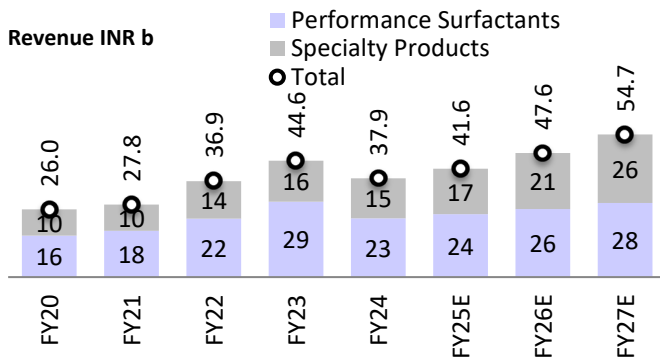


Exhibit 23: ...with performance products share at 52%

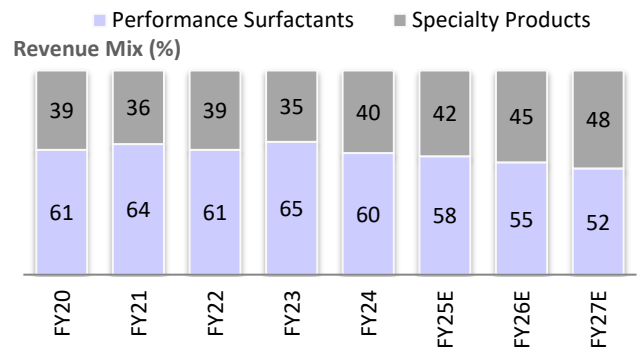


Exhibit 24: Volume CAGR of 9% expected over FY24-27

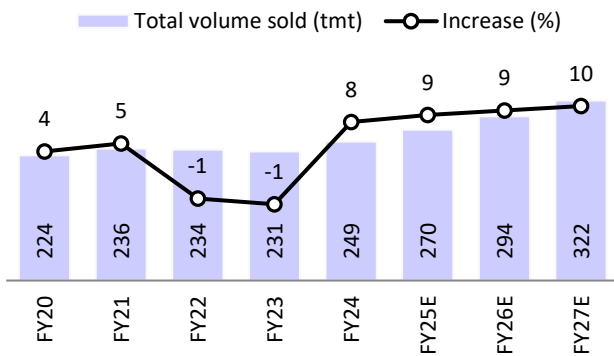


Exhibit 25: With higher EBITDA/kg

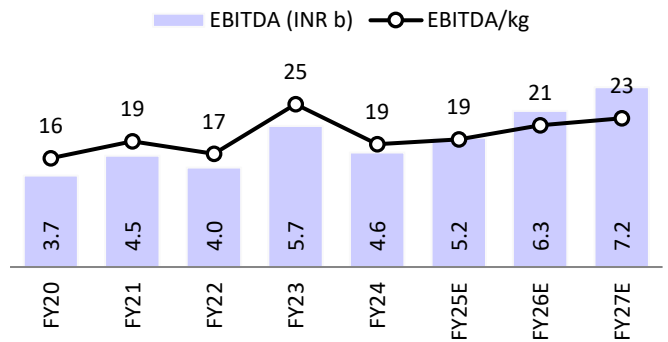


Exhibit 26: Expect PAT margin to remain stable

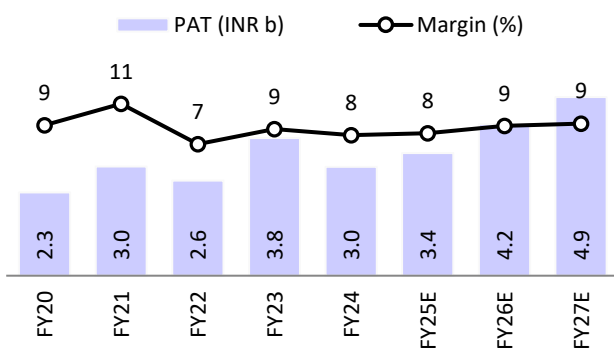


Exhibit 27: GALSURF to generate an FCF of INR8.7b over FY25-27

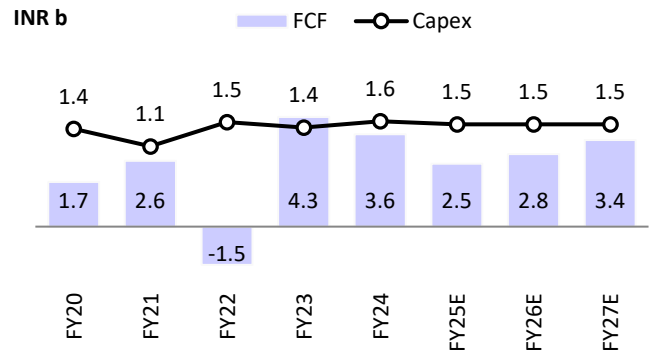


Exhibit 28: Return ratios to improve going forward

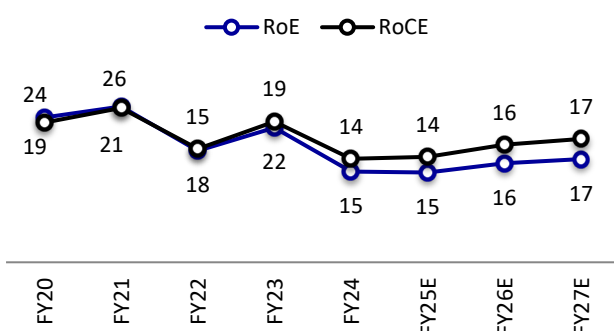
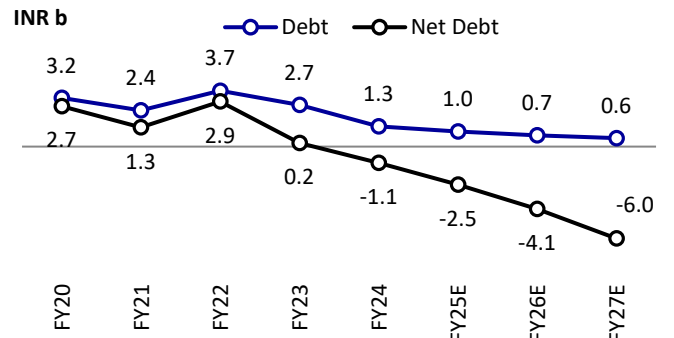


Exhibit 29: Debt profile of GALSURF



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	25,964	27,841	36,857	44,640	37,944	41,588	47,606	54,746
Change (%)	-6.0	7.2	32.4	21.1	-15.0	9.6	14.5	15.0
Gross Margin (%)	33.9	36.3	29.8	30.6	32.1	33.3	34.2	33.0
EBITDA	3,689	4,488	4,007	5,683	4,622	5,207	6,294	7,248
Margin (%)	14.2	16.1	10.9	12.7	12.2	12.5	13.2	13.2
Depreciation	622	740	711	835	998	1,138	1,177	1,208
EBIT	3,067	3,749	3,297	4,848	3,624	4,069	5,118	6,040
Int. and Finance Charges	238	134	129	217	224	167	173	181
Other Income	59	109	125	99	355	291	309	328
PBT bef. EO Exp.	2,888	3,723	3,293	4,730	3,755	4,193	5,254	6,187
PBT after EO Exp.	2,888	3,723	3,293	4,730	3,755	4,193	5,254	6,187
Total Tax	584	702	665	920	740	805	1,062	1,250
Tax Rate (%)	20.2	18.8	20.2	19.4	19.7	19.2	20.2	20.2
Reported PAT	2,304	3,021	2,628	3,810	3,015	3,388	4,193	4,937
Adjusted PAT	2,304	3,021	2,628	3,810	3,015	3,388	4,193	4,937
Change (%)	20.6	31.1	-13.0	45.0	-20.9	12.4	23.7	17.8
Margin (%)	8.9	10.9	7.1	8.5	7.9	8.1	8.8	9.0

Consolidated - Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	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	23,950	27,058	30,718
Net Worth	10,678	13,014	15,744	18,826	21,793	24,304	27,412	31,072
Total Loans	3,196	2,374	3,660	2,718	1,317	987	741	555
Deferred Tax Liabilities	241	233	249	283	297	297	297	297
Capital Employed	14,115	15,621	19,652	21,827	23,406	25,588	28,450	31,924
Gross Block	11,525	11,945	12,828	16,721	18,214	19,714	21,214	22,714
Less: Accum. Deprn.	5,231	5,971	6,681	7,516	8,514	9,652	10,829	12,037
Net Fixed Assets	6,294	5,974	6,146	9,205	9,699	10,062	10,385	10,677
Goodwill on Consolidation	28	27	28	30	30	30	30	30
Capital WIP	660	1,240	2,055	1,392	1,585	1,585	1,585	1,585
Total Investments	58	435	5	0	1,980	1,980	1,980	1,980
Curr. Assets, Loans&Adv.	11,081	12,821	17,772	16,717	15,852	18,205	21,606	25,858
Inventory	3,250	4,278	7,118	6,458	5,561	6,071	6,894	7,926
Account Receivables	4,394	4,689	6,380	6,148	5,931	6,501	7,441	8,557
Cash and Bank Balance	542	1,114	711	2,476	2,393	3,486	4,825	6,575
Cash	477	815	638	2,319	2,205	3,297	4,636	6,386
Bank balance	65	299	74	157	188	188	188	188
Loans and Advances	2,894	2,740	3,563	1,635	1,968	2,148	2,446	2,800
Curr. Liability & Prov.	4,005	4,874	6,353	5,518	5,742	6,274	7,137	8,207
Account Payables	2,731	3,770	5,189	4,302	4,461	4,871	5,531	6,359
Other Current Liabilities	1,098	918	1,011	1,094	1,145	1,255	1,436	1,652
Provisions	176	186	153	122	136	149	170	196
Net Current Assets	7,075	7,947	11,419	11,200	10,110	11,931	14,469	17,652
Appl. of Funds	14,115	15,621	19,652	21,827	23,406	25,588	28,450	31,924

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	65.0	85.2	74.1	107.5	85.0	95.6	118.3	139.3
EPS Growth (%)	20.6	31.1	-13.0	45.0	-20.9	12.4	23.7	17.8
Cash EPS	82.5	106.1	94.2	131.0	113.2	127.7	151.5	173.3
BV/Share	301.2	367.1	444.1	531.0	614.7	685.6	773.3	876.5
DPS	17.0	18.0	18.0	22.0	22.0	24.7	30.6	36.0
Payout (%)	31.5	21.1	24.3	20.5	25.9	25.9	25.9	25.9
Valuation (x)								
P/E	40.8	31.1	35.8	24.7	31.2	27.7	22.4	19.0
Cash P/E	32.1	25.0	28.2	20.2	23.4	20.8	17.5	15.3
P/BV	8.8	7.2	6.0	5.0	4.3	3.9	3.4	3.0
EV/Sales	3.7	3.4	2.6	2.1	2.4	2.2	1.9	1.6
EV/EBITDA	26.2	21.2	24.2	16.6	20.1	17.6	14.3	12.1
Dividend Yield (%)	0.6	0.7	0.7	0.8	0.8	0.9	1.2	1.4
FCF per share	49.2	72.7	-42.3	121.0	102.2	69.5	80.2	95.7
Return Ratios (%)								
RoE	23.7	25.5	18.3	22.0	14.8	14.7	16.2	16.9
RoCE	19.1	21.1	15.5	19.2	14.1	14.4	16.0	16.8
RoIC	20.5	23.7	17.7	22.4	16.4	18.3	21.2	23.0
Working Capital Ratios								
Fixed Asset Turnover (x)	4.6	4.5	6.1	5.8	4.0	4.2	4.7	5.2
Asset Turnover (x)	1.8	1.8	1.9	2.0	1.6	1.6	1.7	1.7
Inventory (Days)	46	56	70	53	53	53	53	53
Debtor (Days)	62	61	63	50	57	57	57	57
Creditor (Days)	38	49	51	35	43	43	42	42
Leverage Ratio (x)								
Current Ratio	2.8	2.6	2.8	3.0	2.8	2.9	3.0	3.2
Interest Cover Ratio	12.9	27.9	25.7	22.3	16.2	24.4	29.6	33.3
Net Debt/Equity	0.2	0.1	0.2	0.0	0.0	-0.1	-0.1	-0.2

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	2,888	3,723	3,293	4,730	3,755	4,193	5,254	6,187
Depreciation	622	740	711	835	998	1,138	1,177	1,208
Others	220	79	90	214	102	167	173	181
Direct Taxes Paid	-686	-706	-594	-953	-781	-805	-1,062	-1,250
(Inc)/Dec in WC	113	-186	-3,450	903	1,110	-728	-1,198	-1,433
CF from Operations	3,157	3,651	49	5,729	5,185	3,965	4,344	4,894
Capex	-1,414	-1,073	-1,547	-1,439	-1,563	-1,500	-1,500	-1,500
Free Cash Flow	1,744	2,578	-1,498	4,291	3,622	2,465	2,844	3,394
CF from Investments	-1,511	-1,647	-841	-1,486	-3,439	-1,500	-1,500	-1,500
Inc/(Dec) in Debt	562	-951	941	-1,039	-1,404	-329	-247	-185
Interest Paid	-226	-152	-131	-241	-235	-167	-173	-181
Dividend Paid	-940	-495	-142	-1,275	-143	-877	-1,085	-1,277
CF from Fin. Activity	-1,434	-1,650	592	-2,643	-1,889	-1,373	-1,504	-1,644
Inc/Dec of Cash	212	354	-201	1,601	-143	1,092	1,340	1,750
Opening Balance	250	477	815	638	2,319	2,205	3,297	4,636
Closing Balance	477	815	637	2,318	2,205	3,297	4,636	6,386

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
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NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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