

Galaxy Surfactants

Estimate changes	
TP change	
Rating change	

Bloomberg	GALSURF IN
Equity Shares (m)	35
M.Cap.(INRb)/(USDb)	67.6 / 0.7
52-Week Range (INR)	2750 / 1800
1, 6, 12 Rel. Per (%)	1/-20/-28
12M Avg Val (INR M)	54

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	53.2	56.6	60.3
EBITDA	4.8	5.3	5.8
PAT	2.9	3.2	3.7
EPS (INR)	81	91	104
EPS Gr. (%)	-6.2	12.7	14.8
BV/Sh. (INR)	724	792	870
Ratios			
Net D:E	-0.0	-0.1	-0.1
RoE (%)	11.6	12.0	12.6
RoCE (%)	11.9	12.0	12.5
Payout (%)	25.6	25.6	25.6
Valuations			
P/E (x)	23.7	21.0	18.3
P/BV (x)	2.6	2.4	2.2
EV/EBITDA (x)	13.8	12.4	10.8
Div. Yield (%)	1.0	1.2	1.4
FCF Yield (%)	1.3	3.9	4.6

Shareholding pattern (%)

As of	Dec-25	Sep-25	Dec-24
Promoter	70.9	70.9	70.9
DII	13.1	12.9	13.0
FII	4.1	4.2	4.2
Others	12.0	12.0	11.9

FII Includes depository receipts

CMP: INR1,908 TP: INR2,500 (+31%)

Buy

Healthy operating profit led by favorable mix and cost optimization

Earnings beat estimate

- Galaxy Surfactants (GALSURF) delivered a healthy quarter, with EBITDA growth of 13% YoY in 3QFY26. EBITDA/kg stood at ~INR20.1, up 15% YoY, driven by strong volume growth from non-tariff-affected customer accounts, improved contribution realization from the master segment in India, and lower logistics costs.
- Total volumes remained flat YoY, driven by short-term disruptions in both the domestic and Africa, Middle East, and Turkey (AMET) markets. However, this softness was partly offset by strong double-digit growth in Latin America and the Asia-Pacific region.
- We expect a CAGR of 13%/6%/7% in revenue/EBITDA/adj. PAT, along with a volume CAGR of 5% over FY25-28. We maintain our FY26/FY27/FY28E earnings for GALSURF. **Reiterate BUY with a TP of INR2,500 (based on 24x FY28E EPS).**

Healthy revenue growth offset by gross margin contraction

- Consolidated revenue grew 28% YoY to INR13.3b (est. in line), primarily led by higher realizations. Overall volumes remained flat YoY.
- Revenue from India/Rest of World (ROW)/AMET grew 44%/24%/3% YoY to INR5.7b/INR4.6b/INR2.7b. Revenue from local and niche/MNC players grew 50%/25% YoY to INR6.2b/INR6.3b. However, revenue from regional players declined 31% YoY to INR796m.
- The revenue contribution of Performance Surfactants now stands at 63% compared with 61% in 3QFY25.
- EBITDA margin contracted 120bp YoY to 9%, hurt by gross margin contraction of 620bp YoY to 24.9%. Employee costs as % of sales stood at 6% (vs. 7.1% in 3QFY25), while other expenses stood at 10% (vs. 14% in 3QFY25).
- EBITDA grew 13% YoY to INR1.2b (est. INR1.1b), and adj. PAT grew 6% YoY to INR686m (est. INR646m).
- In 9MFY26, GALSURF's revenue grew 6% YoY to INR32.5b, while EBITDA remained flat at INR3.6b, and adj. PAT declined 2% to INR2.2b.

Key highlights from the management commentary

- **Guidance:** Management expects a gradual recovery in growth momentum over the coming quarters, supported by improving India volumes (with continued double-digit growth in the specialty segment). Management expects a recovery in AMET volumes from 4Q onward and has reiterated its overall volume growth guidance of 6-8% over the next two years.
- **India:** Domestic revenue growth (+44% YoY) was driven by strong traction from non-Tier 1 and D2C customers. While the Performance segment declined due to reformulation at a key Tier 1 account and temporary GST-related inventory disruptions in October, the Specialty segment delivered robust 35% YoY volume growth.

Sumant Kumar - Research Analyst (Sumant.Kumar@MotilalOswal.com) / **Meet Jain** (Meet.Jain@MotilalOswal.com)

Research Analyst: Nirvik Saini (Nirvik.Saini@MotilalOswal.com) / **Yash Darak** (Yash.Darak@MotilalOswal.com)

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- **US tariffs:** The reciprocal tariffs adversely impacted India-origin Specialty exports during the quarter and led to temporary uncertainty among certain clients, resulting in a pause on select pipeline projects. Following the recent tariff reduction and trade agreement, the company has resumed discussions with customers on previously suspended projects. While early signs of revival are visible, the meaningful impact of this development is expected to materialize next year.

Valuation and view

- We expect the near-term headwinds to gradually ease, supported by GST reforms that are likely to unlock medium-term consumption growth in the domestic market, a gradual recovery in the AMET region, and a significant boost to the North America specialty business, driven by recent tariff reductions and stable growth momentum.
- GALSURF's long-term growth will be driven by 1) the company's consistent focus on R&D, 2) improving domestic demand, 3) better raw material availability, and 4) enhancing and expanding global operations.
- We expect a CAGR of 13%/6%/7% in revenue/EBITDA/adj. PAT, along with a volume CAGR of 5% over FY25-28 and maintain our FY26/FY27/FY28E earnings for GALSURF. **We reiterate our BUY rating with a TP of INR2,500 (based on 24x FY28E EPS).**

Y/E March	(INR m)											
	FY25				FY26				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE	(%)	
Gross Sales	9,741	10,630	10,417	11,449	12,779	13,262	13,295	13,825	42,237	53,161	13,267	0%
YoY Change (%)	3.4	8.1	10.8	23.2	31.2	24.8	27.6	20.8	11.3	25.9	27.4	
Total Expenditure	8,500	9,353	9,361	10,180	11,541	12,157	12,101	12,519	37,394	48,318	12,146	
Gross Margin (%)	33.6%	33.0%	31.1%	29.4%	26.2%	24.5%	24.9%	26.9%	31.7%	25.6%	26.9%	
EBITDA	1,241	1,276	1,056	1,269	1,239	1,105	1,194	1,306	4,842	4,843	1,121	6%
Margin (%)	12.7	12.0	10.1	11.1	9.7	8.3	9.0	9.4	11.5	9.1	8.4	
Depreciation	266	278	277	283	293	298	307	320	1,103	1,218	301	
Interest	40	41	50	62	66	73	85	90	193	314	72	
Other Income	54	87	40	78	112	58	48	60	258	278	61	
PBT before EO expense	989	1,045	769	1,001	992	792	849	956	3,804	3,589	809	
Extra-Ord expense	0	0	0	0	0	0	119	0	0	119	0	
PBT	989	1,045	769	1,001	992	792	730	956	3,804	3,470	809	
Tax	192	198	123	243	197	127	141	241	755	706	163	
Rate (%)	19.4	18.9	16.0	24.2	19.9	16.0	19.3	25.2	19.8	20.3	20.2	
Reported PAT	797	847	646	759	795	665	590	715	3,049	2,765	646	
Adj PAT	797	847	646	759	795	665	686	715	3,049	2,859	646	6%
YoY Change (%)	6.0	9.4	-9.5	-2.1	-0.3	-21.5	6.1	-5.7	1.1	-6.2	-0.1	
Margin (%)	8.2	8.0	6.2	6.6	6.2	5.0	5.2	5.2	7.2	5.4	4.9	

Story in charts: 3QFY26

Exhibit 1: Total volume trend

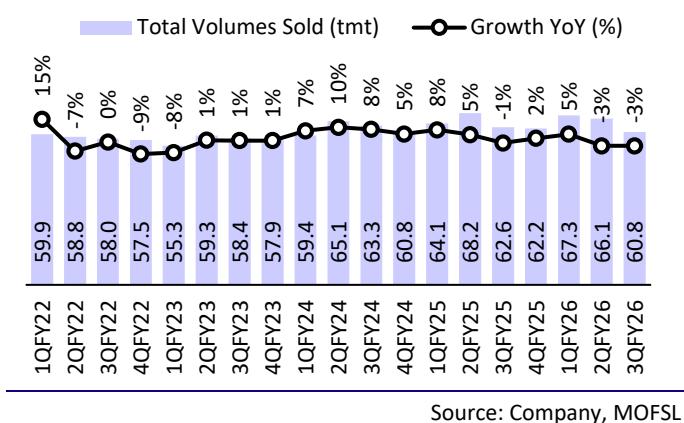


Exhibit 2: EBITDA/kg at INR20

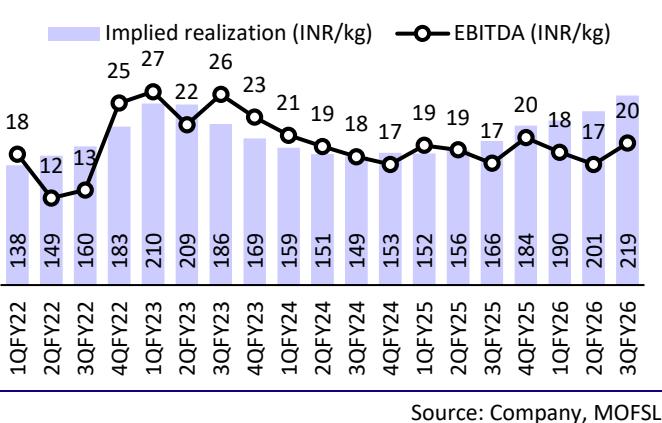


Exhibit 3: Gross sales up 28% YoY

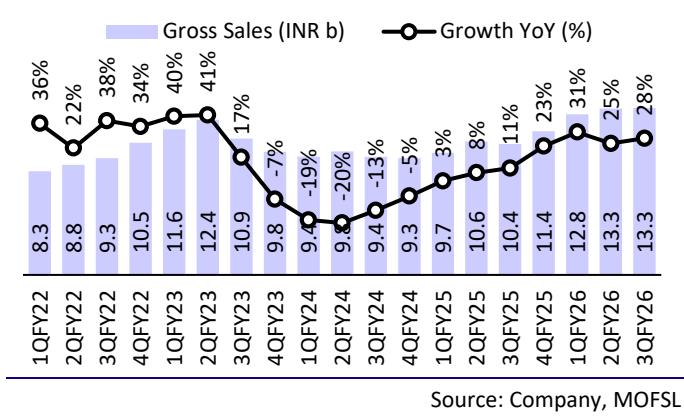


Exhibit 4: EBITDAM dipped 120bp YoY

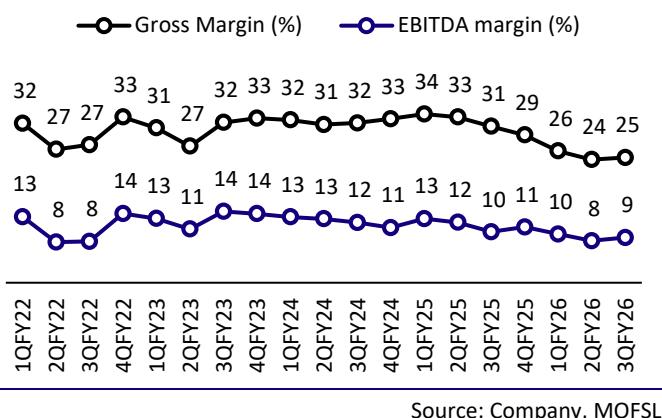


Exhibit 5: EBITDA grew 13% YoY

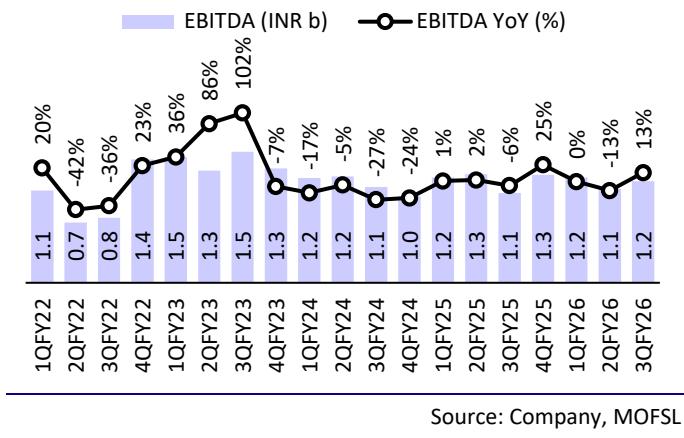


Exhibit 6: PAT trend

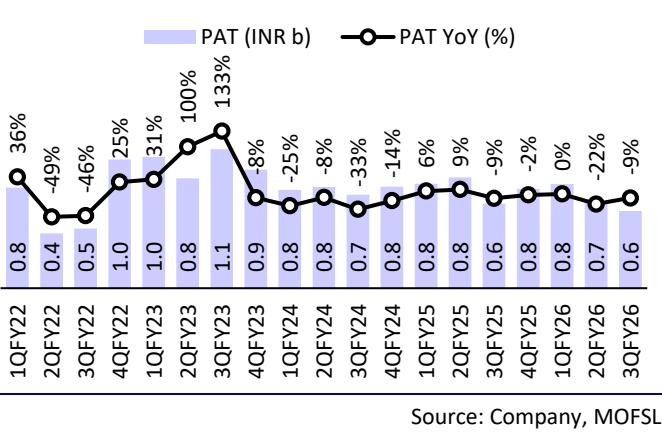


Exhibit 7: Performance surfactants' revenue at INR8.4b

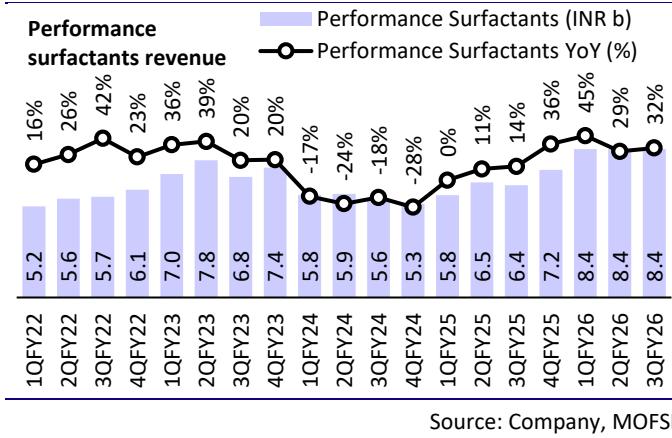


Exhibit 8: Specialty care products' revenue at INR4.9b

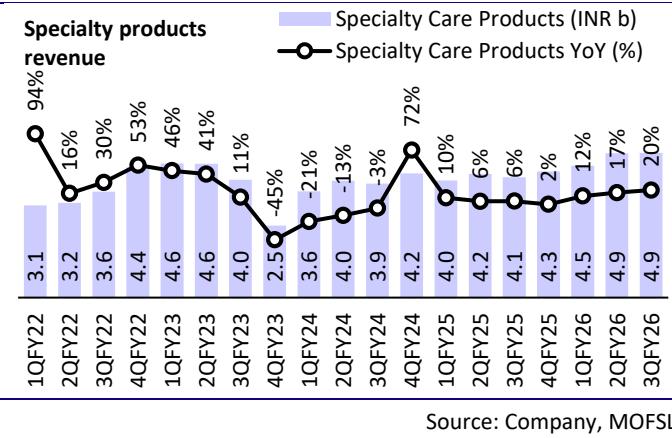


Exhibit 9: The mix of the specialty segment reduced YoY

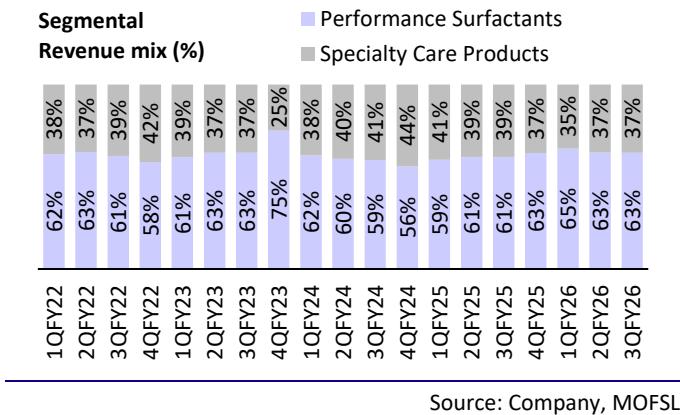


Exhibit 10: Revenue contribution across customer categories

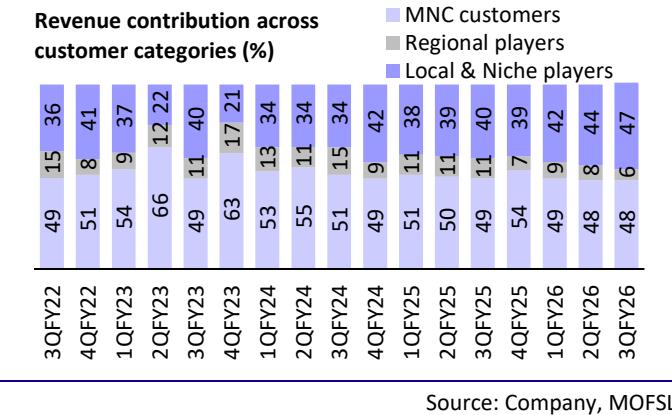


Exhibit 11: Geographical revenue mix

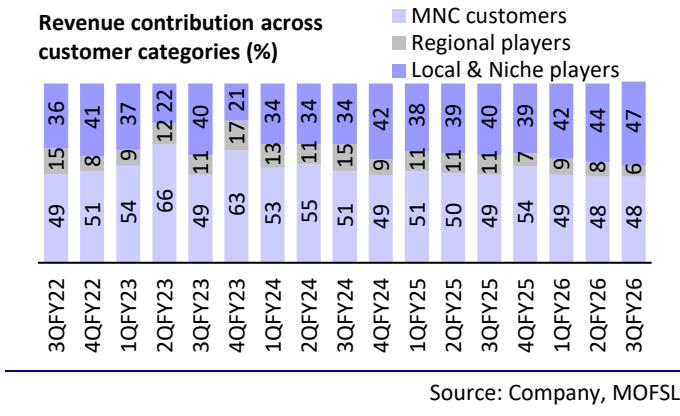
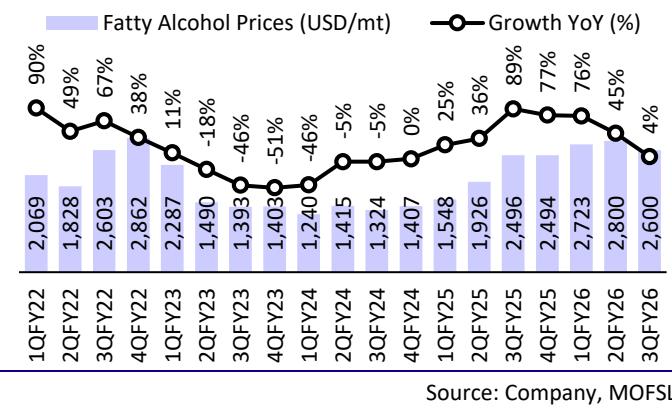


Exhibit 12: Fatty Alcohol price jumped 77% YoY





Key highlights from the management commentary

Operational highlights

- GALSURF demonstrated a resilient performance in 3QFY26 despite multiple market headwinds
- Consolidated volumes remained flat YoY, with high single-digit growth in Specialty Care Products offsetting softness in the Performance Surfactants segment.
- EBITDA grew 13% YoY, supported by stronger contributions from the Specialty segment in India and ROW region.
- Margin expansion was driven by strong volume growth from non-tariff-affected customer accounts, improved contribution from the master segment in India and prestige specialty products in the rest of the world, lower logistics costs, and successful cost efficiency initiatives.
- Lower logistic expense and execution of cost-efficient initiatives supported margin expansion and improved overall financial performance.

Domestic market

- Domestic volumes grew in the mid-single digit YoY, driven by strong traction from non-Tier-1 and D2C customers.
- Performance segment declined due to ongoing reformulation at a key Tier-1 account and temporary demand disruption following GST-related inventory adjustments in October.
- Specialty segment delivered a robust 35% YoY volume growth, cushioning Tier-1 softness and reinstating momentum across Tier-2 and Tier-3 accounts.
- Engagements with all Tier 2, Tier 3 and D2C customers enable the company to ensure to mitigate a good portion of the impact because of the reformulation by a Tier 1 customer.
- New product formulation business in India is expected to start any time soon with the major impact expected next year; double-digit growth can be expected if the whole market is better.
- Any reformulation in terms of activity adjustments is something the company does not do normally and this is just a temporary situation.
- Based on the discussion with customers, reformulations by clients are done.

International market

- In the AMET region, volumes declined in the high teens YoY, primarily due to heightened competitive intensity and market share losses in a key tier 1 account.
- Meanwhile ROW region continued to support portfolio resilience, delivering mid-single digit YoY volume growth, led by healthy demand across Latin America and Europe in both Performance and Specialty segments.
- US reciprocal tariffs weighed on India-origin Specialty exports during the quarter. The recent tariff reduction is expected to mitigate this impact going forward.
- Due to US tariffs, some clients were not sure if they wanted to continue with the projects in the pipeline.
- After the trade deal, the company is in talks with its clients on projects that were suspended after the initial reciprocal tariffs. There are early signs that the major impact of this is expected next year.

Guidance

- Management expects to regain growth momentum in the coming quarters, driven by improving India growth, gradual AMET volume recovery, incremental profitability

- from US-India tariff reduction, and steady improvement in premium specialty product mix.
- For India, performance volumes are expected to increase incrementally in both Tier-1 and non-Tier-1 accounts, with the specialty segment anticipated to continue double-digit volume growth.
 - AMET is expected to see a positive recovery of volumes from 4Q onward, which is a high priority, while the rest of the world's Performance pipeline growth will maintain the momentum seen in 3Q.
 - The North America specialty business is projected to receive a significant boost due to the recent tariff reduction and existing growth momentum.
 - Management expects the prices of fatty alcohol to start going down from May'26.
 - Management has maintained its overall volume growth guidance of 6% to 8%.
 - New suncare products in the Galsorb SunBliss range, commercializing from 4QFY26, are expected to have a significantly higher EBITDA per ton compared to existing blended numbers.
 - The company has already undertaken capacity enhancements and developed all new surfactant systems aligned to the new reformulations that have come up for customers. Approvals are underway, and the company expects commercialization to start in 4QFY26.

Exhibit 13: Changes to our estimates

Particulars	Actual/ Revised			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue (INR m)	53,161	56,628	60,323	52,738	56,178	59,845	1%	1%	1%
EBITDA (INR m)	4,843	5,261	5,837	4,614	5,329	5,910	5%	-1%	-1%
PAT (INR m)	2,859	3,223	3,700	2,788	3,315	3,797	3%	-3%	-3%
EPS (INR)	80.7	90.9	104.4	78.6	93.5	107.1	3%	-3%	-3%

Source: MOFSL

Story in charts

Exhibit 14: Specialty products' share to rise going forward...

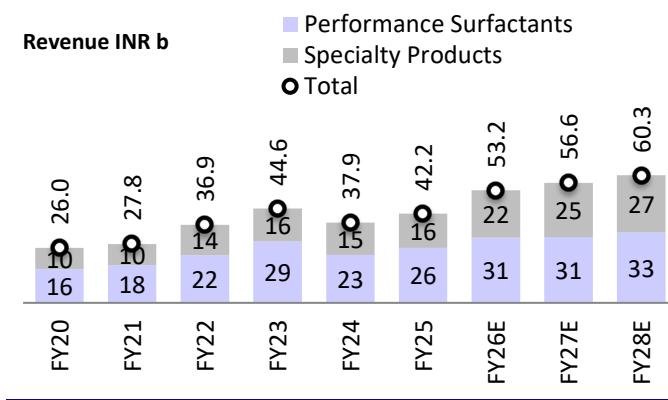


Exhibit 15: Performance segment's share at 55% by FY27E

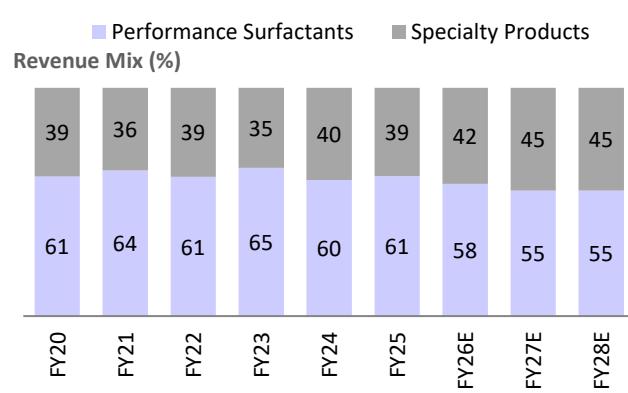


Exhibit 16: Volume CAGR of ~5% expected over FY25-28...

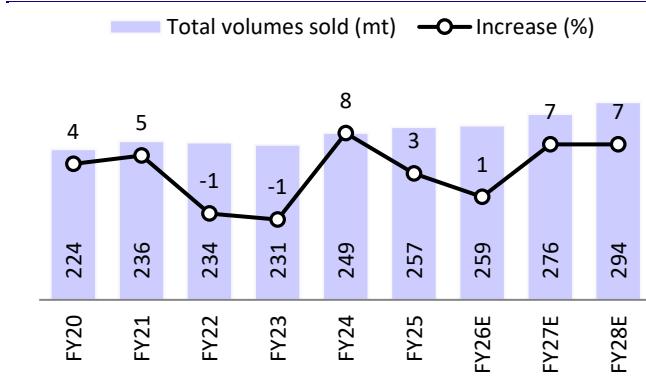


Exhibit 17: ...with higher EBITDA/kg

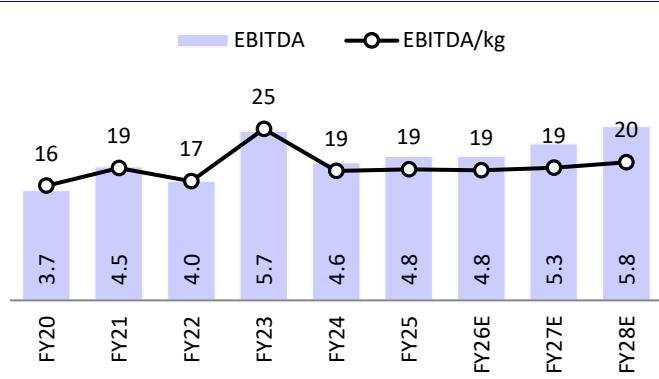


Exhibit 18: Expect PAT margin to remain improve

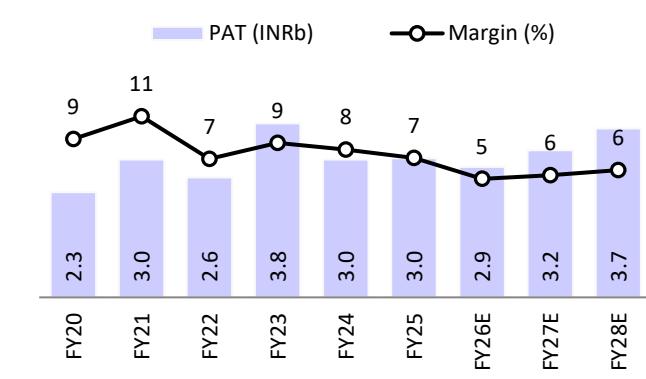


Exhibit 19: FCF Trend

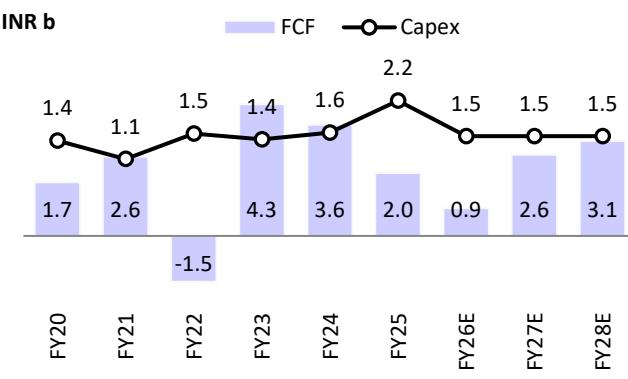


Exhibit 20: Return ratios to remain stable going forward

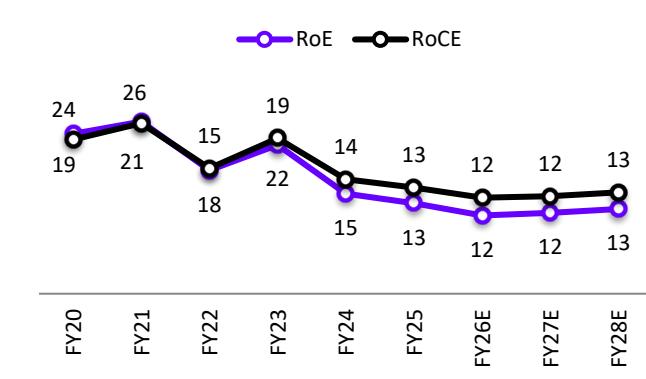
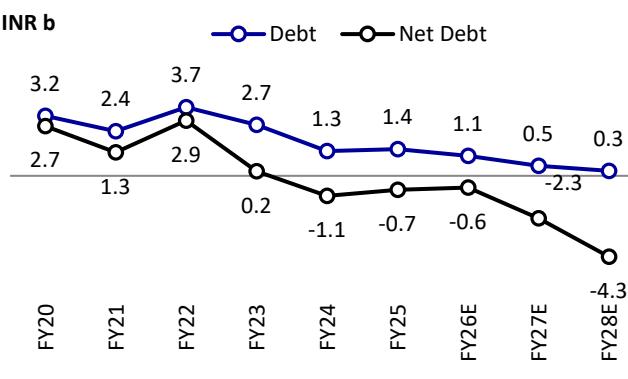


Exhibit 21: Debt profile of GALSURF



Source: Company, MOFSL

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Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	27,841	36,857	44,640	37,944	42,237	53,161	56,628	60,323
Change (%)	7.2	32.4	21.1	-15.0	11.3	25.9	6.5	6.5
Gross Margin (%)	36.3	29.8	30.6	32.1	31.7	25.6	26.4	26.4
EBITDA	4,488	4,007	5,683	4,622	4,842	4,843	5,261	5,837
Margin (%)	16.1	10.9	12.7	12.2	11.5	9.1	9.3	9.7
Depreciation	740	711	835	998	1,103	1,218	1,328	1,418
EBIT	3,749	3,297	4,848	3,624	3,739	3,624	3,932	4,418
Int. and Finance Charges	134	129	217	224	193	314	184	92
Other Income	109	125	99	355	258	278	306	327
PBT bef. EO Exp.	3,723	3,293	4,730	3,755	3,805	3,589	4,055	4,654
EO Items	0	0	0	0	0	119	0	0
PBT after EO Exp.	3,723	3,293	4,730	3,755	3,805	3,470	4,055	4,654
Total Tax	702	665	920	740	757	706	831	954
Tax Rate (%)	18.8	20.2	19.4	19.7	19.9	20.3	20.5	20.5
Reported PAT	3,021	2,628	3,810	3,015	3,047	2,765	3,223	3,700
Adjusted PAT	3,021	2,628	3,810	3,015	3,047	2,859	3,223	3,700
Change (%)	31.1	-13.0	45.0	-20.9	1.1	-6.2	12.7	14.8
Margin (%)	10.9	7.1	8.5	7.9	7.2	5.4	5.7	6.1

Consolidated - Balance Sheet								0	(INR m)	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	0	(INR m)
Equity Share Capital	355	355	355	355	355	355	355	355	355	355
Total Reserves	12,660	15,389	18,471	21,438	23,271	25,328	27,726	30,479	30,479	30,479
Net Worth	13,014	15,744	18,826	21,793	23,625	25,682	28,081	30,833	30,833	30,833
Total Loans	2,374	3,660	2,718	1,317	1,418	1,064	532	266	266	266
Deferred Tax Liabilities	233	249	283	297	318	318	318	318	318	318
Capital Employed	15,621	19,652	21,827	23,406	25,362	27,065	28,931	31,418	31,418	31,418
Gross Block	11,945	12,828	16,721	18,214	19,891	21,391	22,891	24,391	24,391	24,391
Less: Accum. Deprn.	5,971	6,681	7,516	8,514	9,618	10,836	12,164	13,583	13,583	13,583
Net Fixed Assets	5,974	6,146	9,205	9,699	10,273	10,555	10,727	10,808	10,808	10,808
Goodwill on Consolidation	27	28	30	30	31	31	31	31	31	31
Capital WIP	1,240	2,055	1,392	1,585	2,619	2,619	2,619	2,619	2,619	2,619
Total Investments	435	5	0	1,980	2,985	2,985	2,985	2,985	2,985	2,985
Curr. Assets, Loans&Adv.	12,821	17,772	16,717	15,852	18,712	22,735	25,186	28,376	28,376	28,376
Inventory	4,278	7,118	6,458	5,561	7,239	9,353	9,944	10,547	10,547	10,547
Account Receivables	4,689	6,380	6,148	5,931	6,865	8,640	9,204	9,804	9,804	9,804
Cash and Bank Balance	1,114	711	2,476	2,393	2,158	1,689	2,795	4,577	4,577	4,577
Cash	815	638	2,319	2,205	1,934	1,464	2,571	4,353	4,353	4,353
Bank balance	299	74	157	188	224	224	224	224	224	224
Loans and Advances	2,740	3,563	1,635	1,968	2,450	3,052	3,244	3,447	3,447	3,447
Curr. Liability & Prov.	4,874	6,353	5,518	5,742	9,258	11,860	12,617	13,402	13,402	13,402
Account Payables	3,770	5,189	4,302	4,461	6,200	8,011	8,516	9,033	9,033	9,033
Other Current Liabilities	918	1,011	1,094	1,145	2,879	3,624	3,860	4,112	4,112	4,112
Provisions	186	153	122	136	180	226	241	257	257	257
Net Current Assets	7,947	11,419	11,200	10,110	9,454	10,874	12,569	14,975	14,975	14,975
Appl. of Funds	15,621	19,652	21,827	23,406	25,362	27,065	28,931	31,418	31,418	31,418

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	85.2	74.1	107.5	85.0	86.0	80.7	90.9	104.4
EPS Growth (%)	31.1	-13.0	45.0	-20.9	1.1	-6.2	12.7	14.8
Cash EPS	106.1	94.2	131.0	113.2	117.1	115.0	128.4	144.4
BV/Share	367.1	444.1	531.0	614.7	666.4	724.5	792.1	869.8
DPS	18.0	18.0	22.0	22.0	22.0	20.0	23.3	26.7
Payout (%)	21.1	24.3	20.5	25.9	25.6	25.6	25.6	25.6
Valuation (x)								
P/E	22.4	25.7	17.8	22.4	22.2	23.7	21.0	18.3
Cash P/E	18.0	20.3	14.6	16.9	16.3	16.6	14.9	13.2
P/BV	5.2	4.3	3.6	3.1	2.9	2.6	2.4	2.2
EV/Sales	2.5	1.9	1.5	1.8	1.6	1.3	1.2	1.0
EV/EBITDA	15.3	17.6	11.9	14.4	13.8	13.8	12.4	10.8
Dividend Yield (%)	0.9	0.9	1.2	1.2	1.2	1.0	1.2	1.4
FCF per share	72.7	-42.3	121.0	102.2	57.7	25.6	74.7	87.1
Return Ratios (%)								
RoE	25.5	18.3	22.0	14.8	13.4	11.6	12.0	12.6
RoCE	21.1	15.5	19.2	14.1	13.1	11.9	12.0	12.5
RoIC	23.7	17.7	22.4	16.4	17.1	15.5	15.5	16.8
Working Capital Ratios								
Fixed Asset Turnover (x)	4.5	6.1	5.8	4.0	4.2	5.1	5.3	5.6
Asset Turnover (x)	1.8	1.9	2.0	1.6	1.7	2.0	2.0	1.9
Inventory (Days)	56	70	53	53	63	64	64	64
Debtor (Days)	61	63	50	57	59	59	59	59
Creditor (Days)	49	51	35	43	54	55	55	55
Leverage Ratio (x)								
Current Ratio	2.6	2.8	3.0	2.8	2.0	1.9	2.0	2.1
Interest Cover Ratio	27.9	25.7	22.3	16.2	19.4	11.6	21.4	48.2
Net Debt/Equity	0.1	0.2	0.0	0.0	0.0	0.0	-0.1	-0.1

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	3,723	3,293	4,730	3,015	3,049	3,470	4,055	4,654
Depreciation	740	711	835	998	1,103	1,218	1,328	1,418
Others	79	90	214	842	692	314	184	92
Direct Taxes Paid	-706	-594	-953	-781	-681	-706	-831	-954
(Inc)/Dec in WC	-186	-3,450	903	1,110	42	-1,890	-588	-623
CF from Operations	3,651	49	5,729	5,185	4,205	2,406	4,147	4,586
Capex	-1,073	-1,547	-1,439	-1,563	-2,158	-1,500	-1,500	-1,500
Free Cash Flow	2,578	-1,498	4,291	3,622	2,047	906	2,647	3,086
CF from Investments	-1,647	-841	-1,486	-3,439	-2,946	-1,500	-1,500	-1,500
Inc/(Dec) in Debt	-951	941	-1,039	-1,404	92	-355	-532	-266
Interest Paid	-152	-131	-241	-235	-201	-314	-184	-92
Dividend Paid	-495	-142	-1,275	-143	-1,351	-708	-825	-947
CF from Fin. Activity	-1,650	592	-2,643	-1,889	-1,573	-1,376	-1,540	-1,305
Inc/Dec of Cash	354	-201	1,601	-143	-314	-470	1,107	1,782
Opening Balance	477	815	638	2,319	2,205	1,934	1,464	2,571
Closing Balance	815	637	2,318	2,204	1,934	1,464	2,571	4,353

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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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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

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