

Galaxy Surfactants

Estimate changes

TP change

Rating change



Bloomberg	GALSURF IN
Equity Shares (m)	35
M.Cap.(INRb)/(USDb)	80.4 / 0.9
52-Week Range (INR)	3370 / 2021
1, 6, 12 Rel. Per (%)	-9/-8/-20
12M Avg Val (INR M)	68

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	42.2	51.5	59.3
EBITDA	4.8	5.3	6.0
PAT	3.0	3.3	3.9
EPS (INR)	86	93	109
EPS Gr. (%)	1.1	7.8	17.4
BV/Sh.(INR)	666	735	816

Ratios

Net D:E	-0.0	-0.0	-0.1
RoE (%)	13.4	13.2	14.0
RoCE (%)	13.1	13.3	14.0
Payout (%)	25.6	25.6	25.6

Valuations

P/E (x)	26.4	24.5	20.9
P/BV (x)	3.4	3.1	2.8
EV/EBITDA (x)	16.5	15.1	12.9
Div. Yield (%)	1.0	1.0	1.2
FCF Yield (%)	2.5	2.1	3.2

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	70.9	70.9	70.9
DII	12.7	13.0	12.7
FII	4.3	4.1	3.9
Others	12.1	12.1	12.5

FII Includes depository receipts

CMP: INR2,269

TP: INR2,720 (+20%)

Buy

RoW continues to support sales growth

Operating performance in line

- Galaxy Surfactants (GALSURF) reported an EBITDA/kg of INR18.4 (est. INR19.3), down 5% YoY, while total volumes increased ~5% YoY to 67.3tmt (vs. est 64.4tmt), supported by robust growth in the RoW region (up 16% YoY) driven by LATAM and APAC. EBITDA remained stable at INR1.2b, while PAT was flat YoY at INR795m (our estimate: INR756m).
- Overall demand was mixed in 1QFY26. India volumes rose 3% YoY, driven by a growing shift towards re-engineering formulations, while AMET volumes remained flat, hit by subdued market conditions in Egypt and Turkey.
- The company remained resilient and committed to its long-term goals despite inflationary headwinds. The company is advancing towards "Strategy 2030" with a strengthened focus on innovation and operational agility, while enhancing customer service and future-proofing its portfolio.
- Factoring in its 1QFY26 performance, we broadly retain our FY26/27 estimates and reiterate our BUY rating with a TP of INR2,720 (based on 25x FY27E EPS).

Strong revenue growth offset by margin compression

- Revenue came in at INR12.8b (est. of INR12b), up 31% YoY/12% QoQ, led by 45%/12% growth in Performance Surfactants/Specialty Care Products to INR8.4b/INR4.4b during the quarter.
- Gross margin stood at 26.2% (-740bp YoY, -320bp QoQ), EBITDAM came in at 9.7% (-300bp YoY, -140bp QoQ).
- EBITDA stood at INR1.2b (est. of INR1.2b), flat YoY, -2% QoQ.
- Adjusted PAT stood at INR795m (est. of INR756m), flat YoY, +5% QoQ.

Highlights from the management commentary

- Guidance:** The company plans to maintain regular maintenance and debottlenecking capex of INR1.2-1.5b, with no major new investments amid current market uncertainties. For FY26, management aims to sustain last year's 4% growth rate, with a potential uptick to 6%, though achieving the typical 6–8% range would require a meaningful demand recovery in India.
- Margin:** The company maintained EBITDA per metric ton at ~INR20,000 in 1QFY26 (vs. INR20,200 in 1QFY25) despite prevailing challenges. Margin recovery remains contingent on a rebound in the premium specialties business and resolution of the US tariff situation, with management expecting margins to return to last year's levels in Q2 and Q3 if prices remain stable.
- Inventory:** GALSURF is carefully managing inventory levels and raw material price risk amid expectations of potential price corrections. Customers are maintaining minimal inventory due to demand uncertainty and elevated prices, shortening their inventory planning horizon from six months to three months.

Valuation and view

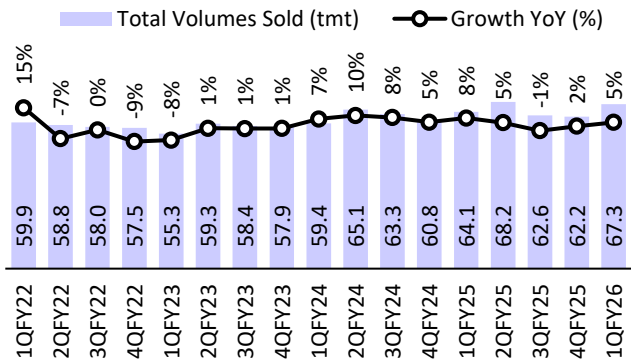
- We expect volume growth to be driven by the company's sustained focus on R&D, improving domestic demand supported by a favorable monsoon and government-led rural stimulus, and the establishment of new teams in Europe, Latin America, and the US as part of its expansion strategy.
- We expect a CAGR of 18%/12%/12% in revenue/EBITDA/adj. PAT over FY25-27.
- Along with a volume CAGR of 6.6% over FY25-27, the stock is currently trading at ~20.9x FY27E EPS of INR109 and ~13x FY27E EV/EBITDA. We value the stock at 25x FY27E EPS to arrive at a TP of INR2,720. **Reiterate BUY.**

Consolidated Quarterly Snapshot

Y/E March	FY25				FY26				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY25	FY26E	FY26	Var.
											1QE	(%)
Gross Sales	9,741	10,630	10,417	11,449	12,779	13,228	12,375	13,138	42,237	51,520	11,950	7%
YoY Change (%)	3.4	8.1	10.8	23.2	31.2	24.4	18.8	14.8	11.3	22.0	22.7	
Gross Margin (%)	33.6%	33.0%	31.1%	29.4%	26.2%	26.5%	27.0%	27.0%	31.7%	26.7%	29.6%	-3.3%
EBITDA	1,241	1,276	1,056	1,269	1,239	1,307	1,312	1,393	4,842	5,250	1,244	0%
Margin (%)	12.7	12.0	10.1	11.1	9.7	9.9	10.6	10.6	11.5	10.2	10.4	-0.7
Depreciation	266	278	277	283	293	294	301	308	1,103	1,195	287	
Interest	40	41	50	62	66	67	72	74	193	279	65	
Other Income	54	87	40	78	112	72	65	88	258	337	54	
PBT	989	1,045	769	1,001	992	1,018	1,004	1,098	3,804	4,112	946	5%
Tax	192	198	123	243	197	206	203	222	755	828	191	
Rate (%)	19.4	18.9	16.0	24.2	19.9	20.2	20.2	20.2	19.8	20.1	20.2	
Reported PAT	797	847	646	759	795	812	801	876	3,049	3,284	756	5%
Adj PAT	797	847	646	759	795	812	801	876	3,049	3,284	756	5%
YoY Change (%)	6.0	9.4	-9.5	-2.1	-0.3	-4.1	24.0	15.5	1.1	7.7	-5.2	
Margin (%)	8.2	8.0	6.2	6.6	6.2	6.1	6.5	6.7	7.2	6.4	6.3	-0.1
Total Volumes (tmt)	64.1	68.2	62.6	62.2	67.3	69.5	67.6	69.9	257.1	260.3	64.4	4%
Operating Performance (INR/kg)												
Implied realization (INR/kg)	151.9	155.9	166.3	184.2	189.8	190.2	182.9	187.8	164.3	187.7	185.5	2%
Gross margin (INR/kg)	51.0	51.4	51.7	54.1	49.8	50.4	49.4	50.7	52.0	50.1	54.8	-9%
EBITDA (INR/kg)	19.4	18.7	16.9	20.4	18.4	18.8	19.4	19.9	18.8	19.1	19.3	-5%

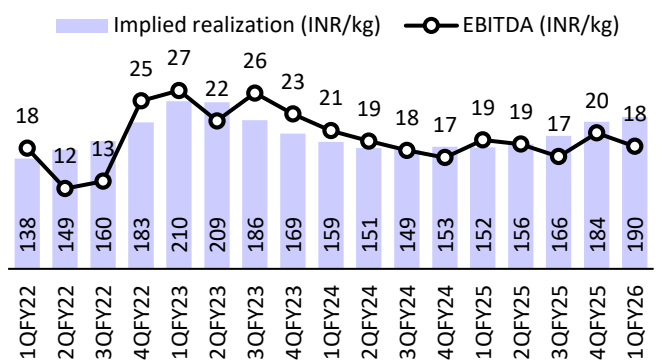
Story in charts: 1QFY26

Exhibit 1: Total volumes up 5% YoY...



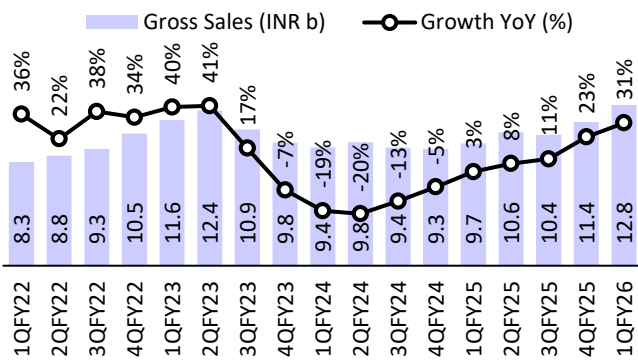
Source: Company, MOFSL

Exhibit 2: ...with EBITDA/kg at INR18.4



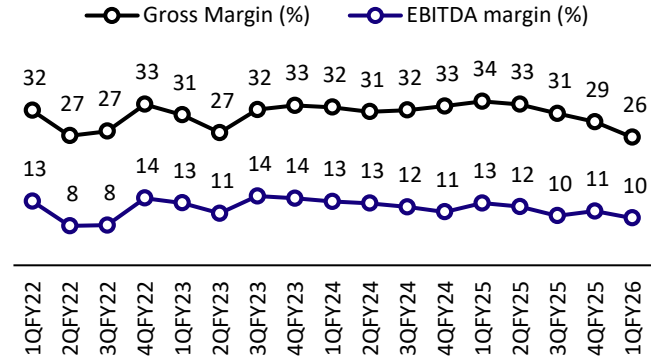
Source: Company, MOFSL

Exhibit 3: Gross sales up 23% YoY



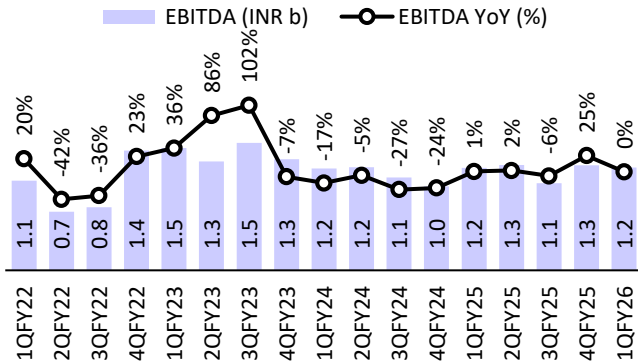
Source: Company, MOFSL

Exhibit 4: EBITDAM dipped 300bp YoY



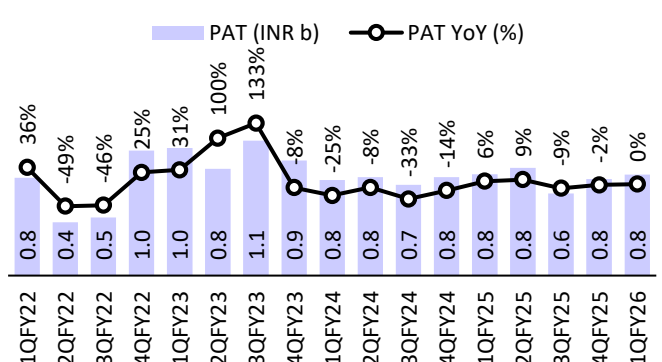
Source: Company, MOFSL

Exhibit 5: EBITDA remained flat YoY

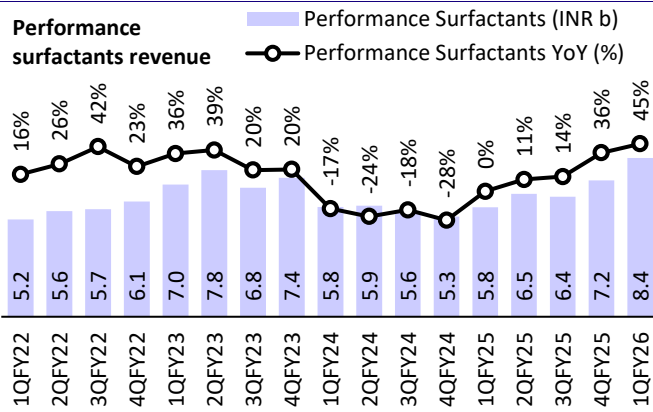


Source: Company, MOFSL

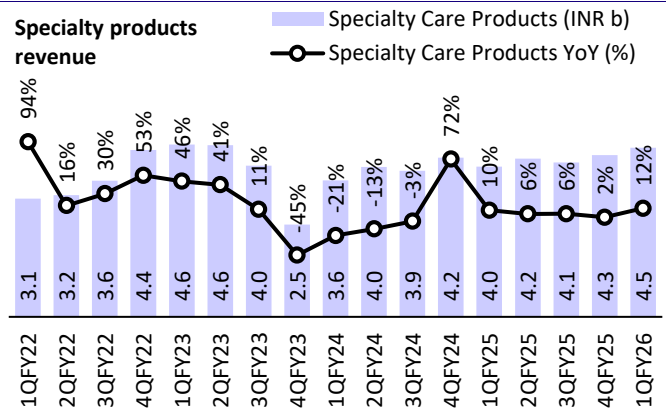
Exhibit 6: PAT trend



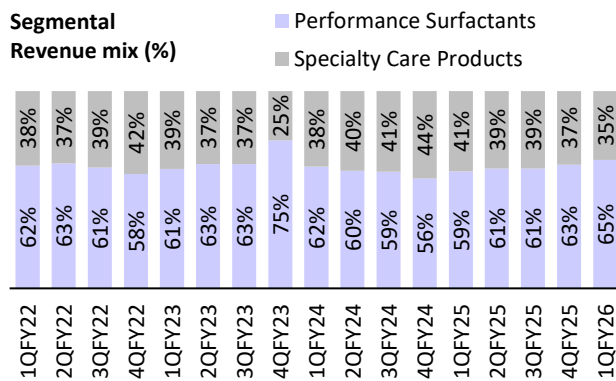
Source: Company, MOFSL

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


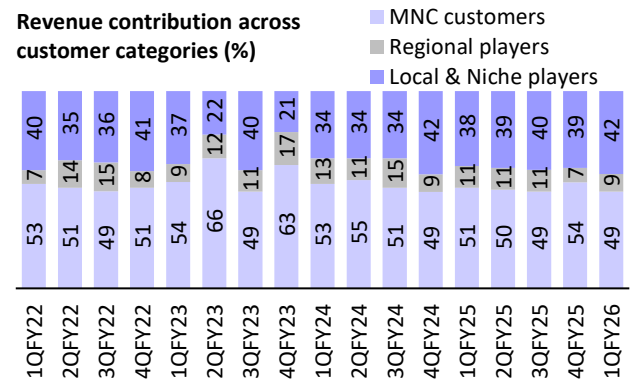
Source: Company, MOFSL

Exhibit 8: Specialty care products revenue stood at INR4.5b


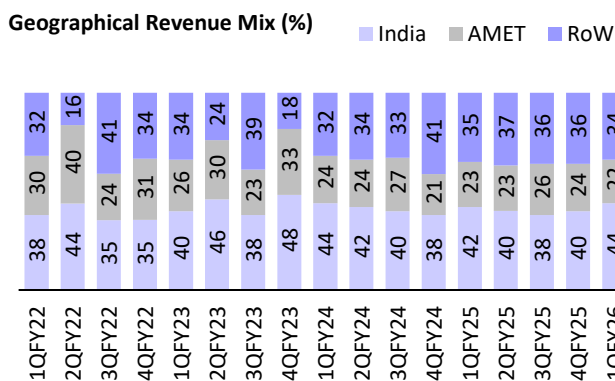
Source: Company, MOFSL

Exhibit 9: Mix of the specialty segment reduced YoY


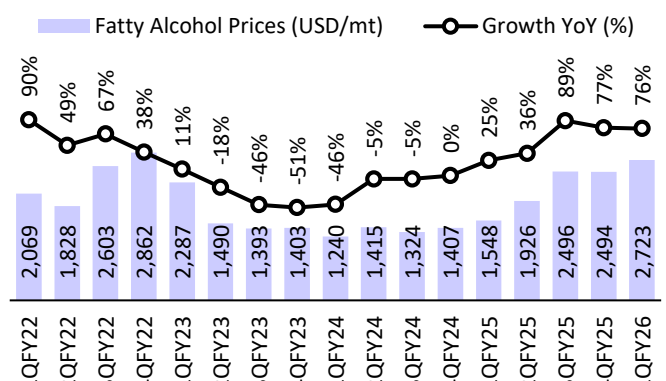
Source: Company, MOFSL

Exhibit 10: Revenue contribution across customer categories


Source: Company, MOFSL

Exhibit 11: Geographical revenue mix


Source: Company, MOFSL

Exhibit 12: Fatty Alcohol price jumped 77% YoY


Source: Company, MOFSL



Key highlights from the management commentary

- EBIDTA /MT remains at the same level on a YoY basis to INR20,009/MT 1QFY26 vs INR20,197/MT 1QFY25
- In 1QFY26, consolidated volumes grew by 5% YoY and 9% QoQ, with sequential growth nearing double digits across Performance and Specialty care segments.
- In India, volumes grew 3% YoY and 15% QoQ.
- Raw material availability in 1Q was impacted by a sudden and prolonged disruption at one of the company's key suppliers in East Asia. While the situation has begun to ease, feedstock prices remained elevated and may stay high through 2QFY26. The company expects a price correction in due course and is managing raw material price risks in a measured manner.
- In response to sustained high feedstock prices, some customers are revising their formulations. The company views this as a temporary trend but is maintaining flexibility in its product portfolio to cater to such requirements if needed.
- In AMET, while Egypt and Turkey faced headwinds, resilience in the Gulf and Sub-Saharan markets helped maintain momentum.
- Europe stayed flattish, while product mix improved, aligned with the company's 2030 vision.
- Premium specialty is gaining traction.
- Supply-side challenges persisted with tight raw material availability and regional congestion, but price pass-through mechanisms and inventory vigilance helped mitigate the impact.
- The specialty care segment is not doing well in the US (the company has 8-10% exposure in the US). GALSURF may look to reroute its US sales from Egypt instead of India.
- The company remains committed to retaining its long-standing customers and is prepared to take margin adjustments as necessary to maintain these relationships.
- The US remains a strategic market for the company, and management is exploring measures to mitigate the impact of tariffs.
- For FY26, the company would be happy to maintain last year's 4% growth or reach 6%; thus, achieving its 6-8% range will be difficult without significant demand recovery in India.
- For 2026, the planned capital expenditure of INR1.2–1.5b will be directed towards debottlenecking initiatives and other projects.
- The company expects margins to recover to the previous year's levels in Q2 and Q3 if prices remain stable, though this depends on premium specialties recovery and North American business performance.
- Margins were impacted by product mix changes, particularly due to reduced premium specialty sales in North America because of tariff uncertainties.
- Due to uncertain demand, customers are keeping minimal inventory in their pipelines, just enough to serve consumers. Where customers previously planned for six months of inventory, they are now planning for only three months.
- Supply chains faced challenges with longer lead times and congestion in Europe, China, and Southeast Asia, affecting both export and import shipments.

Exhibit 13: Changes to our estimates

Particulars	Actual/ Revised			Previous			Change (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Revenue (INR m)	42,237	51,520	59,270	42,237	49,026	57,447	0%	5%	3%
EBITDA (INR m)	4,842	5,250	6,047	4,842	5,291	5,984	0%	-1%	1%
PAT (INR m)	3,047	3,284	3,856	3,047	3,260	3,726	0%	1%	3%
EPS (INR)	86.0	92.6	108.8	86.0	92.0	105.1	0%	1%	3%

Source: MOFSL

Story in charts

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

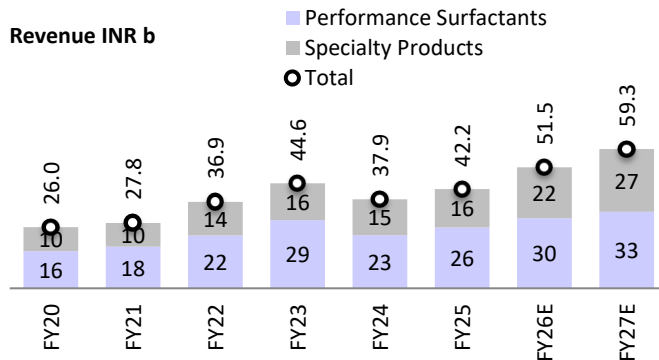


Exhibit 15: ...with Performance share at 55% by FY27E

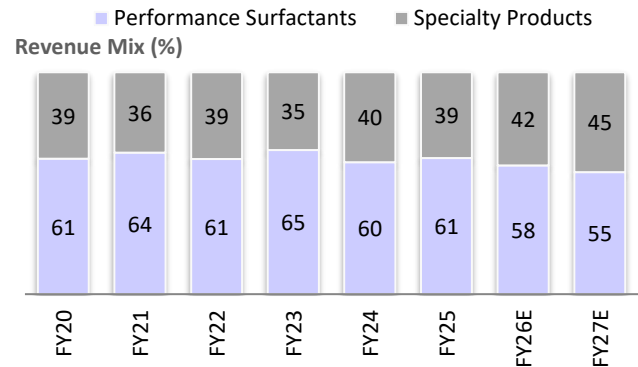


Exhibit 16: Volume CAGR of ~6% expected over FY25-27...

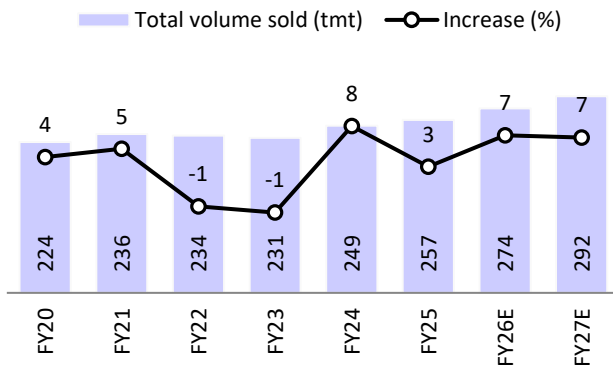


Exhibit 17: ...with higher EBITDA/kg

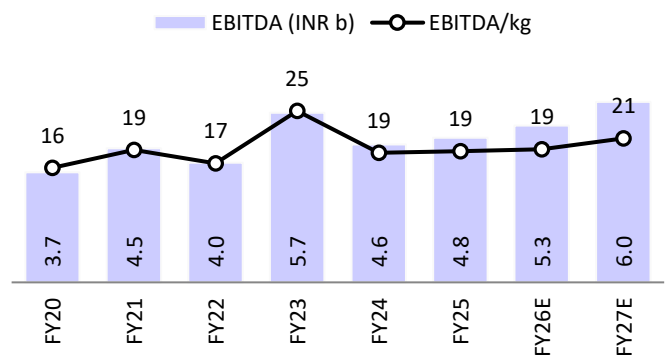


Exhibit 18: Expect PAT margin to remain stable

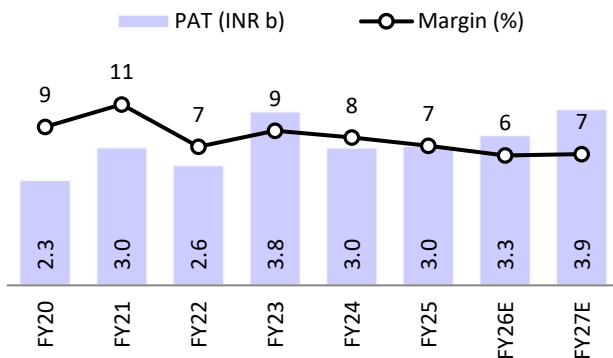


Exhibit 19: To generate an FCF of INR4.6b over FY26-27E

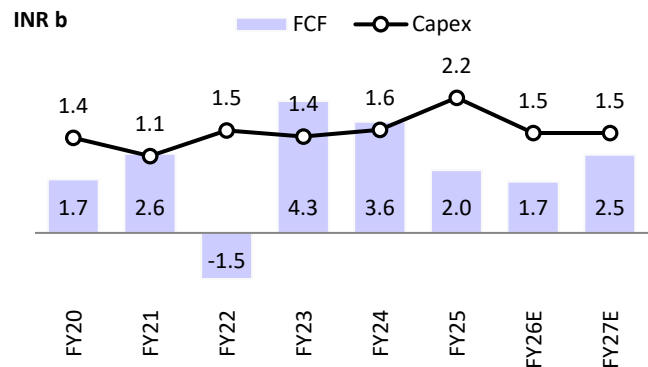


Exhibit 20: Return ratios to remain stable going forward

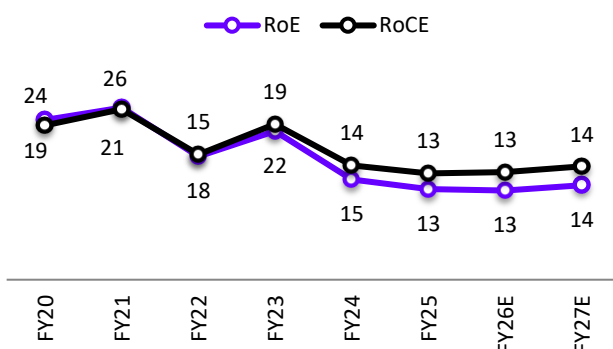
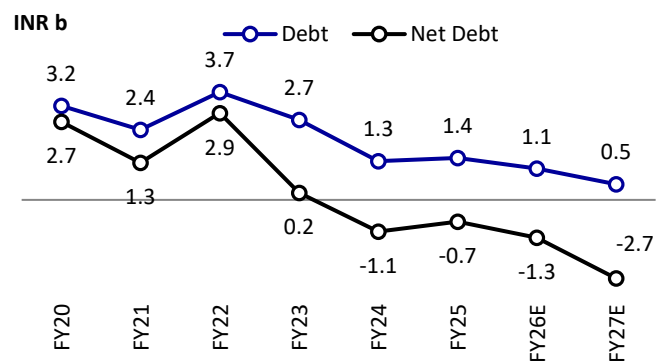


Exhibit 21: Debt profile of GALSURF



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	51,520	59,270
Change (%)	-6.0	7.2	32.4	21.1	-15.0	11.3	22.0	15.0
Gross Margin (%)	33.9	36.3	29.8	30.6	32.1	31.7	26.7	26.1
EBITDA	3,689	4,488	4,007	5,683	4,622	4,842	5,250	6,047
Margin (%)	14.2	16.1	10.9	12.7	12.2	11.5	10.2	10.2
Depreciation	622	740	711	835	998	1,103	1,195	1,328
EBIT	3,067	3,749	3,297	4,848	3,624	3,739	4,055	4,719
Int. and Finance Charges	238	134	129	217	224	193	279	184
Other Income	59	109	125	99	355	258	337	296
PBT bef. EO Exp.	2,888	3,723	3,293	4,730	3,755	3,805	4,112	4,832
PBT after EO Exp.	2,888	3,723	3,293	4,730	3,755	3,805	4,112	4,832
Total Tax	584	702	665	920	740	757	828	976
Tax Rate (%)	20.2	18.8	20.2	19.4	19.7	19.9	20.1	20.2
Reported PAT	2,304	3,021	2,628	3,810	3,015	3,047	3,284	3,856
Adjusted PAT	2,304	3,021	2,628	3,810	3,015	3,047	3,284	3,856
Change (%)	20.6	31.1	-13.0	45.0	-20.9	1.1	7.8	17.4
Margin (%)	8.9	10.9	7.1	8.5	7.9	7.2	6.4	6.5

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	25,715	28,583
Net Worth	10,678	13,014	15,744	18,826	21,793	23,625	26,069	28,938
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	27,451	29,788
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	12,141
Net Fixed Assets	6,294	5,974	6,146	9,205	9,699	10,273	10,578	10,750
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	22,640	26,520
Inventory	3,250	4,278	7,118	6,458	5,561	7,239	8,957	10,303
Account Receivables	4,394	4,689	6,380	6,148	5,931	6,865	8,374	9,633
Cash and Bank Balance	542	1,114	711	2,476	2,393	2,158	2,348	3,194
Cash	477	815	638	2,319	2,205	1,934	2,124	2,970
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	2,962	3,389
Curr. Liability & Prov.	4,005	4,874	6,353	5,518	5,742	9,258	11,402	13,116
Account Payables	2,731	3,770	5,189	4,302	4,461	6,200	7,671	8,824
Other Current Liabilities	1,098	918	1,011	1,094	1,145	2,879	3,512	4,040
Provisions	176	186	153	122	136	180	219	252
Net Current Assets	7,075	7,947	11,419	11,200	10,110	9,454	11,238	13,404
Appl. of Funds	14,115	15,621	19,652	21,827	23,406	25,362	27,451	29,788

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	92.6	108.8
EPS Growth (%)	20.6	31.1	-13.0	45.0	-20.9	1.1	7.8	17.4
Cash EPS	82.5	106.1	94.2	131.0	113.2	117.1	126.4	146.2
BV/Share	301.2	367.1	444.1	531.0	614.7	666.4	735.4	816.3
DPS	17.0	18.0	18.0	22.0	22.0	22.0	23.7	27.8
Payout (%)	31.5	21.1	24.3	20.5	25.9	25.6	25.6	25.6
Valuation (x)								
P/E	34.9	26.6	30.6	21.1	26.7	26.4	24.5	20.9
Cash P/E	27.5	21.4	24.1	17.3	20.0	19.4	18.0	15.5
P/BV	7.5	6.2	5.1	4.3	3.7	3.4	3.1	2.8
EV/Sales	3.2	2.9	2.3	1.8	2.1	1.9	1.5	1.3
EV/EBITDA	22.5	18.2	20.8	14.2	17.2	16.5	15.1	12.9
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	46.9	71.9
Return Ratios (%)								
RoE	23.7	25.5	18.3	22.0	14.8	13.4	13.2	14.0
RoCE	19.1	21.1	15.5	19.2	14.1	13.1	13.3	14.0
RoIC	20.5	23.7	17.7	22.4	16.4	17.1	17.5	18.6
Working Capital Ratios								
Fixed Asset Turnover (x)	4.6	4.5	6.1	5.8	4.0	4.2	4.9	5.6
Asset Turnover (x)	1.8	1.8	1.9	2.0	1.6	1.7	1.9	2.0
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	2.0	2.0
Interest Cover Ratio	12.9	27.9	25.7	22.3	16.2	19.4	14.5	25.7
Net Debt/Equity	0.2	0.1	0.2	0.0	0.0	0.0	0.0	-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	4,112	4,832
Depreciation	622	740	711	835	998	1,103	1,195	1,328
Others	220	79	90	214	842	692	279	184
Direct Taxes Paid	-686	-706	-594	-953	-781	-681	-828	-976
(Inc)/Dec in WC	113	-186	-3,450	903	1,110	42	-1,595	-1,319
CF from Operations	3,157	3,651	49	5,729	5,185	4,205	3,164	4,049
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	1,664	2,549
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	-279	-184
Dividend Paid	-940	-495	-142	-1,275	-143	-1,351	-841	-987
CF from Fin. Activity	-1,434	-1,650	592	-2,643	-1,889	-1,573	-1,474	-1,702
Inc/Dec of Cash	212	354	-201	1,601	-143	-314	189	846
Opening Balance	250	477	815	638	2,319	2,205	1,934	2,124
Closing Balance	477	815	637	2,318	2,204	1,934	2,124	2,970

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NOTES

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