

Galaxy Surfactants

Estimate changes

TP change

Rating change



Bloomberg	GALSURF IN
Equity Shares (m)	35
M.Cap.(INRb)/(USDb)	78.4 / 0.9
52-Week Range (INR)	2960 / 2021
1, 6, 12 Rel. Per (%)	-3/-5/-30
12M Avg Val (INR M)	56

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	52.6	56.1	59.7
EBITDA	4.7	5.4	5.9
PAT	2.8	3.3	3.8
EPS (INR)	80	94	108
EPS Gr. (%)	-7.3	18.1	14.5
BV/Sh. (INR)	726	796	876

Ratios

Net D:E	-0.0	-0.1	-0.1
RoE (%)	11.4	12.4	12.9
RoCE (%)	11.6	12.4	12.8
Payout (%)	25.6	25.6	25.6

Valuations

P/E (x)	27.9	23.7	20.7
P/BV (x)	3.1	2.8	2.5
EV/EBITDA (x)	16.8	14.3	12.5
Div. Yield (%)	0.9	1.1	1.2
FCF Yield (%)	1.3	3.5	4.1

Shareholding pattern (%)

As of	Sep-25	Jun-25	Sep-24
Promoter	70.9	70.9	70.9
DII	12.9	12.7	13.0
FII	4.2	4.3	4.1
Others	12.0	12.1	12.0

FII Includes depository receipts

CMP: INR2,212

TP: INR2,570 (+16%)

Buy

Macro headwinds hurt volume growth

Earnings below our estimate

- Galaxy Surfactants (GALSURF) delivered a weak quarter, with EBITDA declining 13% YoY. EBITDA/kg stood at ~INR17, down 11% YoY in 2QFY26, primarily due to global tariff headwinds, reformulation within the performance segment, and lower domestic volumes following GST-driven inventory adjustments.
- The overall volumes remained flat YoY and QoQ, impacted by short-term disruptions in both the domestic and North American markets; however, this softness was partly offset by strong double-digit growth in Latin America and the Asia-Pacific region.
- Factoring in the weak 2Q performance and the challenging macro environment, we cut our FY26/FY27/FY28E earnings for GALSURF by 11%/11%/9%. **We reiterate our BUY rating with a TP of INR2,570 (based on 27x FY27E EPS).**

Revenue momentum healthy, while margin pressure drags earnings

- Consolidated revenue grew 25% YoY to INR13.3b (est. INR12.5), primarily led by higher realizations, while overall volumes remained flat YoY.
- Revenue from India/AMET/Rest of World (ROW) grew 40%/14%/15% YoY to INR6b/INR2.8b/INR4.5b, while revenue from local and niche/MNC players grew 41%/20% YoY to INR5.8b/INR6.4b. However, revenue from regional players declined 9% YoY to INR1.1b.
- The revenue contribution of Performance Surfactants now stands at 63% compared with 61% in 2QFY25.
- GALSURF's EBITDA margin contracted 370bp YoY to 8.3%, hurt by gross margin contraction of 850bp YoY to 24.5%. Employee costs as % of sales stood at 6% (vs. 7% in 2QFY25), while other expenses stood at 10% (vs. 14% in 2QFY25).
- The company's EBITDA declined 13% YoY to INR1.1b (est. INR1.3b), and adj. PAT dipped 22% YoY to INR665m (est. INR824m).
- In 1HFY26, GALSURF's revenue grew 28% YoY to INR26b, while EBITDA/Adj. PAT declined 7%/11% to INR2.3b/INR1.5b.
- Gross debt was INR1.9b as of Sep'25 vs INR1.4b as of Mar'25. Further, GALSURF generated a CFO of INR1.7b as of Sep'25 vs. a CFO of INR2.4b in Sep'24.

Key highlights from the management commentary

- Guidance:** The company expects 3Q performance to remain similar to 2Q and maintains its confidence in medium-term consumption growth driven by GST reforms despite temporary softness from inventory adjustments and reformulations.
- India:** The domestic performance witnessed short-term challenges, with flat volumes both YoY and QoQ. The GST rate cut on FMCG products led major players to recalibrate inventories, while elevated feedstock costs prompted some customers to reformulate products, affecting the performance segment volumes. Strong traction from Tier 2 customers helped offset weakness among Tier 1 accounts.

- **US tariffs:** North America faced margin pressure as tariffs affected the Specialty Care segment, causing delays in US projects and launches. Customers, too, are dissatisfied with the recent tariffs being imposed, as they want to diversify their vendor base and are looking forward to resuming business with the company.

Valuation and view

- We expect the short-term challenges to subside, led by the GST reforms to unlock the medium-term consumption upside in the domestic market.
- GALSURF's long-term growth will be driven by 1) the company's sustained focus on R&D, 2) improving domestic demand, 3) better raw material availability, and 4) enhancing and expanding global operations.
- We expect a revenue/EBITDA/adj. PAT CAGR of 12%/7%/8% along with a volume CAGR of 5% over FY25-28.
- Factoring in the weak 2Q performance and the challenging macro environment, we cut our FY26/FY27/FY28E earnings for GALSURF by 11%/11%/9%. **We reiterate our BUY rating with a TP of INR2,570 (based on 27x FY27E EPS).**

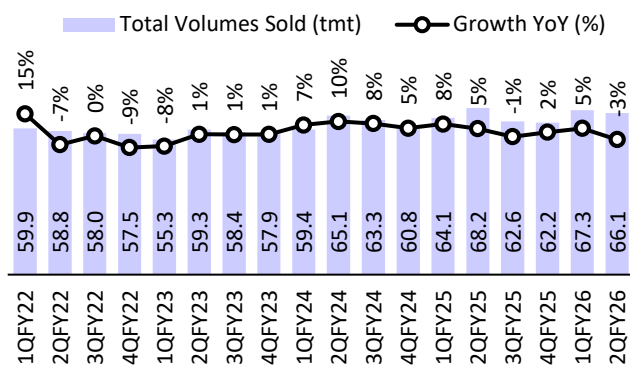
Consolidated - Quarterly Snapshot

(INR m)

Y/E March	FY25				FY26				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2Q	(%)
Gross Sales	9,741	10,630	10,417	11,449	12,779	13,262	13,235	13,353	42,237	52,629	12,501	6%
YoY Change (%)	3.4	8.1	10.8	23.2	31.2	24.8	27.1	16.6	11.3	24.6	17.6	
Total Expenditure	8,500	9,353	9,361	10,180	11,541	12,157	12,117	12,156	37,394	47,970	11,176	
Gross Margin (%)	33.6%	33.0%	31.1%	29.4%	26.2%	24.5%	26.9%	27.7%	31.7%	26.3%	27.8%	
EBITDA	1,241	1,276	1,056	1,269	1,239	1,105	1,118	1,197	4,842	4,659	1,324	-17%
Margin (%)	12.7	12.0	10.1	11.1	9.7	8.3	8.4	9.0	11.5	8.9	10.6	
Depreciation	266	278	277	283	293	298	301	308	1,103	1,200	294	
Interest	40	41	50	62	66	73	72	74	193	285	67	
Other Income	54	87	40	78	112	58	61	88	258	319	70	
PBT before EO expenses	989	1,045	769	1,001	992	792	806	903	3,804	3,493	1,033	
PBT	989	1,045	769	1,001	992	792	806	903	3,804	3,493	1,033	
Tax	192	198	123	243	197	127	163	183	755	670	209	
Rate (%)	19.4	18.9	16.0	24.2	19.9	16.0	20.2	20.2	19.8	19.2	20.2	
Reported PAT	797	847	646	759	795	665	643	721	3,049	2,824	824	-19%
Adj PAT	797	847	646	759	795	665	643	721	3,049	2,824	824	-19%
YoY Change (%)	6.0	9.4	-9.5	-2.1	-0.3	-21.5	-0.4	-5.0	1.1	-7.4	-2.7	
Margin (%)	8.2	8.0	6.2	6.6	6.2	5.0	4.9	5.4	7.2	5.4	6.6	

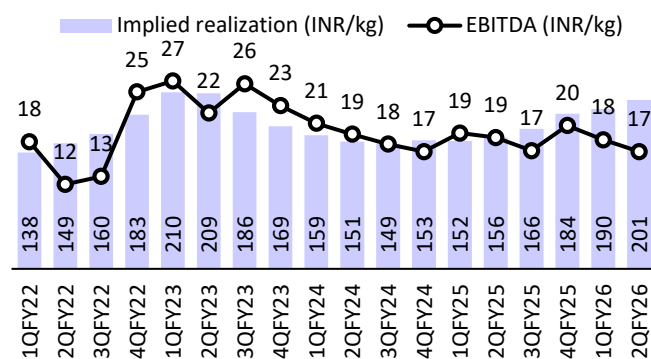
Story in charts: 2QFY26

Exhibit 1: Total volume trend...



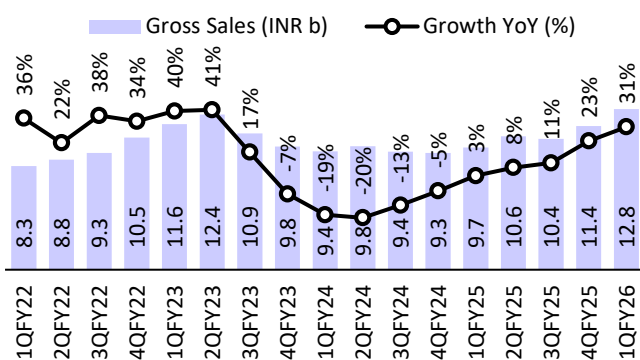
Source: Company, MOFSL

Exhibit 2: ...with EBITDA/kg at INR17



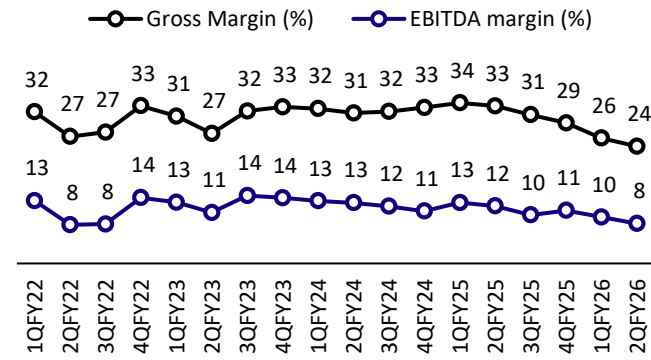
Source: Company, MOFSL

Exhibit 3: Gross sales up 25% YoY



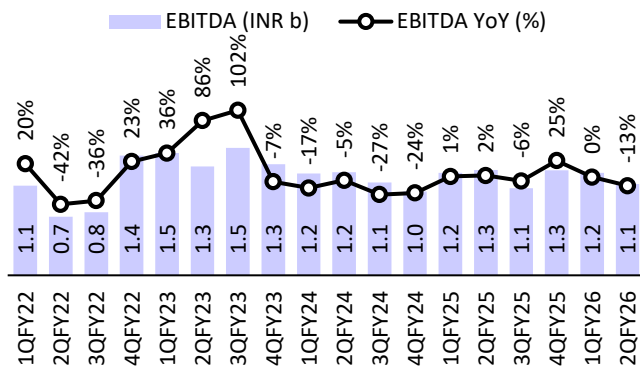
Source: Company, MOFSL

Exhibit 4: EBITDAM dipped 370bp YoY



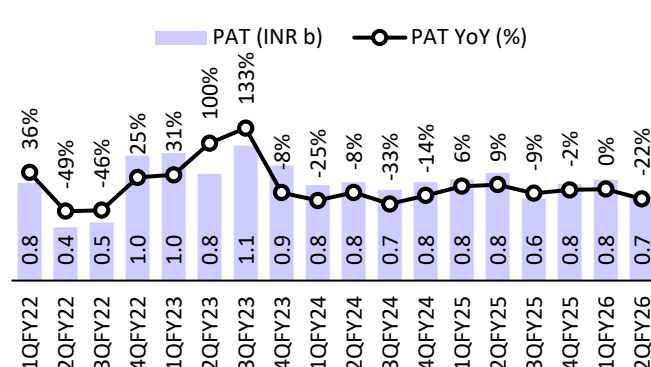
Source: Company, MOFSL

Exhibit 5: EBITDA declined 13% YoY



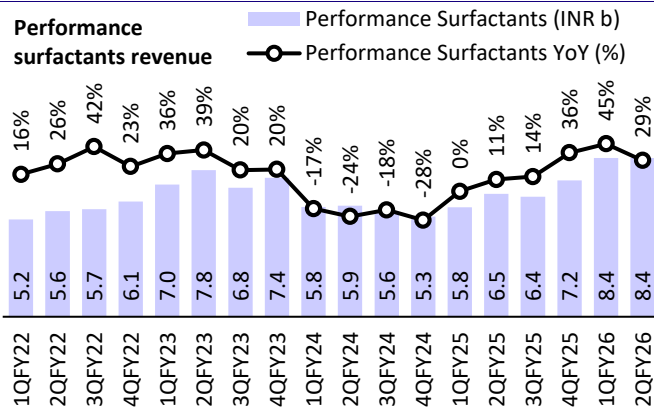
Source: Company, MOFSL

Exhibit 6: PAT trend



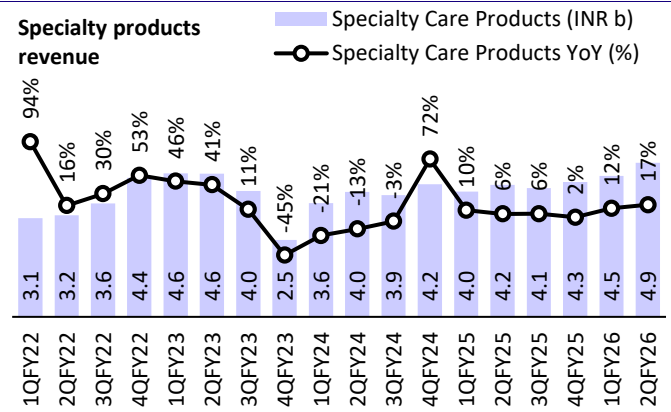
Source: Company, MOFSL

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



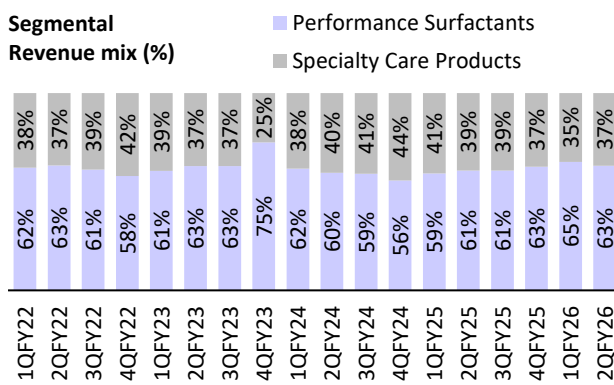
Source: Company, MOFSL

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



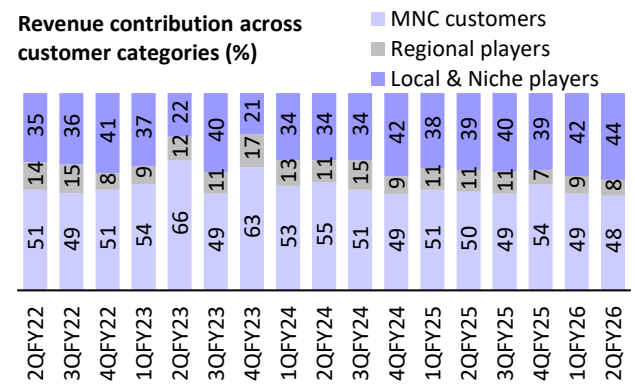
Source: Company, MOFSL

Exhibit 9: The mix of the specialty segment reduced YoY



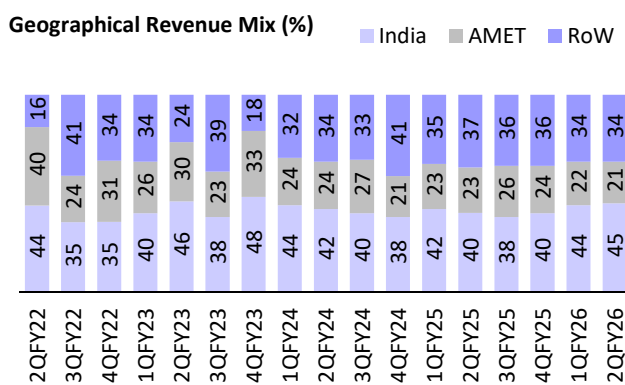
Source: Company, MOFSL

Exhibit 10: Revenue contribution across customer categories



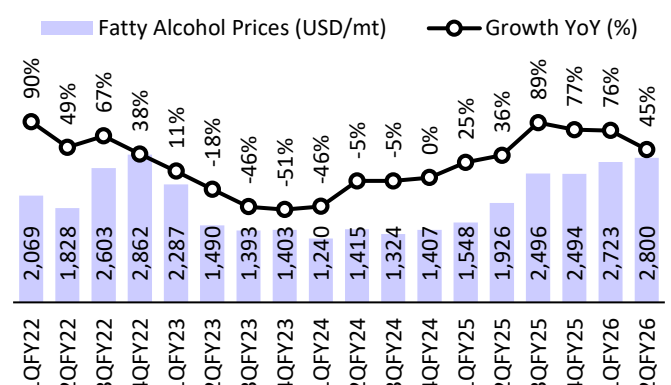
Source: Company, MOFSL

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

Financial Performance

- During 2QFY26, Galaxy Surfactants Limited reported net revenue from operations of INR 13.26b, compared to INR 10.63b in Q2 FY25, registering a growth of 25% YoY.
- For 1HFY26, total revenue stood at INR 26.21b, up 27.8% from INR 20.37b in H1 FY25.
- However, EBITDA for the quarter declined by 14.7% YoY to INR 1.16b, primarily due to global tariff headwinds, tactical reformulations in the Performance Surfactant segment, and lower domestic volumes following GST-driven inventory adjustments.
- EBITDA margins stood at 8.3%, down from 12.0% in the previous year.
- EBITDA per metric tonne for the quarter stood at ~INR17,300.

Operational Highlights

- Volumes during the quarter remained broadly flat both on a YoY and QoQ basis.
- Specialty Care Products delivered strong double-digit growth, which helped offset a high single-digit decline in the Performance Surfactant segment.
- India's domestic performance faced temporary headwinds, with volumes being flat YoY and QoQ, though temporary headwinds emerged following the GST rate reduction on FMCG products, which triggered inventory recalibration by large players.
- In the AMET region, volumes declined in the high single digits YoY and low single digits QoQ, mainly due to share loss among Tier-1 customers in Egypt amid rising local competition.
- The Rest-of-World (ROW) region maintained a high single-digit YoY growth, driven by strong performance in LATAM and APAC, where both Performance and Specialty segments saw double-digit growth.
- North America experienced margin pressure due to reciprocal tariffs impacting Specialty Care, particularly in the masstige product category, although prestige product lines under Tri-K continued to perform well.
- Raw material availability improved slightly; however, feedstock prices stayed elevated due to lower-than-expected output of Palm Kernel Oil.
- Tariffs have led to delays in both projects and product launches in the US.
- Egypt as an entity is performing well in terms of its project portfolio, and GALSURF is focused on enhancing operations and expanding its presence in the region.

Business Segments

- In 1HFY26, Performance Surfactants' revenue was INR 16.81b, while Specialty Care Products contributed INR 9.40b, taking the total revenue to INR 26.21b.
- Regionally, India saw low single-digit volume growth, the AMET region recorded a mid-single-digit decline, and the ROW segment achieved high single-digit volume growth.
- Overall, volume growth for 1HFY26 remained in the low single-digit range compared to the previous year. The company's product portfolio now includes 215+ grades, with 47+ under Performance Surfactants and 168+ under Specialty Care Products, serving over 1,500 clients across 80+ countries.
- The company launched five products, specifically sunscreen molecules, and is building a very healthy product pipeline across multiple geographies.

Raw Material and Supply Chain Trends

- Average fatty alcohol prices rose to USD 2,800 per MT in 2QFY26, compared to USD 2,723 in 1QFY26 and USD 1,926 in 2QFY25.
- Although freight costs have eased, shipment delays and port congestion continue to impact supply timelines.
- Raw material prices are increasing due to lower yields in Malaysia and Indonesia, where demand is outpacing supply.
- The supply situation has not been very supportive, and with the current headwinds in demand, a price correction is expected going forward.

Guidance

- The company remains confident that GST reforms will drive medium-term consumption growth in India, even though the Performance Surfactant segment experienced temporary softness due to inventory adjustments and reformulations.
- In the AMET region, Tier-1 customer share erosion impacted overall performance, but non-Tier-1 customers delivered robust growth YoY and QoQ, helping offset some of the decline.
- The ROW markets, led by LATAM and APAC, continue to show healthy traction in both product categories.
- Management reiterated its focus on sharpening strategic priorities, improving operational agility, and strengthening portfolio resilience to sustain performance amid global challenges.
- For the full year, some projects in the pipeline have been delayed; however, the company remains in constant communication with its customers regarding the impact.
- Customers are dissatisfied with the recent tariffs being imposed, and as they work to diversify their vendor base, they are also looking forward to resuming business with the company.
- Long-term growth is expected to be around 6–8%.
- For 3Q, the company aims to end in line with 2Q performance
- While 4Q is expected to show some positive developments, it is too early to provide a clear outlook.

Exhibit 13: Changes to our estimates

Particulars	Actual/ Revised			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue (INR m)	52,629	56,062	59,721	48,705	51,882	55,269	8%	8%	8%
EBITDA (INR m)	4,659	5,356	5,938	5,124	5,925	6,513	-9%	-10%	-9%
PAT (INR m)	2,824	3,336	3,820	3,178	3,729	4,212	-11%	-11%	-9%
EPS (INR)	79.7	94.1	107.7	89.7	105.2	118.8	-11%	-11%	-9%

Source: MOFSL

Story in charts

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

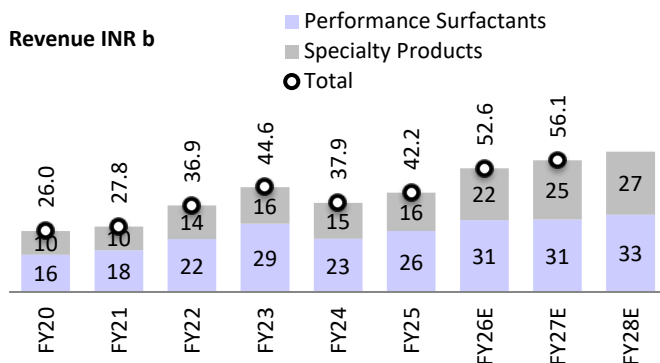


Exhibit 15: ...with the Performance segment's share at 55% by FY27E

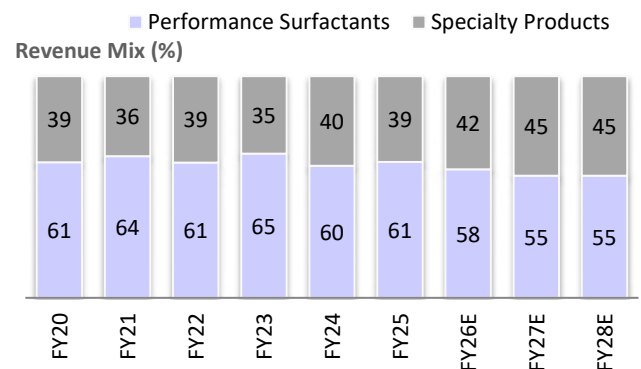


Exhibit 16: Volume CAGR of ~6% expected over FY25-26...

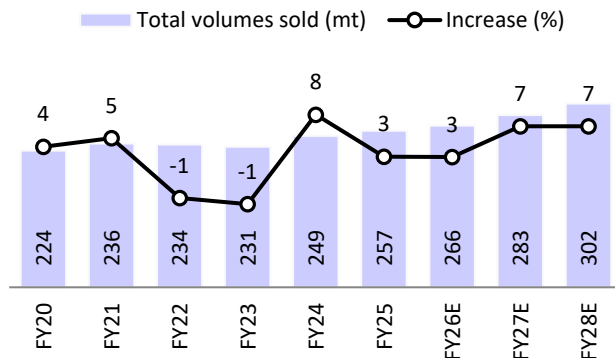


Exhibit 17: ...with higher EBITDA/kg

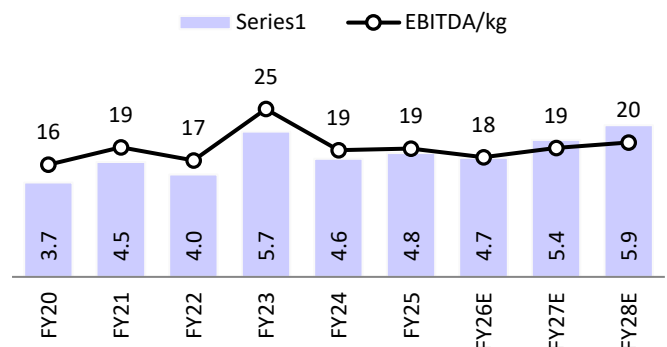


Exhibit 18: Expect PAT margin to remain stable

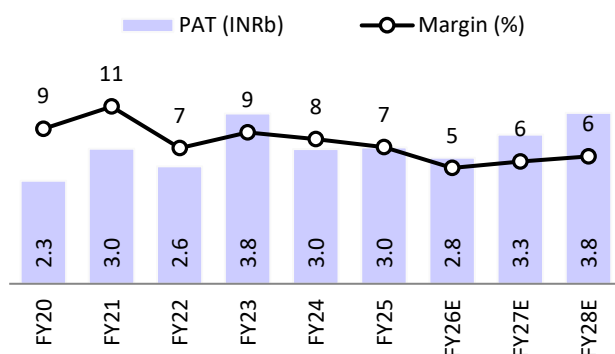


Exhibit 19: To generate an FCF of INR4.6b over FY26-27E

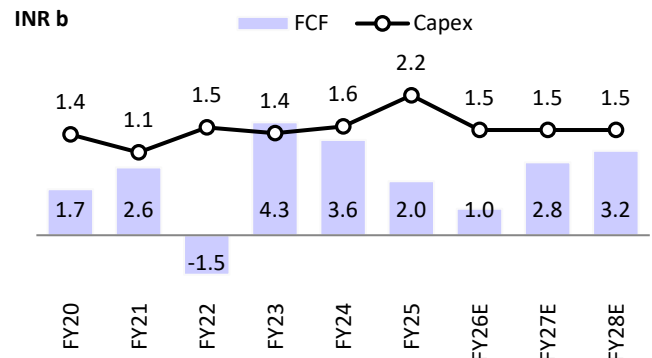


Exhibit 20: Return ratios to remain stable going forward

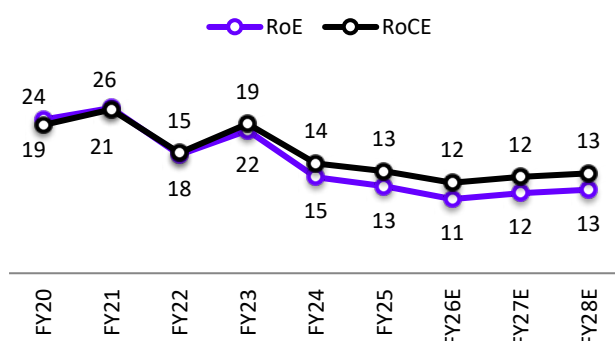
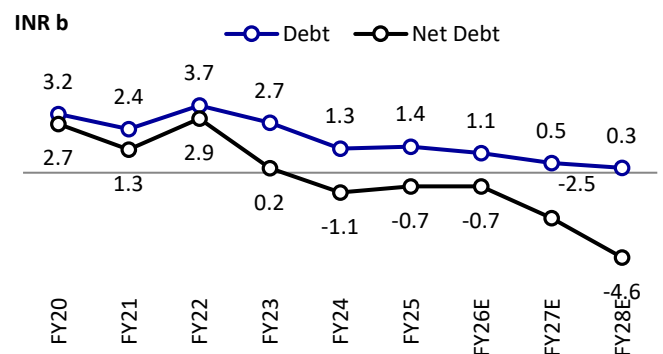


Exhibit 21: Debt profile of GALSURF



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

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	52,629	56,062	59,721
Change (%)	7.2	32.4	21.1	-15.0	11.3	24.6	6.5	6.5
Gross Margin (%)	36.3	29.8	30.6	32.1	31.7	26.3	26.9	26.9
EBITDA	4,488	4,007	5,683	4,622	4,842	4,659	5,356	5,938
Margin (%)	16.1	10.9	12.7	12.2	11.5	8.9	9.6	9.9
Depreciation	740	711	835	998	1,103	1,200	1,328	1,418
EBIT	3,749	3,297	4,848	3,624	3,739	3,459	4,027	4,520
Int. and Finance Charges	134	129	217	224	193	285	184	92
Other Income	109	125	99	355	258	319	336	358
PBT bef. EO Exp.	3,723	3,293	4,730	3,755	3,805	3,493	4,180	4,786
PBT after EO Exp.	3,723	3,293	4,730	3,755	3,805	3,493	4,180	4,786
Total Tax	702	665	920	740	757	670	844	967
Tax Rate (%)	18.8	20.2	19.4	19.7	19.9	19.2	20.2	20.2
Reported PAT	3,021	2,628	3,810	3,015	3,047	2,824	3,336	3,820
Adjusted PAT	3,021	2,628	3,810	3,015	3,047	2,824	3,336	3,820
Change (%)	31.1	-13.0	45.0	-20.9	1.1	-7.3	18.1	14.5
Margin (%)	10.9	7.1	8.5	7.9	7.2	5.4	6.0	6.4

Consolidated - Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	355	355	355	355	355	355	355	355
Total Reserves	12,660	15,389	18,471	21,438	23,271	25,372	27,854	30,696
Net Worth	13,014	15,744	18,826	21,793	23,625	25,726	28,208	31,050
Total Loans	2,374	3,660	2,718	1,317	1,418	1,064	532	266
Deferred Tax Liabilities	233	249	283	297	318	318	318	318
Capital Employed	15,621	19,652	21,827	23,406	25,362	27,109	29,059	31,635
Gross Block	11,945	12,828	16,721	18,214	19,891	21,391	22,891	24,391
Less: Accum. Deprn.	5,971	6,681	7,516	8,514	9,618	10,817	12,146	13,564
Net Fixed Assets	5,974	6,146	9,205	9,699	10,273	10,574	10,745	10,827
Goodwill on Consolidation	27	28	30	30	31	31	31	31
Capital WIP	1,240	2,055	1,392	1,585	2,619	2,619	2,619	2,619
Total Investments	435	5	0	1,980	2,985	2,985	2,985	2,985
Curr. Assets, Loans&Adv.	12,821	17,772	16,717	15,852	18,712	22,664	25,145	28,415
Inventory	4,278	7,118	6,458	5,561	7,239	9,286	9,816	10,411
Account Receivables	4,689	6,380	6,148	5,931	6,865	8,554	9,112	9,706
Cash and Bank Balance	1,114	711	2,476	2,393	2,158	1,801	3,005	4,883
Cash	815	638	2,319	2,205	1,934	1,577	2,781	4,658
Bank balance	299	74	157	188	224	224	224	224
Loans and Advances	2,740	3,563	1,635	1,968	2,450	3,023	3,212	3,414
Curr. Liability & Prov.	4,874	6,353	5,518	5,742	9,258	11,764	12,466	13,241
Account Payables	3,770	5,189	4,302	4,461	6,200	7,953	8,406	8,916
Other Current Liabilities	918	1,011	1,094	1,145	2,879	3,587	3,821	4,071
Provisions	186	153	122	136	180	224	239	254
Net Current Assets	7,947	11,419	11,200	10,110	9,454	10,900	12,679	15,173
Appl. of Funds	15,621	19,652	21,827	23,406	25,362	27,109	29,059	31,635

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	79.7	94.1	107.7
EPS Growth (%)	31.1	-13.0	45.0	-20.9	1.1	-7.3	18.1	14.5
Cash EPS	106.1	94.2	131.0	113.2	117.1	113.5	131.6	147.8
BV/Share	367.1	444.1	531.0	614.7	666.4	725.7	795.7	875.9
DPS	18.0	18.0	22.0	22.0	22.0	20.4	24.1	27.6
Payout (%)	21.1	24.3	20.5	25.9	25.6	25.6	25.6	25.6
Valuation (x)								
P/E	26.1	30.0	20.7	26.2	25.9	27.9	23.7	20.7
Cash P/E	21.0	23.6	17.0	19.7	19.0	19.6	16.9	15.1
P/BV	6.1	5.0	4.2	3.6	3.3	3.1	2.8	2.5
EV/Sales	2.9	2.2	1.8	2.1	1.9	1.5	1.4	1.2
EV/EBITDA	17.9	20.4	13.9	16.8	16.1	16.8	14.3	12.5
Dividend Yield (%)	0.8	0.8	1.0	1.0	1.0	0.9	1.1	1.2
FCF per share	72.7	-42.3	121.0	102.2	57.7	28.3	78.2	90.6
Return Ratios (%)								
RoE	25.5	18.3	22.0	14.8	13.4	11.4	12.4	12.9
RoCE	21.1	15.5	19.2	14.1	13.1	11.6	12.4	12.8
RoIC	23.7	17.7	22.4	16.4	17.1	15.0	16.0	17.3
Working Capital Ratios								
Fixed Asset Turnover (x)	4.5	6.1	5.8	4.0	4.2	5.0	5.3	5.5
Asset Turnover (x)	1.8	1.9	2.0	1.6	1.7	1.9	1.9	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	54
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	12.2	21.9	49.3
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	3,493	4,180	4,786
Depreciation	740	711	835	998	1,103	1,200	1,328	1,418
Others	79	90	214	842	692	285	184	92
Direct Taxes Paid	-706	-594	-953	-781	-681	-670	-844	-967
(Inc)/Dec in WC	-186	-3,450	903	1,110	42	-1,803	-575	-617
CF from Operations	3,651	49	5,729	5,185	4,205	2,505	4,273	4,713
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	1,005	2,773	3,213
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	-285	-184	-92
Dividend Paid	-495	-142	-1,275	-143	-1,351	-723	-854	-978
CF from Fin. Activity	-1,650	592	-2,643	-1,889	-1,573	-1,362	-1,569	-1,335
Inc/Dec of Cash	354	-201	1,601	-143	-314	-357	1,204	1,877
Opening Balance	477	815	638	2,319	2,205	1,934	1,577	2,781
Closing Balance	815	637	2,318	2,204	1,934	1,577	2,781	4,658

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NOTES

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