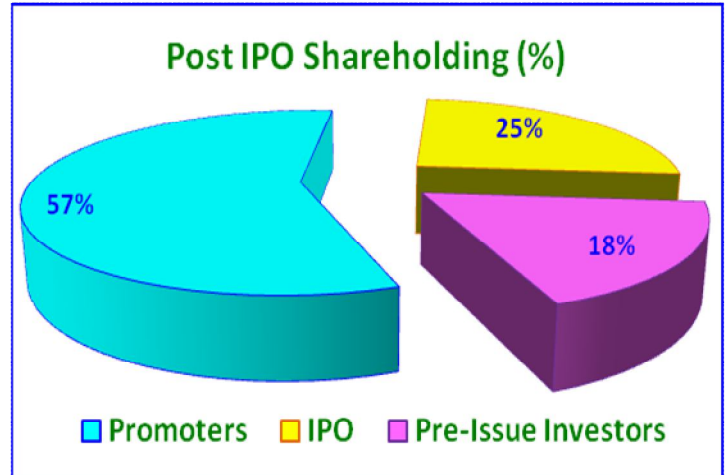




Galaxy Surfactants Limited (GSL)

INR 325-340 (FV 10)

Sector	Chemicals
Website	www.galaxysurfactants.com
Issue Opens	13 May 2011
Issue Closes	19 May 2011
Issue	59.3 Lakhs
Price Band (Rs.)	325-340
Aggregating	201.6 Crore
Key Executives	UNNATHAN SHEKHAR, GOPALKRISHNAN RAMAKRISHNAN
Registrar	Link Intime
BRLM	Centrum, Motilal Oswal
Post Issue Equity	INR 23.66 Crore



Assuming Issue at Rs.340/Share Upper Band

Company Background

Incorporated in 1980, Navi Mumbai Galaxy Surfactants Ltd is in the business of manufacturers and marketers of surfactants and specialty chemicals in India for the Personal and Home Care industry. Galaxy Surfactants produce a range of cosmetic ingredients including active ingredients, UV protection and functional products. Company's products used by many large FMCG companies in skin care, hair care, oral care, body wash, sun care, household cleaners and fabric care products.

Presently, the company has 6 manufacturing units:

- 3 Manufacturing units at Tarapur,
- 2 Manufacturing units at Taloja, Maharashtra and
- 1 Manufacturing unit in USA.

Company's product portfolio has 66 products and its sales spread over 70 countries around the world. Galaxy Surfactants is a certified supplier and preferred vendor for leading companies in the field of personal and home care. Company's global customer includes Beiersdorf, Colgate Palmolive, Ecolab, Henkel, Diversey, L'Oreal, Reckitt Benckiser and Unilever. Galaxy domestic customers include Ayur, CavinKare, Dabur, Emami, ITC, Marico, Procter & Gamble and many more.

Objectives of the Issue

The company plans to raise about Rs.201 crore (at upper band) from the issue proceeds. It plans to utilize the amount as:

Particulars (INR Crore)	Estimated Cost
Fund the capital expenditure of its tep down subsidiary GC Egypt	212.3
Fund the capital expenditure for setting up new manufacturing facility at Jhagadia, Gujarat	70
Fund the expansion of capacities at existing manufacturing units at Tarapur	47
Fund the expansion of capacities at existing manufacturing units at Taloja	13.5
Total INR Crore	342.8

Besides, it plans to meet Corporate Expenses, Issue Expenses etc. from the IPO proceeds. Apart from the IPO, it has tied up for loans of Rs. 150 Crore to meet the planned expenses.



Highlights

- The Indian FMCG industry has been witnessing phenomenal growth in recent years, driven by rising consumption levels in the country.
- Personal Care Ingredients (PCIs) are used in the formulation of personal care products which are broadly classified into hair care, skin care, colour cosmetics, oral care, toiletries, cosmetics and fragrances. (Source: RHP). The PCIs include surfactants (including emulsifiers), emollients, humectants, rheological additives and other specialty chemicals such as active ingredients, UV absorbers, conditioning polymers, hair fixatives, antimicrobials and fragrance. The PCIs form the functional core of the personal care products.
- The estimated size of the global PCI industry was USD 8 – 10 billion per annum growing at about 5-6% per annum. Out of the total ingredients consumed in personal care industry, 44% of the consumption is in skin care (including toiletries), 21% in hair care, 9% in oral care and 26% in other cosmetic preparation on volume basis. (Source: RHP)
- Surfactants, one of the widely used ingredients in personal care and home care products, have application in other industries such as textiles, construction and others. However, characteristics of surfactants used in personal care and home care products have a significant overlap.
- Galaxy one of the leading manufacturers and marketers of surfactants and specialty chemicals in India for the Personal and Home Care (“PHC”) industry. It produces a range of vital cosmetic ingredients including active ingredients, UV protection and functional products. Its products cater to some of the largest global brands in the FMCG sector and find applications in skin care, hair care, oral care, body wash, sun care, household cleaners and fabric care segments.
- It has about 60% Share in domestic surfactants markets.
- The company has strong in-house R&D facility to meet the changing market requirements.
- Besides India, it has operations in Thailand and USA. It is expanding operations in Egypt also. Exports form over 50% of the Sales (FY 2010 and 9M FY 2011).
- It has 18 patents in India and 10 patents in the US.
- CRISIL has given a high “4/5” Grade to the issue.

Financial Highlights (Consolidated)

₹ Crore	FY 10	9 M FY 2011	FY 11 E
Net Sales	644.25	648	868.32
Other Income	5.5	34.3	35.75
Total Sales	649.75	682.3	904.07
Operating Expenses	566.95	600.3	803.20
Operating Profits	82.80	82.00	100.87
Interest	12.6	10.78	14.37
Depreciation	17.86	16.6	22.13
PBT	52.34	54.62	64.37
Tax	16.38	11.82	14.16
Adjustments	-1.85	0	0.00
PAT	37.81	42.8	50.21
Equity (FV 10)	17.72	17.72	23.66
EPS (Rs. Not Annualized)	21.34	24.15	21.22
PE @ Rs. 340	15.93	14.08	16.02
Market Cap/Sales	0.93	0.88	0.89

Peerset Comparison

There is NO Direct Peer of the company in listed space.



Risks

- The performance to speciality chemicals suppliers like Galaxy depends directly on the performance of FMCG Industry.
- The pricing power is limited, as there are only a few big buyers for the products.
- The major inputs are based on petrochemicals. The volatile price of Petro-Products has an impact on margins.

Valuation & Recommendation: Good Business. Wish Price band was slightly lower.

GSL is the largest player in surfactants and specialty chemicals in India, the chemical is used by the Personal and Home Care industry. There is sustained visible growth in FMCG Industry. The issue looks slightly stretched. **A Good Institutional response can yield decent listing gains. Post listing, it should deliver gradual long term returns like FMCG sector.**

A prudent strategy for retail investors will be, watch the subscription figures for 18th May and take a bet on 19th.

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FMC Regn. No. -NCDEX/TCM/CORP/0572, MCX/TCM/CORP/0828,

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