

## Galaxy Surfactants : Good Issue : Invest IPO Note: Well expansion plan, growing sector Rating\*\*\*

### Issue details

Price band (Rs)	Rs. 325-340
IPO Opening Date	13/05/2011
IPO Closing Date	19/05/2011
Issue Size	Rs.192.73-201.62 Crore

### Valuations & Recommendation

The company operates in high growth personal and home care segment. Galaxy is supplier to global brands with wide range of products. Its international business contributes 58% of the total revenue. It has strong R & D for innovation. The proposed expansion / setting up of new projects will help the company to cater to the growing demand for its products in the domestic as well international markets. The unit in Egypt is of strategic importance to cater to the demand of Africa, Middle East and Turkey. Professionally managed company. At Rs 325-340, the issue is priced at 13.45 PE of its nine months ended December 2010 EPS of Rs.24.2. **The IPO is looking good considering the company's product and client profile, growth prospects. We think company may be proved dark horse in future. Keeping in view the high growth prospects and company's future plan we recommend to invest this issue for long term.**

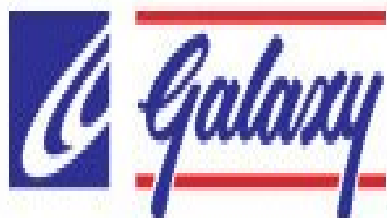
### Highlights

- ◆ The company's products are widely used in Personal and Home Care industry. It has a wide range of offering with 66 products covering applications in hair care, oral care, skin care, toiletries and home care detergents offering to 70 countries
- ◆ The company was established in 1980 with a tiny plant in Tarapur
- ◆ The company intends to utilize the IPO funds for setting up of new unit in Egypt and Gujarat and for expanding the existing facilities at Tarapur & Taloja
- ◆ CRISIL has assigned an IPO Grade 4 to Galaxy Surfactants IPO
- ◆ Dependent on a single supplier for - Ethylene Oxide raw material
- ◆ Its international business contributes 58% of the total revenue
- ◆ The unit in Egypt is of strategic importance to cater to the demand of Africa, Middle East and Turkey

### Company Introduction

#### Company Profile

Galaxy Surfactants, promoted by Unnathan Shekhar, Gopalkrishnan Ramakrishnan, Shashikant Rayappa Shanbhag and Sudhir Dattaram Patil, is 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, ultraviolet (UV) protection and functional products.



we think for you

[www.galaxysurfactants.com](http://www.galaxysurfactants.com)

Particulars	1012(09)	1003(12)	0903(12)
Net Sales	648.03	644.26	556.02
OPM (%)	12.8	12.5	11.7
PAT	42.80	37.88	26.77
EPS (Rs)	24.2	16.6	11.6

## RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

## Application of 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.

## Expansion

It is in the process of setting up manufacturing units at Jhagadia, Gujarat, with installed capacity of 77,000 mtpa, which will be operational by August 2011 and at Suez, Egypt, through its 100% stepdown subsidiary GC Egypt. The phase I in Suez will have installed capacity of 50,000 mtpa and will be operational by August 2011 and phase II will have installed capacity of 40,000 mtpa and will be operational by August 2012. Further, proximity of the facility to Europe and East Coast of North America will enable it to tap new markets that are difficult to be catered from India. The upcoming domestic facility at Jhagadia, Gujarat, will ensure logistical efficiencies due to its proximity to key raw material supplies and to the port.

## Financial Strength

Its consolidated net sales for nine months ended FY 2011 stood at Rs 648.03 crore and net profit at Rs 42.8 crore. For FY 2010, consolidated net sales were up by 16% to Rs 644.26 crore and net profit was up by 41.5% to Rs 37.88 crore. About 58% of its sales came from international market, 85% of its sales comes from organic surface active agents (OSAA), 4%-5% from fatty alkanolamides and fatty acid esters (FA/FAE), and remaining from other specialty chemicals.

## IPO & Proceed

The proceeds will be used by the company to fund capital expenditure of its stepdown subsidiary GC Egypt (for Rs 212.3 crore) and expansion of its manufacturing facility at Jhagadia in Gujarat (for Rs 70.1 crore), Tarapur (for Rs 47 crore) and Taloja (for Rs 13.5 crore). It has also tied with financial institutions for its fund requirement. IFC will give it project loan of Rs 57.6 crore, term loan from domestic banks of Rs 60 crore and ECB from Standard Chartered Bank, London, of Rs 33.6 crore.

## DISCLAIMER

The information provided by or in this newsletter is generally from the press reports, electronic media, research websites and other media. The information also includes information from interviews conducted, analysis, views expressed by our research team. Investors should not rely solely on the information contained in this publication and must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. The material and the information provided by this newsletter are not, and should not be construed as an advice to buy or sell any of the securities named in this newsletter. SIHL may or may not hold positions in any of the securities named in this newsletter as a part of its business. Past performance is not necessarily an indication of future performance. SIHL does not assure for accuracy or correctness of information of reports in the newsletter.