Management Discussion

K. Natarajan - Managing Director, Galaxy Surfactants Limited

Thank you. A very good morning and--sorry, a very good afternoon to all of you. It gives me immense pleasure to welcome you all to the Q2 FY27 conference call. When we spoke in our Q1 call, call, we highlighted that many of these structural actions undertaken over the last two years were beginning to translate into improved business performance. As we look back at Q2, I am pleased to share that the positive impact of these actions continues and in many ways are strengthening further. As I reflect on the quarter, what stands out most this quarter is the resilience of demand across our key markets despite persistent inflationary pressures and increasingly challenging global supply chain environment.

Starting with India, demand trends remain healthy across both performance surfactants and specialty care ingredients. This resilience is particularly encouraging given the inflationary pressures that continue to be felt across several consumer categories. The premiumization trend remains firmly intact, with consumers increasingly gravitating towards higher performance and differentiated products, supporting growth across our portfolio. We are also witnessing healthy traction in our specialty care business in India, which is contributing positively to both growth and overall business mix.

Equally encouraging is the broad-based nature of the recovery. Growth is being driven not only by our Tier one customers but also by Tier two and Tier three and emerging direct-toconsumer brands. Following the temporary disruption seen earlier due to elevated input costs in Q1, These consumer segments have returned--these customer segments have returned to a healthier growth trajectory and are once again contributing meaningfully to demand. The AMIT region is also showing encouraging signs of recovery despite the ongoing geopolitical situation in West Asia .

And inflationary pressures across several markets in the region. We continue to see improving demand conditions and stronger customer engagement. The resilience demonstrated by customers across the region reinforces our confidence in the long-term growth potential of these markets. Similarly, demand across our rest of the world markets remains very encouraging. Specialty care demand continues to be positive across geographies, reflecting the investments we have made over the last few years in strengthening our market presence, expanding our customer relationships, and moving further toward differentiated offerings.

Coming to the supply side, while demand has remained resilient, The larger challenge during the quarter came from the supply side. Q2 continued to be characterized by significant volatility across feedstocks, both petrochemical and oleochemical, driven largely by developments in West Asia. Crude oil remained elevated through most of the quarter, averaging above USD 100 per barrel. Oleochemical feedstock prices also remained buoyant at approximately USD 2,700 per metric ton levels, referring in this case to lauryl alcohol.

The quarter was also impacted by supply constraints in one of our key petrochemical raw materials, adding to the volatility in the operating environment. At the same time, global supply chain disruptions remain a significant headwind. Freight rates across several freight lanes increased sharply, reaching nearly three times to four times the historical levels prior to the West Asia crisis in certain regions. Congestion at ports, non-availability of shipment allocations, vessel constraints, and longer transit times impacted global trade flows and affected shipments particularly from India and Egypt into Latin America, North America, and parts of Europe.

However, we do not view this as a structural issue. We are seeing some early signs of freight rates moderating and supply chain conditions gradually stabilizing. Nevertheless, given the evolving geopolitical environment, we continue to remain vigilant and agile in our response. Against this backdrop, I am pleased to share that the momentum we witnessed in the previous quarter has continued into Q2. India delivered an excellent performance with volumes growing by approximately 16% year-on-year. Growth was broad-based across customer segments, supported by strong demand from both Tier one customers and the wider Tier two, Tier three, and the direct-to-consumer ecosystem.

This gives us confidence that the recovery is becoming increasingly broad-based and sustainably--and sustainable as we move into the coming months and into the next financial year. The Ahmedabad region also delivered a strong recovery with volumes growing by approximately 15% year-on-year and 16% sequentially. This performance clearly demonstrates that the underlying demand environment remains healthy and that much of the weakness experienced previously was driven by external disruptions rather than any structural change in the market fundamentals.

Importantly, this recovery was supported by strong execution from our operations and business teams, with close coordination across manufacturing, supply chain, procurement, and commercial functions, enabling us to effectively navigate the operating environment and serve our customers well. In our rest of the world markets, volumes declined by 9% approximately year-on-year, primarily driven by the logistic-related disruptions and elevated freight costs. Despite these near-term challenges, demand for our Prestige and Mastiff specialty care products remained healthy across regions, reinforcing the strength of the underlying demand environment and supporting a richer product mix within specialty.

Looking at the overall picture, I believe the trends we have seen over the last two quarters clearly indicate recovery momentum. The strategic actions undertaken over the last several years are beginning to reflect more consistently in our operating performance customer traction and profitability. Coming to our financial performance, I am pleased to share that the EBITDA for Q2 FY27 grew by 68% year-on-year to approximately INR196 crores, while EBITDA per metric ton improved by 56% to around INR26,920 per metric ton.

With this, EBITDA for H1 FY25-27 stands at approximately INR448 crores, reflecting a strong 78% year-on-year growth. This performance was driven by robust volume growth in India and AMET, a richer product mix, increasing contribution from Specialty Care Ingredients, and disciplined commercial execution across markets. What is particularly satisfying is that these results have been delivered despite one of the most challenging logistics environments seen in recent years. The performance reflects not only favourable demand trends but also the exceptional execution demonstrated by our teams across procurement, manufacturing, supply chain, commercial, and R&D functions.

Their agility, dedication, and customer focus continue to be a key competitive advantage for Galaxy. Looking ahead, demand indicators remain encouraging across our key markets. India continues to demonstrate healthy consumption trends, premiumization remains intact, and specialty care demand continues to grow across geographies. At the same time, we do remain watchful of developments in West Asia and their implications on global logistics, freight markets, feedstock availability, and supply chain stability.

While there are early indications of easing logistics pressures, the situation remains dynamic and requires close monitoring. On the innovation front, we continue to invest in opportunities that will

drive our future growth. At the recently concluded IN Cosmetics Asia in Bangkok, we introduced the GalSorb range of products, namely SunBliss EBD, a next-generation sun care solution, and GalMol CCC, a naturally derived multifunctional emollient for modern personal care leave-on formulations. These innovations address important consumer trends around premiumization, sustainability, and enhanced performance while advancing, while advancing our Strategy 2030 focus on leave-on applications and the beauty segment.

They further strengthen our specialty care portfolio and demonstrate our continued focus on translating science-led innovation into differentiated solutions for our customers. Coming to the outlook, based on the strong performance delivered during the first half of the year, we remain confident in maintaining our volume growth at the higher end of the guidance of 6% to 8% for FY27. At the same time, supported by an improving product--sorry, at the same time, supported by an improving business mix, continued momentum in specialty care, and disciplined commercial execution, We are pleased to enhance our EBITDA per metric ton guidance for the full year of FY27 to INR26,000 to INR27,000 per metric ton.

The last two years tested our resilience. The last two quarters have demonstrated the strength of that resilience. While challenges will continue to emerge, we are confident that Galaxy today is stronger, more diversified, and better positioned than ever before to deliver sustainable and profitable growth for all our stakeholders. Thank you all for your continued trust and support.

I now open the floor for questions.

Questions & Answers

Operator
Thank you very much, sir. Ladies and gentlemen, we will now begin with the question and answer session. [Operator Instructions] We'll take the first question from the line of Sanjay Jain from ICICI Securities. Please go ahead.

Sanjay Jain - Analyst, ICICI Securities
Good afternoon. Thanks, Natarajan sir, for taking my question, and happy Diwali in advance.

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Yeah, happy Diwali.

Sanjay Jain - Analyst, ICICI Securities
Thank you, sir. A couple of questions. First, on the EMMAT, you said that this quarter we grew around 15% to16% in terms of volume. What really drove this? Because we were seeing during inflation--

Operator
Excuse me, sir. Mr. Jain, I'm sorry to interrupt you. Can you please be a little bit louder?

Sanjay Jain - Analyst, ICICI Securities
Can you hear me now?

Operator
Yes, much better.

Sanjay Jain - Analyst, ICICI Securities
Okay. On the EMMAT, what is really driving the volume growth? Because generally we have seen in the high inflationary environment Emad generally tends to move more local. Is it that the local were not able to procure and we got an opportunity, or do you think this volume growth are sustainable?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Yeah, first of all, see, local Egypt market, obviously it grew, well because there were certain supply constraints. So that was a support that was good enough. But it's also important that we grew in the markets outside Egypt as well, significantly well. And that is something that what we see is that given the way that the feedstock prices are behaving, okay, this is certainly causing--the disruptions are causing certain supply-side disruptions that are benefiting us. At the same time, we do see that the demand is holding up across the market, not only within Egypt.

Sanjay Jain - Analyst, ICICI Securities
Got it. And in India, again, the growth appears to be much stronger than what our FMCG peers have reported. Certainly we have done very well in Tier three segment where probably volume growth is higher and the mix is changing favorable for us. But apart from that, anything to call out in India market?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
India market, first is we've had some gain in terms of even an increased share of the volume with our customers. And as I said, even in Q1, that continues into Q2, and we expect that to continue in the coming months as well. That is, the reformulation that impacted us last year, okay, is turned favorably to us in beginning this April. So that's an added factor in terms of the way that the India volumes have grown.

Sanjay Jain - Analyst, ICICI Securities
One structural question, sir. Even if I look at the result during the COVID we did very well when supply chain was tight. And when supply chain got eased, most of this benefit evaporated for us and we came to more normalized level. Do you see that risk playing out probably two quarters down the line when supply chain normalizes, crude prices normalizes? We will go back to that normal level of INR19 to INR20 a kg EBITDA?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
No, in fact, we are extremely confident of sustaining this particular momentum. Okay, the reason I'll explain is that the difference between what happened during COVID time and now is that right now our product portfolio is significantly superior. We have a better mix. We--our markets, we have significantly gotten better in terms of our business in the Americas, in Europe. Okay, we have got a better mix in terms of specialty care ingredients. Our operating leverage has gone up significantly.

Okay, and, and you--the way that we are looking at our direct-toconsumer segments, the way we have penetrated in the last five years, all these are things that will enable us to sustain. So that's the difference between what happened during COVID and what is happening now. So there have been some benefits we have got because of the supply-led disruptions, but we have enough and more that's going to be structurally different from what it was during the COVID period.

Sanjay Jain - Analyst, ICICI Securities
GGot it, got it. And one on the personal care, now that we've started launching the product Emulents

and others, how has been the response and when can we see this finally getting--contributing to the growth? Because we were looking at much growth, much higher assuming that personal care will take off, right?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
No, see, the specialty growth has been pretty significant if you look at it in this year in terms of the way they put--this is additionally what we're looking on the leave-on and the beauty side. We have done these launches and the response is good from the context of good projects in pipeline that are being built up. And typically these products will take at least 12 months to 18 months for it to commercialize. It's not going to be something that because people have to test it into the formulation, look at stability and all that. But what is important is that there's a, there's a good response and many of them have started initiating projects in pipeline with us.

Sanjay Jain - Analyst, ICICI Securities
Now in the specialty, what is the contribution now coming from the personal care segment?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
The entire listing is from the personal care segment only, you know, in specialty.

Sanjay Jain - Analyst, ICICI Securities
No, no, we were, we were targeting on rinse-off and rinse-on, so I meant--

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Sorry, sorry. So you're talking about what is coming from the Livon segment?

Sanjay Jain - Analyst, ICICI Securities
Yes, Livon segment.

K. Natarajan - Managing Director, Galaxy Surfactants Limited
So today, if you look at out of this, probably we may be at about 10% to 15% coming in from the Livon segment. Okay .

Sanjay Jain - Analyst, ICICI Securities
This is specialty, right? Or the total in?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
In specialty. In specialty.

Sanjay Jain - Analyst, ICICI Securities
In the sense, our non-specialty category then is not growing as fast as what we think, right?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Non-specialty means--

Sanjay Jain - Analyst, ICICI Securities
Sorry, non, non, leave-on category or the rinse-off category or the legacy category which we had in the specialty. That it is, then it is not growing so fast. I thought mild surfactant and all were supposed to accelerate.

K. Natarajan - Managing Director, Galaxy Surfactants Limited
No, I don't--I think you don't got--I replied saying that out of the specialty business, 15% is in the leave-on segment. They're getting me.

Sanjay Jain - Analyst, ICICI Securities
Correct.

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Their growth that has happened, it is majorly driven by my mild surfactants and my preservatives category, no.

Sanjay Jain - Analyst, ICICI Securities
So we had Livon category even earlier, now we are trying to scale up. Is, is that how--

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Yes, of course, of course. Yes.

Sanjay Jain - Analyst, ICICI Securities
And then how has that grown, Livon category, in last one year?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
That's, that's been because we have just started introducing new products. Okay, so that will take time in terms of rectifying. That's why I said the launches that we are doing in line with that strategy, and the projects in pipeline are getting built, and they will start contributing in the coming years to increasing our, share of business in the, Livon and the beauty segment.

Sanjay Jain - Analyst, ICICI Securities
Got it, got it. That's very clear. And capex for this year, we maintain that INR150 crore run rate?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Yes, yes.

Sanjay Jain - Analyst, ICICI Securities
Okay. And any reason to announced the early dividend of INR18. Generally we were doing annual. Now are we changing that to biannual?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
We, we always used to give an interim dividend. We used to give that in February, so we are giving that now in November because of our first half being, significantly superior. So we said we should reward the shareholders earlier than normal, what we do in February.

Sanjay Jain - Analyst, ICICI Securities
That's clear. Thanks. Thanks, thanks, sir. Best of luck for the coming quarter.

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Thank you.

Operator
Thank you. The next question is from the line of Aditya Ketan from Smith Institutional Equities. Please go ahead.

Aditya Ketan - Analyst, Smith Institutional Equities
Thank you, sir, for taking my questions and wishing you a very happy Diwali. So my first question is on to the ROW markets. So in H1 we had seen like the volumes have been relatively flat. For Q2 there is a single-digit decline. Just, sir, would like to know what is the outlook for H2. You had also mentioned like you are witnessing some supply chain easing and all, but still in terms of volumes and in terms of demand, how much we can scale up in second half? And for the full fiscal FY27, how we see the outlook for ROW?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
See, in ROW, what I say first is what has been superior is our mix has become supplied of specialty, which is reflected majorly into our ROW segment. The volumes that have got impacted due to the supply chain implications, okay, which majorly happened in Q2, okay, where the major portion of that impact was on the performance surfactants, okay, because they're also, you know, something that requires us to be very responsive in terms of reaching material on time to our customers because you typically cannot stock significantly those items in our warehouses across the geographies where we service these volumes.

Moving forward, with the supply chain getting better, we do see that we will start it reflecting in terms of our growth. Although I do not see that we will be able to catch up on this close to 7% to 8% drop in volume in the coming--but in the coming six months, but we'll be able to grow, okay, in the second half compared to what we were, in the previous year.

Aditya Ketan - Analyst, Smith Institutional Equities
Got it. The second question onto the AMET market, like the earlier participant also highlighted, is there any change in, in some structural levers? Like earlier we used to highlight the AMET market was not picking because of higher input cost and, and the, and the local competition. Has anything has changed of this sort? Which has led to the stronger growth in volumes?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
No, first of all, what happens is that, you, you, you know, you, the, like a portion of it was with regard to what we said, our ability to manage operations well in a very, what do you say, challenging supply-side scenario, which obviously, as I said, it supported our growth in the local Egypt market. Because of the supply side issues, but we also, could be able to grow our volumes in other than local Egypt. Okay, what we are witnessing is that, okay, there has been a very, the demand side seems to be holding up, okay?

And when we talk to our customers there, I think what constant, this consistent feedback we receive from them is that, you know, that the demand is good and we would like you to ensure that you serve us well. Okay, that's what we've been hearing. Okay, and, yeah, like local Egypt, the demand has really picked up and we do see the consumer sentiments to be much better there as compared to what we would witness earlier. So probably we may have a better idea as to what is causing this and what is different from what was happening earlier when consumer sentiments used to be impacted when the raw material prices used to be pretty high. Okay. But what is happening is that the demand continues to be favorable demand situation.

Aditya Ketan - Analyst, Smith Institutional Equities
Got it. So my next question is, so recently for the last, so one week we had seen this crude prices declining by $20 or $20 barrel. Now how this will change the supply situation and onto the demand

side? So from the customer side, like, because, so prices are declining so fast, so they would wait for lower prices and they could defer the volumes. Is this a Right understanding. And on to also on to the raw material side, so does customer switch from oleochemicals to crude-based, so petrochemicals, and to the downgrading to get better advantage of margins from these players? How things will shape up from this?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
You know, so it's obviously even today, you know, there is a mix between petrochemical and oleochemical feedstocks. Every formulation. The switch will happen only when the, delta between this is favorable for them to shift more towards petrochemical. But what needs to be understood is that the lower crude prices will also be reflecting on lower oleochemical prices because the crude prices have got a linkage with the oleochemical prices. So what will change is that the delta that was there earlier in the last year between oleochemical and petrochemical feedstock prices has narrowed, okay ?

And even today it continues to be pretty narrow. And we expect this--our talk with customers tells us that they expect this scenario. Even if you have the crude prices coming down, it is not going to significantly change the current mix of petroleum and oleochemical feedstocks that are there in the formulations.

Aditya Ketan - Analyst, Smith Institutional Equities
Then on to the customer side, sir, like, so do they defer the volumes considering prices are moving down in one way?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Require, but then they--when they will differ is only when they see the demand situation is not very robust. But when your demand situation is robust, okay, trying to go tight in terms of your operations and not buying is only going to impact your ability to participate in the demand, correct? So today, with the demand being robust, people take the calls. But earlier, when the prices were very steady, if they take a six-month call, they may probably take a three-month call. That's the only difference. But they have to buy. If they don't buy, they lose, the share on the shelf. They are part of the share in this on the shop shelves, correct?

Aditya Ketan - Analyst, Smith Institutional Equities
Got it. So just one last question. So the--we had completed, so one, one bigger capacity expansion. How much volumes from that segment we have built in for FY27, and how much from the base businesses?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
It's only thing--it's only obviously we don't want to be talking separately, but what is important, that was for specialty ingredients. And that particular segment has picked up significantly well, contributing to our numbers in H1. And we continue to see that happening moving forward into the coming months. And it has grown significantly. The way I would say it is that, that really has started, getting utilized pretty well, the investments that we had done, and we capitalized that in the last year.

Aditya Ketan - Analyst, Smith Institutional Equities
This would translate into a higher volume growth for FY28 to FY29 considering both if start to ramp

up?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
It's already reflecting in a specialty growth this year. Okay, it will continue to maintain the momentum.

Aditya Ketan - Analyst, Smith Institutional Equities
Got it, sir. That's it.

Operator
Thank you. [Operator Instructions] The next question is from the line of Arun Prasad from Avendus Spark. Please go ahead.

Arun Prasad - Analyst, Avendus Spark
Yeah, good morning, Rajanji, and thanks for the opportunity. Sir, just a little bit nuanced breakdown of our top line. If I, if I take your top line and divide it by the absolute volume at the portfolio level, the realization per kg comes--seems to be at the all-time high. And in fact, this is according to our understanding, this, this is even better than our, 21-22 supply-led price increase. Even, even compared to that level, our current realization at a portfolio level is much higher.

Now with the crude, you know, probably going to soften and fatty alcohol prices also probably softening, should we go expect this go back to the previous levels? And then when it happens, in case if it happens, how should we look at the margin? Is the--is on a percentage basis we should, we should expect the margin to be higher, or on a per kg basis, the margin should be at a gross margin level, it should be at the similar levels?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
No, that's precisely because of this reason, okay? We always guide only on EBITDA per metric ton, okay? We don't, we don't look at EBITDA percentage because that will essentially only confuse whoever follows us, okay? But to your question as to what is difference between realization value between say 21-22 and now. One is in terms of the way the feedstock prices were. Even at that time, the feedstock prices were high. One of the other reasons why it's even higher than that, just to give you an indicator, is that, you know, the mix is now very different.

Now we have a good mix of specialty ingredients in the portfolio, okay, so which essentially also talks about a higher realization, okay. So that's, that's one major--so in specialty, you'll have higher price, lower volumes. If you look at the, numerator by denominator, okay, it will tend to be higher. And that obviously will continue because my specialty portfolio has increased compared to what it was in 21 to 22. But with regard to prices coming down, like if we have fatty alcohol prices coming down significantly, it will reduce my realization because my raw material prices have come down.

Arun Prasad - Analyst, Avendus Spark
But this is what--while it is, we are not able to look at it as a contribution from a performance and specialty, both on volume terms and revenue terms, it's like it is one-third. Even a decade ago also it is one-third. So not able to understand this, the mix change that you are talking about. At least our disclosure is probably is not showing that.

K. Natarajan - Managing Director, Galaxy Surfactants Limited
No, no, see, one is if you see 21-22, one is the Specialty--within specialty ingredients, okay, you

have had, you know, your premium specialties that have started, contributing. What is happening in our Tri-K business in USA? What has happened in terms of our mild surfactants portfolio thing going up? So the specialty portfolio within that also has got churned to higher value-added products. Okay. That is why when I'm, when I'm giving the guidance, I, I guide for volume and EBITDA per metric ton, which essentially incorporates all this into EBITDA per metric ton, my mix, impact plus my operating cost, everything included. That is how I guide. That's why I've said I'll be at 26-27 for the full year, okay? And a volume of 6% to 8% at the higher end of the guidance for the full year.

Arun Prasad - Analyst, Avendus Spark
Yes, understood. So if this mix within the specialty is going to be, here and it's going to stay at this level and probably only grow from here, Shouldn't be our long-term guidance, or the EBITDA also should be, upwards of INR25 per kg?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
It should be, it should be. So I'm--we are coming back after two years of, you know, challenging situation that we were in. So we have started, doing pretty well, and that's what I have been telling you for the last two years, that a lot of actions are being initiated. The external scenario is not favorable, but the moment the external scenario gets sorted out, okay, all our positive impact of the actions that we have been doing for the last two years, we'll start reflecting it has happened this year, and it will continue to maintain that momentum.

Arun Prasad - Analyst, Avendus Spark
The past, we used to incorporate the top line, used to incorporate the freight also because, because of the CIF billing that we do. So how much of this revenue growth is because of the higher freight If freight comes down, should we expect a lower revenue growth?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Yeah, it can happen because, you know, my freight into Latin America and North America is three times what it was earlier. So if it starts correcting, that obviously--so if my freight costs are in the region of about 10% of my--see, if you look at it, I think it should be--if it comes down, it'll come down by 2% or 3%.

Arun Prasad - Analyst, Avendus Spark
Understood, understood. And, secondly, on your AMIT, commentary, you, you said that demand in the local market, not only Egypt, non-Egypt market in AMIT also is higher. What is the primary driver for this demand, sir?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
See, first is what we see when we talk to customers They do say that the demand environment is encouraging. That is first. So we have the same question with the increased, you know, prices. So how is the consumer demand, you know, holding itself? So all of them are saying it is holding up. The major challenge all of them have is in terms of getting certainty of supplies because it's such a challenging environment in that market. Because my incoming is challenged, the outgoing is significantly more challenged in terms of the logistics there.

Okay, so what is important is that if--because if the consumer demand wasn't holding up, most of them would not even be asking for material. Okay, so what we are seeing is that which is a good change, and we do expect that--we, we do hear from our customers that this particular thing will

continue. And we also see our, the Tier two, Tier three category is coming back in terms of a good demand in Egypt and outside of in the Africa, Middle East, Turkey region.

Arun Prasad - Analyst, Avendus Spark
All right, sir, any, any further drill-down of the demand drivers? Like, you know, underlying, what has changed over the last 12 months in terms of, is it a better per capita income, or is it because of climate-related more usage of our products? Anything on that line?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
No, not--I am not able to get any specific point. What I could say is that typically what I have seen is that the consumers over a period of time start getting adjusted to higher, higher price listing, and the tier two, tier three customers whom we serve well, I think, seems to be, gaining shares. Okay, okay. And what has happened is one important thing is that inflation per se and currency depreciation, when it happens all of a sudden, okay, people take time to adjust. But once it stabilizes, even at the higher level, people have adjusted and then the demand starts kicking in properly. So if you see here in the last two years, okay, currency has been--many of the countries' currency has been not that very volatile. Currency availability is still in place, okay? And I think the inflation has got taken care by income levels going up. So the consumers have now found a new equilibrium in terms of their buying pattern.

Arun Prasad - Analyst, Avendus Spark
Understood, sir. One question on India. So our--probably our India volumes indicate that we will be on an annualized basis, we will be touching 140 kilotons in this year, which is significantly higher than probably 100 KT that we did even probably two years to three years ago. So do we have--what kind of a capacity we have in India and at what point of time we need to put in capex to raise this capacity level? And how--and, and obviously rest of the world will also be coming back. So do we need a bigger capex program to accommodate for this growth in the next two years to three years?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
So we will require--see, first of all, the way that we approach our capacity increases if you look at specialty, we have already done quite significant amount of investments in the last few years, and they have just started--like, this year was the year in which they really started getting used in a very healthy way. With regard to performance, surfactants, our whole approach is in terms of how do we prepare much ahead in terms of our debottlenecking, okay, and frugal ways of adding capacities.

And what we see is that it will require investments Okay, moving forward. Okay, but as of now, we are well placed. Okay, at least to see the increased demand that we are seeing for the coming, two years to three years from both India and Egypt. Okay, and typically these projects take about 12 months to 15 months for, you know, commissioning. Okay, from the day we kick off the project Okay, so we are, we will at the appropriate time initiate so that we are able to be having capacities well ahead of the demand growth coming in.

Because once you are not there to parcel in demand growth because of capacity, then, you know, that gets booked elsewhere. So we are very conscious of this and we will invest at the right time.

Arun Prasad - Analyst, Avendus Spark
Hello.

Operator
Sorry, your voice is breaking, Mr. Prasad.

Arun Prasad - Analyst, Avendus Spark
Sorry, can you--is it better now?

Operator
Yeah.

Arun Prasad - Analyst, Avendus Spark
Yeah. So, so, so I'll just repeat, sir. So what you are implying is at least for next 12 months, we have enough capacity to grow both our India markets and the rest of the world markets. So one, one final question on the leave-on, question. So, for our 2020, 2030, the target that we had, what should be the LAVON contribution at a portfolio level, sir? Right now it's around 15%, you said, on specialty, which means that probably at a portfolio level it is less than 10%. But for a 2030 target to, you know, to achieve, what should be this number?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Our thing is to go to 25% of our total volumes. Okay, and that's what we are planning. Okay, and, we are making the sort of work that we're doing is all, towards that end. Okay, and we, we would have done a good job if we reach 25%. Okay, by 2030, that's the way I would like to put it.

Arun Prasad - Analyst, Avendus Spark
Understood, sir. Thank you very much and all the best.

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Thank you.

Operator
Thank you. [Operator Instructions] The next question is from the line of Palkesh Jain from Jain Securities. Please go ahead.

Palkesh Jain - Analyst, Jain Securities
Hi sir, thanks for the opportunity. Sir, if I look at the long-term strategy, the company has been investing significantly in innovation and expanding its specialty care portfolio. Could you please share some updates on the new products in the pipeline and how is the customer acceptance progressing? And, and are this, innovation translating into meaningful revenue contribution? That's the question, sir.

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Yeah, so first of all, if you, if you see, there are, there are some of the projects that, fructified, in, the first half of this year, very encouragingly. We have a good amount of products in pipeline, that are, looking at converting. So if you look at, we lost about 10 to 12 products in the last four quarters a good amount of projects in pipeline have got built up and we are seeing some conversions happening. So this, this typically takes time to mature from, the sample stage to commercial order.

And what is interesting, the pipeline is getting built and the conversion we are able to see picking up momentum. So this is good. So if you look at it like last two years, we may think structurally that we have been working to get our specialty ingredients portfolio built up. Okay, we were essentially

building those pipelines. Some of the pipelines have got fructified in the first half of this year. Similarly, the way that we are growing with the direct-toconsumer segment in India, where we support them with a good amount of specialty ingredients. So all these are, you know, contributing to the way that we are building, the specialty portfolio and also reflecting in our results.

Palkesh Jain - Analyst, Jain Securities
Okay, sir, thank you. Thank you. Thanks for the information.

Operator
Thank you--Mr. Palkesh, you had any further questions?

Palkesh Jain - Analyst, Jain Securities
Yeah, I do have one question. So what is our current capacity in the utilization of our plant? So that's one, one more.

K. Natarajan - Managing Director, Galaxy Surfactants Limited
I think you are--I think you're speaking from a speakerphone or something. I'm not able to hear you clearly.

Palkesh Jain - Analyst, Jain Securities
No sir, I am on the headphone side, on the headphone only. Now it's audible.

Operator
Please, please remove your headphones and put it on your handset. I mean directly, you know, talk on your mobile.

Palkesh Jain - Analyst, Jain Securities
Now it's better, sir?

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Yeah, now it's better. Yeah.

Palkesh Jain - Analyst, Jain Securities
Yeah. Sir, one more question. What is our current capacity utilization of our plants? So yeah, that's--

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Yeah, we are about 65%.

Palkesh Jain - Analyst, Jain Securities
Okay, sir. Okay. Thank you, sir. Thank you. Thank you.

Operator
Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Thank you, and over to you, sir.

K. Natarajan - Managing Director, Galaxy Surfactants Limited
Yeah, thank you all. Wishing you all a very happy Diwali. Looking forward to meeting you all in the Q3 conference call three months from now. Wishing you all the very best.

Sanjay Jain - Analyst, ICICI Securities
Thank you. Happy Diwali. Thank you.

Operator
[Operator Closing Remarks]