

November 12, 2018

BSE Limited  
The Corporate Relationship Dept  
P.J. Towers,  
Dalal Street,  
Mumbai – 400 001

**BSE Company Code: 500214**

Dear Sir/ Madam,

Sub: **Submission of Transcript for conference call under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Pursuant to our letter dated October 25, 2018, we enclose herewith communication relating to conference call as per Regulation 30(6) Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

The said conference call with the Institutional Investor/Analyst on Monday, October 29, 2018 was to discuss the financial performance of the Company for the Second quarter and Half year ended September 30, 2018.

The aforesaid information is also disclosed on website of the company i.e. [www.ionindia.com](http://www.ionindia.com).

Kindly take the information on your record

Thanking You,

**Yours faithfully,  
For Ion Exchange (India) Limited**



**Milind Puranik  
Company Secretary**

**ION Exchange India Limited**  
**Conference Call Name**  
**29 October, 2018**

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**Moderator:** Should you need assistance during the conference call, please signal an operator by pressing '\*' and '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

**Anuj Sonpal:** Thank you Ali, good afternoon everyone and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of ION Exchange India Limited. On behalf of the company, I would like to thank you all for participating in the company earnings conference call for H1 and Q2 FY19. Before we begin, I would like to mention a short cautionary statement as always. Some of the statements made in today's earning conference call maybe forward looking in nature. Such forward looking statements are subject to risk and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management beliefs as well as assumptions made based on information currently available to management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. The purpose of today's earning conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Now I would like to introduce you to the management participating in today's earning conference call with us and give it over to them for further opening remarks. We have with us Mr. Aankur Patni Executive Director, Mr. NM Ranadive Executive Vice President of Finance, Mr. Vasant Naik Senior Vice President of Finance and Mr. Milind Puranik Company Secretary. I now request Mr. Vasant Naik for his opening remark. Thank you and over to you, sir.

**Vasant Naik:** Good afternoon everybody. It is a pleasure to welcome you to the Q2 Earnings Concall. I will take you to the quarterly performance of our company on a standalone basis. The total income for the quarter is INR 2436 Mn. The EBITDA reported is INR 271 Mn and the EBIDTA margin is around 11.12% which has grown by 32 basis point year-on-year. The net profit after tax reported is INR 121 Mn and the PAT margin is around 4.97% a growth of 148 basis points year-on-year. I will now take you through to the segmental performance of the standalone entity for the quarter.

In the engineering division the turnover is INR 1180 Mn against INR 1303 Mn for the corresponding period last year. The EBITDA is INR 60 Mn as against last year INR 30 Mn, a growth of 100%. In the chemical segment the revenue recorded was INR 979 Mn as against INR 722 Mn year-on-year. The reported EBITDA of Q2 for the current year is INR 110 Mn as compared to INR 100 Mn in Q2 of 17-18, a growth of 10%.

In the consumer product segment, the turnover reported in this quarter is INR 267 Mn as compared to INR 250 Mn in Q2 of last year. Losses for the quarter are INR 6 Mn as compared to INR 5 Mn in the corresponding quarter of the last year.

Now I will take you to the half yearly performance of the company on a standalone basis. The total income for the half year is INR 4,652 Mn, the EBITDA reported is INR 527 Mn and the margin is 11.33% which has grown by 281 basis point year-on-year. Net profit after tax reported is INR 230 Mn and the PAT margin is 4.94%, a growth of 148 basis points year-on-year.

Coming to the segmental performance of the standalone entity for the half year, in the engineering division the turnover is INR 2256 Mn as against INR 2293 Mn for the corresponding period last year. The EBITDA for the engineering segment is INR 149 Mn as against 70 Mn last year, a growth of 113%. In the chemical segment, the revenue recorded is INR 1825 Mn as against INR 1654 Mn year-on-year. The reported EBITDA for the current six months is INR 201 Mn as compared to INR 198 Mn in the last year, a growth of 1.5%.

In the consumer product segment, the turnover reported is INR 496 Mn as compared to INR 506 Mn in the first six month of last year. The losses have come down to INR 17 Mn from INR 22 Mn in the corresponding year.

I will now briefly take you through what has been happening in the various segments of the company and to begin with we will talk about the engineering segment. The improved order booking and execution has been witnessed during the current quarter. With respect to the Sri Lanka order, significant phase of civil work has commenced. Whilst the revenue recognition for the quarter is not significant, we expect substantial revenue recognition in the second half of the current financial year.

In the chemical segment increased demand requirement has resulted in higher off take during the quarter. However, margins continue to remain under pressure due to the rising commodity prices. In the consumer product segment, the company continues to focus on strategies of looking at segments where the emphasis is more on technology and solutions such as rural and institutional segments. In the rural market, the company works closely with various entities such as the government, the NGOs and the village communities to take care of the water drinking requirement of the rural committee. During the current year the losses have been contained due to the improved realization and control over the overheads.

**Anuj Sonpal:** Now after the opening statements, we can open the conference call for the Q&A session. Although I would request all the participants to restrict their questions to the quarter performance and the future prospects of the company only rather than broad based understanding of different aspects about the company.

**Moderator:** Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Keval Shah from Emkay Global. Please go ahead.

**Keval Shah:** Sir, my question is regarding your cash position. So it was around 60 crore by the end of this year and it is around 33 crore, so what are the major cash utilization and what is our working capital position right now?

**Management:** The cash position has come down for two reasons. One, as we have mentioned in our earnings presentation, the civil work mobilization for the Sri Lanka Order has commenced during the quarter, so some amount of liquidity has been used for this activity.. Second is if you see the deposit with a bank also has increased, so part of the cash has been invested in fixed deposits.

**Moderator:** The next question is from the line of Sudhir Bheda from Right Time Consultancy. Please go ahead.

**Sudhir Bheda:** Sir my question would be what can be the consol number going forward as reported last year there is a mark improvement in the performance of the subsidiary so losses have come down, so this year can we expect the same kind of performance and growth on consolidated also?

**Management:** All companies may not be profitable or breakeven in 18-19, but definitely there will be improvement in performance of most of the group companies, year on year

**Sudhir Bheda:** So can we take the assumption of improvement as seen in last year the trend will continue?

**Management:** Yes

**Sudhir Bheda:** One more question is from where the EBIT margin has improved in the engineering side which sector leads to the improvement and those improvements would continue in the second half also?

**Management:** The EBIT margins have improved in the engineering segment primarily because the margin profile in the current order back log is much better as compared to the previous year.

**Sudhir Bheda:** And the trend is expected to continue this improvement in the margin?

**Management:** We hope to continue with the current trend.

**Moderator:** The next question is from the line of Tanmay Mehta from SBICAP Securities. Please go ahead.

**Tanmay Mehta:** We have just learned that China has imposed some anti-dumping duty on Ethanolamine that is used for water treatments I just wanted to know whether we are present in that chemistry?

**Management:** No .

**Moderator:** The next question is from the line of Zakir Abbas Nasir, individual investor. Please go ahead.

**Zakir Abbas Nasir:** Sir there is only one question. The matter of Ion Exchange Enviro, has that been concluded finally sir or it has still gone in whatever jurisdiction authority?

**Management:** We are already in appeal and the matter is is not concluded yet.

**Zakir Abbas Nasir:** I think last concall you had said that is hearings the end and no further provisions will be made on that regard from the current year?

**Management:** No it is still not over. The hearings are in progress.

**Moderator:** The next question is from the line of Anoop from Equity Intelligence. Please go ahead.

**Anoop:** My question was regarding the vision for the consumer division for the management, let say in next three years what do we envision in this consumer sector?

**Management:** As was highlighted during the opening comments, we expect significant improvement as compared to the current status.. We are looking at new and more profitable market opportunities for the consumer division and we are very hopeful that the efforts will start to show in the results in the coming time.

**Anoop:** Any timeline for breaking even that we have, any expectation?

**Management:** We are certainly hopeful that we will be not very far from that number by the end of this financial year. Next year we can be quite certain that we will be very close to breakeven.

**Anoop:** Finally one question on engineering order book what would be that right now?

**Management:** The current order book is INR 975 crores excluding Sri Lanka order.

**Moderator:** The next question is from the line of Amit Jain Retail Investors. Please go ahead.

**Amit Jain:** My question is that there are some new political developments happening in Sri Lanka do you see that impacting the execution of the project?

**Management:** We do not foresee any impact of this development on our project.

**Amit Jain:** My second question is what is the status of stock coming out of trade-to-trade?

**Management:** Basically, the shares are under Tto-T segments because some of promoter shares are not dematerialized. We are in the process of dematerialising those shares and hopefully by next month end that process will be completed.

**Amit Jain:** But this has been the case for last two years.

**Management:** There were some legal issues involved. We have sorted out those issues and now you will see the positive result definitely.

**Moderator:** The next question is from the line of Dhawal Shah from KR Choksey. Please go ahead.

**Dhawal Shah:** I have two questions firstly about the cap employed so if I look at the segmental cap employed for engineering segment there has been reduction by around INR 35 crores and that can be we can see that amount in the un allocable as well the same amount INR 35 crore, so can you please explain what is that related to?

**Management:** The reduction of Capital Employed in the Engg Segment is due to the reduction in the debtors and cash and bank balance levels.

**Dhawal Shah:** And secondly about the order inflows I mean if you can share the pipeline what kind of orders visibility is from India outside I mean there are also talks about the municipality, but we have not seen some the order intake from that side, so can you please share some more thoughts about the order inflows?

**Management:** The current order book is 975 crores and the bid pipeline is close to INR 5000 crores.

**Dhawal Shah:** We can see by what time I mean in how many orders are we L1 if you can specify?

**Management:** That we cannot specify but normally our hit ratio is close to 20%.

**Dhawal Shah:** And can you share the order intake numbers for this quarter?

**Management:** This quarter is 497 crores.

**Moderator:** The next question is from the line of Nitin Gandhi from KIFS. Please go ahead.

**Nitin Gandhi:** When do we expect this EBITDA margin which we previously used to do at significantly higher level and are we seeing any concern on 11% margin falling whatever order book we have, is there some cutoff rates beyond which like 12%, 13% we do not know we are taking order intake some thought process on that and secondly on execution on Sri Lanka next half H2 this year and till the completion how do you expect this execution to ramp-up?

**Management:** Coming to your Sri Lanka question, we are expecting revenue of 35% to 40% in the year 18-19 with around 375 crores in H2.

**Nitin Gandhi:** And what will be the balance to be spread over?

**Management:** The contractual completion date is May 2020. Hence, balance execution will be completed by this date, with major portion getting executed in FY 19-20

**Nitin Gandhi:** What are the margin are we saying considering that there is a lot of time gap between the time we took order and today and are we seeing any margin threat of 11%, 12% for the Sri Lanka order?

**Management:** No, we have never disclosed the margin as such, but we do not foresee any threat to the margins of the Sri Lanka Order.

**Nitin Gandhi:** And what about the Indian order book of INR 975 crore, are we continuing to commit on this because previously we used to take the order and subject to margin vagary, but now I think we have learned over the time and I think we should be doing about double digit only is it a fair assumption?

**Management:** We are hopeful of sustaining the current margins..

**Moderator:** The next question is from the line of Vinay Nair from Rare Enterprises. Please go ahead.

**Vinay Nair:** The Sri Lankan order is it being executed by any subsidiaries in Sri Lanka or by the standalone company in India?

**Management:** By the Parent Company in India.

**Vinay Nair:** So the entire activity is being done by the Indian entity and the revenues are booked in the standalone?

**Management:** Yes.

**Moderator:** The next question is from the line of Shreyansh Jain, Individual Investor. Please go ahead.

**Shreyansh Jain:** I saw many Ion Exchange units in various railway stations of India can you just give a hint how many stations you are covering, how many stations are being in the pipeline and what is it sort of is it annual contract, what sort of avenue one time contract or we maintain it also. So I saw many Ion Exchange RO system installed in railway stations, so how many stations you have covered and are there further in pipeline and what is the revenue model there and how many revenue do we expect going forward?

**Management:** Company appoints sub contractors for operating these vending machines who purchase these machines from the company. The Sub contractors pay licence fees to the Company but retain the Revenue from sale of water.

**Shreyansh Jain:** So we do not have direct contract with railways and do you have any idea how many more stations are we able to cover?

**Management:** Company pays to IRCTC licence fees for operating these machines in allotted circle..

**Shreyansh Jain:** So how much we have installed already or how much revenue we have already generated from it?

**Management:** .The numbers are not significant.

**Moderator:** The next question is from the line of Amit Jain Retail Investor. Please go ahead.

**Amit Jain:** Sometime back the company secured a new contract from Vedanta Cairn unit I wanted to know that duration of this contract when will the execution start and end?

**Management:** Execution has already started. The duration is two years.

**Amit Jain:** And the next question is on membrane unit in Goa and at what capacity utilization is it working?

**Management:** We are in the process of stabilizing the product and it should be fully operational in the fourth quarter.

**Amit Jain:** What sort of revenue recognition as of now?

**Management:** Though the revenue is substantially higher compared to the Previous year, we expect the significant ramp up to happen in the fourth quarter.

**Moderator:** The next question is from the line of Ashvin Jog, Individual Investor. Please go ahead.

**Ashvin Jog:** I wanted to know what the component of our other income because it is substantially higher for two quarters in a row and currently we have booked another income of INR 30 crores roughly in the first half which is almost equal to what we have booked in the entire year last year.

**Management:** Other income in the current year comprises mainly of interest income and the foreign exchange gain.

**Ashvin Jog:** And what would be the component of the exchange gain?

**Management:** It is a significant number.

**Moderator:** The next question is from the line of Chetan Vadia from VKL Investment. Please go ahead.

**Chetan Vadia:** The question is on the consumer product segment what kind of revenue are we likely to witness for the remainder of the year end and by when can you expect such substantial profitability from division?

**Management:** The consumer product segment performance for the second half is expected to be better than the first half and as informed earlier we hope to come close to the breakeven in the next year.

**Chetan Vadia:** To understand a little better because overheads have the losses or what is the key reasons and whatever actions that we have taken to kind of get better in the division?

**Management:** Overheads do contribute to losses. The company continues to focus on strategy of looking at segments which is less intensive on upfront marketing expenditure and focus is more on the technology and solutions such as rural and the institution segments. We have the product range which we feel offer good value proposition to the customers in these segments. Over a last few quarters, we have seen the improvements happening across all the verticals in the segment and as informed to you we expect we should continue with overall improvement in the segment and hopefully in FY 19-20 we should be coming close to the breakeven.

**Chetan Vadia:** you have introduced new product segment and all that so how many SKU do we have right now and how many we are planning to add?

**Management:** We may not be in a position to give these details.

**Moderator:** The next question is from the line of Nitin Gandhi from KIFS. Please go ahead.

**Nitin Gandhi:** I just wished to know last one or two quarters back we had shared Goa facility contributing roughly 30 crores turnover so are we on track or we behind schedule and what is the last quarter contribution and secondly Sri Lanka margins I agree that you are not disclosing the margin but can we share some indication, some colors that at least we know where do we stand.

**Management:** As far as Goa membrane facility is concerned ,we are on track of achieving 30 crore turnover by the end of the year. As far as Sri Lanka order is concerned, we are not disclosing the

margins % per se, but it is definitely better than the current overall engineering margins and this will have positive impact when we are in a position to recognize higher revenue in the fourth quarter.

**Nitin Gandhi:** But are they made the single digit or high single digit some color if you can share?

**Management:** As we have already informed, margins are better than the current overall margins. We are exercising due prudence and conservatism in disclosure and more details can be shared a few quarters later.

**Moderator:** As there are no further questions I now hand the conference over to Mr. NM Ranadive for closing comments.

**NM Ranadive:** Thank you all for participating in this earnings concall. I hope we have been able to answer your questions satisfactorily if you can have any further questions or would like to know more about the company we would be happy of assistance. We are very thankful to all our investor who stood by us and also had a confidence in the company growth plan and focus and with this I wish everyone great evening and happy Diwali to all of you.

**Moderator:** Thank you very much. Ladies and gentlemen on behalf of Ion Exchange India Limited that concludes this conference call for today. Thank you for joining us and you may disconnect your lines.