

**Ion Exchange (India) Limited**  
**Q2 & H1 FY'25 Earnings Conference Call"**  
**November 15, 2024**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Ion Exchange (India) Limited Q2 & H1 FY'25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing the star, then zero on your touchtone phone.

I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you Sir.

**Anuj Sonpal:** Thank you. Good afternoon, everyone and a very warm 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's Earnings Conference Call for the Second Quarter and First Half of Financial Year 2025.

Before we begin, let me mention a short cautionary statement: Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which would cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements and making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We firstly have with us Mr. Aankur Patni, Vice Chairman, Mr. Vasant Naik, Group Chief Financial Officer, Mr. N.M. Ranadive Group, Head of Financial Planning and Risk Management and Mr. Milind Puranik, Company Secretary.

Without any further delay, I request “Mr. Vasant Naik to start with his Opening Remarks.” Thank you and over to you, sir.

**Vasant Naik:**

Thank you, Anuj. Good afternoon everybody. It is a pleasure to welcome you all to the Earnings Conference Call for the Second Quarter and First Half of Financial Year 2025.

For the second quarter under review, on a consolidated basis, the company reported an operating income of INR 6,445 million, an increase of around 21% year-on-year. The EBITDA reported was INR 682 million, representing an increase of around 13% year-on-year. The EBITDA margin stood at 10.58% and net profit was INR 506 million, an increase of 19% year-on-year, while the PAT margin was around 7.85%.

For the first half of financial year 2025, the company reported operating income of INR 12,120 million, an increase of around 20% year-on-year. EBITDA reported was INR 1,326 million, an increase of around 21% year-on-year. The EBITDA margin stood at 10.94% and net profit was INR 954 million, an increase of around 26% year-on-year, while the PAT margin was around 7.87%.

Going through the “Quarterly Segmental Performance on a Consolidated Basis,” in the “Engineering Division,” the revenue for the quarter was INR 3,949 million, an increase of 26% year-on-year. The EBIT for this segment was INR 235 million, an increase of 21% year-on-year. The increase in turnover was largely due to the improved execution of several large EPC contracts and this momentum is expected to continue in the ensuing quarters. The segment saw an improvement in order flow during the quarter. The domestic enquiry remains robust and we are hopeful for the finalization of some large value opportunities in the next few months. At the end of the Q2 financial year '25, the total order book for the engineering division stood at INR 3,580 crores.

Moving to the “Chemicals Division,” the revenue for the quarter was INR 1,968 million, an increase of around 12% year-on-year. The EBIT was INR 522 million, an increase of 23% year-on-year. The segment continues to record improvement in both turnover and margins.

The expansion of the Roha plant for the manufacturing is in advanced stage and we expect the commercial production to commence in the first quarter of FY'25-26.

For the “Consumer Products Division,” the revenue for the quarter was INR 691 million, an increase of 20% year-on-year. The losses for the quarter was INR 35 million as against INR 3 million loss in the same period of the previous year. This segment is experiencing consistent growth driven by greater market penetration and acceptance of the company's products. Our margins remain negative due to the ongoing investments in the infrastructure. Anuj, now we can take the question-and-answer.

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Pratik Kothari from Munich PMS. Please go ahead.

**Pratik Kothari**

**Unique PMS:** Sir, first question is on the chemicals segment. I mean there's Roha commercialization like you mentioned is six, nine months away. So, if you can talk about on-ground, what are the preparations that we have made in terms of kind of ramping it up in time in terms of clients, etc.,? So if you can talk about the preparation for the same.

**Aankur Patni:** We have been working on it for quite some time now and there is a continuous effort to make sure that once the plant gets commissioned, we would have a few customers who would be having long-term contract, as also our teams on the ground have been working to establish a relationship with several other distribution channels across various geographies globally and we are quite confident that in a period of three to four years we would be able to use full capacity of this new plant.

**Pratik Kothari**

**Unique PMS:** So, currently, I believe in terms of reasons our capacity utilization hovers between 65%, 70%. So, given that we already have capacity available, so why doesn't this ramp up -- are there different products that we are trying at Roha, different customer segments?

**Aankur Patni:** The nameplate capacity is based on a particular product mix and the actual product mix can vary based on considerations of optimum revenue and profitability. Which is why you don't really see that the

nameplate capacity being achieved. In the ensuing quarters, there would be a slight change in the way that we approach some of the product segments where volumes are high.

**Pratik Kothari**

**Unique PMS:** So, for the current product mix that is it fair to assume that our current capacity is optimally utilized, the reasons one?

**Aankur Patni:** Yes, we are using a substantial portion of our current capacity. In general, there would be an unused capacity of around 10%, depending upon how we adjust the product mix. However, there are certain product lines for which the available capacity would be higher and we are in the process of ramping up the volumes.

**Pratik Kothari**

**Unique PMS:** On the engineering part, I think after a while we have seen this ramp up, which all of us have been waiting for. So, just some comments what is going right and I believe our expectations were that going forward H2 or maybe next year was supposed to be much, much better than what we have seen over the last three, four, five quarters, so some comments there if you can?

**Aankur Patni:** H2 would be better than what we have seen till now, that is our expectation too. The executions of various contract are improving. In the coming years also, we would expect the improvements to continue and we also hope that our order book will continue to grow. We've been telling you for the past two quarters about the impact which one particular project has been having on our bottom line. Barring that one adverse impact, overall, we are quite happy with the way that the revenue buildup is progressing. We expect roughly between 15% to 20% growth during the current year on a full year basis. In terms of our enquiry bank and in terms of the various projects that we aspire to gain, the movement is pretty good.

**Moderator:** The next question is from the line of Eshwar from ithought PMS. Please go ahead.

**Eshwar**

**ithought PMS:** The question I had has already been answered, but there's just one clarity I wanted for the year, couple of days ago and they have a margin above

of about 20% to 30%. How have they done, what is the difference between us and them?

**Aankur Patni:** I'm sorry your voice is not very clear and we cannot make out the content of your question.

**Eshwar**

**ithought PMS:** Sir, the question I had was like I've been interested in your company with company for a long time, but I'm new to the space, There's one clarity I wanted. EMS released their earnings a couple of days ago and they have a margin of about 25% to 30% in the engineering business. How have they achieved that high margins? So they are our peer, they are in the same segment with us, what are they doing different, can you please comment on that?

**Aankur Patni:** I think it's not fair for us to comment on what they're doing and how they've achieved their margins. What I can say on a very broad level is that the customers that they deal with and their specific focus of business is slightly different from what we do. However, I am not privy and I am not fully aware of the specific projects or their margins.

**Moderator:** The next question is from the line of Omkar, an individual investor. Please go ahead.

**Omkar:** So I personally feel the water sector is in sweet spot and future is looking very bright for water sector. So what is the reason for which we are not getting very big orders? We got a couple of orders last quarter, 160 crores and 180 crores, but that value is still lesser. So, my question is, how much more orders are we expecting or at least give some guidance or visibility for our business for next or specifically for this financial year? And my second question, little bit regards to specifically for insiders selling Mahabir Patni and Bimal Jain, both are selling their shares in each quarter. Any specific reason for that? Because despite being a future for this business, is very bright, what do you make of insiders are selling the Ion Exchange shares?

**Aankur Patni:** The company's enquiry bank continues to be quite strong and our average conversion from the enquiry bank into the order book is roughly around 15% to 20%. We have a very healthy prospect in the future and we do hope that the enquiry bank as well as the order book would both

continue to prosper in times to come. The water and the wastewater segment is certainly in the sweet spot, not just in India but globally and that's why the guidance that we have been continuously giving to our investors has been quite positive.

As far as the sale by the two individuals that you mentioned, that's an individual decision. They have been invested in the company and they've been part of the promoter group and management in various ways. That's been so for a long time. And while I cannot comment on the individual reasons for the sale, I do understand that they have sold a very small portion of their shareholding during the period that you mentioned, and I guess that it would be to monetize some of their holdings.

**Omkar:** One small question. UP outstanding order is around 750 crores. Can we expect at least 150 crores quarterly run rate as we are entering into H2? As every con call we are saying UP contract would get substantially executed by the end of this financial year. What is the exit run rate can we expect in UP contracts specifically?

**Aankur Patni:** The UP contracts had the expectation of substantially more invoicing during the second quarter, but we do expect that in the coming quarters the rate of invoicing would improve significantly. However, the execution of the contract is quite dependent upon the flow of funds which are allocated and approved for our contract, as well as the various approvals that we receive from the government and that's not unfortunately a very predictable thing. While we will certainly aspire to do as much as we can, we are not in a position to tell you exactly how much we would be executing during each of the months.

**Omkar:** Reason behind it in Q1 was because of election period we have not done the much execution and in Q2 if I'm not wrong, we have done 60 crores. I'm just asking is it possible to do at least 100 crores per quarter, just a round number? I understand what you are saying. It's subject to the realization of the funds and everything. But can we expect H2 will be better for the run rate? Can I say in other words, H2 will be much better than H1 for UP contract basically?

**Aankur Patni:** Yes, H2 will be significantly better than the first half.

**Moderator:** The next question is from the line of Pratik Kothari from Munich PMS. Please go ahead.

**Pratik Kothari**

**Unique PMS:** A few clarifications. One is on Sri Lanka, any update progress there?

**Aankur Patni:** Sri Lanka, as we've been commenting for quite some time, there is very slow progress on that contract and further invoicing or execution is dependent on the funds which get allocated to the contract, whether through the intervention of Government of India or by the Sri Lankan Government themselves. We've had some infusion of funds from the Sri Lankan Government and consequent upon that we've been invoicing some small values. But roughly around 10% or so of the invoicing still remains to be made. We can only say that there is a significant degree of uncertainty about when the funds will get allocated to it and how much. But, as and when the flow of funds becomes good, we would be able to close the remaining portion of the contract at a very good pace.

**Pratik Kothari**

**Unique PMS:** And we had some exposure there in terms of what we had executed and yet to be received I think a year or two back. Is that all settled or even that is still pending?

**Aankur Patni:** No, as I said, there is only some amount of funds which are being allocated to the contract and that also by the government of Sri Lanka. So, while we are quite confident about recovering the amount, but there is still some outstanding which is there.

**Pratik Kothari**

**Unique PMS:** And sir, one is this Roha, the resin plant expansion that we're doing. Anything on the membrane or the other chemical products that any projects that is currently undergoing or under plan?

**Aankur Patni:** We've just expanded capacity on our membrane facility and we are planning to expand that further. We will make an announcement once those plans take full shape. As far as chemicals, we have been announcing for some time that we would be setting up facilities in

Odisha, and as of now those are plans which are still being developed further.

**Pratik Kothari**

**Unique PMS:** Are we disclosing margins or this one-off order impact that we have in our engineering business, which is kind of suppressing our overall margins, are we disclosing what impact that is?

**Aankur Patni:** Well, we've not really spoken about specific numbers, but I can tell you that the impact of this on our engineering segment margins is significantly upward of 150-200 basis points.

**Pratik Kothari**

**Unique PMS:** Last is on the UP. You did speak about this fund flow government approach. Do you see a change in their priority of what needs to be done because there were some large ticket orders which are put out, it seems the pace is absolutely very different from what we were expecting earlier? So in terms of when you speak to them?

**Aankur Patni:** We have large teams deployed on the ground and we were hoping for a faster pace of execution right through. We have been in discussion and dialogue with the government to try and see ways and means of expediting execution. Dialogues continue, but two of the very crucial impediments to faster execution is approvals which come from various parts of the bureaucracy and also the fund flow, which is allocated to the contracts. We have disclosed earlier in election period, there was a little bit of a hiccup. Those things seemed to have now been sorted. The execution during October was much better than what it was in previous period. So, we hope that the pace would be significantly better in the second half and we would be able to at least show much better numbers.

**Moderator:** The next question is from the line of Vikas Goyal, an individual investor. Please go ahead.

**Vikas Goyal:** So my question is regarding your membrane division. Sir, what is total contribution in our engineering segment for the membranes and what is current capacity utilization or our current capacity in terms of membranes production?

**Aankur Patni:** The revenue from the membrane division is not very significant as part of our overall revenue numbers, but we are running at roughly 60% to



65% of the expanded capacity level. As we mentioned on the call earlier that we have expanded capacity recently. Further, I also mentioned earlier that we are evaluating further expansion of the facility. So, the outlook for the future is quite good.

**Vikas Goyal:** My second question is regarding your hydrolifet in consumer segment. Can you disclose the prospects of this business?

**Aankur Patni:** Well, we are seeing very good customer response to the product and we expect that this would become one of the star products for the consumer segment. There's a lot of market building required and investments are currently being made for the same. I'm sure that with growing awareness about the various benefits which the product offers, the product revenues will be significantly better in the future.

**Vikas Goyal:** My last question is regarding this semiconductor business. Are we getting some traction in this sector? Have we any orders in this quarter for any semiconductor industry?

**Aankur Patni:** We are working with quite a few of the prospects in the industry. As you would be knowing that there are several which are being planned and are at various stages of implementation. So, we are certainly looking at sectors with a lot of interest.

**Vikas Goyal:** Sir, my last question please if you can answer. The quality of water in solar cell manufacturing and in semiconductor industry, do you think it is same or which industry is more demanding for pure water, is it solar or is it semiconductor?

**Aankur Patni:** Both the industries require high quality of water and also high quality waste treatment facilities. The specifications of water required by both industries is slightly different and each needs to be strictly adhered to. However, broadly speaking, semiconductors would have a higher specification.

**Moderator:** The next question is from the line of Jolyon from Amiral Investment. Please go ahead.

**Jolyon**

**Amiralil Investment:** Two questions. Sir, on the working capital noted that receivables eventually have actually increased maybe from FY'24. Maybe any

commentary on that and where do we expect inventory and receivables for end of the year?

**Vasant Naik:** You mentioned about the receivable level. Our EPC segment revenue is steadily increasing. That's why we are largely seeing an increase in the number of days of the receivables for the current year. And we do expect as the engineering EPC invoicing picks a pace in the coming quarters, we may be seeing this level at the year-end also.

**Jolyon**

**Amirall Investment:** Just to clarify. When you say this level as in absolute same level or the same number of like receivable days or inventory days, could you clarify that please?

**Vasant Jain :** You can take the number of days because the fourth quarter generally we see a higher level of invoicing. So, it will be appropriate if you take number of days.

**Jolyon**

**Amiral Investment:** My second question is on the leadership transition. I notice that the CEO transition to the MD in October. I think there was a press release. So maybe you can give your background on the new M.D. and maybe what we should expect in terms of any potential changes to the organization or the way it works?

**Aankur Patni:** Mr. Indraneel Dutt had been appointed as a CEO for the company last year and in a natural progression he has been appointed as M.D. this year. The two promoter group families which have been involved in the business for a number of decades now, and the four members from the two promoter group families, they continue to remain involved in guiding, advising and supporting the business and they continue to be on the board. However, in the interest of longevity and to bring a little bit of a separation between the promoter holding and the operational management of the company, it was felt that we should bring in professional M.D. and professional management into the picture and that's how Mr. Dutt has been appointed as the managing director. The rest of the organization continues to function as it was and we do expect that the company will continue to grow at a significant pace in coming times. The company will continue to focus on creating and maintaining

a team of high quality management professionals to fulfill our long-term aspirations of global leadership in our business. We would take all necessary steps across the company to ensure that gaps, if any, are promptly addressed. But per se there is no defined change in the style of management or in its approach.

**Jolyon**

**Amiral Investment:** So just a quick follow up. The transition maybe happened only for 1 1/2 months, but do we foresee any kind of like change in the strategic vision of Ion Exchange or from the company perspective?

**Aankur Patni:** Well, we are looking at more aggressive growth in times to come. The aspiration of the company is to multiply the top line as well as bottom line several times over in the coming five to seven years. So, we hope to see a slightly more or higher pace of growth and we will see a higher degree of traction on the international markets and that's the strategy which we have been advocating for quite a few quarters and years now.

**Moderator:** The next question is from the line of Samir from AUM Fund Advisors. Please go ahead.

**Samir**

**AUM Fund Advisors:** Sir, I have two questions. One is on the chemicals business. This new facility at Roha, if you can just tell us what is the total CAPEX that will be spent by the time this plant comes up, and what sort of fixed asset turnovers can we expect, will margins continue to remain on the new products as well, at the 25% EBIT level that you have and by when would you intend to hit peak capacity from the new plant?

**Aankur Patni:** Well, we are expecting the plant to deliver somewhere around 2.5 times asset turn to the total CAPEX of roughly 275 crores which is on the primary production facility. As we've been declaring over the last few calls, there in an additional facility which is targeted to give us value additions on including the efficiency of production and several other matters. Unfortunately, we are not able to offer you a lot of technical details around that part of investment, because it's one of the first time that something like this is being done anywhere and we would like to keep the public information on that limited at this stage. Hence, for the purpose of asset turn calculation, we state 275 crores and the projected

number as we just mentioned is around 2.5 times over a period of roughly four years. In terms of the margin profile, we do hope that the current margins can be maintained over at least the coming few months. It is dependent upon the movement of raw material prices, the foreign exchange fluctuation, the geopolitical scenario, the stability on various other fronts. Therefore, it is difficult to give you a very definitive answer over a longer period of time. But if things remain as they are, the margins are quite sustainable. And for the new facility we do expect to get a little bit of an advantage on the cost front. Therefore, we might get a benefit of that in the bottom line as well.

**Samir**

**AUM Fund Advisors:** Sir, would it be fair to sort of conclude that based on 275 crores CAPEX in a four year timeframe, you could effectively look to double your chemicals business which is currently at about 800 crores per annum run rate while maintaining margins... of course, it's subject to several vagaries, but you should be able to double your chemicals business in four years at pretty much the same current margins subject of course to product mix and all of the factors that you mentioned?

**Aankur Patni:** Yes, that's what that the number would add up to because it's not just the resin business that we are talking about. We are seeing growth on the other fronts also.

**Samir**

**AUM Fund Advisors:** My second question, sir, is on the consumer business. Now, while we say that this business is growing, it's on a very, very small base and we've seen over the last four or six quarters at least that this business on a very small base, the growth in percentage terms should have been much larger where it is not the case. So what are the issues that you're facing because we consistently see small losses from this business and the sales ramp up is not what one would expect, given that the other listed competitor is. is now showing very decent numbers on the purifier side, so can you just talk a little bit about if you're facing any issues, what those issues are in that business? How long will this marginal or small losses from this business keep happening every quarter?

**Aankur Patni:** We are expecting the business to grow by roughly around 30% level by the end of the current year and the size of the business is in the range of around 10 %- 11% of our revenues at the moment and it has been at roughly that level for quite a while. But we do see that the current trends are quite favorable and we are aspiring to reach a figure of 500 crores in the near future. The entire effort at the moment is not so much EBITDA focus, it is more geared to reach a scale which is more meaningful for that business and for the company. That's why a lot of the gross margins which the division is being able to generate, we are redeploying in the consumer business to develop infrastructure for future growth.

**Samir**

**AUM Fund Advisors:** So, sir, could you just elaborate a little bit, I mean, are you increasing distributors, are you going into new geographies, is there new product introduction, how are you going to achieve 500 crores turnover in this particular business?

**Aankur Patni:** We are investing and developing capabilities in all the fronts that you just mentioned and maybe a little bit more because as we grow from a level which was significantly lesser than where we stand today, we would need to build on all of these fronts and continue to provide outstanding products and services better than what the rest of the industry is doing. With that aspiration, there's a lot of investment going on. And in the minds of our team, certainly, the figure of 500 crores is not all that distant. As I said, roughly 30% growth by the end of this year and then we'll be building on a slightly larger base.

**Moderator:** The next question is from the line of Romil Jain from Electrum PMS. Please go ahead.

**Romil Jain**

**Electrum PMS:** My question is sir, can you just help me with the order inflow in H1 and what do you expect for the whole year?

**Vasant Naik:** The order inflow for the first half was around 726 crores.

**Romil Jain**

**Electrum PMS:** And normally H2 being better, what kind of improvements you are expecting on an annual basis?

**Aankur Patni:** Well, it's very difficult to predict exactly what orders we will end up winning because there are a few large ticket contracts which are under discussion and hopefully if those go as anticipated and in our favor, then we should be able to outperform the previous year in the second half.

**Romil Jain**

**Electrum PMS:** Just as an observation, I think in the last few quarters we've seen the order book in a range bound. Because there's a lot of work going on globally also and you've a lot of stuff on the water space. So there doesn't seem to be a lot of incremental order inflow that is kind of coming through. So can give some idea of how the international order book within our space is performing, how aggressive we are, so the bid pipeline has remained in this 8,000 crores kind of a band and similar is the order book, so can you just give some flavor on that side?

**Aankur Patni:** The order book is also a function of the contract which are getting executed because that portion of the order book would keep coming out of it. So if you see a higher quantum of revenues which are being booked, it would require that much more of order inflow to the keep the order book levels at the same place. While we have seen marginal growth in the overall order book quantum, but the quarter-to-quarter order intake has gone up. Just to give you an example, the Q2 of this year we have got around 578 crores of inflow of orders, which is significantly higher than the Q2 of the previous year, which was at around 290 crores level. So almost double of what we received in Q2 of last year.

**Romil Jain**

**Electrum PMS:** Secondly, on the chemicals side, so this chemicals roughly with the capacity coming in, I think our overall kind of revenue should double in the coming years and I think we are also contemplating further expansion in this segment. So post this, when are we expecting to start that work? And if you can give some idea again on the present situation in the chemicals in terms of competition volatility, if there is any on the chemicals side?

**Aankur Patni:** We face competition from several Indian and global competitors in both the Indian and global markets. And this has been so for several decades.

Hence, a sustained profitability or an uptrend in the overall margin profile, gives us confidence in our competitive ability and indicates that we have been doing something right. So, that's one side of the story. The consumable business in India has been growing at a decent pace but a 15%-16% growth year-on-year would require both winning some extra customers and also substantial international growth. Our strategy is to maximize our international business in times to come, because that gives us a much bigger headroom for growth. in a short period of time.

**Romil Jain**

**Electrum PMS:** One clarification is on chemicals. I think we had acquired Mapril last year. So are the current quarter chemical numbers on a like-to-like basis the 12% growth, just to clarify?

**Aankur Patni:** For the current quarter, yes, it is like-to-like, for the half it is not like-to-like because in the previous year we had just a few weeks in the first quarter from April.

**Romil Jain**

**Electrum PMS:** So Q2 and Q2 last year is comparable, right now?

**Aankur Patni:** Yes.

**Romil Jain**

**Electrum PMS:** Just one request. If you can give some more granular details in the presentation, to assess the business, maybe more data on your international order, so the order book break up between some segments and also some geographical breakup and some order inflow data, so those things if you could give it would be really helpful, sir.

**Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

**Saket Kapoor**

**Kapoor & Co.:** So what goes into the consolidation part in the engineering segment? These are the foreign order execution that we are executing because here in also these are orders with very, very, very low margins, if we take the quarterly number of 369 crores and 394 crores, that is the consol number.

**Aankur Patni:** So what you're saying is that –

**Saket Kapoor**

**Kapoor & Co.:** What goes into the consolidation first, and the margin contracts when we go for consolidation?

**Aankur Patni:** We have several subsidiaries, not just international, but Indian also and some of these are involved in providing support to the main business through manufacturing, through services and through other elements of the business where the margin additions may not be that significant. That is one of the primary reasons why you don't see a big jump on the bottom line. The international subsidiaries are a growing lot and some of these operations have turned profitable and they have started to do well and there are others which we are still in the process of growing and therefore the investments in these have to be borne for a slightly longer period of time. So, that's broadly why the consolidation is not that much of margin accretive.

**Saket Kapoor**

**Kapoor & Co.:** And when we look for the chemicals segment, it is the Mapril acquisition only that contributes to the top line and bottom line?

**Aankur Patni:** There are some other additions also, but Mapril is the most substantial one.

**Saket Kapoor**

**Kapoor & Co.:** For the UP project part and also the thrust of the government on the Jal Jeevan Scheme, do you find that there is a change in this or the focus has slightly diverted with release of fund also becoming a key point of observation for almost every EPC company? So what is the feedback as such when we hear other people, they are saying that the center funds are not being disbursed, the state portion has been disbursed. So, what is the feedback we people are getting and talking especially about the UP project also? So what are the key bottlenecks and how do you see things shaping up?

**Aankur Patni:** The elections were a major hiccup, and we know that at the time of elections, a lot of the state machinery is bound to to operate at a much slower pace, if not a complete halt. And that was one of the primary reasons why the first quarter and a large portion of the second quarter we faced issues on various fronts, including fund allocation. The fund



allocations have improved in October, for example, and during a part of September, and we do hope that we will see more of this happening in the coming period of time, so that we can carry out our execution at a faster pace. If you are asking me about a national view on the subject, then it is very dependent upon which specific state or geography that we are talking about. And, yes, it involves not just the centre, but also the state, and the various areas where they are allocating or deploying funds. But on a very general level, there is an improvement in the current month.

**Saket Kapoor**

**Kapoor & Co.:** So what we can conclude is that the aberration in the UP project execution was because of the monsoon factor also and also because of allocation of funds, but that things are now coming to more normalization from October onwards. That should be the conclusion as of now?

**Aankur Patni:** Yes October is significantly better.

**Moderator:** The next question is from the line of Omkar, an individual investor. Please go ahead.

**Omkar:** Sir, what is the exit run rate can we expect in chemicals business for Q3 and Q4 because in both the quarters, Q1 and Q2, the exit run rate in chemicals business was 200 crores and you are saying we are at a 70% of the capacity utilization. what is the exit run rate can we expect in Q3 and Q4? As you said last time also there is a still room for the chemicals business to improve.

**Aankur Patni:** I don't think I got your question completely. You said exit run rate?

**Omkar:** Per quarter, you are doing 200 crores of revenue in chemicals business. So my question is what is the revenue are you expecting in chemicals business in Q3, Q4? Are the chemicals business will be also better than Q1, Q2 because we are at 70% of the capital utilization for the plant for chemicals?

**Aankur Patni:** So for the year as a whole, we are expecting to close on a standalone basis at roughly around 15% growth, and on a consolidated basis, growth of roughly between 12% to 14%.

**Omkar:** The question is, sir, can we do better than 200 crores? As of now in both the quarters we have done 200 crores of chemicals business. So my question is can we do 10, 20, 30 crores per quarter more than 200 crores?

**Aankur Patni:** We hope that we will be able to better than whatever we have done.

**Omkar:** As far as margin is concerned, we are at around 11% for both the quarters and we said we'll go back to that good trajectory where we are doing 12%, 13% or 14% in '22-23. You said specifically as the quarter progresses, we can guide you more. So, what is the margin can we expect for our entire business – consumer, chemical plus engineering? Current operating profit margin is at 11%. So what is the margin can we expect -- can we reach 12%, 12.5% in Q3, Q4 specifically because now already H1 is over and we are in the last four months of this financial year?

**Aankur Patni:** You are asking about the company as a whole, right?

**Omkar:** Yes, yes, operating profit margin, which is we are at around 11%, last time we were at 11.3%, this time is around 10.8%, average you can say we are at 11% for H1 for entire business. So, can we expect our operating profit margin can go to 12% or 12.5 because in last con call also you said that from here on the margin will definitely improve because that one of the contracts was giving you the trouble and where the margin was going down. So, I am specifically asking operating profit margin for the entire business.

**Aankur Patni:** Unfortunately, the contract which you mentioned is still not executed and we do expect that substantial pain from that would continue and it would have a bearing not just on the engineering margins, but it would be substantially visible in the overall margins of the company. So with that factored in, we hope that we will be able to maintain the margin percentage at around last year's level. So, the improvement that we were hoping to bring because of operating leverage or higher revenues, may not be very visible as that one contract is having a very significant bearing. Therefore, we are likely to be at around the last year's margin percentage.

**Moderator:** The next question is from the line of Sunil Kothari from Unique PMS. Please go ahead.

**Sunil Kothari**

**Unique PMS:** One question. Nothing to do with this current year trajectory. I would like to understand looking at last past two, three, four years of our experience in this engineering segment, water-related projects, our experience with Sri Lanka and our experience with UP, for next three years, which are the areas where you will be focusing more on the business to grow, which are the areas where you would like to improve by not taking some projects which is troubling us, so which are the things which you will be focusing on and how you see the next three years, international and domestic opportunity for engineering segment?

**Aankur Patni:** In spite of very tight discipline that we maintain, the nature of the work specifically in the municipal infrastructure segment did bring in new learnings. We are hoping that we will be doing significantly more business in the international market. The recent orders that we are picking up from the international market are also quite good both from the top line as well as the bottom line perspective. The other area is to look at some of the sunrise industries, that is semiconductor space, the solar space, the biosimilars, the biotechnology space and some of the medium to large industries which are more aware and which require higher quality of water. We continue to target very select government projects. With all the learnings that we've had in the recent times, I'm sure that we would be able to translate it into higher quality of topline and bottom line. But, we are not going to completely step away from the infrastructure segment, though it was never our major focus, but we remain committed to delivering at least two or three large contracts from that space as well, while international business and industrial business continues to be our strength area.

**Moderator:** Ladies and gentlemen, due to time constraint, that was the last question for today's conference call. I now hand the conference over to Mr. N.M. Ranadive for the closing comments.

**N.M. Ranadive:** Thank you all for participating in this earnings concall. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, we would be happy to be of assistance. We are very thankful to all our investors who

stood by us and also had confidence in the company growth plan and focus. And with this, I wish everyone a great evening. Thank you.

**Moderator:**

On behalf of Ion Exchange (India) Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.