ION EXCHANGE
Refreshing the Planet

November 8, 2017

Bombay Stock Exchange 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 Obligation and Disclosure Requirements) Regulations, 2015.**

Pursuant to our letter dated October 25, 2017, 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 Obligation and Disclosure Requirements) Regulation, 2015.

The said conference call with the Institutional Investor/Analyst on Friday, October 27, 2017 was to discuss the Financial performance of the Company for the Second quarter ended September 30, 2017. The aforesaid information is also disclosed on website of the company i.e. 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) LTD. | CIN: L74999MH1964PLC014258
Regd. Office: Ion House, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011, India.
Board: +91 22 3989 0909 | Fax: +91 22 2493 8737 | E-mail: ieil@ionexchange.co.in | Web: www.ionindia.com
Offices: Bengaluru | Bhubaneswar | Chandigarh | Chennai | Hyderabad | Kolkata | Lucknow | New Delhi | Pune | Vadodara | Vashi | Visakhapatnam

Ion Exchange (India) Limited
Q2 FY 2018 Earning Conference Call
October 27, 2017

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Ion Exchange (India) Limited Q2 FY 2018 Earnings Conference Call. As a reminder, all participants are 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 '*' then '0' on your touchtone phone. Please note this conference is recorded.

I now hand the conference call over to Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir!

Anuj Sonpal: Thanks, Liziane. Good afternoon everybody and a warm welcome to you all. My name is Anuj Sonpal -- CEO of Valorem Advisors. We represent the Investor Relations of Ion Exchange (India) Limited. On behalf of the company and Valorem Advisors, I would like to thank you all for participating in the Company's Earnings Conference Call for Q2 FY 2018.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's concall maybe forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could 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 undue reliance on these forward-looking statements in making any investment decision. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Before we begin the call, I would like to give everyone a few minutes of introduction about the Company, so that everybody is on the same page. After that, I will introduce you to the management and they will be giving their opening statements followed by which we will take up the call for Questions-and-Answers.

Ion Exchange India Limited is a pioneer in the field of Water Management and Waste Management in India. It was formed in 1964 and it caters to industries, communities, consumer product side. Thus, the Company is present across the length and breadth of Water Treatment Products and Solutions. The company is headquartered in Mumbai and has six manufacturing facilities and assembly facilities across India and has also presence abroad. The company operates in three segments which are: one, Engineering, it constitutes approximately 60% of the revenue. The second is, Chemicals, which is approximately 30% of the revenue. And third is, the Consumer Products, which around 10% of the revenue on a consolidated basis.

The Company is in its 53rd year of operations and was formed in 1964 as a subsidiary of a UK company called Permutit and it has become a wholly-owned Indian company in the year 1985. Currently the company represents India as a global MNC and we operate out of almost all major countries in the world, either directly or through representatives in these countries. The company offers a wide range of Solutions which deal in Waste Water Treatment Cycle, Recycle, Zero Liquid Discharge, Sewage Treatments, Water Desalination, and also in Chemicals and Resins and other components of Water Treatment Equipment. The company has more than 50 patents to their credit and has been instrumental in more than a lakh installations across the globe.

Now, I would like to introduce you to the management participating in today's earnings conference call with us and give it over to them for their opening remarks. We have with us Mr. Aankur Patni -- Executive Director; Mr. N. M. Ranadive -- Executive Vice President of Finance; Mr. Vasant Naik -- Senior Vice President of Finance; and Mr. Milind Puranik -- Company Secretary.

Now I will ask Mr. Ranadive to give his opening remarks. Over to you, sir!

N. M. Ranadive: Good evening, everybody. Thank you, Anuj Sonpal. My name is N. M. Ranadive -- Executive Vice President (Finance). It is our pleasure to welcome you to this Q2 FY 2018 Earning Concall of Ion Exchange (India) Limited.

I will briefly take you through the quarterly performance of our company on a stand-alone basis. The total income for the second quarter is approximately Rs. 226 crores, representing a growth of 5% year-on-year basis. EBITDA is approximately Rs. 19 crores, which is 5% growth year-on-year basis. EBITDA margin is approximately 8.8% of the turnover, similar to the last quarter. Net profit after tax is approximately Rs. 8 crores representing a fall of almost 10% year-on-year basis. PAT margin to the sales is approximately 3.5%, a fall of 61 basis points year-on-year basis.

I will now take you through to the segmental performance of the standalone entity for the quarter.

As the Engineering division is concerned, the turnover is approximately Rs. 130 crores, against approximately Rs. 110 crores for the corresponding period last year, a growth of almost 18.45% year-on-year basis. The EBIT is Rs. 3 crores as against last year's Rs. 3.6 crores, a fall of almost 15.6%.

In the Chemicals segment, revenue recorded was approximately Rs. 72 crores as against Rs. 83 crores year-on-year basis, a fall of closely 13.22 % over the same period last year. Profit has reduced to Rs. 10 crores from Rs. 11 crores which is a fall of 12.28%

In the Consumer Products division, the turnover grew for the quarter is Rs. 25 crores as compared to Rs. 29 crores in Q2 FY 2017. Losses for the quarter were Rs. 45 lakhs against the Rs. 43 lakhs in the same quarter last year.

I will now briefly take you to what we feel has been happening in the various segments of the company. And to begin with we will talk about the Engineering segment.

Order flows were muted during the quarter. Several order finalizations were postponed in quarter due to structural and policy changes in the Indian economy. No, significant improvement was witnessed in this quarter in the Engineering segment significantly. The management is hopeful that the situation will improve soon.

Regarding Sri Lankan order, Sri Lanka order execution is on schedule and revenue has been recognized in this quarter based on the work progress.

In the Chemicals segment, growth was adversely affected due to lower off take in some of the heavy industry customers on account of the market conditions. Similarly, slow recovery seen in some of the segments affected the dispatches in Q2.

I now, request Mr. Anuj Sonpal to take it forward.

Anuj Sonpal: Now, that the opening statements are done, we can open the concall to any Question-and-Answers. Moderator, can we open the queue for Q&A?

Moderator: Thank you. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We take the first question the line of Yash Agarwal from Crest Capital. Please go ahead.

Yash Agarwal: I wanted to know what is the order book currently on the Engineering side and the order inflow?

Management: The order book currently stands at around Rs. 500 crores and the order inflow during the quarter were roughly around Rs. 90 crores. This is excluding the Sri Lanka order.

Yash Agarwal: Yes, I wanted to know in H1 how much of the Sri Lankan order was executed and we stick to our guidance that 25% of the Sri Lankan order will be executed this fiscal?

Management: We booked total revenue of around Rs. 42 crores. As far as the overall guidance for the year is concerned, we expect it to be a little bit less than 25% of the total revenues for the contract. It should be closer to 20% of the total contract value.

Yash Agarwal: So, Rs. 42 crores we booked in H1, right?

Management: That is right.

Yash Agarwal: And why has there been a margin declined despite a very good revenue number like revenues of 20%, the EBIT is actually down by 18% to 19% year-on-year, so what explains that decline in the Engineering segment specifically I am asking?

Management: Total revenue booked under Engineering segment includes the Sri Lanka order. We saw a little bit of a decline in our normal order execution because of issues related with GST. Two of our operations did not deliver the profitability which we normally expect out of them. And that resulted in a slight dip on the margin front.

Yash Agarwal: Two of our operation has been, two of our orders do you mean in the Engineering segment?

Management: These business operations fall within the overall Engineering segment, and they did not give us the profitability as anticipated and hence, that led to the overall dip in the margins.

Yash Agarwal: Was that impact due to GST or something?

Management: It was because of GST. A lot of our large customers are in the process of revising the contracts to give effect to the GST related issues and there have been cases where the customers have asked us to defer dispatches and similar other issues connected with GST. Similarly we have witnessed quite a few cases of deferrement in order booking also.

Yash Agarwal: Okay. What are the big orders, what is our order bid pipeline? Last call you have suggested that there will be some conversions in Q2 and Q3 with big pipeline of about Rs. 3,000 crores. So what is the update now? What sort of order inflow should we, I mean, excluding the Sri Lankan order what sort of big order that we can expect for our company?

Management: So the enquiry bank has improved from the last time which stands at roughly around Rs. 4,000 crores. Our expectation of resolution of GST related issues was not met, we have seen continual of the effect of GST on the overall order booking and order execution cycle. However, I certainly expect, Q3 we will certainly be able to turn around this particular issue of GST.

Yash Agarwal: And what has led to de-growth in the Chemicals business and what is the outlook there?

Management: De-growth on Chemicals business is because of similar reasons especially in the large industrial segment.

Yash Agarwal: Similar as in GST, is that what you mean?

Management: Yes. And also, there are couples of industry segments which continue to suffer from issues related with demonetization

Yash Agarwal: Okay. And how our international subsidiaries performed in H1 because they have always been a drag on our console numbers? And since, we do not report our console numbers; could you give us some idea of how they have done?

Management: Broadly, the performance has been slightly better in some of the geographies I do expect that because of the international operations the drag on consolidation is going to be much lesser this year.

Yash Agarwal: And my last question, what was the CAPEX for this year and in which segment are we doing? Are we planning any CAPEX in Chemical or something?

Management: We are undertaking capacity expansion on the Chemical front and total CAPEX during the year would be roughly around Rs. 30 crores.

Yash Agarwal: And this is primarily Chemical segment?

Management: Yes, it is largely Chemicals.

Moderator: Thank you. We will take the next question from the line of Abhishek Roy from Stewart & Mackertich. Please go ahead.

Abhishek Roy: Sir, you have reported the EPS number which is adjusted to the consolidated of the equity shares on the basis of employee benefit trust. So can you just tell me, what will be the actual number for the EPS?

Management: What you are asking is the unadjusted number of EPS?

Abhishek Roy: Yes.

Management: Give us a moment, please. Do you have any other questions to ask, so we can respond to that?

Abhishek Roy: Yes. And regarding this Consumer Product segment where you sell this Water Purifiers and this thing. But what is the strategy that you are going to take to compete with established top players?

Management: We have a much broader range of products than our competitors and as such goes much beyond the point of use small residential RO equipments. Therefore, we differentiate ourselves both with respect to the product range as well as the target market segments As you would know, a lot of the competing consumer product business is being driven by big ticket advertising which we have been very consciously avoiding. We will continue to target the markets which we feel are potential for the future and which will not create an upfront burden of losses for the company.

Management: Any advertisement expenditure that you are planning?

N. M. Ranadive: As would be evident from previous response, we are very conservative on our advertising spends. While we do advertise It tends to be less aggressive and we try and avoid the electronic media.

Abhishek Roy: So sir, what is the percentage then of advertisement cost in terms of the total expenditure in this quarter?

Management: It is very negligible. Let me also respond to your question regarding EPS. You had asked for the unadjusted EPS, for the year-to-date it is Rs 10.37 and for the quarter it is Rs 5.40.

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

Chetan Vadia: Sir, my question is on the Engineering segment. When you said the impact is due to GST, what were the tax rate pre-GST and what is the tax rate now? And you are saying, you are expecting a better Q2 or may be the situation improve, what will the trigger according to you which will kind of improve your performance for the segment and how will you improve your execution in the second-half?

Management: Okay. So, your one of the question is with regard to the rate of GST.

Chetan Vadia: Right.

Management: A lot of our products are under the 18% bracket while there may be one or two which are not falling in that particular bracket. But largely it is the 18% bracket. The impact of GST which I mentioned earlier is not so much to do with the taxation rates. It is more to do with the fact that the larger contracts which we execute need to be amended in order to give effect to the change in the tax structure. And further on, a lot of the contract finalization has not taken place because the customers have been evaluating the impact of GST and how they would go about their procurement process. And third, there has been impact on cash flows of various customers which has led to deferment of their capital expenditure plans. And fourth is there is a provision in the GST law which is on Anti-Profiteering and resolution of queries in context of the Anti-Profiteering clauses needs time. It has taken considerable time to resolve all these issues with respect to each of the contract.

Chetan Vadia: Okay. Then my second question, was on regarding the execution and what will change the older scenario for the Engineering segment for the second-half?

Management: So, there are two aspects one is to do with order inflow, the issues pertaining with GST which I just mentioned I am expecting that they will not be continuing too far into the future. We are already seeing changes on that front and we will certainly be seeing an improved order flow from here on. Second is to do with the execution of orders which we have already booked. We are seeing that the customers are being able to progressively resolve the pending issues and queries with respect to GST and we are also seeing slight improvement in the overall cash flows in the industry. All these factors together should help us improve the execution in the Engineering segment.

Chetan Vadia: Okay. So one last question, if I may. For the Chemical segment, you mentioned that the growth adversely affected due to lower off-take in some of the heavy industries customers. Now, in that segment what is the outlook for the year per se because this segment contributes substantial portion of our profits. So, what is your outlook for the year as a whole?

Management: We expect that we will still be able to report single-digit growth in the overall revenue from the Chemical segment and we should be able to maintain the profit margins.

Moderator: Thank you. The next question is from the line of Dimple Kotak from SKS Capital and Research. Please go ahead.

Dimple Kotak: Sir, the first question is regarding your gross margins; they have come up significantly because there is surge in your employee expenses and raw material cost. So sir, what was the reason for that? And secondly, sir few accounting entries, like I am seeing the reserves have gone down from Rs. 280 crores in March to Rs. 260 crores and debt has substantially gone up. So, sir, if you can just help me with the reasons for that?

Management: There is a lot of echo in your call. It would help, if you can just repeat the question, please.

Dimple Kotak: Yes, sir. Sir, why are the gross margins so low? That is my first question. The second pertains to the balance sheet that we have seen that the reserves have come down from Rs. 280 crores last year to Rs. 260 crores, the debt has also gone up from Rs. 68 crores to Rs. 140 crores. So, sir, if you can help me with the reasons and what kind of margins do you see on overall basis going ahead?

Management: Okay. So, let me first respond on the reserves adjustment. That adjustment is a result of adoption of IndAS. As far as the margins are concerned in the Engineering segment, I explained in response to an earlier question that we took a hit in our normal Engineering business with respect to margins because of much lower billing from those types of operations.. Whereas, the overall number has gone up because of the revenue booked on account of Sri Lankan contract. So that is the reason for lower margins.

Dimple Kotak: Sir, going ahead do we see similar kinds of margins for Engineering segment, lower billing or now the things are getting normalized?

Management: No, it would get normalized and we will see better margin numbers going forward. And your third question was on borrowing. So, we are looking at much higher working capital cycles over the last two quarters or so to a large extent these have been affected by the adoption of GST.

Dimple Kotak: How sir? If you can just explain, I mean, adoption of GST?

Management: You would also see corresponding with an increased borrowing level and increased level on inventory, you would also be seeing increased level of debtors which would indicate that a lot of the orders have already been executed or the material has been kept ready. But pending resolution of contractual issues, the material still lies in our stock. And you have to fund these parts of working capital. Further, you would also see dip in the trade payables. So, the overall impact has been quite high and has had to be funded by short-term borrowings.

Dimple Kotak: Okay, sir. And sir, just a final question, if I can chip in, since we are in October right now in first month of the third quarter, are we seeing improvement in off take or do we still see that in this third quarter also there will be an impact of GST and may be in Q4 we will breakout from this?

Management: I would not say that the issue has been resolved but we are certainly seeing improvement. October has also been slightly affected but the effect is now going down.

Moderator: Thank you. The next question is from the line of Nikunj Doshi from Bay Capital. Please go ahead.

Nikunj Doshi: Just wanted to know this Goa facility that we have started on 30th of September, what kind of revenues can we expect from that facility and secondly, is that facility only for captive use or we are using that to sell for outside also membranes and all?

Management: We have set up the facility both for our internal captive requirement as well as the external market for membranes in India as well as internationally. The turnover which we expect from this is roughly around Rs. 30 crores.

Nikunj Doshi: Rs. 30 crores, okay.

Moderator: Thank you. The next question is from the line of Santosh Y. from IndiaNivesh Securities. Please go ahead.

Santosh Y.: Sir, I had two questions. First, I would like to understand the impact of Sri Lankan project contribution to our financials. If I exclude the revenues of the Sri Lankan project in the quarter then I think, we have 982 million of revenues booked from the Engineering segment and for that kind of revenue booking we are seeing and if I assume, for 420 million of revenues booked from the Sri Lankan order at somewhat around 7% - 8% kind of EBITDA margin then I think, the Engineering segment has reported losses if my understanding is right. So, if that would be the case, then on the existing order book of Rs. 500 crores, do we have any risk of any losses on that revenue booking also?

Management: We do not expect losses on the order book which we are carrying, the current dip in margins which we have seen is largely to do with the fact that we did not have enough orders executed and hence we have not been able to fully recover, the fixed cost which these divisions carry from these particular set of contracts.

Santosh Y.: So, sir, if I look at the last seven years financials, quarterly performance then there have been instances where the company has booked similar kind of revenues of 900 plus million and there the company has reported operating level profit. So, what has changed in the last five years to six years that the operating dynamics is unfavorable for us in this quarter?

Management: Sorry, I missed the last part of your question.

Santosh Y.: What has changed and the last five years - six years on the operational front that the margins are not turning out in this quarter? We have losses at the operational level.

Management: Okay. The entire Engineering division has been ramped up quite substantially because we expect this segment to deliver much larger numbers on revenue. Unfortunately, over the last couple of quarters and one or two quarters in the last financial year as well, the overall economic scenario has not been very conducive to the capital expenditures in the targeted industry segments. So a lower scale of operation whereas we have ramped up the operation for the much higher level of revenue would always lead to inadequate recovery of the fixed expenses that we incur on these facilities. So that is primarily the reason for a lower margin which we have reported in this current quarter. But as I responded to in an earlier question, I expect that the situation would correct itself in the next couple of quarters.

Santosh Y.: So, sir, at what kind of revenue, is it a Rs. 100 crores of top-line at least that will be getting into the profitable mode on the Engineering segment, I am talking ex-Sri Lanka.

Management: That is right.

Santosh Y.: Sir, next I would like to get a sense, if I look at the short-term borrowings, if my understand is right usually the working capital cost as percentage of total given project is in the 2% to 3% range and if I look at the Sri Lankan order execution and the project cycle then I am unable to connect the dots why the short-term borrowings increase so sharply?

Management: There was a question on this just prior to you, wherein it was explained that the overall working capital cycle has been impacted quite substantially because of issues connected with GST. We are seeing much higher levels of inventory and debtors. And also, you would also note from the reported numbers that the trade payables have come therefore, the overall working capital has gone up substantially. The short-term borrowings has been used to fund this temporary increase.

Santosh Y.: Sir, lastly, on the Sri Lankan order, what is the change that has happened since the last previous con-call on the Sri Lankan order front. So have we outsourced the EPC works to the contractor and has the work commenced there?

Management: I have partly responded earlier we have booked revenue during the quarter on the Sri Lankan contract. And the total revenue which we have booked is around Rs. 42 crores and the progress is happening as per the milestones scheduled.

Santosh Y.: Then why have we reduced the guidance from 25% to 20%, sir any specific reason for that?

Management: We are always maintaining that is going to be slightly less than 25%. The visibility is slightly better now and therefore, we are expecting it will be closer to 20% rather than 25%.

Santosh Y.: And who is the EPC contractor to whom we outsource the work, last question please.

Management: The work is not outsourced in the way that you are suggesting. We are outsourcing only parts of the contract where we need to work with local contractors. And in any case, we do not intend to make details like sub-contractor names public.

Santosh Y.: Then if that would be the case then there would be overheads on our books also. Is it fair to assume, I was under impression that major chunk of the EPC work would be outsourcing. Now would it be fair to assume that there will be overheads in our books also for this execution of this project?

Management: We have been carrying expenditure on account of the Sri Lankan project for quite some time now and we have stated in our earlier calls also. So there are expenses on account of Sri Lankan contract which appear as a part of overheads also.

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

Chetan Vadia: Sir, the Government recently announces, the Mr. Nitin Gadkari sir, said quite substantial amount of project will go by March in terms of cleaning of Ganga and all that. So either you anyway directly or indirectly likely to have any kind of impact on your business Chemicals either for Engineering for the initiative that the Government is taking? That is question one. And secondly, we have been stayed away from the Government projects so far and we have focused mainly on the industrial where we believe the receivable cycle is good. So ahead, if the Government and the state municipalities and local if that funding are much higher than the private would you be looking at those orders?

Management: We have stated earlier that we are now keen to look at the Government side of orders as well. We feel that the initiatives taken by the Government in recent times to improve the structuring of the various contracts and the commercial terms associated there which enables us to productively participate in such contracts. But we will continue to be very selective in the contracts which we bid for. That said, we certainly expect the projects under the "Namami Gange Program" to have a impact on our financials in the future. We will participate selectively in the various infrastructural projects under this and the other programs which the Government has announced. However, as of now, as on date we have not yet participated in any.

Chetan Vadia: Okay. And secondly, for the Consumer segment rather, in the last concall you have mentioned that you expect the revenue growth in the next three quarters to be positive and with closer to the profitability. Do you still maintain that guidance that we may get closer to the breakeven for this segment?

Management: I had said that, we expect the revenue numbers to be better than the previous year. I would still expect it to be somewhat true. Although we have taken a hit in the second quarter as compared to what we had originally anticipated. But I still expect that we will be able to report slightly better numbers both on the top-line and the bottom-line as compared to the previous year. We will not likely to breakeven.

Chetan Vadia: Okay. And one last, I will again join back the queue then. For the Engineering segment like the Chemical, do you select for the higher single-digit growth and then maintaining the margins or there are turnaround that you are expecting may be a kind of back ended till the FY 2018 and the overall scenario may be improving only in FY 2019 what is your sense?

Management: As on date, I expect that we should be able to register single-digit growth on the Engineering front also.

Chetan Vadia: And margins maintain?

Management: We should be able to maintain the margins.

Moderator: Thank you. The next question is from the line of Santosh Y. from IndiaNivesh Securities. Please go ahead.

Santosh Y.: Sir, what is the quantum of exports what we did in 1H FY 2018 versus a year ago and which segment contributed to the delta?

Management: The total revenue on exports for the current year is around Rs. 125 crores H1 versus around Rs. 88 crores in the previous year largely, contributed by the Engineering segment.

Santosh Y.: Okay. Sir, can you just give us some color on this dealership network of 100 plus and what is the plan for scaling this dealership network going forward?

Management: I could not understand your question.

Santosh Y.: Sir, in the Presentation it is mentioned that we have a dealership network of 100 plus. So what is the roadmap to scale up to the dealership network for the consumer segment? I am assuming this is more to do with the consumer segment, right?

Management: No, that is not true. That is not to do with the consumer segment only. A part of that dealer network would be crucial with the consumer segment. But we operate through dealers for the other segments as well and in terms of scale up of this we would do that only in geographies and in industries where we feel that the gap exists.

Santosh Y.: So sir, for Chemicals and for engineering segment we have dealership network?

Management: It does not operate across the board. So there are lots of customers whom we engage with directly and there are certain customers whom we engage with through dealers.

Santosh Y.: I am just trying to understand, can you please give me some color on the product as well as geographical gaps where we would like to use the dealership network to scale up our business?

Management: I am sorry, that is not something which we would not like to discuss on the con-call.

Santosh Y.: Sir, one last book keeping question, if I may. Sir, what is the reason for increase in other current assets in the H1 numbers?

Santosh Y.: Other current assets, 368 million.

Management: It is largely to do with accrued interest.

Santosh Y.: Okay. Sir, last question, if I may, please? Sir, can you just give us some color on you mentioned earlier that the Chemical segment slow-down is more to do with impact on the heavy industry segment. So can you just give more color on what kind of sectors or segments were they means heavy industry is a very broad word?

Management: So it is a quite a broad range of industries which we are talking about.

Santosh Y.: So, the ones that impacted the most that is what I was trying to get a sense.

Management: When we say heavy industrial segment, it typically includes industries like say refineries, steel and power and the likes of them where the impact is higher because the contact size tends to be much larger.

Moderator: Thank you. The next question is from the line of Paras Adenwala from Capital Portfolio Advisors. Please go ahead.

Paras Adenwala: You mentioned that the exports in the first-half were about Rs. 125 crores and Rs. 42 crores from Sri Lankan sales. Now, if I try and work out the numbers this indicates that in the first-half the non-exports and non-Sri Lankan business has reduced by about 21%. So, is that right?

Management: What you are asking is if we exclude the exports?

Paras Adenwala: And the Sri Lankan business from the first-half sales number as compared to last year first-half the reduction in business has been about 21%.

Management: So, the exports figure which we indicated includes revenue from the Sri Lankan contract.

Paras Adenwala: Okay. So, out of Rs. 125 crores, Rs. 42 crores is Sri Lankan?

Management: That is true.

Paras Adenwala: Okay. So whatever has been lost out in the first-half, do you expect all of that to kind of come into the business in the second-half?

Management: I would expect the accumulated Engineering business to spill over to the Q3 and Q4 but as far as Chemical part of business and the Consumer part of business is concerned there is a lot of lost business which would be very difficult to recover.

Paras Adenwala: Okay. So that probably, recovery if at all it happens would be in FY 2019?

Management: The Chemical segment revenue tends to be more consumption based revenue. And hence, the turnover which is once lost, you cannot accumulate and fully recover that portion of the revenue. But going forward that is in Q3 - Q4, we expect the levels of revenue from this segment to start improving again and I would expect that Q4 we should be back to our normal level. We are already seeing improvements happening through this quarter.

Paras Adenwala: Okay. As far as exports is concerned, you mentioned that out of Rs. 125 crores Rs. 42 crores is Sri Lankan which means for the non-Sri Lankan export business it is almost a flattish business as compared to last year?

Management: That is right.

Paras Adenwala: So any outlook on how do you see the export business shaping up?

Management: We are expecting this year the revenue from exports to be substantially better than the previous year.

Paras Adenwala: All right. And finally, out of the Rs. 500 crores order book that you have, would it be possible to kind of split up sectorally as to which are the segments that kind of give you this order book?

Management: No, that is not something which we have put out on the concall or in the public domain. I am sorry.

Paras Adenwala: Okay. But out of that Rs. 500 crores, if I am not mistaken you mentioned all of that would be private sector or do you also have some Government contribution in that?

Management: There is Government contribution. Although it is not very large.

Paras Adenwala: Okay. So, that contribution should increase over the next 12 months to 18 months, right?

Management: We expect that, yes.

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

Chetan Vadia: My question is again on the Consumer side, in the last con-call you mentioned that you have added people for the sales force, so did we add any people in this quarter as well and also you mentioned you are very selective in terms of chasing value not volume, that is what I understand and you were very selective in terms of the segment that you want to sell. What is the size of that market that we are trying to address and what is our market share at this point in time and what kind of expectation have we set for internal target that we have set, if you can share less in the two years, three years time we would like to reach there, so just to understand the scale that we are looking at?

Management: We have not really added too many in the segment that answer to your first question. Yes, we are looking at value versus volume as our strategy in this particular segment. The market size for the kind of business that we are looking at would be well over Rs. 2,500 crores to Rs. 3,000 crores. Our market share therefore is not very significant but we do expect that over a period of time we would be able to get reasonably good share of the market. In terms of guidance on the expected turnovers in the coming years while we are not issuing any guidance in numbers but I can certainly say that we expect this business to multiply in the course of next two years to three years.

Moderator: Thank you. The next question is from the line of Dimple Kotak from SKS Capital. Please go ahead.

Dimple Kotak: Sir, in your H1 the EBITDA margins have come around for 5.3% vis-à-vis 6.6% earlier in the last year H1. So what kind of margins do we see in second-half?

Management: We should see slightly better than the current EBIT margins which we have reported.

Dimple Kotak: Sir, shall we be similar or shall we do a 100 bps increase because last year second-half was 10% EBITDA margins. So do we expect lower than that or somewhere in between?

Management: It should be somewhere in between. But I do not expect the increase in margins to happen very substantially in Q3. We should see the normalization happening towards the middle of this quarter. So therefore, in Q4 where you will probably see the kind of margins that you are referring to.

Dimple Kotak: Yes. Sir, probably, if I can just consolidate then overall because of the GST and the demonetization impact, our margins will be slightly lower than the last year's full year's margin?

Management: So, we are certainly looking at lower margins than what we had earlier expected. However, because of the difference in the composition of the revenue which would happen this year wherein you know that a significant part of Sri Lankan contract is expected to be billed., we should see not a very poor performance overall on the margin front.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference call over to Management from Ion Exchange (India) Limited for their closing comments.

Management: We thank you all very much for participating in this earning con-call. We hope that we would be able to come back to you after Q3 with much better numbers. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ion Exchange India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.