ION EXCHANGE
Refreshing the Planet

February 3, 2025

To

BSE Limited
The Corporate Relationship Dept.
P.J. Towers, Dalal Street
Mumbai-400 001
Scrip Code: 500214

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block- G,
Bandra Kurla Complex, Bandra (East),
Mumbai-400 051
Symbol: IONEXCHANG

Dear Sir/ Madam,

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

Pursuant to our intimation dated January 22, 2025, we enclose herewith communication relating to conference call as per Regulation 30(6) read with 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 (Group Meet) held on Monday, January 27, 2025 was to discuss the financial performance of the Company for the Third Quarter and Nine Months ended December 31, 2024.The aforesaid information is also disclosed on website of the company and which can be accessed at www.ionexchangeglobal.com

Kindly take the information on your record.

Thanking You,

Yours faithfully,
For Ion Exchange (India) Limited

MILIND DATTATRAYA PURANIK
Digitally signed by MILIND DATTATRAYA PURANIK
Date: 2025.02.03 14:12:04 +05'30'

Milind Puranik
Company Secretary & Compliance Officer
ACS-4824

Ion Exchange (India) Limited
Q3 FY25 Earnings Conference Call
January 27, 2025

Moderator: Ladies and gentlemen, good day and welcome to Ion Exchange (India) Limited Q3 and Nine months FY25 Earnings Conference Call hosted by Valorem Advisors. 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 an operator by pressing “*” then “0” on your touchtone phone. I now hand the conference over to Ms. Nupur Jainkunia from Valorem Advisors. Thank you and over to you ma'am.

Nupur Jainkunia: Good afternoon everyone and a very warm welcome to you all. My name is Nupur Jainkunia from 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 the Third Quarter and Nine Months Ended 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 in 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 have with us Mr. Aankur Patni, Vice Chairman, Mr. Vasant Naik, Group Chief Financial Officer, Mr. N.M. Ranadive Group Head - Financial Planning and Risk Management and Mr. Milind Puranik, Company Secretary of the Company. 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 Nupur. Good afternoon, everybody. It is a pleasure to welcome you all to the earnings conference call for the third quarter and nine months ended of financial year 2025. For the third quarter under review on a consolidated basis, the company reported operating income of INR 6905 million, an increase of around 25% year-on-year. The EBITDA reported was INR 754 million, an increase of around 7% year-on-year, while the margin stood at 10.92% and the net profit was INR 496 million, increase of 5% year-on-year, while the PAT margin was around 7.18%. For nine months ended for the financial year 2025 the company reported an operating income of INR 19026 million, an increase of around 22% year-on-year. The EBITDA reported was INR 2080 million, representing an increase of around 16% while the EBITDA margin stood at 10.93% with a net profit of INR 1450 million, an increase of 18% year-on-year, while the PAT margin was around 7.62%.

Now let us take you through the quarterly segmental performance on a consolidated basis. In the engineering division, the revenue for the quarter was INR 4301 million, an increase of around 34% year-on-year. The EBIT for this segment was INR 257 million an increase of 7% year-on-year. The increase in turnover was largely due to the improved execution of some large EPC contracts. However, the execution of the UP Jal Nigam contract remained muted. The segment saw a modest order inflow during the quarter, and the domestic enquiry bank remained steady. At the end of the Q3 of FY25 the total order book for the engineering division stood at INR 3405 crores.

Coming to the chemical segment, the revenue for the quarter was INR 1993 million an increase of around 6% year-on-year. The EBIT was INR 523 million an increase of 6% on a year-on-year basis, while the segment continued to show improvement in both turnover and margins. For the consumer product division segment, the revenue for the quarter stood at INR 772 million, which has increased by around 23% year-on-year. The losses for the quarter was INR 29 million, compared to loss of INR 15 million in the same period of the previous year. This segment continues to witness consistent turnover growth driven by greater penetration and acceptance of the company's product profile. With this, I conclude the opening remarks, and we can now open the floor to the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Deepak from Sundaram Mutual Funds. Please go ahead.

Deepak: So, first on engineering, so this quarter we had a good execution which led to that 34% Y-o-Y sales growth in engineering, but our new order inflow was little muted as compared to previous quarter. So, could you please highlight, in an engineering project in both domestic as well as international market, from which sector are we witnessing more order inquiries is it the core sector like steel, power, oil and gas, which are typically larger sales order, or is it the smaller ticket size from various other sector, I just wanted to understand from where are we seeing more visibility and conversions?

Aankur Patni: Sure. On a global level, it is across the board, but yes, the inquiry book that we carry would be heavier on the core sectors, even in terms of order conversions it is across the board, the bigger ticket ones have not seen much of traction during the current period that's why you see that the order book per se, has not built up that much.

Deepak: Okay. And sir any update, for example any order inquiries we are getting for sunrise industry, like data centers or semiconductor because there is a lot of traction which is happening there?

Aankur Patni: Yes, there are several under discussion on these sectors, the green hydrogen piece, the biotechnology piece, the semiconductors, the data centers. And we are certainly expecting that in the course of the next few quarters we will see a good flow of orders from these segments.

Deepak: Okay. And sir now coming to engineering margin. So, this quarter, on Y-o-Y we saw in 150 basis point decrease in the EBIT margin. Could you please elaborate on that, are we sacrificing the margin to fuel growth or is it that the competition intensity is becoming higher, or is it more to do with higher execution of that one onerous order which we spoke about in the last quarter, what is happening there from margin front and for the whole year, as well as Q4 what is the revenue and EBITDA guidance, margin guidance are we giving?

Aankur Patni: There are two impacts which I can talk about. One is to do with this contract which you just mentioned about, that continues to have an impact of roughly 150 to 200 basis points and upwards on the overall engineering revenue. While that's depressing the margin quite a bit, there is as also the mix of projects that varies from year-to-year, in some years the mix favors a slightly higher margin, the other years, the mix may favor slightly lower margin. But the primary reason for the depressed margin numbers is the impact of the onerous contract.

Deepak: Okay. And sir for this FY25 and let's say next year, what is our guidance in terms of engineering division sales growth and margins?

Aankur Patni: For FY25, Engineering should see 15% to 20% growth and in terms of margin, unfortunately because of the way things have been and as far as we can see, we will be lower than the last year. The visibility that we have suggests, that the overall dip should be roughly about the percentage point.

Deepak: Okay, got it. You are talking about FY25 versus FY24?

Aankur Patni: Yes.

Deepak: Okay, got it. And sir coming to chemical division, so that Roha project of 400 crores could you please elaborate of that 400 crore plant, how much was spent till December?

Aankur Patni: I will ask Vasant to fill in on that please.

Vasant Naik: Just upwards of 50% of the total project cost has been spent as of December.

Deepak: Okay. And that is including both the actual capacity as well as backward integration, right?

Vasant Naik: Yes, the 400 crores include the backward integration part also.

Deepak: Okay. So, that the timeline of the commercial production in Q1 of FY26 that remains intact, right?

Aankur Patni: Yes. We are expecting Q1 with the possibility of stretching in to Q2

Deepak: Okay. And sir, let's say optimal utilization from this Roha plant, what could be our ROC profile, whenever that happens three or four years down the line?

Aankur Patni: You are already aware of the overall margins from the chemical division and as we have been indicating the asset turnover that we expect on a figure of 275 crores, is roughly two and a half times.

Deepak: Okay, got it. And two questions I have for Vasant sir. Sir, because now you indicated 50% a little over that has been spent for this Roha plant, and if I recall correctly, 20% was supposed to be financed through internal accrual and 80% was through debt. And since we have spent more than 50%, but our interest outflow seems to be very flat. So, what explains that, is more of the CAPEX has been funded through internal accrual rather than debt which was initially envisaged?

Vasant Naik: No, it's not the case our contribution for the total project remains at 20% of the project cost. But since the project is not yet commissioned, the interest expense is getting capitalized in the book, so as and when the commercial production starts, it will get reflected in the P&L.

Deepak: Okay. And sir one last question from my end, this one bookkeeping question. So, I have noticed in several past years the Q4 the tax rate suddenly drops from, let's say 27%, 28% to around 20% to 23%, can you explain why that happens in Q4 every quarter. This has been a trend since last three, four years.

Vasant Naik: Are you talking of the consolidated numbers?

Deepak: Consolidated.

Vasant Naik: See the consolidated numbers, the tax rate per se you cannot really take that, because it is a summation of the tax across the 21 subsidiaries. Individual company's taxes get summated, so it will not be a fair reflection to see at a totality level the percentage.

Deepak: Okay. So, the reason for this drop in tax rate in Q4 of the last three, four years is more to do with contribution from Indian operation, hence how should I look at it?

Vasant Naik: Yes, because generally the 4th Quarter the domestic companies show a much better turnover as well as on the bottom line, so maybe that can be one of the reasons, that can be attributed to the distortion in the tax rate.

Moderator: Thank you. We have our next question from the line of Mike from Equity**.** Please go ahead.

Mike: I have two questions. Could you please give us an update on the ongoing litigation about the IEEF subsidiary, and there has been some progress in the quarter. And secondly, the onerous contract when do you think that will be completed. Thank you.

Aankur Patni: Let me first answer the second one, we are expecting substantial invoicing for this contract to get completed in the first half of the FY 25 - 26. As far as the litigation is concerned, I will ask Mr. Ranadive and Mr. Puranik to fill in.

Management: The Enviro Farms matter which is a SEBI related matter. We have appealed the matter at securities appellate tribunal, and SEBI has filed a reply in the matter, and the matter is now listed for 10th February for hearing. Any other clarification you want?

Mike: Do we think that there will be a resolution, or this is something that could continue for some more years before we get to a satisfactory resolution?

Management: If the judiciary accepts our stand, the matter will end there.

Mike: And are you optimistic about the outcome or it could be either way?

Management: Yes, we are always optimistic about the legal stand, but ultimately the judiciary has to take a decision.

Mike: Thank you. And if it goes against you, you can appeal further?

Management: Yes, there is an appeal available at the Supreme Court of India.

Moderator: Thank you. We have our next question from line of Chetan Vora from Abakkus Asset Manager. Please go ahead.

Chetan Vora: Sir, as mentioned that you told that legacy project which is having a cost overrun will be getting completed by first half FY26, is it right?

Aankur Patni: Yes, it's going to spill into the next financial year.

Chetan Vora: Okay. Can you quantify that what was the size of that project and how much that has been completed, and what margins we have made in that project?

Aankur Patni: As we have been mentioning this is having a negative impact on the overall margins of the engineering division. There is still some invoicing left for this job and that's why it’s spilling into the next year in terms of impact. We have not been giving the contract name and other specifics of the contract.

Chetan Vora: And would it be possible to highlight, what went wrong in this project and when it was needed and when we had got this project basically in which year and why it has faced such a cost overrun wherein we have seen such cost overruns?

Aankur Patni: This was to do with the specifics of the site, unfortunately we did encounter significant overruns specifically on the civil side. This is more than one-and-a-half-year-old contract.

Chetan Vora: It is a domestic contractor?

Aankur Patni: It is a domestic EPC contract.

Chetan Vora: Okay. And can you can quantify, why this UP project is getting, the execution is on a slower front wherein we had to complete, we were supposed to come to this UP project by the end of this year, if I am not wrong?

Aankur Patni: Yes, the project is facing constraints in terms of funding from the government, and as we had spoken about this in the last quarters call that, there was an expectation of improved funding and speed of execution on this contract. Unfortunately, the constraint on funds remain, as also relatively slow process of approvals and documentation, which is hampering the pace at which we are being able to invoice. We still remain hopeful that, it would pick up pace soon, but that's not something I am now being able to give you an accurate forecast of as how quickly the funding pace would improve and the other constraints will go away. However, hope that the second half, which is second half of this financial year, we will be able to invoice more than what we did in the first half.

Chetan Vora: Yes, but still it will be quite low, because second half is anyways good vis-à-vis the first half seasonally. Would like to understand if the project before the execution, what happens if there is a cost escalation next year whether we will be able to pass it on, or we will have absorbed it?

Aankur Patni: We have got extensions from the government, and we continue to apply to the government for further extensions because of the way that contract is getting extended, the impact of an extended stay certainly does have a play. We are not being able to bill while we maintain the teams at sites and the infrastructure is being retained. So, that impact certainly cannot be negated. However, the overall margins on the contract remain within what we have been showing for this over the last couple of years.

Chetan Vora: And on the engineering side, though this year you are saying that the margins will be lower than FY24 so and you said 100 bps lower?

Aankur Patni: Yes, roughly that is how it looks.

Chetan Vora: But on the execution we are saying that the momentum will be sustained on the execution side?

Aankur Patni: Yes, as I said around 15% to 20% growth is what we are hoping to get.

Chetan Vora: And what happens to the chemical side next year, whether that capacity increase will be helping out, or whether we will be growing in the same rate in the range of 12%, 15% as what we have seen this year?

Aankur Patni: We are looking at using up that additional capacity over a period of three to four years, and therefore there would be its impact on our overall top line. And as I said, we will not necessarily get the entire year's benefit as the capacity gets commissioned in the first quarter, and with a slight chance of commissioning slipping into the second quarter.

Chetan Vora: Right. And sir we used to make the margins on the engineering side on the annual basis in the range of like 9%, 10% but since last two years it has been 8% and this seems to be lower than eight. How do we see this trajectory on the engineering side?

Aankur Patni: So, there are a couple of things. One is to do with the kind of contracts that we get and the margins associated there with and as we have been speaking about this one onerous contract, which has been depressing the overall margins. Besides that, in general we do continue to get good contracts on the international market, and those are at better margins as compared to what you see for the overall segment, as the ratios for these higher margin contracts, both international and domestic improve in the future quarters, I am quite hopeful that the margin percentages will improve.

Chetan Vora: Sir last question from my side, the next we are seeing this on the project which is facing cost overrun will be getting over by first half of next year. So, how do we see the margin trajectory for the next year as a whole for the engineering side, it will be better than FY25, it will be lower than, offset similar to FY25?

Aankur Patni: Hopefully it will be better, however I can't give you very exact guidance at this point of time. I hope that I will be able to do that in the coming quarters, it's likely to be better than what you have seen in the current year.

Moderator: Thank you. We have our next question from line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Sir first question again on the UP project, given the actual outcome is going much slower than what our anticipation was, or what the earlier timeline that we were anticipating, and I believe in past, we were mentioning that we were kind of investing a lot in terms of manpower, et cetera to do this very quickly. So, just one comment on, shouldn't this be hurting our margins as well, apart from that onerous contract, and also second, this expectation that, if we get all the approvals or invoicing in line, we should be able to do this very quickly. So, how easy or hard it will be for us to kind of ramp the exhibition up very quickly, if fast to or required to?

Aankur Patni: As I responded to the previous question also yes, the continued deployment of our resources and the revenues or the invoicing not happening at that pace is having an impact. But again, as I mentioned that our overall margins remain in-line with what we have been showing against this contract over the last few quarters. In terms of being able to ramp up with the increased fund flow, we are very much able to do that, the only unknown is when this ramp up of the funding would happen, and how we would get all the documentation and approvals at a faster pace.

Pratik Kothari: And this quarter maybe our order flows were a bit modest, but in terms of, from a domestic order inquiry pipeline, the conversion, etc., do you see any stark change in kind of the conversation that you are having with your end client, from the domestic angle?

Aankur Patni: We are seeing a good flow of inquiries and higher qualities of inquiries in terms of the execution profile as well as margin profile coming from international market. And we remain very excited about the prospects in the near term and, in the medium term from the international market. In terms of the domestic market, yes, the competitive intensity keeps varying from period-to-period and we are hoping that soon enough we should be able to get a few significant orders on the domestic front also.

Pratik Kothari: Correct. And sir last question on the chemical, we have been at this sub, slightly under 200 crores range for the last three, four quarters and we have a large capacity also which will come in say in the next six, nine months so, just one in terms of demand, our plan to ramp this up, even in our current capacity, or current facility, we have some capacity which is left, and then there's this additional one which is coming in a few months down the line. So, just some thoughts color on, how do we plan to ramp it up?

Aankur Patni: There are several conversations in place with large consumers of the product, and we are expecting that once the facility is ready to produce, several of these contracts will materialize which will help us to utilize this increased capacity. We are also adapting the two plants to make sure that we take the best use of the facilities available and modify the product mix coming out of each facility to ensure that overall, the maximization of revenue and profits can be achieved.

Pratik Kothari: So, in terms of product approval, or that customer kind of approving, us as a company that is all done and either taken care of, it's just ramping up of incremental volume that they would face with us?

Aankur Patni: The process for the product approvals to ensure that, we are able to meet their quantity as well as quality requirements in some cases is done and in some cases it's underway, and we are therefore hoping that by the time we execute this project in full and are ready for commercialization, we will have several of these long-term arrangements in place.

Moderator: Thank you. We have our next question from the line of Aejas Lakhani from Unifi. Please go ahead.

Aejas Lakhani: Mr. Patni, I just want to understand the consumer segment. We have not spoken about this in the call. So, can you please qualify, where is this growth really coming from, is it coming from the commercial segments or the residential segments and also, while a lot of this is product sale, how much of the support revenues is built out in this 300 crore run rate which we are at today, from a revenue standpoint?

Aankur Patni: There is a good mix of commercial as well as residential in this overall revenue that you see. A significant portion is coming from the residential market, and the kind of products that we have been launching of late, they are targeted at slightly more premium residential segments which are flat owners, apartment, owners, etc. In terms of the support or service revenue as a part of the overall thing, I would ask Vasant to share with you some guidance on it.

Vasant Naik: In the consumer product segment, the services portion will be in the region of around 20% to 25%.

Aejas Lakhani: Okay. And is it fair to assume that the services portion has a significantly higher margin but today, you are choosing to redeploy the product margins as well as the services margin in building out the business to your desired scale of 500 crores, before you start to show any EBITDA in that segment?

Aankur Patni: Yes, we are deploying the margins back and investing in various places including people to ensure that we ramp up at a faster pace.

Aejas Lakhani: Okay. And sir any visibility that you can provide as to, in terms of number of field force that you have put in place, touch points that have been covered, which gives us the visibility to reach that 500 crore number from the 300 crore number today that you are talking about?

Aankur Patni: We have not been sharing that data, but the pace at which we are increasing our field force, or our reach into the market in terms of distributors, channels, et cetera is quite rapid, and we would be several times of where we were maybe two or three years back and we will continue the pace at which we are expanding because, as you rightly mentioned we are looking at a significantly higher revenue number compared to where we stand today.

Aejas Lakhani: Got it. Mr. Patni, next is on the overall margin outlook. And I want to understand your reason for slightly better confidence for next year on the margin front. Because, as I stand it, and what you have said in the call is the first half will be a drag on account of the onetime large project which are hopefully to continue, the UP is continuing to drag resources and infrastructure. So, there's a cost which we are not getting compensated and third is, as the new Roha facility sort of comes up, there will be employee cost, OPEX cost that we will have to build ahead before the ramp up really takes place. So, our ability to really extract better margins for next year, could you tell me where you get the confidence?

Aankur Patni: So, the earlier question was, on engineering margins and second, in case of UP project. The expectation is that we will be able to increase the pace at which we are invoicing these contracts For UP project the margins would accrue as we execute the project. Further the other onerous project-will have a relatively lower percentage in the pie of the overall engineering revenue, I am not expecting this contract to continue to drag right through the next year. So, once the remaining portion of this this contract is executed then that would give us a higher margin number compared to where we stand today. In terms of the overall company margin and the impact of Roha in terms of interest and depreciation and all of that cost, that's to be expected but we are also, as we mentioned just a while back, looking to close several discussions with large buyers so that our capacity utilization in the first year itself is reasonably good and we don't end up creating a massive negative impact of this depreciation and interest burden.

Aejas Lakhani: Thank you for that, it's very clear. Mr. Patni, could you just speak a little bit about the Portuguese Mapril acquisition that you have done. It's been some time, so could you just call out that how is it playing out, I remember from the call out then that it was primarily a channel to distribute to Europe. So, have you made progress on that front, could you just call out little more on that Mapril please?

Aankur Patni: Yes, we have made progress, subsidiary gr now being used as a base to push all our products, chemicals, as well as engineering. The response that we seem to be getting from the European market is a preference to have a European company, rather than coming out of any other location, that seems to be giving us the advantage that we were hoping for, and the pace at which we were expecting the engineering side of business to pick up from that subsidiary, there we are seeing good developments happening. Hopefully we will be able to deliver a few engineering contracts from that subsidiary in the near term. For the chemical piece, there was an inherent revenue in that subsidiary when we acquired it, and we have been able to add volumes from our sales of resins as well as other chemicals during the period, during the past few months. And we are also seeing significant number of discussions with buyers in that region for further improving this volume. So, yes, the acquisition seems to be playing out reasonably okay. We would have hoped for even better, but then that's something which we remain hopeful will play out over the next few months.

Aejas Lakhani: Perfect. And Mr. Patni, just finally in the 4th Quarter you had called out for an overall revenue growth of closer to 15% which would imply about 800 crores of execution in 4th Quarter which is typically our seasonally the strongest quarter. So, are we on course to achieving that?

Aankur Patni: For the company as a whole, we are looking at a 15% to 20% growth.

Moderator: Thank you. We have our next question from the line of Nishanth Gupta from Minerva Global Capital. Please go ahead.

Nishanth Gupta: My first question is in the chemical segment, who are your direct competitors?

Aankur Patni: Chemical segment, for resins we compete against global majors like DuPont, Ecolab, etc. we are also competing against domestic competition like Thermax, which is one of the larger manufacturers of resins in India.

Nishanth Gupta: Got it sir, thank you. Sir, for the bid pipeline of 8648 crores, what could be our conversion ratio and the execution timeline for that?

Aankur Patni: Normal conversion ratio is about 15% and thereabouts. The average period of the order execution is two to three years.

Nishanth Gupta: Got it sir. Sir, one final question, the working capital days have been inching upwards. So, what would be a moderate assumption going forward, that would be a reasonable?

Aankur Patni: In terms of the working capital increase compared to a few years back. The shift has been the quantum of advance that we have been carrying from the customers. And there were a few large contracts where there were significant amount of advances sitting in the books which had made the working capital slightly lopsided. As we see the days of various asset groups within working capital, this is relatively more normalized than what it was a few years back.

Moderator: Thank you. We have our next question from the line of Mike from Elquity. Please go ahead.

Mike: I just have one question on the working capital, I noticed that on the segmental basis engineering net asset is kind of flat, which means that on a Q-on-Q basis asset is flat, liability is kind of flat, which implies that actually probably the working capital for the segment has not come down despite the fact that we are supposed to collect some receivables for the UP project. Is this an accurate observation, if not, could you just help me understand maybe on the collection of receivables this quarter. Thank you.

Aankur Patni: I'll ask Vasant to come in on that question please, Vasant.

Vasant Naik: In terms of the working capital days, what we have seen in the last two quarters, they are basically roughly at the same level what we have been seeing and specifically, coming to the engineering segment, the engineering segment has grown by almost 36% on a year-on-year basis. And that accounts for the increase in terms of the absolute number of the working capital which is deployed in the business, and specifically to the UP contact, yes there has been some delays in collection from the UP contact that was referred to in our earlier concall. But overall, the working capital days for the segment as a whole is largely stable at what we have seen in the September and the march level.

Mike: Okay. And just a follow on the UP project, you mentioned there have been some delays in the collection of the receivables, when will that be resolved and as we subsequently bill more projects on the UP side, are we expecting to face the same number of days for collection of the bills?

Vasant Naik: If I understand the question you are asking, whether what is the possibility of recovery of the debtors from UP project that is what you refer to, right?

Mike: Yes, that's the first part of the question.

Vasant Naik: The expectation is that, in next month we should get some positive movement on the funding for this UP project. And consequentially, we do expect then the execution of this contract to pick up in the coming months.

Mike: Okay, but if you were to execute the project in the coming months, so we will start billing the UP government for the execution of project, are we going to face the same issue, in terms of the funds are being released to us afterwards, any commentary around that?

Vasant Naik: We do hope that once the funding resumes, our expectation is the funding should then normalize. But as we have seen in the past also, it is very difficult to predict the funding for a government project. So, we also being cautious as far as the execution is concerned, once the funding stabilizes, the execution will improve on this project.

Moderator: Thank you. We have our next question from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: So, just one question overall for the company if you can share or reiterate the guidance, in terms of revenue and EBITDA margins for FY25, and FY26, and this order book that you have around 3400 crores for the engineering as a whole, what's the execution period over there. Thank you.

Aankur Patni: The execution period is between roughly around two to three years. In terms of the expected growth revenues for the year, we are looking at between 15% to 20% growth. And in terms of the margins, as we spoke about, we are expecting to take a hit compared to last year on the engineering margin percentages. Overall for the company, I don't think we will be able to reach the same levels in terms of percentage as we did last year. We will be falling slightly short of it.

Rahil Shah: Slightly short of the margins you mean, right?

Aankur Patni: The margin percentages which we achieved last year, we will be slightly short of that.

Rahil Shah: Shorter than, okay. Any, so this has been below this overall for the company for next year as well are you targeting that?

Aankur Patni: For financial year 24-25, 15% to 20% growth is what we are looking at, for 25-26 I am not calling out a number as yet, you will have to look at our order books and the general trajectory of growth, but I will come out with more clearer guidance on it in the coming period.

Moderator: Thank you. We have our next question from the line of Saket Kapoor from Kapoor Co. Please go ahead.

Saket Kapoor: Sir firstly a clarification, you mentioned that the legacy order which is damping our margin, that spillover will happen till the first quarter of the next financial year and the margin gains will be on a whole basis to the tune of 200 basis point this is what the conclusion is?

Aankur Patni: Yes, I was saying that this particular contract would spill over into the next financial year, roughly the first half of the next financial year, and the overall impact that we have seen of this on our engineering margins is to the tune of 150 to 200 basis points slightly in that region and above.

Saket Kapoor: And sir out of the total revenue which we have booked for the engineering segment of 417 crores if we take the standalone numbers, what would be a ballpark number which would have constituted to the execution of the projects which you are talking about?

Aankur Patni: We are not giving out the specifics of the contract and detailed breakup of the constituents of the revenue. However, as I mentioned, the impact is of 150 to 200 basis points on the overall engineering revenue.

Saket Kapoor: Correct, sir. And sir just to not harp more. But is this the project, is the concerned project being installed right now, and that's the reason it will take longer time or what is the reason, why it will take another three quarters or two quarter rather to culminate?

Aankur Patni: One of the reasons is that we are trying to make sure that we do as much as is possible to curtail the damage. And no, it is not stalled we are committed to delivering on the contract and complete it.

Saket Kapoor: Okay. And one more question and then for the UP project. Generally, what we looked at, whenever these size of projects are there, there are packages in which there are four, five packages which are distributed in order to reduce the client specification risk also. So, this particular project size is also constituting other packages, or are we the people managing the entire project?

Aankur Patni: This is you are asking for the UP project?

Saket Kapoor: Both one, this one which is denting our margins, and the UP project also.

Aankur Patni: So, this is a large EPC project which is being executed by the customer, and we are delivering a part of that large project. Whereas for the UP contract, the government had given out clusters of villages for which we had to deliver a certain project aA DPR was made and BOMs were made, and we were supposed to deliver the material as well as the project as per the DPR & BOM. Of course, as the project gets executed, the ground level reality of project may not necessarily be the same as per the DPR and there are changes that we are seeing. But as such for each village and the cluster, we are the ones who are delivering this entire piece. So, there is no other, we are not working as a subcontractor to anyone.

Saket Kapoor: Okay, because when we look at the unexecuted portion it was 751 crores and this quartet it is 730 including the Delhi part which you generally club in your investor presentation that means there is hardly any execution that happened, is that understanding correct for this quarter?

Aankur Patni: Let me ask Vasant to give you the numbers for the quarter.

Saket Kapoor: And for the nine months also sir, what portion of the UP contract got executed?

Vasant Naik: For the quarter we did 33 crores and for the nine months we did 91 crores.

Saket Kapoor: And the pending portion is how much sir?

Vasant Naik: The pending portion is around 719 crores.

Saket Kapoor: 719 crore and sir for this quarter, for March what is the likelihood taking into account?

Vasant Naik: We have addressed this question earlier. The execution is dependent on the funding which we get from the UP government. So, our team is on the ground, so as and when the funding comes through, we do expect the increased traction to take this in the execution.

Moderator: Thank you. We have our next question from the line of Tej Patel from Niveshai. Please go ahead.

Tej Patel: Just two quick questions, number one is, what portion of our engineering revenue comes from the industrial segment, and then within industrial also, how much is ZLD. And the follow up question would be, if you could just provide a brief outlook on the same, on the industrial segment especially the ZLD, has the traction increasing, has the government's taken any step, probably which is increasing the adoption in the ZLD, I want this perspective, especially from the domestic point of view. Thank you.

Aankur Patni: Let me answer the last bit first, the effort of the government has certainly been to improve the level of effort which the industry or the government itself is making on the front of environment. ZLD is one of the technologies which government is trying to push. But there are also several other ways in which government is trying to ensure that the environmental consciousness of the industry goes up, and the implementation of that and the monitoring of that has been improving over a period of time, you should expect that in times to come, the technologies not just ZLD , but others, which are focused towards improving the state of the environment, the state of water and wastewater as also reuse of water from sources which were otherwise untapped, all of these would go up in coming times. In terms of the collective impact of all of this, on the ecosystem of companies like ours, we do expect that there is going to be increased flow of opportunities from the government sector, the municipal sector, as well as from the residential and commercial sector, which would all be required to go in for more and more stringent practices. So, that's as far as that side is concerned, the split of the inquiry book and invoicing between government and the non-government and I will ask Vasant to give details.

Vasant Naik: In terms of the split of the invoicing from the government order in the total engineering segment, it will be in the region of around 10% because, as we have mentioned, the execution of the UP contract has been muted in this year. And in terms of the government contract forming part of inquiry bank, it will be less than 5%.

Tej Patel: Got it. And in the non-government part, are our major technology which we are deploying is currently ZLD?

Aankur Patni: No, ZLD is one of the components which we work on and obviously, which is prescribed in some areas but there are several, several more which are worked on. ZLD is one of them.

Tej Patel: So, is it correct to stand, ZLD will be let's say, less than 10% for you as of now?

Aankur Patni: It varies from contract-to-contract and segment-to-segment, and it would also vary from period-to-period.

Moderator: Thank you. We have our next question from line of Omkar Jhaginder an Individual Investor. Please go ahead.

Omkar Jhaginder: I am having three questions. Let me ask my two questions first. My first question is, as we are in the fag-end of the financial year, what engineering business orders are we expecting in next 50 to 60 working days, this is a question number one. And question number two, regarding chemical business in the Q1 concall also you said we are operating 65% to 70% of the planned capacity and there is a headroom for chemical business, but consistently, we are doing 200 crores of revenue consecutive three quarters. Why chemical revenue has stuck at 200 crores because there is still room for the plant capacity. So, any specific reason for that, and are we expecting Roha plant from quarter one onwards 40 to 50 crores revenue will come from quarter one, or it will start from quarter two only?

Aankur Patni: The Roha revenues should start from the second quarter, we still have to go through the final process of commissioning the plant. In terms of the overall chemical segment number, I can tell you that we are looking to close the year with roughly around 10% to 15% growth.

Omkar Jhaginder: Sir, growth whenever you say it's always Y-o-Y growth, I agree with you. Last time also I asked the same question, but overall that plant capacity as of now we are utilizing 65% to 70%, so is there a room to increase that capacity, or capacity utilization will be up to 70% only for the current chemical plant?

Aankur Patni: No, capacity utilization can certainly go up and there is a headroom available there. As we expand capacity, Roha for example, we would also be repositioning some of the existing facilities to make sure that we get a very good mix of revenues from both the plants as also optimally use the capacities to generate both top line as well as bottom line. Also, some of the capacities that we have are product-centric. So, in the entire plant, there will be several reactors, some of them would be dedicated to certain types of products, and therefore the capacity utilization gets dependent on a specific product line rather than of the entire capacity as a whole. So, that creates, a different mix of capacity rather than overall number which is homogeneous. So, it's not a homogeneous number that we talk about when we say 65% capacity utilisation.

Moderator: Thank you. Ladies and gentlemen, this is all the time we have for today. I now hand the conference over to the management of Ion Exchange (India) Limited for closing comments. Over to you, sir.

Vasant Naik: Thank you all for participating in this earnings conference call. 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, please reach out to our IR Manager at Valorem Advisors. Thank you, and I wish everyone great evening.

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