

September 18, 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 July 27, 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, July 28, 2017 was to discuss the Financial performance of the Company for the First quarter ended June 30, 2017. The aforesaid information is also disclosed on website of the company i.e. [www.ionindia.com](http://www.ionindia.com).

Kindly take the information on your record

Thanking You,

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



**Milind Puranik  
Company Secretary**

**Ion Exchange India Limited**  
**Q1 FY18 Earnings Conference Call**  
**July 28, 2017**

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**Moderator:** Ladies and gentlemen, good day and welcome to our Ion Exchange India Limited Q1 FY18 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 an operator by pressing \* then 0 on your touchtone telephone. I would now like to hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you, and over to you Mr. Sonpal.

**Anuj Sonpal:** Thanks, Janet. Good afternoon everybody and 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 Q1 FY18.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's earnings conference call maybe forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause the 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 everybody a brief introduction about the company, so that everybody is on the same page. And then I will introduce you to the management who will be giving their opening statement.

Ion Exchange India Limited is a pioneer in the field of water management and waste management in India. The company is present across the length and breadth of water treatment products and solutions. The company is headquartered in Mumbai and has 6 manufacturing facilities and assembly facilities across India and has also presence abroad. The company has a rich history of more than 50 years. The company was formed in 1964 as a subsidiary of a UK company Permutit and after that it became a wholly-owned Indian company in 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. The company offers a

wide range of solutions which deal in wastewater treatment, recycled, zero liquid discharge, sewage treatments, and water desalination and also deal in chemicals and resins and other components of water treatment. The company has more than 50 patents to their credit and has been probably instrumental in more than a lakh installation across the globe. The company primarily operates in 3 major segments, which is engineering which constitutes approximately 60% of the revenue. Second is the resins and chemicals division which represents around 30% of the revenue, and third is the consumer products division which represents around 10% of the revenue on a consolidated basis.

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

Without much ado, I'd like to ask Mr. Ranadive, Executive President (Finance) to give his opening remarks. Thanks and over to you sir.

**N.M. Ranadive:**

Thank you, Anuj and good afternoon everybody. It is a pleasure to welcome you for this Q1 FY18 earning concall. I will briefly take you through the quarterly performance of our company on a stand-alone basis. The total income for the first quarter is approximately 214 crores representing a growth of 3.1% Y-on-Y. EBITDA is approximately 18 crores, which is almost flat growth year-on-year basis. EBITDA margin is approximately 8.2% of the turnover, a fall of 30 basis points, year-on-year basis. And net profit after tax is approximately Rs. 7 crores representing a fall of almost 10% year-on-year basis. PAT margin for the sales is approximately 3.4%, a fall of 50 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. 99 crores, against approximately 106 crores for the corresponding period last year, a fall of almost 7% year-on-year basis. The segmental profit is Rs. 4 crores as against last year's Rs. 5 crores, a fall of almost 20%. In the Chemicals segment, revenue recorded was approximately Rs. 93 crores as against 83 crores in the first quarter of last year; a growth of more than 12% over the same period last year. Profit has remained almost flat at Rs. 10 crores. In the consumer products division, the turnover grew from almost 25 crores to almost Rs. 26 crores representing a growth of almost 4% in the Q1. Losses for the quarter were 1.75 crores as against Rs. 80 lakhs in the same period same quarter over the 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 to second quarter due to pending clarities on taxation and other related matters. Structural and policy changes in the Indian economy also affected the dispatches in the Engineering division significantly, but

management is hopeful that the situation will improve as a greater clarity about the recent policy changes emerges. As far as the Sri Lankan order is concerned, the project is progressing as per the schedule. During Q1 FY18, the scope of the work primarily involved site audits, land surveys and design engineering due to which there was no revenue recognition from this project in this quarter. As the invoicing for this project is based on milestone of work completion, the management is confident that based on the work progressed, revenue accrual will progress from this project in coming quarters. In the Chemicals segment, overall growth was witnessed both in resin and industrial chemical business. However, increase in raw material prices and a change in the composition of revenue has had a temporary impact on the margins of this segment. The Consumer Products division recorded slightly higher turnover. However, ramp-up in fixed cost could not be absorbed due to lower than expected turnover, which was impacted due to proposed GST implementation.

I hand over this to Mr. Anuj Sonpal.

**Anuj Sonpal:** Thank you. And now we can open the forum for Q&A session.

**Moderator:** Thank you, ladies and gentlemen we will now begin with the question-and-answer session. We take the first question from the line of Dhruv Agarwal from Crescita. Please go ahead.

**Dhruv Agarwal:** Sir, my question is regarding Swachh Bharat projects that the government has been tendering now and giving out, so have you won any orders in the Swachh Bharat project list?

**Ankur Patni:** The various governments have certainly been giving out orders, and when we say government we are talking about state governments, various municipalities and the central government. These are in the field of drinking water, sewage water etc. and off and on we pick up orders of smaller size, but we have not got any large infrastructure order as yet.

**Dhruv Agarwal:** Okay. And any smaller ones also you have not won or are you bidding any of that?

**Ankur Patni:** We will certainly be bidding. We have not directly bid on any large infrastructure project as yet, but we will be participating in identified projects.

**Dhruv Agarwal:** Okay. So sir, if I have to ask like these projects will be in what geography of India, like are you targeting any particular geographical area or something like that if you can throw some light on?

**Ankur Patni:** No, the targets are not based on geography.

**Dhruv Agarwal:** Your targets are not based on geographies. Okay and if you can tell me the cumulative order book till now, as on date?

**Ankur Patni:** The current order book in the Engineering segment stands at around 500 crores.

**Moderator:** Thank you. We take the next question from the line of Nikunj Doshi from Bay Capital. Please go ahead.

**Nikunj Doshi:** Just last time I think when we discussed, you indicated that you bid for around 3,000 crores worth of projects. So what is the bidding pipeline and are there any orders at the finalization stage or L1 stage that we are at?

**Ankur Patni:** So, we discussed about the enquiry bank, and the enquiry bank stands at around 3,500 crores and these are at various stages of discussions, some of them will certainly be at finalization stage. We had also indicated that we expect a conversion rate of around 20%.

**Nikunj Doshi:** Okay. So, any orders that is at L1 stage or likely to get the orders in shorter term, any indication on that?

**Ankur Patni:** If you look at the trends in the order book, you would notice that there is a slight dip in the overall order book. We have not had a great quarter as we had discussed during the opening statements, because of various policy changes which have been initiated by the government. We expect these deferred orders to get finalized in the current quarter two as well as quarter three.

**Nikunj Doshi:** Okay. And this Sri Lanka, we have not built in this quarter any of the revenues, but on cost side, is there any element, which is included in the P&L or cost also we have not recognized?

**Ankur Patni:** No, there is no cost recognition on this account

**Nikunj Doshi:** Okay. So it will be matched with the revenue whenever?

**Ankur Patni:** That's right.

**Nikunj Doshi:** Okay. And the last one, we have not given consolidated performance, so any thought on that? We will be giving it on annual basis only or any efforts made to give it on a quarterly basis?

**Ankur Patni:** We will be putting up the annual numbers.

**Nikunj Doshi:** Only annual consolidated?

**Ankur Patni:** Yes.

**Nikunj Doshi:** Okay. And any further progress on the shares which are in T2T segment to take it out of T2T?

**Ankur Patni:** As we have discussed last time, we have initiated actions on this front and we hope that it will get resolved soon.

**Moderator:** Thank you. Next question is from the line of the Kunal Bhatia from Dalal & Broacha. Please go ahead.

**Kunal Bhatia:** Sir, one question regards to the Sri Lankan revenues. So as you had indicated this year would account for around 25% of that book. So since we have not booked anything in Q1, does that statement remain as it is or we would be seeing a lower booking in the current year?

**Ankur Patni:** No, we retain our original statement, we should be booking, roughly a little less than 25%.

**Kunal Bhatia:** Okay. And sir, secondly, my question was on the margins in terms of the chemical business. Yeah, you did mention the reason that one, a) is raw material and the second is the product mix. If you could just quantify or give a quantum of how much was the impact because of the raw material price increase and how much was it on account of the product mix? And also just in clarification to the first question asked, you mentioned about the government projects on the Swachh Bharat front wherein you said, we do not have any larger infra orders. So, has there been any announcement from the government side on these infra orders where we haven't bid for or how is it at the moment?

**Ankur Patni:** Let me take the last question first. As far as Swachh Bharat is concerned, it is quite a distributed process and while there are a lot of projects, which are getting announced by various governments and government bodies on the infrastructure side, we have not yet participated in any of the large infrastructure projects. That is on that front.

**Kunal Bhatia:** Sir, do we intend to at the moment or...?

**Ankur Patni:** Yes, that's what I responded to the last person also that we will certainly participate in the targeted projects. As far as your question on the chemical margins is concerned, we have taken a marginal hit on the raw material costs which will hopefully get restructured and resolved in the current quarter. And as far as product mix is concerned, it has changed by around 10%.

**Kunal Bhatia:** 10% is the product mix which has changed, which has led to the lower margins?

**Ankur Patni:** That's right.

**Kunal Bhatia:** Okay. So as a percentage to the EBIT margins of the chemical business, how much would that be?

**Ankur Patni:** I am just giving you an approximate number, it is around 2% or so.

**Moderator:** Thank you. We take the next question from the line of Dimple Kotak from SKS Capital. Please go ahead.

**Dimple Kotak:** Yes sir, thanks for taking my question. Sir, as you said that there are some deferred orders which will be finalized in Q2 and Q3. So can you please help me with the quantum, what could be the order pipeline which we will be doing there, which we will be getting or we are in the finalization stage?

**Ankur Patni:** Well, I can't give you exact quantum of...

**Dimple Kotak:** Sir, just a rough ballparkish number.

**Ankur Patni:** I would expect that the number should be higher than the average trend of around 100 crores and thereabouts.

**Dimple Kotak:** Okay, sir. And sir, has the takeoff from the customers under the Chemicals segment, has it improved because last quarter previous to that after demonetization, we saw that the customer off take was lower. Even in Q4 there was some customer off take was lower. So has that improved in this quarter?

**Ankur Patni:** You are asking about the consumer products, right?

**Dimple Kotak:** For the Chemicals segment, sir.

**Ankur Patni:** Chemical segment, we have had an impact of the taxation policy changes, so there has been a dip from certain segments of customers. And as we just indicated, we had increased revenue from a product line which normally contributes a lesser percentage of the overall product mix. This has led to the overall increase in the turnover numbers.

**Dimple Kotak:** Okay sir. So going forward, do you think the hiccup of the GST to continue in Q2 or things will normalize in Q2 or Q3?

**Ankur Patni:** We certainly hope that the normalization should happen progressively. Since it is a structural change and a lot of companies are going through that process of revising their structures and their purchasing methodologies, we expect it to probably last out on a two-month period and start stabilizing after that. So we are still seeing the impact of that in the current month.

**Dimple Kotak:** Okay, sir. Sir, then going ahead in the next quarter, shall we go with these margins as in Q1, because of these hiccups of the taxation policy and all that?

**Ankur Patni:** I think, margin stabilization should start happening at the end of this month, but yes, we will probably look at a minimum period 2-3 month period before we get back to the normal levels.

**Dimple Kotak:** Okay, sir. And will we be having any revenues from Sri Lankan project for Q2 or it will be again in the second half?

**Ankur Patni:** No, we should certainly have some revenue in Q2.

**Moderator:** Thank you. We take the next question from the line of Ojasvi Agarwal from Indea Capital.

**Ojasvi Agarwal:** Most of my questions have been answered. I just wanted you to throw some light on the revenue this year, the next 2-3 years perhaps.

**Ankur Patni:** We have not really been giving out projected revenues, but given the way the quarter has gone, I am not really forecasting a big revenue jump in the normal course except that we will be billing for Sri Lanka and that would add up to a significant percentage.

**Ojasvi Agarwal:** Okay. Not even on the Chemicals side?

**Ankur Patni:** Even on the Chemicals side, I am not forecasting a big jump, but I am certainly expecting growth to happen and the current path of growth should continue.

**Moderator:** Thank you. Next question is from the line of Amit Jain, Individual Investor. Please go ahead.

**Amit Jain:** Yeah, I wish to know what's being done on the script being in trade-to-trade and what the company is doing and by when will come out of trade-to-trade?

**Ankur Patni:** I think we had a query on same point just two callers ago. But we have initiated actions to address this situation, unfortunately I am not being able to give you an exact date when these actions will be completed, but we hope we will be able to do it soon.

**Moderator:** Thank you. We take the next question from the line of Vinay Nair from Rare Enterprises. Please go ahead.

**Vinay Nair:** I just wanted to know how the accounting treatment will be done for the Sri Lankan order? Will it be part of the standalone business or will it only be reflected in the consolidated accounts?

**Ankur Patni:** It will be part of the standalone business.

**Vinay Nair:** It will be part of the entire revenue which you will book?

**Ankur Patni:** Yes.

**Moderator:** Thank you. We take the next question from the line of Chetan Bhatia, Individual Investor.

**Chetan Bhatia:** Sir, my question is on the consumer product segment, what is the outlook for FY18? And in terms of profitability, do you think you will be able to breakeven or you want to report a profit by the end of the year?



**Ankur Patni:** The first quarter has not been great. We had a good ramp up in the last quarter of FY17 and therefore we were expecting the first quarter of FY18 to be good too. We did take a substantial hit because of the changes in indirect taxation. I would not project a breakeven situation at the end of FY18.

**Chetan Bhatia:** Okay. Then in terms of the topline, in terms of volume, are you hopeful that the things will improve or get stabilized in the second half and you will be able to report a better number?

**Ankur Patni:** I think we can certainly hope for improved topline and think we will be also be able to report incrementally better bottom line.

**Moderator:** Thank you. Next question is from the line of Sabyasachi Mukerji from IndiaNivesh. Please go ahead.

**Sabyasachi Mukerji:** I just wanted to know that from Q2, you will be booking the Sri Lankan orders, so will the margins improve for that? I mean, as you mentioned earlier, the Sri Lankan project will have a better margin.

**Ankur Patni:** Yeah. So I retain that earlier statement, we will certainly have better margins coming in from the Sri Lankan project as compared to what the Engineering segment has been reporting overall.

**Sabyasachi Mukerji:** Right. So what amount of better margins exactly?

**Ankur Patni:** That is something which we are not putting in the public domain.

**Sabyasachi Mukerji:** Okay. And so you told about one more thing. So you told about the Engineering orders, mostly the infrastructure orders that you have not participated till now, so due to some government policy issues you are saying that and also the taxation issues. So what kind of outlook you have in the Q2 and Q3? Are the orders coming and what would be your participation?

**Ankur Patni:** We will be participating in some projects during this financial year.

**Moderator:** Thank you. Next question is from the line of Kunal Bhatia from Dalal & Broacha.

**Kunal Bhatia:** You mentioned that on the chemical business also, there was some impact of the taxation and policy change. So if you could just elaborate a bit more on that?

**Ankur Patni:** I am referring to the implementation of the GST and consequent changes in the way customers are placing orders. So there have been a lot of customers which have deferred their ordering or changed the orders a bit, and that process will hopefully get stabilized, as I mentioned earlier, over a period of 1-2 months.

**Kunal Bhatia:** Over a period of 1-2 month, I just wanted the period, when do you see it normalizing, in the next quarter would one see that normalizing?

**Ankur Patni:** Yes. Progressively we should see that coming back to normal.

**Kunal Bhatia:** Okay. And sir, currently what is the rate applicable for us?

**Ankur Patni:** Largely we fall in that 18% range.

**Kunal Bhatia:** On the chemical business side?

**Ankur Patni:** Yes.

**Moderator:** Thank you. Next question is from the line of Balkrishna Mundra, Individual Investor.

**Balkrishna Mundra:** I want to know about, see, I just saw your results. In one of your footnotes there was a mention that EPS includes consolidation of equity trust shares. Can you throw some light on that, what it means? And while calculating the EPS, 14.67 crores was not needed, so can you just throw some light on that?

**Ankur Patni:** Okay. See, the trust holds some shares in Ion Exchange India Limited and their holding has been reduced from the total equity in order to arrive at the EPS. The total number of shares that they hold is around 26 lakhs.

**Balkrishna Mundra:** So you mean to say that this year, capital will be reduced by that amount, correct, that figure?

**Ankur Patni:** That's right. For the purpose of calculation of EPS.

**Moderator:** Thank you. We take the question from the line of Venkatraman Rajakulan, Individual Investor.

**Venkatraman Rajakulan:** Any plans of listing the stock in the National Stock Exchange? That's my question.

**Ankur Patni:** Not immediately.

**Venkatraman Rajakulan:** Okay. And is there any plans, because why I am asking is, it is always good to have more liquidity in the stock. Will it be considered in the future?

**Ankur Patni:** First, as a lot of investors have requested, we want to make the effort to bring the stock out of T2T and thereafter, we will start considering the listing on NSE.

**Moderator:** Thank you. Well, that was the last question. I now hand the floor over to Mr. Ankur Patni from Ion Exchange India Limited for his closing comments.

**Aankur Patni:**

Thank you very much everybody. It was a pleasure to speak with all of you and share our thoughts on the results of quarter one of FY18. We do hope that we would be able to throw up some better numbers in the coming quarters, and until next concall, thank you and goodbye.

**Moderator:**

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