ION EXCHANGE
Refreshing the Planet

August 27, 2019

To,

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

BSE Company Code: 500214

Dear Sir/ Madam,

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

Pursuant to our letter dated August 2, 2019, we enclose herewith communication relating to conference call as per Regulation 30(6) Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

The said conference call with the Institutional Investor/Analyst on Tuesday, August 13, 2019 was to discuss the financial performance of the Company for the First quarter ended June 30, 2019. 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) Limited
Q1 FY20 Earnings Conference Call
August 13, 2019

Moderator: Ladies and gentlemen, good day and welcome to the ION Exchange (India) Limited Q1 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir!

Anuj Sonpal: Thank you Zaid. Good afternoon, everybody and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of ION Exchange (India) Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for Q1 FY20. Before we begin, I would like to mention a short cautionary statement as always. Some of the statements made in today's earnings con call maybe forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to defer 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 investments 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.

I would now like to introduce you to the management participating in the earnings call with us today. 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. I now request Mr. Vasant Naik to give his opening remarks. Thank you and over to you, sir!

Vasant Naik: Good afternoon, everybody. It is a pleasure to welcome you to this Q1 FY20 earnings con call. I will take you to the quarterly performance of our company on a standalone basis. The operating income for the quarter is INR 3,042 million an increase of 48% on a year-on-year basis. Operating EBITDA reported is INR 218 million and the operating EBITDA margin is 7.17% which has grown by 250 basis point year-on-year. Net profit after tax is INR 154 million and the margin is approximately 5% of sales. I will now take you through the segmental performance of the standalone entity for the quarter. In the engineering division, turnover is INR 1,737 million as against approximately 1,075 million for the corresponding period last year, a growth of 62%. The EBITDA is INR 101 million as against last year's 89 million. In the chemical segment, the revenue recorded is INR 1,162 million as against INR 846 million year-on-year, witnessing a growth of 37% reported EBITDA for the Q1 of FY20 is INR 162 million as compared to INR 91 million in Q1 FY19 a growth of 78%. In the consumer division, the turnover this quarter reported is INR 273 million as compared to INR 229 million in Q1 of FY19 showing a growth of above 19%. Loss for the quarter is INR 19 million as against INR 11 million in the corresponding quarter of the last year.

Quarterly performance of our company on standalone basis is as follows. The operating income for the quarter is INR 3,211 million with an increase of approximately 41% on a year-on-year basis. Operating EBITDA is INR 232 million and the margin is 7.23% which has grown by 202 basis point year-on-year. The net profit after tax is INR 133 million and the margin percentage is 4.14%. I will now take you through the segmental performance of the consolidated entity. In the engineering division, the turnover is INR 1,871 million as against INR 1,238 million for the corresponding period last year, a growth of 51%. The EBITDA is INR 116 million as against last year INR 108 million. In the chemical segment, the revenue recorded is 1,196 million as against INR 911 million year-on-year with a growth of 31%. The reported EBITDA for the Q1 of the current year is INR 163 million as compared to INR 93 million in Q1 of last year, a growth of approximately 75%. The consumer products division, the turnover reported is INR 274 million as compared to INR 230 million in the first quarter of last year witnessing a growth of around 19%. Loss for the quarter is INR 19 million as against INR 10 million in the corresponding quarter of the last year.

I will now briefly take you to what has been happening in the various segments of the company and to begin with we will talk of the engineering segment. There is an increase in the sales and profitability in the current quarter on the back of the healthy order backlog which we add at the beginning of the year. The Sri Lanka order execution is proceeding satisfactorily and the revenue recognition in respect to this order is based on the work progress. In the chemical segment, the sustained demand in certain segments has resulted an improvement in the sales and profitability. The company continues with the capacity expansion in this segment to meet the increasing market demand. In the consumer product segment the higher volumes has resulted in growth on a year-on-year basis in this quarter. The company expects improved financial performance in the coming quarters with increase in volume.

Anuj, now I handover to you.

Anuj Sonpal: Now that the opening statements are done, we can open the con call for question and answer session. Although I would request all the participants to restrict their questions to the quarter performance and the future prospects of the company rather than broad-based understanding of different aspects about the company. Zaid, can we go ahead to the Q&A session?

Moderator: Sure sir, thank you. Ladies and gentlemen, we will now begin with the question & answer session. The first question is from the line of Abhishek Joshi from CGS-CIMB. Please go ahead.

Abhishek Joshi: Sir, I wanted to ask after this Chennai water shortage situation it looks like central government has been taking many initiatives in order to mitigate water storage and all. So, would it anyway help any increase in order pipeline for your water treatment projects like any ancillary. Can you throw a light on that?

Management: We do expect an increased flow of orders for the water treatment as well as for the water recycling and waste treatment businesses of our company and it would not just be due to the specific issues in Chennai. We are facing significant water stress across the country both in residential and industrial spaces. We think that opportunities for your company will come from all sectors.

Abhishek Joshi: My question actually was that like would it increase the growth of your order pipeline like more focus of central government right now on these kinds of initiatives like they were not focusing that much before this crisis?

Management: We have been seeing increased government participation and interest in the space of water treatment and waste water treatment for the last few years. And the repercussions for the order book of the company are both direct and indirect. So, certainly we would expect an increased flow of opportunities and therefore orders for your company.

Moderator: Thank you. Next question is from the line of Sunil Kothari from Unique Investments. Please go ahead.

Sunil Kothari: Sir, my question is regarding order book last quarter 4 and when we done con call we inform about orders books. So, can you please give little detail about current order book, what order pipeline we are envisaging and order received during this first quarter?

Management: Order book as on June 30th is 821 crores and this does not include the Sri Lankan order and order book at the end of the March was 860 crores. During the year we received new orders for 93 crores Bid pipeline is approximately 6,000 crores.

Sunil Kothari: Sir, we have received mentioned about 373 crores order received from Cairn Energy. So, can you give some more detail about this project execution, this type of order enquiry maybe from oil and gas sector or refineries or industrial segment. Some more detail about the opportunity which is available like VA Tech Wabag is taking orders from this Namami Gange site projects from central government and state government. What we are trying to do to catch up this opportunity?

Management: We expect business opportunities from the Industrial Segment to flow in from the oil and refining segment as well as from other large consumers of water. The only challenge at the moment is for the economy to start firing on all its engines; and as the state of the economy improves from where it is today, we should see an improved order flow coming from the industries. As far as Namami Gange and other such infrastructural projects are concerned, we reiterate that while we are keeping abreast of this opportunity and we certainly hope that we will be able to capture a few of the orders from this segment, but we are being very selective as to the kind of opportunities that we want to pursue.

Sunil Kothari: And sir, one more thing about this quarterly variation in EBIT margin like last year 124 crores of engineering division top-line we have done segmental profit of around 11 crores. And this year also we have done similar EBIT on 187 crores top-line. So, I understand this engineering division cannot have a very linear fashion or linear margin every quarter. So, some more detail about this and we recently innovated one new R&D centre. So, the CAPEX we would have done is roughly 28 crores-30 crores. So, what is the basic aim of this and the opportunity because of this what is your envisage and this variation in margin of EBIT if engineering division and in chemical also if you look at the quarter 4 chemical division top-line in margin and now quarter 1. So, to just make us understand how these margins varies quarter-on-quarter or maybe year-on-year?

Management: Coming to your first question regarding engineering segment profitability, reason for reduction in the profitability percentage of engineering segment on Y-o-Y basis is largely due to the mix of orders which get executed during the quarter. However, we expect the margin as a percentage in the segment to improve in the ensuring quarters on Y-o-Y basis.

Management: And coming back to your question regarding the reason for the dip in the margins in the chemical segments. Margins on Q-o-Q are strictly not comparable due to seasonality in the volumes of the certain product lines which have comparatively better margin profiles.

Sunil Kothari: And regarding sir, R&D investment?

Management: The R&D investment which we have made during the year is part of the CAPEX of the chemical division and the current investment in the current year is going to be around 15 crores. If you take entire investments together it would be much more than that. R&D centre will develop new resins, membranes, polymers and specialty chemical technology related to water, waste water treatment, process separation and purification, specialty process application and catalyst. Many of the products will be import substitutes with a large potential for enhancing company to exports.

Moderator: Thank you very much. Next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri: What was June 2019 order book number? I could get March 2019 and June 2018?

Management: June 2019 is 821 crores excluding Sri Lanka.

Kashyap Jhaveri: And how much of Sri Lankan order is still pending execution?

Management: Sri Lankan order execution pending is close to 850 crores plus.

Moderator: Thank you. Next question is from the line of Vikas Goyal, an individual investor. Please go ahead.

Vikas Goyal: Sir, I suppose there is going to be scarcity of lithium which is used in electrical vehicles batteries and every country now a days pushing electrical vehicles. So, how well we are prepared for this technology for lithium extraction from sea water? And how significant is going to be in India for us the push for electrical vehicles by the government?

Management: We are not in the business of extracting lithium from sea water. However, we are certainly in a position to work towards providing relevant water treatment and waste water treatment solutions for such a business..

Vikas Goyal: Sir, in our research and development is there any, we are working on such technologies which can be patented in this lithium extraction from sea water?

Management: Our R&D is continuously engaging with various industry participants including the automotive battery segments.

Vikas Goyal: But as on date we do not have any patent for this particular chemistry?

Management: No, we do not have any patents in this particular segment.

Moderator: Thank you. Next question is from the line of Madhusudhan Reddy, an individual investor. Please go ahead.

Madhusudhan Reddy: Sir, I have 2 questions. The first question is with regard to ION Exchange Enviro Farms Limited case actually. What exactly the issue involved in it and what are the implications for our company? I just want to know. And the second one is with regard to our preparation for the future, sir. Actually, the opportunities are staggeringly huge for us. So, how the management is preparing for the future, I just wanted to know.

Management: Regarding your first question, regarding the ION Exchange Enviro Farm case we have gone in appeal against the SEBI order and appeal is in the SAT. Hearings have already taken place and we may expect the order in another couple of months' time. And as advised by our advocates we do not envisage any loss on account of this case.

Madhusudhan Reddy: Actually I have a second part of the question also if permission.

Management: What is the second question, please go ahead?

Madhusudhan Reddy: This is regarding the opportunity side we are going to have, how the company is preparing itself for the future in the sense that, I mean increasing the depth of the management and inducting some young blood into the higher management such things, I just wanted to have that….

Management: We are aware of the size of the opportunity and are continuously keeping our organization optimized for the coming opportunities. Our team is a good mix of the young and experienced and there is a structured HR process to ensure adequacy in numbers and talent. We maintain cautious optimism and are not overly aggressive in organisational build-up.

Moderator: Thank you. The next question is a follow up from the line of Sunil Kothari from Unique Investment. Please go ahead.

Sunil Kothari: Sir, my question is, last con call also I try to understand this is mainly current year we will be having a positive effect of Sri Lankan order and we will be growing really well like last con call you guided about 50%-60% growth rate. What about over next another year to how we are preparing any big orders are we, I mean tendering what is happening on the sustainable growth of this segment?

Management: The opportunity continues to be big for us in the ensuing years also and bid pipeline which we are pursuing should be good enough to keep this number sustained and also ensure future growth. But I have always pointed out the larger orders have their own gestation period and it is bit difficult to accurately predict the timeframe in which these orders will flow, that said, I remain quite confident that the next couple of quarters we will have success with significant new large orders.

Pratik: Sir, this is Pratik here. Sir, regarding your chemical business if you can throw with our volume growth for this quarter?

Management: Yes, the growth momentum continues in this quarter also. We have been seeing the growth in terms of the volumes and also as a result of price.

Pratik: And we are guided sort of 50 crores CAPEX mainly in chemical for this year. Are we going ahead with the same?

Management: Yes, the CAPEX is on track and we should be around that level only for the full year as of now.

Pratik: And sir, in the annual report we have mentioned about the product India on SWIFT 5G mainly for pharma and electronics industry. If you can throw some light on what kind of product this is? What is the size of it?

Management: It is a water treatment product specifically designed for relatively high purity systems and there are various variants of this product with varying features and capacities. And we are regularly engage with the Pharma and Electronics industry which require high purity water to make sure that our new alterations of this product line cater to their increased demands for features and capabilities.

Pratik: And just sir, would that capacity utilization chemical division, chemical segment?

Management: On an average it is in excess of 80%.

Pratik: And we are expanding those capacity current year?

Management: Yes.

Moderator: Thank you. Next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Sir, in the past you have maintained that whatever bid pipeline we have, we generally end up wining 10% that is our win rate. So, would you say that, that will continue in the future in this 6,000 crores bid pipeline? Or do you expect to have higher win rates?

Management: We expect higher win rates.

Agastya Dave: Sir, can you comment on the membrane plant in Goa? How is that doing in this quarter and how do you see the ramp up for this entire year?

Management: The revenues have already started flowing from this facility and on a quarter-on-quarter there has been growth in the numbers. Time has been spent in getting the product stabilized in the market and the customer feedback and acceptance is very encouraging. Based on our experience we expect the improvement in volume to continue in the coming quarter and we expect on a year-on-year top line should grow significantly in this year.

Agastya Dave: Sir, am I right in assuming that we can have like from this particular capacity without any other CAPEX around 100 crores of revenue?

Management: Eventually on a three shifts basis, yes.

Agastya Dave: And would we be reaching 50% capacity utilization by this year? Or am I being too aggressive?

Management: Our target is to at least reach to around 50% in this current financial year.

Agastya Dave: Sir, on the annual report which has come out I was going through the schedules and one thing that I notice is that our legal expenses are very high. And this has been by case for the last 3 years we are run rating at around 10 crores for every year slightly more than 10 crores. So, are these like some special charges which are hitting us over the last 3 years can we expect them to go down or will they remain here? I mean, how do I look at this because it is a pretty substantial chunk based on our reported profits it is very big chunk. So, how do you see that panning out sir, any guidance on that side?

Management: Legal charges also include the fees related to the arbitration cases.

Agastya Dave: With the come down like substantially sir, can you like mention what, so I am pretty sure there will be some legal charges which are part and parcel of the business.

Management: Yes.

Agastya Dave: And some would be this arbitration related, so how much is the arbitration related, sir?

Management: Exact figure cannot be made public. But some arbitration is going on which impacts the legal expenses.

Agastya Dave: Would that arbitration charge be majority of the legal charges, sir? You said is like a very big chunk or is it just a minor chunk?

Management: That is not a minor chunk but it is a significant component. .

Agastya Dave: And sir, so this, the chemical business excluding the membrane business, I believe we report the membrane business in the chemical line items. So, in the chemical business excluding the membrane how is the scenario looking like? Because it is fairly up and down and also the chemical prices as such globally have been very volatile. So, how do you see excluding the membrane business chemicals growing?

Management: Firstly, the membrane business is not forming part of the chemical segment. It is forming part of the engineering segment. And coming to the outlook for the chemical segment, the chemical segment if you see the last couple of quarters, it has been growing in double digits and we expect that the trend will continue in the coming years also. Our exports to US, Europe and other geographies have registered good traction and it augurs well for the future.. The company is progressively enhancing the capacities to meet the increasing demand for its products.

Agastya Dave: And sir, one final question if I may. The Vedanta order, so from what I could understand based on public disclosures by FY22 this project will be out of our books, we would have executed this completely. So, is there a particular rate we can assume on a per quarter basis? How will the execution be? Will it be as stretched out as the Sri Lankan project or this is a much more standardised project for you guys and you will probably see some it close to like, I do not know 25 crores-30 crores every quarter? Is there a number which is there on a per quarter basis which can be assumed? Or am I looking at it wrong and it is very lumpy just like Sri Lankan order?

Management: It is difficult to give you a per quarter estimate, but yes this order we expect to conclude in FY 2020-2021 and the revenue should be pretty much evenly spread out.

Moderator: Thank you. Next question is from the line of Danish Jain from Ashi Capital. Please go ahead.

Danish Jain: I have two questions and the first question is about company order book the breakup data, how much order is from government side and how much order is from non-government side? And my second question is on working capital size for the execution of this orders, means the company receiving payments from government on time or delaying payment by government in case of government orders, sir any light on this?

Management: Order book is a combination of local and export orders and majority from the industrial sector.

Danish Jain: And my second question is on, the working business side did for execution of orders that company receiving payment on time or delaying payment by in case of government orders only?

Management: As we mentioned the government orders are very miniscule. They do not constitute any significant component of our total order book size. So, it really does not affect our working capital size.

Danish Jain: And my last question is sir, in last conference call somebody mentioned that the company grew by around 40% to 50% in growth on the basis of strong order book. The company is going to maintain same growth in a year?

Management: Yes, as was mentioned in the last con call we are expecting around 50% plus top-line growth and if you see the first quarter we have already grown by around 47%. So, we expect that we should be in a position to meet our projections what we had indicated in the last con call.

Moderator: Thank you. Next question is from the line of Santosh Yellapu from India Nivesh Securities. Please go ahead.

Santosh Yellapu: Sir, 3 questions. What would be the capacity utilization of the membrane's plants, sir as of now?

Management: The membrane plant capacity should be in the region of around 35%.

Santosh Yellapu: So second question sir, what would be the share of the Sri Lanka and Vedanta order in this current quarter revenue, sir?

Management: Sri Lanka order in the current quarter is around 41 crores.

Santosh Yellapu: And Vedanta would be sir approximately?

Management: Generally, we do not give project specific details other than the Sri Lanka order. So, we will not be able to specifically comment on this.

Santosh Yellapu: Sir, at the reason I ask that is I am trying to understand has the core business, the engineering business how was it performed? So, could you just throw some colour on it what has change in the last 12-15 months? How much we have crossed the legacy orders which were over hang because the engineering segment margins EBIT margins for this quarter has seen a fall from 8.3% a year back to 5.8%.

Management: No, even if you exclude the Sri Lanka order our top-line has grown by around 40%. And even in the engineering segment even if you exclude the Sri Lanka order there is a double-digit growth in the segment. So, yes the core business is doing well and as we have mentioned earlier also our order backlog in the current quarter is around 821 crores and this is excluding the Sri Lanka order. So, we have a healthy order backlog for the core engineering segment and we do expect going ahead that this segment should perform well and we should be able to improve the margin profile also.

Santosh Yellapu: Sir, lastly what is the reason for this sharp volatility in the engineering segment margins?

Management: As we have mentioned, it really depends on the margin profile of the individual job which are under execution. But on a full year basis as we said we expect margin percentage to be at least equal to what we have achieved in the last year if not improve upon those margin percentage. So, on a year-on-year basis we do expect an improvement in the overall margin profile.

Moderator: Thank you. Next question is from the line of Rajiv Mehra from JM Financial. Please go ahead.

Rajiv Mehra: Sir, just wanted to recheck how much was Sri Lankan order executed this quarter?

Management: 41.14 crores.

Rajiv Mehra: And this is included in the standalone number, right?

Management: This is included in the standalone numbers.

Rajiv Mehra: And how much would the export be for this quarter?

Management: Our exports for the quarter have improved on a Q-on-Q basis and it should be around 80 crores.

Rajiv Mehra: And sir my final question, just wanted to understand till date you are saying that you have received orders of around 93 crores. How much, what kind of guidance for order inflow for this year? What you be giving and out of the pending 800 crores of Sri Lankan order how much in the next 3 quarters are we looking at executing?

Management: As explained to you earlier, we have healthy order book and bid pipeline is also very robust, our hit ratio is good. But generally, we have avoided giving the guidance for the future.

Rajiv Mehra: And from the Sri Lankan order remaining order of around 800 crores how much is expected to get executed this year?

Management: We expect around 500 crores to be invoiced during the current year including the first quarter.

Moderator: Thank you. Next question is from the line of Sonal Shah, an individual investor. Please go ahead.

Sonal Shah: So, I just wanted to understand one thing. I mean, current year the Sri Lankan order how much are we going to achieve now, balance order?

Management: See, Sri Lankan order we have already invoice 41.14 crores and we expect to finish close to 500 crores by the end of the year for the current year.

Sonal Shah,: So, balance 300 crores will be in the next year?

Management: Yes.

Sonal Shah,: And would you will be able to give guidance for next year, I mean how much revenue percentage growth are we targeting?

Management: No, we have never given the guidance for the future.

Moderator: Thank you. Next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri: Just one clarification, if I look at your segmental numbers your EBIT cumulative from 3 segments has grown from about 16.9 crores to 24.5 crores. But if I look at the reported P&L EBIT number looks materially different at 5.5 crores to 16.7 crores. So, unallocable income and expense number is that such a large deviation this year versus last year?

Management: No, they are in line with the growth in the turn over. Our turnover has grown by almost 48% and our unallocable expenditures has also grown proportional.

Kashyap Jhaveri: Because numbers are not sort of exactly matching. If I look at segmental number there is 16.2 crores in chemicals about slight loss in consumer products and about 10 crores in engineering that mix it about 24.5 crores and if I total up similarly in June quarter last year that is about 16.9 crores. But if I look at the profit and loss account then the growth in the EBIT number, earnings before interest and tax but not including other income is about 5.5 crores to about 16.5 crores. So, if I look at the difference between the reported in P&L versus EBIT reported in segmental it seems that the number has come down from about 11.5 crores to 12 crores to roughly about something like about 8 crores-9 crores.

Management: We are not too sure about the basis on which you are saying?

Kashyap Jhaveri: Maybe I can send you an e-mail.

Management: Please address this specific query to Valorem Advisors. We would be able to clarify once we better understand your query.

Kashyap Jhaveri: Sure I can do that.

Moderator: Thank you. Next question is a follow-up from the line of Abhishek Joshi from CGS-CIMB. Please go ahead.

Abhishek Joshi: Sir, can you throw some light on how your consumer segment is performing and what is your strategy going forward in this segment?

Management: Our consumer segment continues to do well and we had guided since around the middle of last year that we had been seeing improvements in the demand profile for our products as well as the volume growth. We continue to be similarly optimistic and hope that we should be able to report a good growth by the end of the financial year. The profitability of this segment should also improve. We are sure that with the focus on specific market segments and the products we should be able to grow the consumer segment profitably.

Abhishek Joshi: Sir, can you share with us the volume growth this quarter in the consumer segment?

Management: It is a mixed basket of many products and across various price points. So, if we try to look at volume growth number which is deterministic of the entire segment it would really not be possible for us to summarize it on a number.

Abhishek Joshi: Sir, and lastly I needed to understand what is the difference between the margins of local and export orders.

Management: Margins will differ from project to project. Generally exports margins are better.

Abhishek Joshi: On an average can you give a number?

Management: We have never disclosed this number in the public domain.

Moderator: Thank you. Next question is from the line of Dipen Shah, an individual investor. Please go ahead.

Dipen Shah: Most of the questions have been answered. Just a couple of things on the chemical side, I heard on the call that the new R&D centre will be focusing on some product which could be import substitutes. If you can give us some idea on how big that product opportunity can be so that will give us some idea on how we can expect the revenue being from the centre. And the second question is with regards to China, has that been any change in the situation in China which could impact us either positively or negatively? Thank you.

Management: The market opportunity emanating from the R&D efforts will span multiple product lines and the sum total of these opportunities would be quite a lot. It could even be in multiples of the revenues which are being reported by the chemical segment as a whole. So the market size is quite large. Your second question was with regards to China, I think India and our industry specifically on the chemical side continues to have a little bit advantage from the crisis both internal to China and with respect to the ongoing trade war with the US. While we have benefitted from the current trade war, we have also taken due steps to sustain this advantage even after the situation in the global trade improves and the internal challenges which China faces get resolved to some extent. Towards that goal, the company is investing in the right areas to shore up our productivity and efficiency.

Moderator: Thank you. Next question is a follow-up from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Sir, you mention that there are many things that you do not disclose of the margin side. Sir, I appreciate that. But how do we look at the margins across all the verticals because the dynamics of engineering is very different than chemicals and both of them are actually doing fairly well. So, as the volumes increase and as the individual sizes of the engineering projects increase, there is bound to be some operating leverages. So, how do we, I mean to what extend can we see margins expanding given the opportunity said, how should we look at it. Because it is very difficult to map at the margin profile of the company. So any commentary qualitatively you can give would be very helpful and the second question is sir, in this current quarter we have played a lot of tax, at least effective of tax rate is very high. I do not know of the cash out flow. So, what is the good assumption to have going forward because there are so many different geographies and so many different subsidiaries that we have. Any firm guidance on the effective tax rate would be very helpful and finally sir, your guidance for the CAPEX for the entire year that is about it sir, thank you.

Management: Coming to your first question regarding the margins, please do not compare the margins on quarter-to-quarter basis because this will vary because of seasonality and the product mix.. Generally, the chemical segment will have better margins than the engineering segments. Third question regarding your CAPEX guidance it is a 50 crores in a year.

Management: Overall, to also answer your question regarding the operating leverage that we would be able to derive, certainly as the scale of the two businesses goes up, they will be able to derive operating leverage out of it. We should be seeing significant improvements in the overall margin profile. An indication of that would probably be evident if you look at how the numbers change from quarter-to-quarter and you compare relatively lean quarter with, relatively heavy fourth quarter. It gives you some sense of the kind of operating leverage which we might derive as the scale goes up.

Agastya Dave: Yes sir, my question was also because there is such a big jump in the scale of the engineering business which is happening this year and also to the previous year to some extent. In that what happens is that the fixed costs also jump. You cannot really predict them because it is you are bound to see additional labour; you are bound to see additional fixed cost. So, that is why I was asking that question because when such a rapid amount growth happens you would obviously need to invest quite a bit. Not only through the balance sheet but also through the P&L. That is why I was asking sir, what is the trajectory going forward. Is it that we are like pretty much we are close to the top of our margins or will we continue to see increment?

Management: As we scale more, we should be able to realize a little bit more benefit because of the operating leverage. In terms of engineering business, the incremental expenditure on capital side is not that heavy. The larger projects tend to be more heavy on the site expenses and therefore as we scale with larger project sizes the operating leverage should increase.

Agastya Dave: And the tax rate sir, any guidance on effective tax rates?

Management: See coming back to question on tax rate, tax rate you are talking of consolidated tax rate, right?

Agastya Dave: Yes sir, consolidated effective tax rate and also on the, by the end of the year when next year's annual report comes out and we see the consolidated cash flow, how much cash will actually flow out because of taxation?

Management: When we are consolidating the accounts the losses made by some of the group companies' we do not get any credit in consolidation of accounts. And hence the tax rate looks very high.

Agastya Dave: Sir, I will take this question offline just to get a better understating.

Moderator: Thank you. Next question is from the line of Raunak Nagra from Value Quest Research. Please go ahead.

Raunak Nagra: My question is on working capital. For the current year we will be executing order to of 500 crores for our Sri Lankan order. Sir, so what is the working capital requirement for this and secondly sir, we had a large component of other income last year. Sir, so do you think that other income component would come down this year? Thank you.

Management: Coming to the first question, the Sri Lankan order payments are based on milestones achieved apart from the advance which we have received and hence we do not foresee any problem in managing the working capital.

Raunak Nagra: And sir, regarding other income for the full year?

Management: Other income will largely be on the same line as last year. It may differ slightly but we do not expect a significant reduction.

Moderator: Thank you. Next question is a follow-up from the line of Santosh Yellapu from IndiaNivesh Securities. Please go ahead.

Santosh Yellapu: What all verticals where we are seeing tendering or the tenders we are participated as of now?

Management: This will be in the refineries, the steel the food and beverages and oil and gas

Management: Santosh, it is actually quite a broad-based bid pipeline. But the numbers on an absolute basis would get skewed towards the larger sized projects and typically the larger sized projects would come in from the segments which was just mentioned. The number of opportunities would be more in the smaller and medium sized industries. And the numbers of opportunities are relative smaller in the larger projects.

Santosh Yellapu: one small follow-up on the same topic. Has the mix or the type tenders we are participating now versus a year, year and half back has it change anyway?

Management: There is slight impact of the current economic situation where the books have got slightly skewed because of some projects being deferred where capital expenditures are larger and the some of the smaller opportunities where the industries are facing lot of turmoil they have dropped out. But this should be a temporary aberration and would expect that in the next 3 months to 6 months this situation should normalize again.

Santosh Yellapu: Sir, how about the competition, sir in the last 5-6 quarters, has it increased? Because everybody is very keen for the opportunity is emerging from the water space. So …

Management: Competition for a typical industrial project is not very different from how it used to be. As far as the infrastructure segment is concerned, they were always different types of participants in those opportunities and we have every year, a few people who would join the race and also a few people who would exit the race. So, it is a dynamic set of players who engage in the competition. But it is not very different in terms of the overall competitive scenario.

Santosh Yellapu: Last question on the membrane side. We were the first one to start a reverse osmosis membrane plant in India and it is been almost 6-7 quarters, if I am not wrong. Any specific reason why still the utilization of this plant is at 30% around, 30%-35% kind of levels? I am specifically asking this question I am under impression that definite on technology front your have advantage versus the competitors and we should be winning more orders from the competition. Despite that why is the low utilization, sir?

Management: It takes a little bit time for the capacity utilization to gain its full strength. But as was pointed out we are well online to move towards full capacity. In fact given the current state of demand and pick up that we had seen, we have already initiated the process for expanding the capacity from where it is today.

Moderator: Thank you. Next question is a follow up from the line of Rajiv Mehra from JM Financial. Please go ahead.

Rajiv Mehra: Sir, just wanted to also know in regards to the opportunity, I think you have already touched upon that but most recently one of your competitors won had some good success in the Namami Gange and also, they were huge opportunities in one city, one operator model. In UP were a big order was awarded. Are we guys seeing opportunities from such projects and had we also bided for the same?

Management: No Rajiv, we have not bid for the same and yes we are looking at select opportunities in that same space but as commented earlier we are not as aggressive as some of the other participants are and we would like to maintain a degree of caution Having said that, we will certainly see a few of orders from these large infrastructure segment flow in over the next few quarters.

Rajiv Mehra: And also just one final question just to touch upon again that the opportunity which is coming from Nal se Jal, which the government has been talking about. Is there opportunity arising from this Nal se Jal opportunity or is it still time or whether this does not really fall under the category which will really we have order winner for you?

Management: It would translate into orders but it will still take a little bit time for this particular government scheme to start showing up the volumes which we eventually expected it.

Rajiv Mehra: Any ballpark kind of a figure which is there or it still too early to really discuss that?

Management: It is still early days for this scheme.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question due to time constraints. I now hand the conference over to Mr. N. M. Ranadive of ION Exchange India Limited for closing comments, sir.

N. M. Ranadive: Good evening, thank you all for participating in this earnings con 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, we would be happy to be your assistance. We are very thankful to all our investors who stood by us and also had confidence in the company's growth plan and focus. And with this, I wish everyone a great evening, thank you.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of ION Exchange India Limited, that concludes today's conference call. Thank you all for joining us.