ION EXCHANGE

Refreshing the Planet

August 28, 2020

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 5, 2020, 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 Monday, August 17, 2020 was to discuss the financial performance of the Company for the First quarter ended June 30, 2020. 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 DATTATRAYA PURANIK

Digitally signed by MILIND DATTATRAYA PURANIK
DN: c=IN, o=Personal, pseudonym=3e9cde0a43ff89c479d4497fbb9bbabf6e7e61cdb490d89fa66ab6195b8e1045, postalCode=400057, st=MAHARASHTRA, serialNumber=d6fbd44a9f43c6a27b3ccf18918beda27b92f0a7779fdcf18edaafd859f9a03c, cn=MILIND DATTATRAYA PURANIK
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Milind Puranik
Company Secretary

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Ion Exchange India Limited

Q1 FY-21 Earnings Conference Call

August 17, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Ion Exchange India Limited Q1 FY21 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 "O" then "*" on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you Mr. Sonpal.

Anuj Sonpal: Thank you Deepesh. Good afternoon everyone 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 the first quarter of financial year 2021.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's earnings call maybe forward looking in nature. Such forward looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management 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 decisions. 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.

I| would now like to introduce you to the management participating with us in today's earnings call. 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. Without much delay, I 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 the earnings conference call for the first quarter of 2021. First, let me take you through the first quarter financial performance of our company on a consolidated basis. The operating income for the quarter was INR 2,653 million, which was a reduction of approximately 17% on a year-on-year basis. Operation EBITDA reported was INR 313 million, which was an increase of about 35% on a year-on-year basis, and operating EBITDA margin percentage stood at 11.8%, an improvement of almost 457 basis points year-on-year. Net profit after tax supported was INR 175 million, which was a growth of 32% on a year-on-year basis. PAT margin percentages were 6.6% and improvement of 246 basis points on a year-on-year basis. The operations in the first quarter was the current financial year 2021 were affected due to the COVID-19 pandemic and the resulted lockdown in several geographies, including India for major part of the quarter.

Currently all our manufacturing facilities and offices at most of the locations are functioning to a substantial extend. Overheads are lower due to the level of operations coupled with cost control measures. I will now take you through the quarterly segmental performance on a consolidated basis. In the engineering division, the turnover was INR 1,702 million as against INR 1,871 million for the corresponding period last year, a decline of 9%. The EBIT was INR 111 million as against last year INR 116 million a decrease of 4%. Revenue recognition for the Sri Lanka project in the quarter was affected due to the COVID-19 lockdown impact. Post receipt of necessary permissions from the Sri Lanka government, we have resumed our supply there. The order intake for the quarter continues to be muted due to the general economic slowdown and the delay in order finalization caused by the lockdown.

In the chemicals division, the revenue recorded was INR 827 million as against INR 1,196 million for the corresponding period last year, a decline of 31% on a year-on-year basis. The reported EBIT for this segment was INR 178 million as against INR 163 million an increase of 9%. Sales and dispatches were affected due to the operational and logistic challenges caused by the COVID-19 in this lockdown. The margins improved due to the operational efficiencies, favourable price movement and benefit on account of the changed product mix.

The consumer product division that turnover for the quarter was reported at INR 200 million as compared to INR 274 million in the corresponding quarter of the previous year. Last for the quarter was INR 8 million as against INR 19 million for the first quarter of the previous year. Yet again in this segment the adverse impact of the COVID-19 lockdown significantly affected the volumes of this segment. I now open the floor for the question and answer session.

Moderator: Thank you very much. We will now begin the question and answer session. First question comes from the line of Ajay Sharma line is unmuted.

Ajay Sharma: I just had a few broad questions about the industry first, what is the distribution of your clients across the industries, who are your end users, where are they from?

Management: Our customer base is quite wide. Industries across the large scale core sector industries, medium & small scale, as well as communities and homes. So we work across the entire spectrum of customers. Further, we address not just the Indian but the global market.

Ajay Sharma: But do you think you could give me the rough proportions of which industry they're from, are they from the power sectors, maybe 13% from the power sector, 10% from the food processing, you have the details?

Management: No, Ajay we do not give that breakup unfortunately. But I can give you a general sense. The heavy sector, which is the core sector, the individual contracts tend to be larger. And the medium or small segment of industries, the individual contract sizes tend to be smaller, but the number of contracts obviously tends to be much larger. In terms of overall sizes and distribution between heavy, medium and light community within segments, they tend to be somewhat equal. AHowever, if you look at the trends from year-to-year, there will be slight variations which is dependent upon specific contracts which might be there in that particularly year.

Ajay Sharma: Okay, That's helpful and how does the bid pipeline look like now because of the COVID lockdown and all this stuff?

Management: The bid pipeline is pretty good. But the finalizations have not been at a pace which is normal. The consumers are taking a bit longer to conclude the order finalizations. But overall bid pipelines have improved slightly compared to what it was in the March.

Ajay Sharma: Okay. And my last question is with respect to your membrane plant, what exactly happens in the plant, are you just assembling the membranes or do you also manufacturer the plastic filtration mesh?

Management: We are manufacturing the membrane sheets and we're also rolling the membranes.

Ajay Sharma: Okay. And who are the end users for these like, are the membranes going to go in-house the systems or industrial systems?

Management: It goes both to the industrial and non-industrial segments.

Moderator: Thank you, Mr. Sharma. Next question is from the line of the Sidharth Malhotra, he is an Individual Investor. Line is unmuted.

Sidharth Malhotra: I'll limit my question to one being respectful for the other participants in the line firstly, so my question is by March 2021, do you anticipate your revenue to come back to pre COVID levels?

Management: We are quite hopeful that we would be able to recover some of the top line losses by end of March. But we keep our fingers crossed and hope that we will not see any further economic shocks..

Moderator: Thank you Mr. Malhotra. Next question comes from the line of Deepak Poddar from Sapphire Capital. Your line is unmuted.

Deepak Poddar: Sir, pre COVID this year we have been talking about 15%-20% kind of a revenue growth. So now with the COVID, how has this been changed?

Management: As I just said, it will be evident from the first quarter numbers which have been released, while we lost some of the top line during this quarter, I'm quite hopeful that we will recover that loss by the end of the year. And hopefully we'll have something to show in growth, as the year progresses. The probability of growth would be dependant onthe state of the Indian and Global economy.

Deepak Poddar: Sir a single digit kind of a growth would be a fair thing that one can expect this year right?

Management: Given the current situation, as I said it's very difficult to give you an exact estimate. I wouldn't say that limitation to single digit is the best way to forecast it. I think it's quite uncertain, if things go to really well we could see slightly bigger than that and if there are further economic upheavels, the growth will be flattish.

Moderator: Thank you. Next question comes from the line Indrajit Chakraborty he is an Individual Investor. Line is unmuted.

Indrajit Chakraborty: For the last two, three conference calls we have been hearing about the company winning a huge order, like the Sri Lankan order. So can you please throw some light as to if there has been any developments in that regard. Thank you.

Management: We have not been able to conclude any of the orders which are in the same size category as Sri Lanka. There are a few discussions currently on and we are hopeful that we would be able to convert some of those. Timelines in such large orders are always uncertain because of last minute clearances of documentation, approvals and all the other processes that these contracts need to go through. As, I said we have still not been able to conclude anything but there has been some positive movement.

Moderator: Thank you. Next we have Avinish Thakar. He is an Individual Investor. Line is unmuted.

Avinish Thakar: First a couple of housekeeping questions if you could just confirm the order inflow, order book, pipelining and Sri Lanka order execution for this quarterly please?

Management: Order backlog is Rs. 642 crores- excl. the Sri Lanka order and order inflow was Rs. 77 crores, And in the first quarter we have executed invoicing worth Rs. 84 crore against the Sri Lanka order.

Avinish Thakar: Pipeline so last quarter pipeline you indicated approximately 4,000 crore which has gone down a bit.

Management: That is at Rs. 4,000 crore only.

Avinish Thakar: Okay. Thank you, and second question is on the consumer business, so the trend looks very encouraging even though the revenues are down, you seem to be putting back some profit, is there some light you can share on, is this is a one off or do we think now we are turning the corner on the consumer businesses?

Management: This quarter was quite abnormal quarter as all of us know.. Overall level of operations and the ability to reach out to consumers was severely restricted; all this was particularly evident in the consumer product division, which relies quite heavily on face-to-face consumer contact. Therefore , we suffered quite a bit during the first two months of the quarter. So, that led to some dip in the revenue. As regardstthe overall profitability prospects of this segment, we have taken initiatives in the quarter to cut down cost . These measures had yielded reasonable benefits in terms of bringing the bottom line of the segment to a level which is sustainable and acceptable. While some of these costs would come back in the coming quarters, however I am quite sure that a good portion of efficiency improvements that we have seen during this quarter are sustainable and we will continue to see slightly improved bottom line numbers.

Moderator: Thank you. Next question is from the line of Kunal Shah, from Carnelian Capital. Line is unmuted.

Kunal Shah: So, sir congratulation on a good set of numbers, not only in this particular quarter but also in the last few years as well. On a broad parameter if you would kind of explain how you have been to achieve this and what is like your three year kind of vision for the company. Where do you see us in three years? That is the first part of the question. The second part of the question was like we have managed working capital very efficiently all throughout this year while we have been growing and our EBITDA margins have been increasing. So if we could help understand a little bit about working capital management as well. Thank you.

Management: The broad vision of the company is to be the leader in this business of environment and water management and to do so in a profitable and ethical manner. Overall, the approach has been to ensure that the engineering segment continues to grow with prudence and we do not be adventurous in taking riskier orders. Wherever we are picking up large orders, we make sure that they do not have an overbearingly large, risky or adverse implication to the company's overall balance sheet. Having said that, we are continuously striving to win more of these prudent orders, so that the overall size of the engineering business goes up and keeps growing at a good pace.

The other part of it is to ensure that we continue to maintain a high share of the medium & small sized orders. This makes the business much more predictable, sustainable and also the profitability profile of the smaller orders tends to be a little better. We try to follow this philosophy in all geographies where we are actively present. That would mean South Asia, Southeast Asia, Middle East and Africa.

As far as chemical piece is concerned, we aim to extend our footprint in the domestic and international markets both in terms of the width and depth of penetration levels. Both revenues and profitability are experiencing good traction in the international markets, which we are quite hopeful that we will be able to sustain in the medium term at least. In the Indian market also we are trying to expand our product profile by picking up new adjacent product lines which are profitable and which would be good additions to our product basket. Simultaneously, we also try to periodically refresh the product mix to reduce our focus on products where we are consistently making lesser margins.

On the consumer segment, you would see that we've not really been that great. However, we are evolving ourselves in terms of our product profile and our reach to those segments of the market which are inadequately addressed so that our volumes as well as the margin profile, keep improving.

Overall, we should see reasonably good growth, sustainable and profitable growth over the period of next 3 years.

Kunal Shah: Okay. And if you could just help understand how the business works and how we've been able to manage our working capital so efficiently all throughout these years, managing the growth as well, if we just could probably broadly cover that particular aspect as well. We have covered the business process that you have when you look for different business verticals and geographies, domestic exports, this particular piece, probably you would want to say something, sir?

Management: We strive to ensure that our approach to business does not put the business or the balance sheet of the respective segments at risk. And therefore we try to ensure that the bidding criteria for contracts and the way we are managing these contracts are as conservative as possible and minimize all forms of risks, including the working capital exposure . So, it's more to do with the overall philosophy with which we approach this business. And as things go we do hope that we will be able to maintain this prudent balance sheet management in the future as well.

Kunal Shah: Okay. And historically sir, have we seen any bad debts written off or provisions been made in the last three to five years?

Management: Provisioning is a part of the normal operations and has been n done on a regular basis. As part of our review process, we regularly assess the overall quality of our debtors to ensure that we do not carry anything which is not adequately provided.

Moderator: Thank you, Mr. Shah. Next question comes from the line of Ayush Agarwal from Mittal Analytics. Line is unmuted.

Ayush Agarwal: I have one question on the expansion and as you can see in this quarter, that our EBITDA margins have risen because we may have taken cost cutting measures, can we see this as a owe go ahead and will this continue, in our future operations when things pick up again and briefly these are permanent cost cutting measures and are these viable and if they are, what kind of cost cutting measures have we taken?

Management: We have taken some aggressive measures for improving profitability including at the gross margin level. Further, initiatives to improve efficiency continue to bear fruit. I'm quite hopeful we will sustain them over the medium term. We've also seen some benefits in the chemical segment because of favourable price movements. These improvements partially depend on market variables which can change in the short term also. However, I do not envisage that happening, at least in the coming couple of quarters. In terms of the other cost cutting measures, while some of the reduction is a function of the reduction in the overall level of operations during the first quarter, other reduction would be more sustainable. As we return back to normal and the physical activities keep scaling back, I would expect some of the associated costs to increase commensurately.

Ayush Agarwal: My second question would be what is the un-executable order book for Sri Lanka?

Management: What you're asking is, what is the revenue still to be booked under Sri Lanka?

Ayush Agarwal: Yes.

Management: Balance of Sri Lanka order is close to 600 Crores.

Moderator: Thank you, Mr. Agarwal. Next question is from the line of Sunil Kothari from Unique Investments. Line is unmuted.

Sunil Kothari: Sir one question is on this Sri Lanka order. So, looking at the current situation and rightly you mentioned in your opening remarks, not North to our result also that now we got permission to do go ahead with the work so what type of execution we are expecting from the Sir Lankan order in current year?

Management: We are expecting revenue of close to 400 crores of Sri Lanka order in the current year.

Sunil Kothari: Okay, remaining nine months or including this first quarter?

Management: Including first quarter.

Sunil Kothari: Okay. And sir regarding second is this Vedanta order I understand. You don't specify any number but is the Vedanta related order progressing well or any hiccup is there?

Management: On the Vedanta order we have been continuously monitoring the situation, the pace at which the order is being executed had slowed down over the last couple of quarters, but we are very hopeful that the pace will pick up again in the coming quarters.

Sunil Kothari: Great. And sir my last question is on chemical segment. This first quarter performance I understand is because of COVID and lockdown and everything but overall. We were till where and we are very hopeful and confident about the growth of chemical segment so, any change in scenario, this China plus opportunity which coming to India any longer or medium term though process on chemical segment?

Management: The outlook for the Chemical segment remains positive. Acceptance of our products both in India and international market is good. And we are seeing an uptick in this aspect globally. China situation has certainly given us an increased pace of acceptance in the global market. We are also witnessing favourable price movements. We are hopeful that we will be seeing a sustained growth in this particular segment in the medium term and the long term. As informed earlier, we keep adding capacity in our chemical line depending upon the product specific capacity utilizations, these additions will continue even in the current year.

Sunil Kothari: Correct sir. And sir on membrane we are one of the very few in the world who are manufacturing from the base, every product and every raw material. And we were expecting a very good growth and market within that segment. So, any update on those segments?

Management: The COVID situation has been bit of dampener to the growth and in the last quarter the numbers have not been to the extent that we would have wanted it. But, yet by the end of the year, we do expect the numbers to show a good improvement over those achieved in the past.

Moderator: Thank you, Mr. Kothari. We have next question from the line of Kushal Dedhia from Standard Chartered Bank. Line is unmuted.

Kushal Dedhia: I just have a couple of questions on the large orders. So, would want to understand when is the Sri Lanka and Vedanta project expected to conclude like the contract and completion?

Management: Based on current trends, we expect both of these contracts to be completed in the next financial year.

Kushal Dedhia: Okay. And sir on the order execution, Vedanta this quarter if you could give any number?

Management: We do not offer contract specific revenue numbers except for Sri Lanka. However, I can broadly indicate that the progress on the Vedanta contract has been very slow during the quarter.

Kushal Dedhia: So, has it been picked up in July, August?

Management: As I mentioned, I am very hopeful that the pace of execution of this contract will pick up in the coming quarters.

Moderator: Next, we have Anish Thakar he is an Individual Investor. Line is unmuted.

Anish Thakar: I just had a question on the environmental farm and whether the litigation is still ongoing. And if so, could you guide us on how to think about the risk that we may have as a company. Thank you.

Management: Issue is still under litigation, , we are in appeal in Supreme Court and as regards any potential liabilities, we are well covered.

Anish Thakar: And the cover is provisioned?

Management: The Company owns agricultural land whose valuation is much higher than what liability can potentially come. However, we don't expect any liability to come on this account.

Moderator: Thank you Mr. Thakar. We have a question from the line of Sunil Kothari from Unique Investments. Line is unmuted.

Sunil Kothari: Sir, just once again on this order inflow into our first quarter that number?

Management: Rs. 77 crore, **Sunil Kothari:** 77, great. And sir my larger question to Mr. Patni is, sir during last one, one and half year this China related issues is creating opportunity for country other than China, so are we seeing any major benefits other than chemical segment I am asking like manufacturing we are very strong in engineering. So, any benefits, any observation of yours, that it can become a better, good or better opportunity for Ion Exchange also, over a period?

Management: We feel there are positive fall-outs of the dip in global sentiments with respect to China. These benefits span beyond just the chemical segment. However, it is difficult to objectively quantify this. We also feel that India should benefit from the efforts to diversify manufacturing bases beyond China by companies across the world. Any increase in greenfield or brownfield investments would have a resultant increase in the market for environment management solutions.

Moderator: Thank you, Mr. Kothari. Next, question comes from the line of Pranav Shah from Vanab Finance. Line is unmuted.

Pranav Shah: Sorry, I have joined the con call pretty late, do pardon me for that. Just two questions, number one if you compare us with likes of, let's say VA Tech, Veolia or the other guys who are present in India and operate out of India. Now, we have specifically three segments, the consumer, the chemicals and the engineering part of it, in all three segments how do we compare with competition if you can just give some sense on that and secondly, if the moment we, on every let's say every Rs. 100 incremental, what is the capital allocation policy that you normally follow?

Management: We are one of the leading players in the industrial segment whereas we are relatively less strong in the government and municipal market segments. In the small & micro industrial sector as well as the community & commercial sector , the number of unorganized players is much larger. Within this sector, we tend to focus on the more quality and service conscious part of the market

Pranav Shah: If, I can just interject you. Our capability would be to go up to what level of desalination or we have all the adjoining technologies, be it RO, be it filtration, be it all the combined technologies, all of them we have capabilities and up to what MLD can we. So can we do a single project of let's say 100 MLD, or 200 MLD or something like that.

Management: So, we have all the technologies which are relevant to address an opportunity. Unfortunately, we cannot share the other specifics that you're asking.

In terms of the chemical segment in India, we would be one of the market leaders in almost all product lines that we are active in. Internationally, our market share would vary across geographies, but on an overall level it would be quite small percentage. And in the consumer segment, while we are one of the pioneers in the industry in terms of introducing the various technologies but, in terms of the overall revenues which we generate, we do not hold a very large market share. The home water RO segment is dominated by peers like Kent and Eureka. We try to focus on different subsets of the market and also look at products which are differentiated from these other players. We are also trying to ensure that we are able to build on volumes not just in the Indian market, but progressively in the international market too.

Pranav Shah: Right sir, in the last segment in the consumer segment, would it be fair to say that incrementally given our fervor for introducing new products and also introducing the same in new geographies will lead to a more profitable growth in the near future?

Management: Hopefully, yes we are looking at introducing many more value added products and it is expected that the margin profile will improve.

Pranav Shah: Great. And coming to the second question of what is the capital allocation, how do you internally assess and how do you all kind of reinvigorate or assign money's for growth internally?

Management: Engineering segment tends to be working capital heavy, whereas the capital expenditures tend to go more towards the more profitable chemical segment..

Moderator: Thank you, Mr. Shah. Next question comes from the line of Ronak from Value Quest Research. Line is unmuted.

Ronak: Sir, I would just like to know how much part of the margins are sustainable, if you look at your numbers, we have done around 11% margin, so how much of that is sustainable and how much of that is non-sustainable?

Management: Some part of the margin expansion, as we mentioned earlier, is a function of the extraordinary situation that presented itself in the first quarter and aggressive cost cutting measures that were undertaken. I would expect some portion of that to sustain itself in the short and medium term. Very difficult to quantify the exact percentages which we would be able to carry forward.

Moderator: Thank you. Last question comes from the line of Sidharth Malhotra, he is an Individual Investor. Line is unmuted.

Sidharth Malhotra: My question was with regards to COVID-19. How do you see the water treatment situation changing, what does it mean for your business in light of the pandemic and the demands on water treatment and more fresh water?

Management: As a direct outcome of the pandemic, the visible impact is in terms of the preference of the people to sanitize themselves and surroundings more frequently. And certainly there has been an uptick in the overall consumption of water towards this particular activity. As far as industries are concerned, there is no significant direct impact of the pandemic except to the extent of the variances in their operating levels or the consequent impact of increased sanitization efforts.

Moderator: Thank you Mr. Malhotra. As there are no further questions in the queue. I now hand the conference over to Mr. N M Ranadive from Ion Exchange India Limited for closing comments. Over to you sir.

N M Ranadive: Thank you all for participating in this earnings con call. I hope we have been able to answer your question satisfactorily. If you have any further questions or would like to know more about the company, we will be happy to be of assistance. We are very thankful to all of our investors who stood by us and also had confidence in company's growth plan and focus. And with this, I wish everyone a great evening. Thank you.

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