ION EXCHANGE
Refreshing the Planet

February 18, 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 January 24, 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 Wednesday, January 30, 2019 was to discuss the financial performance of the Company for the Third quarter ended December 31, 2018.

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
Q3 FY19 Earnings Conference Call
31 January, 2019

Moderator: Ladies and gentlemen, good day and welcome to the Ion Exchange India Limited Q3 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 phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you Mr. Sonpal.

Anuj Sonpal: Good afternoon everybody. Sincere apologies. I believe there is some issue at the operator courses backend. A lot of people are getting dropped off. I will make this very quick and skip the opening remarks. Very quickly I will introduce the management. Participating with us in the earnings conference call we have Mr. Aankur Patni – Executive Director, Mr. N M Randive – Executive Vice President of Finance, Mr. Vasant Naik – Senior Vice President of Finance and Mr. Milind Puranik – Company Secretary. I will request Mr. Vasant Naik to give his opening remarks once again and we will move to the Q&A session immediately.

Vasant Naik: Good afternoon everybody. It is a pleasure to welcome you to this 9-monthly Q3 FY18-19 earnings conference call. I will take you though the quarterly performance of our company on a standalone basis. The total income for the quarter is Rs. 2583 million with an EBITDA of Rs. 276 million. The EBITDA margin is 10.69% which has grown by 253 basis points year on year. The net profit after tax is Rs. 128 million and the PAT margin is 4.96%, a growth of 142 basis points year on year. I will now take you through the segmental performance of the standalone entity for the quarter. In the engineering division the turnover is Rs. 1287 million as against approximately Rs. 1436 million for the corresponding period last year. The EBIT margin is Rs. 50 million as against last year Rs. 31 million, a growth of 61%. In the chemical segment the revenue recorded is Rs. 1132 million as against Rs. 843 million year on year. The EBIT for the Q3 of FY18-19 is Rs. 132 million as compared to Rs. 112 million in the corresponding quarter of last year, a growth of 18%. In the consumer product division, the turn over for this quarter is Rs. 276 million as compared to Rs. 254 million in Q3 of FY17-18. Loss for the quarter is Rs. 6 million as against Rs. 8 million in the corresponding quarter of the last year. Now I will take you to the 9-month performance of the company on a standalone basis. The total income for the 9-months is Rs. 7235 million. The EBITDA reported is Rs. 802 million and the EBITDA margin is 11.09%, which has grown by 271 basis points year on year. The net profit after tax is Rs. 358 million as the PAT margin is 4.95%, a growth of 147 basis points year on year. I will now take you through the segmental performance of the standalone entity for the 9 months. The engineering division the turnover is Rs. 3543 million as against Rs. 3729 million for the corresponding period last year. The EBITDA margin is Rs. 199 million as against last year's Rs. 101 million, a growth of 97%. In the chemical segment the revenue recorded is Rs. 2957 million as against Rs. 2497 million year on year. The EBIT margin for the 9 months is Rs. 333 million as compared to Rs. 310 million for the corresponding 9-months period of the last year.

It has shown a growth of approximately 7.5%. In the consumer product division the turnover reported in Rs. 772 million as compared to Rs. 760 million in a 9-monthly period of the last year. Losses have come down to Rs. 23 million from Rs. 30 million in the corresponding period of last year. I will now briefly take you to what we feel has been happening in the various segments of the company and to start with the engineering segment, we have witnessed steady growth during the quarter and we expect the momentum to continue considering the healthy order backlog which we are carrying. With respect to the Sri Lanka order the revenue recognition is not significant as certain planned dispatches got differed. But we do expect growth in the fourth quarter. In the chemical segment the sustained demand growth has resulted in improved volumes and profitability. In the consumer product space the higher volumes and overhead control has resulted in the containment of the losses. With this I hand over the mike back to Anuj Sonpal for carrying the conference call. Now we can start with the Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sudhir Bheda from Right Time Consultancy.

Sudhir Bheda: My question is you are saying in your note that Sri Lanka order just hardly any turnover has come in Q3. So what you are expecting the turnover from Sri Lanka in Q4 and another question is solid improvement in margin in engineering business. So from where it has come and is it likely to continue in FY20 also, those kind of margins?

Management: We expect approximately Rs. 150 Crores invoicing for Sri Lanka job in fourth quarter.

Sudhir Bheda: And improvement in the margin in engineering business?

Management: Regarding the improvements in the margins in the engineering segment, the present order backlog is with better margin and coupled with the operating efficiencies, the engineering segment margins have improved and we are hopeful this will be able to sustain the margins in the coming quarters.

Sudhir Bheda: And sir one more question about T-to-T when this problem will be solved and it will be out of T-to-T because it is hurting the valuation of the company and the investors are suffering.

Management: Basically our promoter shares were not dematerialized, that is the reason we are in T-to-T format. We have now arranged to demat all the promoters' shares and we will be shortly representing to the stock exchange to shift our shares to the normal mode.

Sudhir Bheda: Can we expect in a month's time?

Management: By March end, we expect it will be completed.

Moderator: The next question is from the line of Vikram Kotak from Quest Capital.

Vikram Kotak: Just want to understand the broad strategy of the company over the next couple of years in the environment which is more or less challenging on macro and global level. How the company is going to kind of take through the various business segment in next couple of years? Can you spend some light on this medium-term strategy and how things are going to look like?

Management: We are hoping to continue the current strategy of the company towards international expansion, aggressively expand its chemical businesses as well as grow in the targeted engineering segments. We are seeing quite a lot of success in executing this strategy as would be visible from the numbers. As a percentage of the overall global market we do not have a very large market share so that leaves us with a lot of opportunity. The current turmoil which you mentioned actually opens up more opportunities for us than it throws up challenges. It has made some of the products of our company more attractive in the targeted international market segments. Since it is coupled with our strategy to expand into strategic markets overseas it should pay us good dividends in the coming times.

Vikram Kotak: And how is the competitive landscape because you said there is opportunity in the global markets, but how is the competition and how do you see taking the competition ahead?

Management: The competitive landscape on the global level has probably improved a tad in our favor with some of the market participants, especially from China, experiencing domestic and international challenges. So we feel that overall it should favor us in the medium term.

Vikram Kotak: Of course with your permission I will have couple of more small questions. One question which I have for the CFO is what is the net debt level right now in the balance sheet and what is your targeted debt level in the next couple of years?

Management: Net debt level in the balance sheet is the same level as September only.

Vikram Kotak: Can you give me that number?

Management: Our borrowings are around Rs. 105 crores.

Vikram Kotak: And you mentioned about Sri Lankan numbers that will come in the next quarter, but will it be margin accelerative because you must have already taken a lot of cost into account in the last few quarters. So will it be margin positive?

Management: Yes, it will be margin positive.

Moderator: The next question is from the line of Nitin Gandhi from KIFS Trade Capital.

Nitin Gandhi: I would just like to have some more color on total Sri Lankan order, how much we have spent as on date and how much revenue recognition we have done and how much we are expecting in FY20?

Management: During the current year, till now we have recognized revenue close to Rs. 47 crores and we expect to do approx. Rs. 150 crores invoicing in the fourth quarter.

Nitin Gandhi: What is the total order? It is 1150, right?

Management: Total order is $194 million.

Nitin Gandhi: And so we are expecting major to come in next year, right?

Management: In the next two financial years.

Nitin Gandhi: And these margins will be in double-digit plus?

Management: Margins should be better than the average engineering business margins.

Moderator: The next question is from the line of Faisal Hawa from H G Hawa, please go ahead.

Faisal Hawa: My question is that how are we doing on the Vedanta order of Rs. 372 crores and you said any of that will be executed in FY19-FY20. And do you feel that our 19-20 net consolidated turnover will be around Rs. 1700-1800 crores if we are able to execute the entire Sri Lanka order and some part of Vedanta order?

Management: Coming to your first question Vedanta orders, we have already started engineering and design work and the order will be executed over the next two years.

Faisal Hawa: Is it fair to assume that FY19-FY20 we could be doing around Rs. 1700-1800 crore revenue?

Management: We are not giving guidance on the overall numbers but we should see improvements over the current year's performance.

Faisal Hawa: And are we having change in the consumer division strategy with respect to revenue?

Management: We have been outlining the Consumer division strategy over the last few quarters. We retain the same strategy of expanding into areas which provide us opportunity to exploit our technology bandwidth and in areas where we do not envisage upfront expenditures to be very high. Having said that we are focusing on the rural and institution segments as the spearheads of the consumer division.

Moderator: The next question is from the line of Riddhesh Gandhi from Discovery Capital, please go ahead.

Riddhesh Gandhi: I just had a question as to how the consolidated business is performing and if these are subsidiaries, our losses have increased, decreased or stayed flat compared to where they were at this point last year?

Management: We expect the consolidated numbers to continue the improved trend which we witnessed in the year 2017-18.

Riddhesh Gandhi: So you are saying there would be an improvement in reduction in the losses?

Management: Yes improvement will be there in the most of the companies.

Riddhesh Gandhi: The breakeven of your international subsidiaries will take how long? We would expect let us say FY20 to be a breakeven year for the international business and subsidiaries?

Management: We will continue to see improvements in the performances but it is difficult to predict when all the businesses will breakeven. Each country and each subsidiary behaves differently.

Riddhesh Gandhi: On a combined basis?

Management: I would expect it to take another couple of years.

Riddhesh Gandhi: And the reason we are actually going to continue to have losses out there is because we are investing for business development and we see huge opportunity or otherwise, I mean just wanted to understand the rationale behind a loss-making consolidation ex of the standalone?

Management: You are right in assuming that it is seed money which is being put in these international operations. Each of the operations would take time for the investments to start paying back. And we are seeing progressive improvements in the geographies where we have spent a lot of time and the investments, We should get due returns in course of time.

Moderator: The next question is from the line of Sudhir Bheda from Right Time Consultancy, please go ahead.

Sudhir Bheda: What is the total order book as of 31st December vis-à-vis 31st December, 2017 and what is the growth over previous year?

Management: Order book as of December end excluding Sri Lanks is Rs. 975 crores.

Sudhir Bheda: And what was it in 2017 December?

Management: Rs. 550 crores.

Sudhir Bheda: Okay, so there is a good growth over there. Thank you.

Moderator: The next question is from the line of Bhavesh Shah, please go ahead.

Bhavesh Shah: Sir can you tell me regarding consumer segment strategy, how the company will be executing its strategy for growing consumer division and what is the growth expected from this consumer division?

Management: The Company continues to focus on strategy of looking at specific segments where it is less intensive on upfront marketing expenditure. Focus is more on technology and solutions targeted towards the institutional and rural segment. We feel that as we target specific markets and products which competition is not able to offer effectively we should see progressive improvements in overall revenue as well as realizations.

Bhavesh Shah: Because as I can see that 9 months FY18 has been grown around 1.6% only, the top line revenue for the consumer division. So will it be at the same levels or we can see a drastic uptrend in this particular division on the growth side?

Management: If you look at the quarterly growth over the previous year we are roughly around 9% growth. But we will see progressive improvements in these numbers as you move towards the end of the fourth quarter and the first quarter of the next year.

Bhavesh Shah: And last question is regarding, can you tell me when will be NSE listing the company is expecting?

Management: We will target NSE listing once we get through the BSE formalities for changing from T to T. Once that process is completed Board of Directors will decide about listing at NSE.

Bhavesh Shah: By when is it expected? A tentative ballpark date or something like that – next quarter or –

Management: Very difficult for me to give you an exact timeframe but I would expect it will take about year's time.

Moderator: The next question is from the line of Amit Jain, individual investor, please go ahead.

Amit Jain: Government has come up with a National Genius Program recently to combat the air pollution – I wanted to know what kind of opportunities do you see for a company like ours?

Management: We are not currently participating in air purification segment but I am sure that it is an area of big opportunity for whichever player chooses to participate in that segment.

Amit Jain: My next is last August, Ion Exchange Waterleau became a wholly owned subsidy from a JV company. So was there any outflow of funds for that?

Management: Yes, there was a further investment of Rs. 2.5 crores.

Moderator: The next question is from the line of Animesh Yadav from Satco Capital, please go ahead.

Animesh Yadav: My first question is on the Sri Lankan order, so from the last call what I assume, what the company was targeting is to have approximately Rs. 400 crores for revenue recognition this year and initially on starting the call what I could listen is we can have a revenue recognition of about Rs. 200 crores. So any reason of not having the targeted - ?

Management: Regarding the Sri Lankan invoicing shortfall, we had explained earlier, the dispatches which were planned got deferred due to the procedural delays in the approval and manufacturing clearances from the customer. However, we expect these dispatches to be completed in the fourth quarter.

Amit Jain: I have another question on the Goa plan, and are we track to achieve Rs. 30 crores in this year?

Management: We will be substantially around that figure on a full-year basis.

Moderator: The next question is from the line of Bhavesh Shah, please go ahead.

Bhavesh Shah: What will be the current order book sir, Rs. 975 crore including Sri Lanka, right?

Management: Excluding Sri Lanka.

Bhavesh Shah: And last quarter it was Rs. 975 crore excluding Sri Lanka?

Management: Yes.

Bhavesh Shah: So the same order book we are carrying. And what is the order intake for this particular quarter?

Management: Close to Rs. 110 crores.

Bhavesh Shah: And regarding Sri Lanka order, Rs. 1300-crore order, Rs. 218-crore order was recognized till H1, right?

Management: Till December we have recognized Rs. 246 crores.

Moderator: The next question is from the line of Ishprit Kaur from Kama Capital, please go ahead.

Ishprit Kaur: So you did mention about opportunities on the international side for your engineering business, if you could please highlight the opportunities you look at in the domestic states for your engineering business.

Management: Typically, in the engineering segment we target industries and to a lesser extent municipalities and if we look at the current outlook for economic growth in the country, we expect that probably during the next quarter, growth for us may be slightly affected because of the upcoming elections. But beyond that we are seeing a good trend in the pickup of new projects. This augurs well for us because the engineering segment largely depends on new projects being launched.

Ishprit Kaur: What could be a bid pipeline in terms of the orders that we execute?

Management: The inquiry bank will be around Rs. 5500 crores.

Ishprit Kaur: Would this include any of the municipality BMC? You rightly said that you probably do not do much in the municipal space.

Management: It is a mix of municipal and industrial but the municipal portion in this is quite limited.

Ishprit Kaur: And on the chemical side, last two quarters have seen a very strong growth. If you could highlight where this is coming from and any product launches that we are looking at and what would be our capacity utilization for the existing products?

Management: We keep adding to the product lines which are not necessarily completely new products but it could be an innovation over existing products. In terms of where the growth has come from; to a large extent it has been contributed by improvements in exports. And you asked about capacity utilization, it is around 70% for the chemical segment.

Ishprit Kaur: Are we looking at any good product innovation in the pipeline in the next 12-18 months?

Management: As I said, we are continuously innovating and almost every month and every quarter there would be additions of new product innovations. This could be a tweak to the current product line or it could also be a completely new set of products. So that is a continuous process and we will see number of them happening over the next 18 months.

Ishprit Kaur: Okay, so how do we look at growth in the chemical space for the next 2-3 years?

Management: We should see a double-digit growth . We have undertaken expansions in our capacities recently and they should start to pay off in the coming quarters.

Ishprit Kaur: And we would not be needing any capacity expansion for the next 12-18 months since we are at 70%?

Management: No, we will be adding capacities because the capacities are quite modular. As we look at each individual product reaching its limit of capacity, we keep adding capacities in those particular product lines and segments. Therefore we will see further additions to capacity in the coming quarters.

Ishprit Kaur: And what would be the spend for the expansions?

Management: Till 9 months we have spent approximately Rs. 20 crores on the CAPEX.

Ishprit Kaur: And going forward?

Management: It should be around Rs. 40 crores for the full year.

Ishprit Kaur: And next year?

Management: It will be largely around the same level, next year.

Ishprit Kaur: And this could get us revenue of how much? What could be asset turn in this space?

Management: Roughly in the first year we get an asset turn of around 1-1.25 times.

Ishprit Kaur: And then? Overall it could get us how much?

Management: It varies.Over a period of time the asset turnover could go up to as much as 3 times.

Moderator: The next question is from the line of Nitin Gandhi from KIFS Trade Capital, please go ahead.

Nitin Gandhi: Continuing the same discussion, at peak capacity what would be the asset turnover?

Management: It could be more than three times.

Moderator: The next question is from the line of Nitin Gandhi from KIFS Trade Capital, please go ahead.

Nitin Gandhi: How does the margin profile change when asset turnover is from the first year to when it reaches the peak of three times?

Management: Normally, we see slight improvements in margin as the spread of overheads improves. so the bottom line would keep looking better.

Nitin Gandhi: Can I say that first year it may be somewhere around 6-7% but which can reasonably reach to almost 2 times plus?

Management: That is very difficult to quantify. It changes from product to product

Moderator: As there are no further questions, I now hand the conference over to Mr. N M Ranadive from Ion Exchange India Limited for closing comments.

N M Randive: Thank you all for participating in this earnings conference call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, we would be happy to be of assistance. We are very thankful to all our investors who stood by us and also had a confidence in the 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 the call. Thank you for joining us and you may now disconnect your lines.