

June 22, 2017

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

**BSE Company Code: 500214**

Dear Sir/ Madam,

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

Pursuant to our letter dated May 18, 2017, we enclose herewith communication relating to conference call as per Regulation 30(6) Para A of Part A of Schedule III of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015

The said conference call with the Institutional Investor/Analyst on Thursday, May 25, 2017 was to discuss the financial performance of the Company for the year ended March 31, 2017. The aforesaid information is also disclosed on website of the company i.e. [www.ionindian.com](http://www.ionindian.com).

Kindly take the information on your record

Thanking You,

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



**Milind Puranik  
Company Secretary**

**Ion Exchange Limited**  
**Q4 FY17 Earning Conference Call**  
**May 25, 2017**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Ion Exchange Limited Q4 FY17 Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* then 0 on your touchtone telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you, and over to you, sir.

**Anuj Sonpal:** Thanks, Karuna. Good evening, everyone, and a warm welcome to you all. My name is Anuj Sonpal, CEO of Valorem Advisors. We represent the Investor Relations of Ion Exchange India Limited. On behalf of the company and Valorem Advisors, I would like to thank you all for participating in the company's earnings conference call for Q4 FY17.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's conference call may be 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's beliefs as well as assumptions made by and information currently available to the 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.

Now I would like to introduce you to the management participating in today's earnings conference call with us. We have with us, Mr. N. M. Ranadive, Executive Vice President of Finance. We also have with us Mr. Aankur Patni, Executive Director.

Without much ado, I would like Mr. Aankur Patni to give his opening statement. Thank you, and over to you, sir.

**Aankur Patni:** Thank you, Anuj. Good evening, everybody, and welcome to the call. Let me just give a brief introduction to Ion Exchange for those of you who have not heard from us on this. Ion Exchange India Limited is a pioneer in the field of water management and waste management in India. It was formed in 1964 and it caters to industries, communities,

consumer products, government and other infrastructural segments. Thus the company is present across the length and breadth of water treatment products and solutions, and across the length and breadth of various market segments. The company is headquartered in Mumbai and it has 6 manufacturing facilities and SMB facilities across India, and it is also present at various locations abroad. The company operates primarily in 3 segments, which are; engineering constituting approximately 60% of the revenue; Chemicals, which represents around 30% of the revenue; and the third is consumer products, which represents around 10% of the revenue on a consolidated basis. We have a very rich history in the field, in which we operate. Initially we were a subsidiary of a UK company, which is called Permutit, and it became a wholly owned Indian company in 1985. With over 50 years of history behind us and operating across the globe, we are proudly an India based global agency, and we operate out of almost all major countries in the world, either directly or through representatives in these countries. We offer a wide range of solutions, which deals with wastewater treatment, recycled, zero liquid discharge, sewage treatment, water desalination. We also deal with chemicals, resins and other components of water treatment equipment. We have more than 50 patents to our credit and have been instrumental in more than a lakh of installations across the globe.

That was a brief introduction to what Ion Exchange is. And for the financial review of the quarter and the year-to-date financial performance, let me ask Anuj to take the mic and introduce the subject.

**Anuj Sonpal:**

Thank you, sir. I would like Mr. Ranadive now to give his opening remarks about the quarter under review and financial year under review.

**N. M. Ranadive:**

Good evening everybody. I'm N. M. Ranadive, Executive Vice President, Finance. It is a pleasure to welcome you to this Q4 financial '17 earnings con-call. I will now briefly take you to the quarterly performance of our company on a stand-alone basis.

The total income for the fourth quarter is Rs. 353 crores representing growth of 79.69% on quarter-on-quarter basis and 46.20% on year-on-year basis. EBITDA is 46 crores, which is a growth of 184% on quarter-on-quarter basis and 53% on year-on-year basis. EBITDA margin is 13% of the turnover. Net profit after tax is 26 crores, representing growth of 330% on quarter-on-quarter basis and 58% on year-on-year basis. PAT margin to sales is 7%.

Now we will take the performance for the 12 months. The total income is Rs. 951 crores, representing growth of 17% over the same period last year. EBITDA is 98 crores, representing growth of 30% and EBITDA margin is 9.86%. Net profit after tax is 46 crores. Here again, growth is 33% and PAT margin is 4.84%.

Now we will take the performance of the 12 months for consolidated entity. The total income is 1,029 crores, representing growth of 17.34% over the same period last year. EBITDA is 83

crores representing growth of 34% and EBITDA margin is 8%. Net profit after tax is 28 crores. Here again the growth is 85% and the PAT margin is 2.75%.

I will now take you through the segmental performance of the standalone entity for the quarter. As the Engineering division is concerned, turnover is 248 crores as against 143 crores for the corresponding period last year showing a growth of 73.5% and the segmental profit is 20 crores as against last year Rs. 8 crores, a growth of 162%. On 12 month basis, revenue was Rs. 564 crores versus Rs. 450 crores showing a growth of 25% over the same period last year. Profit was Rs. 30 crores versus Rs. 18 crores, exhibiting a growth of 70% last year. In Chemical segment, the revenue recorded was Rs. 85 crores as against Rs. 83 crores in the fourth quarter last year, a growth of 3% over the same period last year. Profit has moved to Rs. 21 crores from Rs. 19 crores representing a growth of 12.6%. On a 12 month period, turnover was 316 crores versus 305 crores, growth of 3.5%. PAT was up 8.7% at Rs. 55 crores as against Rs. 50 crores. In Consumer Products division, turnover grew from Rs. 26 crores to Rs. 29 crores, which is representing growth of almost 12% in the Q4. Loss for the Q4 were Rs. 50 lakhs as against 40 lakhs in the same quarter last year. In the 12 month period, current year, the turnover saw a healthy growth of 20.4% from 87 crores to 105 crores. Loss reduced to Rs. 3.6 crores from Rs. 3.8 crores. For the consolidated entity, for the 12 months, revenue was Rs. 642 crores versus Rs. 514 crores showing a growth of 25% over the same period last year. Profit was Rs. 28 crores versus Rs. 14 crores, exhibiting growth of 106% over last year. In Chemical segment, turnover was Rs. 324 crores versus Rs. 311 crores, growth of 4.4% and PAT was up 11% at Rs. 54 crores as against Rs. 49 crores. In Consumer Products division, in the 12 months of the current year, the turnover show a healthy growth of 20%, from Rs. 87 crores to Rs. 105 crores. The loss reduced to 3.5 crores from Rs. 3.7 crores.

Now I request Executive Director, Mr. Aankur Patni to briefly take you to what is happening in the various segments. Over to you, Mr. Aankur Patni.

**Aankur Patni:**

Thank you, Ranadive. I'll give you a brief overview of the various segments and environment which we expect they would be facing in the coming period. First, let me talk about the Engineering segment. We would all be aware that we have been talking about slightly sluggish environment for our overall Engineering segment, especially when we talk about the larger projects. The environment has not changed very significantly, except for the government segment, which seems to be now taking a little bit more pace. We expect this particular segment to start releasing more projects into the market, especially on the EPC side, whereas the larger engineering projects from the private segment, we still expect that it'll take a little bit more time for that segment to revive. When I say large, we are primarily talking about the power, steel and such industries.

On the medium and the small industry side, for example, pharma, textile, some chemical industry and similar segments, we expect that the performance would be relatively better than the larger segment. We are already seeing a lot of traction in these segments. And the

offer bank which we carry from these segments has improved. You are aware that we have started execution of the Sri Lanka order from this previous quarter, the last quarter of FY'17. There has been a very small beginning of booking of revenue in FY17 and we expect that during the current year, which is '17, '18, we would see a pick-up in the revenue from this particular order.

You are all aware also that this is a significant order for the company, and therefore the impact of this on our overall operating performance is also significant. However, the performance of the subsidiary companies operating in the engineering segment continues to remain muted. These engineering subsidiaries and associates both in the country and outside have continued to suffer from bad or relatively bad economic environment, and would need a little bit more time to see the economies of scale starting to turn them around.

In the Chemical segment, you would have probably noted that we've reported almost flat revenues, not too much of a growth. But we've seen improved margins due to improved manufacturing efficiencies, and in some cases better price movements or favorable price movements. The chemical segment should see improved performance during the year FY18, because of improvements in scale as well as our push towards the international market. However, the growth in chemical segment tends to be slightly less than the growth, which can happen in Engineering segment, because it's always incremental on the base numbers. So the performance of the chemical segment would be affected primarily because of the capacity expansions that we have undertaken during the current year, and our efforts to increase the business in the international market. Consumer product division, you would have noted has, after some gap, given us improved turnover by about 10% or so, but the efforts on the ground have been far more significant than just an improvement of 10%. We expect that the improvements would continue and you should see an even better performance in FY18. The losses have not significantly reduced because of the investments made in the organization structure and other resources. But they would bear fruit and that's what we expect that they bear fruit during this current year.

Some of you might have noted a reference to a SEBI case against our subsidiary company, Ion Exchange Enviro Farms Limited. This is a long standing legal case, which we have been engaged in. And we have prepared a fresh appeal, in fact, I think practical difficulties in execution of the SEBI order. And the appeal has been admitted.

So that's a broad overview of the various segments and how we expect that the business environment for these segments to be during the coming period.

**Anuj Sonpal:**

Thank you, Mr. Patni. Now that the opening statements are done, with that we can open the con-call for questions and answers. Although I would request all the participants to restrict their questions to the quarter performance and future prospects of the company rather than

broad-based understanding of different aspects about the company. Moderator, we can move now to the Q&A session.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Jehan Bhadha from JM Financial. Please go ahead.

**Jehan Bhadha:** Good evening, sir. Sir, my question is on your subsidiaries, so could you just throw some color on what businesses are these subsidiaries into? And what are the future prospects of them? Are we looking at maybe hiving off or restructuring them and what's the progress on that front?

**N. M. Ranadive:** The subsidiary companies are in the field of Engineering as well as in the Chemical business. The subsidiaries, which are abroad are mainly for the purpose of the marketing of our products. And subsidiaries, which are in India are sort of a backward integration and in some other areas. We are looking for restructuring of these subsidiaries as and when there is a need for it.

**Aankur Patni:** If you look at the various subsidiaries and associates that exist in countries outside India, you would note that they are largely trying to consolidate our presence in various countries through these subsidiaries. So these deal with large range of our products, however, because of the market in different countries, some of these subsidiaries do end up playing a little bit more on the engineering side or a little bit more on the chemical side. And the ones, which unfortunately have been largely on the engineering side, as I mentioned during the introduction, those particular sets have suffered from poor traction in the engineering space whereas the ones which operate a little bit more on the chemical side, they have fared relatively better. Also where we have ceded the operations sometime back, which means that there is the time elapsed between when we said these happened, today has been significant.

We've started to get significantly better performance from those subsidiaries as our presence and acceptance in those markets has been quite good. The ones which have been more recent, it takes a little bit more time for the performance from these companies to start flowing and the scale to become significant enough for a turnaround to happen. But specifically, the ones which are relatively in trouble are the ones in Southeast Asia where we've not had a very good year. But the positive side of that is, we are expecting lot better performance during the coming period because of significantly better of a bank and the opportunities which we see on the ground. We are also taking steps to consolidate various operations for better market coverage as well as for improved concentration of resources.

The performance of subsidiaries in other regions is as per expectations as what we had originally anticipated. The ones which are in India, they tend to be largely, as Mr. Ranadive pointed out, backward integration and are again more on the engineering side than on the

chemical side, and specifically the largest one is almost entirely an engineering setup. And these have not had the best of time during the current year. And that said, again, we expect that the coming period should augur much better for these subsidiaries, as well.

**Jehan Bhadha:** Okay, sir. So over the next 2 to 3 years, do we see these losses now being turning into profits or at least the quantum would stand reduced going forward. What's your take on that?

**N. M. Ranadive:** We certainly expect the profitability from these operations to improve.

**Jehan Bhadha:** Okay. And my second question is on your debt, if you can just give me the total debt figure because like your current liability seemed to have ballooned Y-o-Y, so there would definitely be some amount of debt over there as well, so...?

**N. M. Ranadive:** The total debts are 29 crores of long-term borrowings and short-term borrowings of 61 crores.

**Jehan Bhadha:** And sir, the current liability figure is also pretty big. So there would be some loans, which will be maturing in the year.

**N. M. Ranadive:** Yeah, that's what we explained to you. So the short-term borrowings are there

**Jehan Bhadha:** No, sir. That amount will be clubbed in current liabilities. Right, so?

**N. M. Ranadive:** Which one? No, I just now gave you the number also...

**Jehan Bhadha:** Okay. So this is it. So total debt is 29 plus 61, that is 90 crores, that's it.

**N. M. Ranadive:** Yes.

**Jehan Bhadha:** So like Y-o-Y if I'm looking at the current liability number there is a big jump over there. So what explains that?

**N. M. Ranadive:** No. We have received the advance from Sri Lanka. So that is sitting in the current liabilities.

**Jehan Bhadha:** Okay. What is that amount, sir?

**N. M. Ranadive:** That is close to 180 crores.

**Moderator:** Thank you. Next question is from the line of Rahul Jha from Bay Capital. Please go ahead.

**Nikunj Doshi:** This is Nikunj Doshi from Bay Capital. Just can you give some idea on the current order book and what kind of orders are we getting and what kind of orders can be expected in near future?

**Aankur Patni:** Yeah, sure. The order book has been pretty static for this quarter, because the last quarter of the financial year tends to be really heavy in terms of invoicing. So we have had a slight contraction in the overall order book. The engineering order book would be standing at roughly around 550 crores, as against, I think it was 600 crores, the previous quarter.

**Nikunj Doshi:** And how would it look year-on-year basis, means the same period last year?

**N. M. Ranadive:** And just a correction, this does not include the Sri Lanka order.

**Nikunj Doshi:** Yeah, yeah.

**Aankur Patni:** Yeah, yeah. It doesn't include the Sri Lanka orders.

**Nikunj Doshi:** But how would it look at Y-on-Y basis means rather than sequential basis order book?

**Aankur Patni:** If I recollect, right, the order book was at the similar levels previous year also. So it would have been around the same.

**Nikunj Doshi:** And how would be the bidding pipeline as of today, means, are you seeing more orders at the bid stage or you still seeing that not happening?

**Aankur Patni:** No, as I mentioned earlier, we are seeing a lot more traction on the medium and small sized industry segment, and the bidding pipeline has been improved in that particular space whereas in the larger order space, I am talking of the industrial space, there the bidding pipeline is similar to what it was earlier, but I would expect the bidding pipeline on the government space to increase substantially during the course of the year.

**Nikunj Doshi:** Okay. And on consumer business, means, what is the strategy, means, are we going to spend on ad budget or promotion for the direct marketing, what is the channel that we are going to adopt going forward? How are you planning to push this business?

**Aankur Patni:** See, we are not very aggressive on marketing spend, when you talk about advertising. That's not our preferred route of spending for this particular business as it stands today. We don't intend to change that strategy. We will continue to spend the buck where it makes the biggest impact for the business. It's not to say that we don't spend on advertisement, but we don't do it as aggressively as some of the other competitors do.

**Nikunj Doshi:** But that space is attracting lot of players and it's getting crowded now. So how are we going to differentiate ourselves then?

**Aankur Patni:** We are one of the premium players in that market. So our products are very much positioned as premium products. As you rightly say that it's a very crowded space near the bottom of the



value chain and we don't intend to spend heavily in that particular part of the market. We are very much positioned towards the premium end of the market.

**Nikunj Doshi:** Okay. But, so the loss it is making, can we expect that division to breakeven in current year or will continue to bleed in current year as well?

**Aankur Patni:** I wouldn't like to predict the exact profitability numbers but I would certainly expect the profitability to improve in this year. And hopefully it will breakeven.

**Moderator:** Thank you. Next question is from the line of Dimple Kotak from SKS Capital & Research. Please go ahead.

**Dimple Kotak:** Sir, what is the amount of sales we have booked in our profit and loss account for the Q4 quarter?

**Aankur Patni:** Q4 what, the total sales?

**Dimple Kotak:** Total sales, we have booked from Sri Lankan order.

**Aankur Patni:** Okay. As I said, we have started invoicing but it's not a very significant number, as it is a milestone based invoicing that that we will be doing. And there was no significant milestone achieved. So the percentage is very small. And during the course of the current year, that is FY18, we would expect significantly more revenue to come in.

**Dimple Kotak:** Sir, if I'm not wrong, last time when we spoke, you said it will be around 33%, you will be booking in the next three years, every year from this Sri Lankan execution?

**Aankur Patni:** Yeah. So it's a 3 year contract, and roughly split equal, but towards the beginning of the order, which is the first year, it will be less than 30%.

**Dimple Kotak:** Okay, sir. And sir, the Sri Lankan order book, the sales comes in the standalone business part, right?

**Aankur Patni:** Yeah, they would be reflected there.

**Dimple Kotak:** Okay. Sir, in the previous call, you said that we had some expenditure on the ground level work there. So where have we accounted for these expenses?

**N. M. Ranadive:** Yeah, these have been accounted against the revenue, here only. The standalone accounts only.

**Dimple Kotak:** Okay, sir. And sir the 8% margins we have seen in the engineering segment in this quarter, are these sustainable?

**Aankur Patni:** I would expect them to be sustainable. You would note that it is a function of 3 different segments and the new segment, there are further dynamics in play. But the overall environment, which we see for each of these business spaces looks to be positive, and therefore, it is evidently sustainable.

**Dimple Kotak:** Okay, sir. And sir, one last question is that sir, your cash has increased in the balance sheet. So is that the amount which we have booked from the Sri Lankan execution?

**Aankur Patni:** Yeah, there is a portion of advance which has been received from Sri Lankan order.

**Dimple Kotak:** Okay. And sir, as you said, Chemical business, how are we going to see in the first half? How it's going to pan out?

**Aankur Patni:** Chemical business, so we expect it to improve incrementally. As I had indicated earlier, I don't expect it to jump very rapidly, but it will continue to improve incrementally, the impact of the increased capacities should start coming in. And since we have had a couple of new locations where we have set up capacities on the chemical front, those new locations will also start to bear fruits during the year. So and we certainly expect an incremental revenues in the chemical space. As far as profitability is concerned, I think we would be able to maintain the profitability, which we have got last year, provided that we don't see a very volatile price environment.

**Dimple Kotak:** Okay, sir. And sir, so then in that case, sir what is capacity utilization for us in the chemical segment?

**Aankur Patni:** I think overall, the capacity utilization would have gone down because of the increased capacity, which will now come on stream. It would now be around 60%, 65%. Ranadive, is that right?

**N. M. Ranadive:** Yes.

**Dimple Kotak:** Okay, sir. Sir, just for my understanding, just on a standalone basis, margins from Engineering segment is around 8% and on a consolidated basis because of the losses, which we are having in the subsidiaries, the margins are 4%. So for the next quarter, which we report on a standalone basis, do we expect the Engineering margins to be at 8% and Chemical margins to be at 24%, EBIT margins?

**Aankur Patni:** I would expect the EBIT margins as a percentage to remain at similar levels.

**Moderator:** Thank you. Next question is from the line of Paras Adenwala from Capital Portfolio Advisors. Please go ahead.

**Paras Adenwala:** Yeah, now it's a very broad question that I would like to ask. Ion Exchange has been in existence for a long time. And in terms of the numbers, I'm sure you will agree that the numbers could have been far better than what the company has been reporting, but now we are seeing some kind of spurt in action, especially after this quarter numbers. What is it, that has changed, that is the kind of propelling the numbers?

**Aankur Patni:** So if I got your question right, what you would want to know is, what constitutes the improvement in the numbers during the quarter?

**Paras Adenwala:** No. What are the changes that have happened in the business environment, externally and internally that are giving you this kind of numbers?

**Aankur Patni:** Okay. See, we've got some advantage because of the billing which has happened on Sri Lanka. That is one part of the improvement. We are certainly seeing improved performance because of our conscious call of not taking large orders where we felt that we are not making enough margins, or where we felt that the cash flows are going to be unduly under risk. So that strategy has somewhat paid off in terms of the gross margin payments for the larger projects which are under execution. So overall result of the Engineering front overall are result of these 3 or 4 factors, which is Sri Lankan order coming into play, the mix between the large and the smaller orders and our strategy of being very conscious about the costs for the larger orders

So that's on the Engineering front. Chemical front, we've had some advantages coming in because of internal efficiencies which are therefore sustainable. And there is also partial advantage coming in from the mix of the products, which we are selling on the Chemical side. So these two things would together constitute the improvement on the Chemical front.

**Paras Adenwala:** But I understand, you mentioned that the contribution of Sri Lanka in this quarter's numbers is yet not very significant.

**Aankur Patni:** Yeah, it is the total revenues, which we have booked for this quarter is yet not all that significant. So the numbers which would come during the course of this financial year FY'18 would be therefore far more than what we have booked in the previous financial year.

**Paras Adenwala:** Okay. What is the size of the Sri Lankan order?

**N. M. Ranadive:** \$194 million.

**Paras Adenwala:** Okay. And that's executed well over the next 3 years, right?

**N. M. Ranadive:** Yes, 36 months

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

**Paras Adenwala:** I see, okay. You also mentioned about the traction coming in from the government orders, if you could just elaborate on that, that would be very helpful?

**Aankur Patni:** So very briefly on this front, you would have heard a lot of announcements by the government, both at the central and state level, also at the municipal levels, wherein they are looking to get a little bit more aggressive on capital expenditures. While this has been happening for some time, which is the last 3 to 4 years, we've been hearing a lot of announcements, but they have not seen much of results on the ground for various reasons, political and otherwise. But we certainly expect and we are seeing a buildup to these orders now becoming available for us to participate in. And that should happen hopefully within the first half of this financial year. So that's where I felt that the numbers, offer bank would improve from the government orders.

**Paras Adenwala:** But on the profitability side, do you expect them to be as profitable as your current business?

**Aankur Patni:** We would be very selective about how we bid for these orders, and which are the areas where we will participate and which ones we will prefer not to participate. And therefore, as far as we are concerned, we will keep a tight leash on ourselves as to the profitability, which we want to derive from these contracts.

**Paras Adenwala:** And in terms of working capital, do you see a material change happening due to the receipt of this orders?

**Aankur Patni:** So you are talking about the government orders?

**Paras Adenwala:** Yes.

**Aankur Patni:** It's not very easy to predict, but you would note from our balance sheet that per se, even from the private sector, the working capital has always been under strain and that's one of the features of the EPC business, so we need to be prepared for a further expansion of working capital.

**Moderator:** Thank you. We take the next question from the line of Yash Agarwal from Crest Capital. Please go ahead.

**Yash Agarwal:** Just to understand a little more on this engineering segment margins, given that only a small portion of the Sri Lankan order has been booked. So what has driven this huge jump in the margin in the engineering segment specifically, sir?

**Aankur Patni:** I think that's what I answered to the previous participant. While the contribution of Sri Lankan order, as a percentage of the revenue for the total Sri Lankan order, we've not really booked a very significant percentage, but yet as a percentage of the total quarterly booking, that number still is a significant number, that is on one side. And two is that we've had

significant improvements on the execution of orders from the smaller and medium segment orders, as well as from the export orders. So a combination of all of these has contributed to a large number.

**Yash Agarwal:** And sir, so excluding our Sri Lankan orders, how do we see our growth, any guidance you want to give on order inflow growth or revenue growth, excluding the Sri Lankan order for the next quarter or something?

**Aankur Patni:** What I can tell you is that we are expecting this year to be better, not just on the smaller orders but also on some of the large opportunities, which we are pursuing. So the guidance which I can give you is that the offer bank will certainly improve, and hopefully we will be able to deliver on much better offer bank also.

**Yash Agarwal:** And sir, we've done some CAPEX, so it's primarily about 40 odd crores, I can calculate, it's primarily for Sri Lankan order?

**Aankur Patni:** Sri Lankan order would not feature in the CAPEX because it's a EPC kind of an order. The new facilities, which are coming up, manufacturing facilities which will focus on engineering consumables, and so that capitalization should happen again within the next quarter.

**Yash Agarwal:** This is related with the Chemical business, you were saying?

**Aankur Patni:** These are consumables, these are engineering consumables. Backward integration.

**Yash Agarwal:** Just a small question, just a small question. Your tax rate on consol basis is very high always, so like what sort of tax rate should we build in? Is like a 45%, 50% number that we should build in, on consol basis?

**N. M. Ranadive:** Tax rate on consolidation basis is high because of the certain losses are there in subsidiary companies.

**Yash Agarwal:** Yeah, I get that, but isn't there any benefit that we can take or something, I don't know? Or any merger or something you can do of the subsidiary with the parent to reduce this burden?

**N. M. Ranadive:** As informed by Mr. Aankur Patni earlier, the restructuring we will be looking at it as and when it is necessary.

**Yash Agarwal:** So should we build in for the moment 45%, 50% as well for the next year?

**Aankur Patni:** I think we should...

**N. M. Ranadive:** Try to reduce that number.

**Aankur Patni:** Slightly better performance from our subsidiaries in the coming year, but it is very difficult to give you a prediction for the sake of a model. I would expect that overall the impact of taxation should come down. But I'm afraid I can't give you exact guidance on that.

**Moderator:** Thank you. The next question is from the line of Jinal Sheth from Multi-Act Equity. Please go ahead.

**Jinal Sheth:** I had two questions, specifically on water treatment chemicals, which forms part of our Chemical business. Sir, first question was on how is the competitive intensity shaping up? Are we seeing more competition from MNCs? And second question is what is the outlook for this particular segment over next 3 to 5 years. Thank you.

**Aankur Patni:** No, we are not seeing a very big change on the competitive scenario. The MNCs have been present in India for very long on the chemical space, they continue to be present. As far as we are concerned we compete with them not just in India but we compete with them in various geographies across the globe. And so therefore that's not something which is a significant change in the overall competitive scenario, which we envisage. As far as entrance from India are concerned, that's an ongoing process, you have people who try to enter in the sub-spaces of the chemical portfolio which we have, and there are also people who exit that, so that's very dynamic, but on an overall level, we don't really expect a very big change on that front.

**Jinal Sheth:** Okay. So our expectation from the industry, from growth perspective over next 3 to 5 years, what would it be?

**Aankur Patni:** I have indicated earlier that, the chemical space is an incremental growth space and we expect that growth to continue on the trends which we have seen in the past. However, increased economic activity does add a few more basis points to that growth. I expect the overall market expansion to be either in the single digits or in low double-digits.

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

**Kunal Bhatia:** Are we done with the CAPEX in the Chemical segment or still we are doing it?

**Aankur Patni:** Okay. We continue to spend on capacity expansions in the chemical space and that's almost every year we would have incremental expenditures in the chemical segment of our business, and we will continue to do that in the years to come also.

**Kunal Bhatia:** Sir, how much we have spent in this year and the number on next year. What it could be?

**Aankur Patni:** We've spent around 15 crores this year. And we would expect the next year number to be higher than this.

**Kunal Bhatia:** Sir, and for current level of capacity utilization, we are making around 324 crores of the top-line in chemicals. So, going forward based on your judgment, how much could be the potential revenue from the CAPEX that we have done already in this year, that is 15 crores that we have spent.

**Aankur Patni:** Okay. I don't expect that the return on capital to be worse than what we've experienced in the past. So we should be able to garner the benefits, which we have balanced in the past from our capital expenditures. And in terms of capacity utilization, I think we already indicated to an earlier question that currently we are standing at around 60% to 65% capacity utilization.

**Moderator:** Thank you. Next question is from the line of Amit Thawani from Zenith Capital. Please go ahead.

**Amit Thawani:** Just to continue with what the question of the previous speaker was. Like you mentioned, I think the water chemicals should grow in high-single digits or low-double digits. Actually I understand a large part of water chemicals are used by the thermal power. And as we know thermal power addition at least in this country fell 50% last year, capacity addition in thermal power. And Piyush Goyal has actually commented that thermal power, in 4 years there will be no capacity addition in thermal power. And even in the world, the thermal power capacity addition is going down. So how do you see that impacting the entire industry, water chemical growth? I understand it's about one-third goes to thermal power.

**Aankur Patni:** So, there are two parts to the question which you are asking. One is regarding what happens to the thermal power industry in general, and two is how much would that impact? How much is that as a part of our business and how much would that impact us in future?

**Amit Thawani:** Precisely.

**Aankur Patni:** Okay. So as far as the current capacities are concerned, I don't think that there is an intention on the part of government to affect those capacities. And two, as you rightly said there is, from the government side there's a stated intention to promote alternative sources of energy, but it is not at least indicated that there would be no capacity addition. So I would still expect capacity additions to happen, not probably of very massive scale but it would still happen. There are lot of projects which are still in pipeline, and I would expect some of the projects, which are partially implemented or in the process of getting implemented, those capacities will further add to the overall demand for chemicals from this particular segment. That said, we are quite widely spread in terms of our customer base for water treatment chemicals. It's not just the power segment, we supply quite a bit to the medium-sized industries, and the smaller-size industries. We also supply to apart from power, so there would be steel, there would be many other large consumers of water treatment chemicals. So, these continue to be in play. Thus, it's not just India that we are talking about, we are

talking about the global market platform. So the opportunity for the water treatment chemicals, as far as we are concerned, continue to remain quite good. Again, when we talk about water treatment chemicals as a segment for our company, it is not just water treatment chemicals, as a part of that, we are also talking about resins. And there again, you have got a very wide basket of industries which we serve, both domestic and international.

**Amit Thawani:** So, which would be the growing sector that in water treatment chemicals that you foresee, which will be the growth drivers, which segments?

**Aankur Patni:** I think, if I have to single out something I would say international business.

**Amit Thawani:** In international business going towards which industry?

**Aankur Patni:** The international plate is a very large plate, and we are not necessarily going to limit ourselves to any particular industry to focus on, because we operate out of a large number of geographies and each geography has its individual flavors of demand. So, and we are in a very good position to cater to this demand from almost any segment of industry. So I wouldn't restrict the opportunity to or the flavor of the opportunity to a particular industry. In general, I can say that the company does intend to explore the international market, a bit more aggressively than what we have....

**Amit Thawani:** Just a last question. Is there some kind of a cost advantage that we have? Is that the reason we will grow well, internationally?

**Aankur Patni:** So there are two aspects to it. One is that, we don't have a cost disadvantage, and the second aspect is we had a very rich background in research, and coming up with products which meet the requirements of the industry, and we don't just provide chemicals and it's a mix of chemicals and services. So it's a solution which we provide. And therefore, we are able to do better than our competitors in a lot of areas.

**Moderator:** Thank you. We have the next question from the line of Paras Adenwala from Capital Portfolio Advisors. Please go ahead.

**Paras Adenwala:** Yeah. Just trying to understand on your strategy to continue with the consumer business, essentially your B2B business. So why would you want to continue into B2C business, especially when it's not growing too well and it's not making money for you?

**Aankur Patni:** Okay. It's an integral part of the overall solution basket of the company. We think we have got a lot to offer in terms of technology, in terms of innovations which we can provide to that segment of the market also. While we do not intent to burn a big hole in the bottom line because we pursue these businesses. But we also want to make sure that we have a presence in the industry to continue to innovate in that space, and be a player with the potential to



grow. We do not intend to remain a small player or we do not intent to allow this business to remain small. However, we do not want this business to be a loss leader in anyway. And therefore, we are now going to move towards the strategy of expense first and revenue later. So that's the overall thought behind this business and we are exploring various ways and initiatives in which we can grow this business much more in future than what we have seen in the past.

**Paras Adenwala:** If you look at again the past, probably the environment wasn't too conducive for good growth as far as the company is concerned. Would you say that for the next 3 to 4 years the growth trajectory of the company would be in-sync with what you've done in the last quarter or would you say that maybe the next few quarters could be good. And then probably, the growth could be a little muted than what it is today?

**Aankur Patni:** See, typically the last quarter of the financial year always tends to be the biggest quarter for us, if you look at our performance through the years. So instead of looking at sequential quarters and the growth achieved on a sequential basis, it's always better to look at the same period, the previous year.

**Paras Adenwala:** No. My question was, the growth that you've notched up in the last quarter, is it an indication of things that we could see in future or probably, when I say future, over the next 3 to 4 years, or there is a possibility that this upturn that we are seeing could be short lived?

**Aankur Patni:** We are making sure that the policies on the business front, and the opportunities that we are pursuing domestically and internationally create a much more significant platform for us to continuously increase the scale of our operation. And the intent of the company is that, the growth which you've seen should continue to happen.

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

**Shah Maroof:** So I've been a retail investor for the last 4 years in Ion Exchange, and I'm pleased to say that, I've really enjoyed the journey and the improvement in the financial numbers. So, I had two questions, I think one of them has already been taken that was to do with the B2C versus B2B different set of strategy in mind share. The other question I have is, how are you guys relative to the other promoter family, the Gupta Family because Rajesh Gupta, Dinesh, those guys. Are you related or...?

**Aankur Patni:** So, it's the Sharma family and no, we are not related.

**Shah Maroof:** Sharma family, yes, correct. So are you related or because even in the last con-call they were not there. What is their role in the organization if I could put it that way? Are they just sleeping partners or are they actively involved in the business?

**Aankur Patni:** Mr. Rajesh Sharma is the Chairman and Managing Director of the company. And he has an Executive Position in the company, and Dinesh Sharma also is an Executive Director of the company. So, no, not at all, they are not at all the sleeping partners, they're very much in the management of the company.

**Moderator:** Thank you, ladies and gentlemen. This was the last question for today. I would now like to hand over the floor to Mr. Aankur Patni for his closing comments. Over to you, sir.

**Aankur Patni:** Thank you very much. It was a pleasure hosting the con-call once again and I am hopeful that I was able to answer the queries to your satisfaction. Thank you once again and we hope to continue to deliver good numbers in future also.

**Moderator:** Thank you very much sir. Ladies and gentlemen, on behalf of Ion Exchange India Limited that concludes this conference call. Thank you for joining us today. And you may now disconnect your lines. Thank you.