

ION Exchange India Limited
Q4 FY23 Earnings Conference Call
May 30, 2023

Moderator: Ladies and gentlemen, good day and welcome to ION Exchange India Limited Q4 FY23 Earnings Conference call. As a remainder 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors, thank you and over to you.

Anuj Sonpal: Good afternoon, everyone and a very 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 and Valorem Advisors, I would like to thank you all for participating in the Company’s Earnings Conference Call for the 4th Quarter and financial year ending 2023.

Before we begin let me mention a short cautionary statement. Some of the statements made in today's con-call may be forward-looking in nature. Such forward looking statements are subject to risks and uncertainty which could cause actual results to differ from those anticipated. Such statements are based on management believes as well as assumptions made by information currently available to management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. The purpose of today's earnings call is purely to educate and bring awareness about the company’s fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks we have with us Mr. Ankur Patni – Executive Director, Mr. Vasant Naik – Group, Chief Financial Officer and Mr. N.M. Ranadive– Group Head of Financial Planning and Risk Management and Mr. Milind Puranik– Company Secretary. Without any further delay. I request Mr. Vasant Naik to start with his opening remarks.

Thank you and over to you, Sir.

Vasant Naik: Thank you, Anuj. Good afternoon, everybody. It is a pleasure to welcome you to the earnings conference call for the 4th Quarter and the financial year ended 2023.

For the 4th Quarter under review on a consolidated basis, the company reported operating income of INR 6475 million, an increase of around 30% year-on-year and 26% quarter-on-quarter. EBITDA reported was INR 1064 million, representing an increase of around 12% year-

on-year and 70% quarter-on-quarter. EBITDA margins stood at 16.43% and net profit was INR 812 million, a decrease of around 2% year on year, but an increase of 70% quarter-on-quarter, while the PAT margin was in the region of around 12.5%. For the financial year 2023, on a consolidated basis, the operating incomes stood at INR 19 thousand 896 million, an increase of around 26% year-on-year. The EBITDA stood at INR 2550 million, an increase of around 20% year-on-year and the EBITDA margin was reported at 12.82%. Profit after tax through that 1950 million, an increase of around 21% on a year-on-year basis and the PAT margin was reported at 9.8%. Let me now take you through the quarterly segmental performance on a consolidated basis. In the engineering division, the revenue for the quarter was INR 4526 million, an increase of 41% year-on-year. The EBIT for this segment was INR 560 million, a decrease of 23.5% year-on-year. While the exhibition of the Sri Lanka order remains significantly affected, the company's discussion among all the stakeholders are moving in a positive direction and we are hopeful of the project closure in FY24, the execution of the UP Jal Nigam Project is progressing satisfactorily and revenue has been recognized based on work completion. The execution of the other engineering orders picked up pace during the quarter and back of the increased order flows under the high order backlog. The company continues to invest in engineering infrastructure, including manpower to enhance its execution capabilities for handling the increased order backlog. The company during the quarter also increased witness steady order flows both in the domestic and the international market.

Moving to the chemicals division:

The revenue for the quarter was INR1,640 million, which increased to around 8.25% year-on-year. The EBIT was INR 482 million an increased by 40% on a year-on-year basis. The sales in the domestic segment continued to record steady growth, while the export volume remained muted. This segment witnessed improved margins aided by stability in the input costs and improved volumes of higher margin product lines.

The third segment, the consumer division segment, the revenue for the quarter was INR 515 million, an increase of around 30% year-on-year. The loss for the quarter INR 7 million versus 16 million loss in the same period of the previous year. This segment continues to record healthy top-line growth. With this, we can now open the floor for the question and answer session.

Moderator:

Thank you. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Sameer Palod from AUM Fund Advisors. LP, please go ahead.

Sameer Palod:

Thank you for the opportunity. If you can just tell us a little bit about what is going on the engineering business, which has seen very good sales growth during the quarter compared to the same quarter last year, but the EBIT margins have gone down by more than 10 percentage points. So a little bit of color on, what is going on in that business? What kind of work you have executed and why the margins have dipped so dramatically during the quarter?

Aankur Patni: We have broadly done significantly larger amount of business during the quarter. There were a few factors which have contributed to this despite the overall margin percentages. The key reason is that we have had a typical way in which the others get executed. We tend to be a little bit cautious towards the way the margins are recognized and as the contract progresses, our estimates on cost to completion of a project getting right. So there will be some contracts which would have been in an initial period of execution and we would hope to see slightly greater margins as we go forward. That is one thing. The second aspect is that we have a lot of infrastructure and capabilities which we are building up. Our engineering businesses to build up for the upcoming invoices, which is going to be substantially increase over what we have managed to do in the past. So there is little expenditure on that front which has got accounted and there would always be some variation because of the composition of projects or the project mix which gets executed during the particular quarter. So there is no real cause of worry there. We should be able to keep delivering good growth and reasonably good margin in the period coming forward.

Sameer Palod: Sir, I asked this question because same quarter last year the EBIT margins were almost 22% in this quarter is down to 12%. So if you were to look at this business on a slightly longer term basis, what is a reasonable EBIT margin to assume for the engineering business on a more sort of steady state basis, ignoring the quarter-to-quarter variation.

Aankur Patni: If we look at the kind of order book that we carry today and also the scale at which we hope to be executing orders in future, we should be seeing an improvement over what we have achieved in the current year.

Sameer Palod: OK and would you say that even in your bid pipeline of about 8000 odd crores you are building with those sorts of EBIT margins which are which will be higher than what you have achieved in the current year?

Aankur Patni: The EBIT margins are also a function of the scale at which we operate and that is why we see quarter to quarter variations because the scale of operation in different quarters tends to be different. But if you look at margins on individual contracts, they tend to be slightly better and we do expect that as these inquiries offers mature into orders, we should be able to maintain or better the EBIT margins which we are currently reported.

Sameer Palod: And the build pipeline, sir, would consist mostly of projects like Jal Nigams of the various states like the one that you have for UP and Delhi who would it be a similar types of bids that you are making?

Aankur Patni: No, it is a good mix of industrial PSU projects and the municipal or infrastructure projects would be relatively lesser.

Sameer Palod: OK. Thank you for that. I will jump back into the queue.

Moderator: **Thank you.** Next question comes from the line of Akshat Mehta from Sameeksha Capital. Please go ahead.

Akshat Mehta: Sir my question was only working capital side. What is the reason that receivables have gone up and your payables have come down sharply during the year?

Aankur Patni: Your question is on working capital. Did I understand it right?

Akshat Mehta: So I was asking the reason why our receivables have gone up and payables come down more sharply during the year.

Aankur Patni: We had a disproportionate high invoicing in the month of March. That was the reason why the receivables have gone up sharply in the in that period as of March 2023.

Akshat Mehta: Okay and payables?

Vasant Naik: Payables also, I mean the overall levels of payable have gone up if you really see I mean, as the opportunities of sales, if you see your number of days has gone down sharply by around 20 days. Why is that because that is affecting your working capital efficiency overall.

Aankur Patni: No, but I think we were also carrying a large amount of inventory during the quarter and many much of the invoicing happened during the quarter end. So that has slightly distorted the working capital position, but if you see in the first quarter of 2023 to 2024 the working capital position should get normalized because then all the financial indicators in the current assets and liabilities would have got even though. So we do not see much of a issue in the working capital cycle.

Akshat Mehta: So you were saying that we can maintain the cycle that we had in FY22 correct, FY23 is a bit of a year and optimal normality by FY22 we can maintain, right?

Aankur Patni: Yeah, we should be able to normalize the working capital cycle in FY23 to FY24.

Akshat Mehta: OK. Secondly, if you can, you give a number on what is the kind of advance that we have received during the year from our customers and any color on order inflows that you are seeing coming in for next year.

Vasant Naik: The total advances, which are outstanding in the books as of March end, are in the region of around 200 crores.

Akshat Mehta: 200 crores and any color on ordering flows for the next year that you are seeing?

Aankur Patni: Can you please come again on the second part of this question?

Akshat Mehta: I was asking if you can give some color on the order inflows that you are seeing for the next year.

Aankur Patni: As we discussed in the first part of the first question, in the concall the total inquiry bank it is around 8124 crores. So I mean it is a very healthy order of a bank and we are hopeful that we should be in a position to have the same level of order inflow what we have seen in the current year of 2022- 2023.

Moderator: Thank you, Mr. Mehta we request that you return to the question queue for follow up questions. Next question comes on the line of Pratik Kothari from Unique Portfolio Managers. Please go ahead and also please stick yourself to 2 questions. Thank you.

Pratik Kothari: Hi, good afternoon and thank you for the opportunity. So my first question on the engineering side, we for the last two or three quarters, we have been speaking about that we are kind of investing in our infra, in our manpower to execute much larger orders or much larger pace of execution going forward and this is quite reflected in the numbers like three years back our order book used to be 1000 crores. It is at 3500 crores right now, but the execution is not up to the mark you can if you can just talk about what kind of preparations have been made? What can this lead to or may be two to three years out.

Aankur Patni: Well, in terms of the capability enhancement, there has been significant investments in our ability to execute projects, but also on the manpower and other related infrastructure. So our ability to manage a project, our ability to execute in terms of equipments, machineries, fabrications etc. So everything needs to go hand in hand and is very much now geared to handle the level of invoicing that we expect in the coming period. As you rightly pointed out, 3400 odd crores of order book of which a good portion will get executed during FY23 to FY24 and therefore the level of execution capabilities needed to be much higher. In fact, when I answered the first question as to the impact of these costs on our margins. So it has had a build on the way our margins have got reflected.

Pratik Kothari: Fair enough, sure and a couple of clarifications. One, what would be our UPA execution for this year and second just to clarify to your earlier comment, you did say that in quarter four we completed a few orders and we have not recognized the margins which we should being conservative etcetera and hence the lower margins.

Aankur Patni: No, that's not what I meant. The customarily when we look at forecasting the cost to completion for major projects, it always tends to be conservative towards the beginning of the contract and then please get revised as the contract progresses. So there would be a few contracts which a few large contracts which are still at a relatively early stage of execution and hence we would tend to be conservative when we estimate the cost of completion.

Pratik Kothari: Fair enough sir my last question is on the chemicals one we announced that we have started this exhibition at Roha. So just wanted to clarify, this is the scene that we were waiting and

environment clearance on and also there was some article which spoke about we putting our chemical facility in Orissa. So if we just clarify regarding the same.

Aankur Patni: Yes, Roha is the one for which we were waiting for the environmental clearance we have received that in the last quarter and the construction work has commenced on the plant. We expect that the plant will be operational by FY25-FY26 regarding the investment in Orissa, yes, there is another backward integration project which is planned there.

Pratik Kothari: What kind of CAPEX? What would you be doing there?

Aankur Patni: Still, at a relatively early stage, I will certainly give more information in the next call.

Pratik Kothari: Fair enough. Thank you and all the best sir, thank you.

Moderator: Next question comes from the line of Dhruv Rathod from Solidarity Investment Managers. Please go ahead..

Dhruv Rathod: Good afternoon, Sir. So my first question was related to your engineering division. I just wanted to understand what is the red line while looking out for EPC contracts as there have been instances where players have burned money here by taking the wrong projects?

Aankur Patni: That's right, EPC business tends to be a little tricky because it gives a large quantum of revenue, but it does come up with the risks which needs to be managed in terms of the type of risks one is to do with how aggressively that you would bid for the contract and we tend to be relatively conservative. We do not want to put our balance sheet and the bottom line at risk. So that is one area where we are very careful. The other, of course is an institution risk where we see that there are challenges, whether it is geopolitical or anything else which we expect to face when we are executing the contract. We are also very careful about the payment terms that we get careful about the kind of customers that we are talking about, whether we will get paid in time and there are numerous parameters which we take into account when we consider which contracts to bid and which not to, and this is what has led to a slightly conservative progress towards higher numbers because we would rather be safe than sorry that sort of being the defining line for us.

Dhruv Rathod: In your chemical business, what is the expectations for growth? What is exactly changing in that particular business? So initially your growth was not that strong, but now the expectation for growth is increasing. So how is it changing a lot?

Aankur Patni: You are saying expectation of growth?

Dhruv Rathod: So the performance in the chemical business has been improving. So what is changing exactly in your chemical business?

Aankur Patni: Well, the chemical business has been progressing quite nicely over the last few years. Top line growth has been fueled both by improvements in the domestic market and in the international market and also, our continuous effort to improve the product mix, we keep striving to read out underperforming product lines and to add more and more of value added products to our portfolio that has helped in not just keeping the top line growth in pace, but also to provide an additional flip to the bottom line. About couple of years back we faced quite a bit of a challenge when there were sudden spikes in commodity prices across the globe and there were also supply chain challenges of various nature which fortunately we have not encountered during the last year and we had stability in commodity prices as well as relatively certain supply chain and exchange rate scenarios. The challenge continues to be the geopolitical situation which we know in some parts of the globe still affects the market. If all things remain as they are, and we continue to have a stable scenario on all these fronts, we should be able to maintain the margins that we have seen.

Dhruv Rathod: Got it and just a final question, so you are still actually making losses on the consumer business. So what are your plans exactly and what needs to change in this particular business for it to improve?

Aankur Patni: Yes, we have not turned around in the consumer business as we continue to invest for future growth. We could potentially have reported just about a break even, but we have incurred. Good amount of expenditure during the last few quarters as we ramp up the capabilities of this segment for future growth. There has also been significant expenditures on marketing, which has gone up during the year. All of this has contributed to bottom line, which is slightly shy of a break even, but we will continue to see good growth in this segment and hopefully we will be much better off as far as the bottom line is concerned in the next.

Dhruv Rathod: Alright, thank you so much for your answers.

Moderator: Thank you. Next question comes from the line of Mahesh Bendre from LIC Mutual funds. Please go ahead.

Mahesh Bendre: Sir, given the current order book and the business outlook you mentioned, I mean, what kind of growth we are possibly looking for our water business and chemical business in the current year?

Aankur Patni: Our order book is extremely strong and I would dare say that a good portion of that order book would need to get executed in the current year and therefore, the prospects for the current year are quite good. I would desist from giving out exact number guidance as of now. I will certainly give it after the first quarter is over. But as of now, I would just say that we expect significant growth in the current year as far as engineering business is concerned. On the chemical segment, we should continue to grow at a reasonable pace. Last year we have done roughly around 11 odd percent, we should be able to deliver a better number if the geopolitical situation in Europe and the Americas improves further and we do hope that the export

numbers would start ramping up again if those things fall in line chemical segment should also grow at a good pace.

Mahesh Bendre: OK, sure and sir, what is the capital expenditure plan for next two years?

Aankur Patni: We have the Roha project which is the resin manufacturing expansion that project would have roughly around 400 crores of investments and apart from the Roha project, we should be looking at around 60 crores in FY23-FY24.

Mahesh Bendre: So cumulative will be for some 500 crores plus for the next two years.

Aankur Patni: Over the next two years, yes, more than 500 crores.

Mahesh Bendre: Thank you so much sir.

Moderator: Thank you. The next question comes from the line of Srishti Jain from Niveshaay. Please go ahead.

Srishti Jain: Thank you for the opportunity sir, we are seeing desalinization plans coming from countries like Saudi Arabia, Egypt or Africa. Are we looking for some opportunities there and for this quarter, like our exposure is the person with the sales has also decreased, what can be expected run rate moving forward till that?

Aankur Patni: Sorry, your voice was not very clear to me. I understood that you were asking about potential of getting engineering contracts, including desalinization from the export market, is that right?

Srishti Jain: Right.

Aankur Patni: Yes, we are actively working on a few projects, which means we are executing a few projects of nature in Africa and in the Middle East and we continue to look at more and more prospects and certainly of a larger size.

Srishti Jain: Sir exports has decreased significantly as of this quarter. So if you can give any number to that.

Aankur Patni: You are saying exports has decreased over the year.

Srishti Jain: This quarter as a percentage of revenue.

Aankur Patni: As a percentage of revenue you are saying. I think for the year as a whole, our engineering exports have done quite well. If I exclude the Sri Lanka project, which you all know is for the moment going at a very slow pace. If I exclude the impact of the Sri Lanka project, exports has grown by very healthy margin. I think it could have more than doubled Vasant engineering exports .

Vasant Naik: Excluding Sri Lanka, yes.

Aankur Patni: So if we are doing pretty well on engineering exports, then we should continue to do well the next year should also see a further growth on top of this number.

Srishti Jain: Thank you sir and sir for the current order book and build pipeline, can you just break up between municipal and industrial order?

Aankur Patni: Industrial and municipal for the for the order book, you said right.

Srishti Jain: Yes.

Aankur Patni: Industrial would be roughly around 65% odd

Srishti Jain: OK. Thank you, Sir. That is all.

Moderator: Thank you. The next question comes from the line of Rahul Shah from Crown Capital, please go ahead.

Rahul Shah: Hello, Sir. Good afternoon. My question was again on the, so you said you are not giving a quick guidance, but I just wanted to ask, do you see an improvement in FY24 from here on in terms of top line and EBITDA margins, especially the EBITDA margins which have dropped on a console level.

Aankur Patni: I do expect significant growth on the top line. We spoke about order book that we carry the expectations further conversions of the inquiry bank that we have. So the prospect for top line growth remains pretty good. We also outlined the various reasons why the bottom line or the margin percentages have behaved in the way that they have. I would expect that if things remain in the channel for stability, we should be seeing an improvement here on.

Rahul Shah: OK and you mentioned the 500 odd crores of CAPEX for the next two years. How are you planning to fund it?

Aankur Patni: How are we planning to fund it?

Rahul Shah: Yes the CAPEX.

Aankur Patni: Well, a portion of it would come from internal accruals and we have already established conversation with the lenders, who would be in a position to fund it and we are pretty confident of getting whatever external funding that is required.

Rahul Shah: And which division you feel will be key driver in FY24. I am sorry if it is a repeating one, but.

Aankur Patni: You are saying which division, which key drivers for this CAPEX.

Rahul Shah: No, no for the growth in FY24. So where are you seeing the most promising?

Aankur Patni: Well, engineering has by far been the largest segment and it would continue to be the largest segment in the coming year also.

Rahul Shah: Okay sir and thank you and all the best

Moderator: Thank you. Next question comes from the line of Sanjay Kumar from ithought Financial Consulting. Please go ahead.

Sanjay Kumar: Hi Sir, thanks for the opportunity. First, just a clarification on the resin CAPEX. I was going through the easy document, it says CAPEX of 400 crores and in today's call you mentioned CAPEX of 500 crores in next two years. So are we doing both phase one and phase two back to back, if you could give the timeline for the recent CAPEX.

Aankur Patni: I said the resin CAPEX would be 400 crores around and there are other CAPEX which are apart from the resin plant or for the next two years they would add up to more than 100 crores. So that's how the figure goes to more than 500.

Sanjay Kumar: OK. So we will be doing both phases in the next two years.

Aankur Patni: No.

Sanjay Kumar: OK. Can you give?

Aankur Patni: I will again repeat my answer. The resin project is 400 crores and there are other CAPEX which are planned in other works of the company, other segments of the company and these CAPEX would add up to more than 100 crores over the next two years so it is the resin Project continues to be around 400 crores.

Sanjay Kumar: Got it and can you give the realization for the resin on average so in India Mart, I am seeing a range from Rs. 100 per kg to even 250 and what is the application of these resin for which we are putting a CAPEX, the EC report says end use is water treatment or is it across the board and the capacity is kind of fungible?

Aankur Patni: I will try to repeat your question to make sure that I understood it. You want to know what is the kind of applications that resin are used for and the time the.

Sanjay Kumar: Specifically for this CAPEX.

Aankur Patni: Specifically for this CAPEX.

Sanjay Kumar: Right.

Aankur Patni: The reason applications tend to be pretty wide for most part it is used in water treatment, but the resin applications would also be in non-water kind of areas. It is used in purification of various things including beverages. It is used in pharma. It is used in extraction of chemicals from certain stream of (Inaudible) 38:28.4 so the applications are really tends to be very wide and depending upon the chemistry and the application and the complexity of the specific product involved, the prices of the product and also the margins vary.

Sanjay Kumar: And what will be the resin sir, per kg realization on average rough figures will help in the potential revenue.

Aankur Patni: They vary very widely, and if you are trying to assess the kind of revenue that this CAPEX is going to bring in. Out of this CAPEX of 400, a little over 100 and 125 thereabouts is for a backward integration project, which is integrated with the resin plant. So if I exclude the impact of that we should get access to low roughly around two time roughly 2x, so including the backward integration of 125, the project cost for the reason would be roughly around 275. So we are talking 2x of that.

Sanjay Kumar: Got it sir and what is driving this CapEx because Thermax is also talking about a CAPEX in 18 months? Is there a ready import substitution opportunity or are we gaining market share from global players and exports? If you could give us a sense of why you are putting up this huge CAPEX given a competitor is also putting up CAPEX?

Aankur Patni: Ion exchange would have roughly a 40% market share in the Indian market and the Indian market continues to grow. Apart from that, in the international market, our market share would be a very small number, maybe around the 2% kind of figure. So the headroom for growth in the international market is phenomenal and that is what we would tap into. We have got in the past quite good response from the international market and we assure that as we bring this capacity on board, we would be able to quickly get more share in international market.

Sanjay Kumar: Predominantly for exports, so just one final request, Sir. I do not know if you have gone through the investor presentation of WABAG. They give very detailed information like break up of humans pulling a skill, breakup of geography segment wise not just for revenue they give for order intake and order book. They also list the key orders received and the order intake figure every quarter so if you could give that that will be very helpful and in terms of our order book and pipeline, can you give the breakup in terms of desalinating, ETP, STP and drinking water so that we could judge our forte of within these four and how do we compete with WABAG?

Aankur Patni: Well, that is not a breakup that we typically provide. I can tell you that as far as industrial versus municipal is concerned, our order book would be roughly 65% in favor of industry. And as far as domestic versus international is concerned, we would be roughly around 85% domestic.

Sanjay Kumar: And the in terms of water versus desal or ETP, do we have an upper hand in any of these segments or does WABAG have upper hand in desal for example.

Aankur Patni: I am not getting into a competitive analysis. I am sorry at this time, but I can tell you that we continue to do well on all product lines. We do not have a very strong presence and somewhat by choice in the municipal segment and that is where some of our competitors may be showing....

Sanjay Kumar: Got it. Thanks lot. That's it from my side.

Moderator: Thank you. Next question comes from the line of Mahesh Agarwal from Agarwal Family Office. Please go ahead.

Mahesh Agarwal: Congratulations on a good set of numbers to you and the team. I wanted to take a step back and understand something at a bit more high level. So if you look at the Ion Exchange resins product that we have wanted to understand how our prices compared to Chinese manufacturers who sort of you know dominate I think around close to 40% of the market share and then either we that what is the risk of dumping by these players ever in India and if there is any import duties in place of that sort to protect against any kind of actions by Chinese players.

Aankur Patni: In order to answer that question, let me give you a perspective of how a typical large user of resins would go out selecting the right product. You would not just look at price, you would also look at the quality of the products, the kind of support and service that one would provide and also the extent to which our products have been proven for the application that is using it for. So in a typical scenario where the resins are used for critical or semi critical operation they would not go in for something which is not very well proven. So that is one, chinese manufacturers of resins have been in the market for now lot of years a long number of years and they have tried to position themselves not just in the international market, but also in the Indian market. We managed to that scenario reasonably well till now and we hope that we would be able to continue with our strategies and be able to maintain market share in the domestic market. As far as the international market is concerned, the Chinese have been in a way cost leaders for some time but their costs have undergone an increase over the last few years because of increased degree of compliance with environmental laws and other such concerns, which have been thrown up by a lot of your customers. So their costs are now at a much more higher level compared to what they were earlier. We managed to compete quite well with them on one front, including quality, cost and otherwise, we hope that we will be able to scale our market shares in the international market also.

Mahesh Agarwal: Understood and sir just to understand a bit more on that. Would we be within say 10% or so broadly of prices of the Chinese guys just to understand where we as a country stand today relative to their kind of cost curve.

Mahesh Agarwal: It depends upon product to product. There would always be differences and they would position themselves at a higher or lower level as far as cost is concerned depending upon the customer, the geography they are present etc. In some cases they may be higher price than. In

some cases, they could be marginally lower. The price difference could be 10% or in some circumstances, but it is not always true.

Mahesh Agarwal: Got it and are there any import duties in place on our key products to protect from any kind of dumping scenario?

Aankur Patni: Yes, the government does protect us through various means and measures, not. I will not say that they completely put an embargo on them, but it does provide a reasonable degree of protection but I would ask Vasant to clarify on the exact import duty, which is there on resin specifically.

Vasant Naik: I will need to check, quite frankly, but to my mind there is no sort of protection on import duty on the import of resins.

Mahesh Agarwal: There is no dumping anti dumping, kind of

Vasant Naik: No.

Mahesh Agarwal: That could be that could be something worth exploring and you know just keeping back of our mind in case that scenario ever pops up and then Aankur if you could just share the same kind of understanding for our waste water treatment chemicals and the membrane aspect as well. How we kind of stack up there vis-a-vis Chinese or other global players.

Aankur Patni: I would say that the same summary applies very much to almost all the product lines. Both with respect to the domestic consumers and the international consumers. Of course we have just started. We are quite new in the field and we are already running at more than 90% capacity utilization for our membrane plant. We just expanded capacity, which will double our capacity and I am expecting that we will use up this additional capacity within the next couple of years. We have already got our plans ready for further expansion, so membrane growth should happen at a very-very rapid pace for us. We should be able to garner further market share in India as well as abroad.

Mahesh Agarwal: Understood and just a last final up on this, if you could give us a sense of what percentage of chemicals is export today and then also what is kind of the right to win or what is driving more export demand for us? Is the China plus one that we are seeing play out in other industries also playing out for us where there is a move to just procuring from India due to quality service, price, or whatever other reasons.

Aankur Patni: Share of exports in chemical would be roughly around 25% this year as far as what is driving the export. China plus one was, I think consideration for a couple of years or slightly more, but once we have got our foot in and the customers have experienced our products and our services, especially our ability to look at their issues and their problems and solve it in a meticulous manner and further to these two aspects, the reliability of our company as a supplier. All of these factors are aided further expansion into the international and customer

mind space. I would believe that as time goes by the stickiness of these customers would be quite strong.

Mahesh Agarwal: That is all from my side. Thank you so much and good luck on the new Portugal subsidy integration as well. we are looking forward to that.

Aankur Patni: Yes, we are just going through the final phases of that in that company and We do expect that those entities will start showing substantial contribution in the coming year.

Moderator: Thank you. Next question comes from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Thank you for the opportunity. Firstly sir, you mentioned about at 1:25 for backward integration that goes into the 400 crore CAPEX. So if you could explain much more about what sort of backward integration will come into play and what would be the exact payback from this one 25 crores ?

Aankur Patni: And what exactly this 125 crores backward integration is? I am afraid I would not be able to give you too much of detail on that, but it s targeted towards improvement in the cost profile of the product as well as to increasing the plant efficiency. I think overall we are expecting a payback for this project in space of roughly around four years.

Saket Kapoor: And then you mentioned about 500 crore CAPEX that that includes also the Orissa one which is on the drawing board or that would be a separate project?

Aankur Patni: No. Orissa Project is not included in this 500 crores.

Saket Kapoor: And the for the other income part, I think so. This year, the other income when comparison to last year are on the similar line but we have booked it in separate quarters. So that has also resulted in this in the reporting numbers being different. So if you could explain the nature of other income appearance in last year 4th Quarter, it was 21 crores and this year it is 5.5 crores. If you would explain the nature and what should be the trajectory going ahead in terms of the other income part and sir in the employee benefit expenses you did mention that we are preparing ourselves with for higher scale of execution. So does that commensurate with this increasing the employee cost or is it the higher execution we have done in the engineering segment because of which the employee costs have also gone up.

Aankur Patni: Let me address your question on other income first. During this last quarter, we had some exchange loss as against an exchange gain which happened in the previous year's 4th Quarter, so that is a significant swing which is causing a lot of difference in the overall number. As far as employee cost is concerned typically, the existing employees would get a pay increase every year, so that is normal increase, which would in any case happen. Further to that we have expanded manpower in various fronts. Engineering have certainly seen a substantial addition to manpower. There has also been addition to manpower in our consumer segment and other

segments so overall the company is preparing and getting itself ready for a higher scale of operation and ensuring that the growth trajectory is maintained.

Saket Kapoor: So sir if we look at the just continuation to it, if we look at the percentage of employee cost to this revenue. Is that a correct way to look at it because that would give it and understanding whether when we start booking executing order in a disproportionate way then this percentage will look lower. So can you give us some understanding for this quarter it is closer to 10% the employee benefit expense.

Aankur Patni: Yes his number would vary depending upon how much of you know revenue we have been able to capitalize based on the additional manpower if the manpower is the recent addition and the revenues would take a little bit time to rectify, the percentages would get skewed a little bit and that is what would happen in a period where we are adding substantial capabilities, especially for executing larger scale of projects in the coming period, the revenues for which have not yet come.

Saket Kapoor: One small point also on the UP Jal Nigam Project then you can project what was the total size of the project and in percentage terms what portion of the project will get executed for this year.

Aankur Patni: Sorry if you were asking about the Sri Lanka project.

Saket Kapoor: No, no, I am asking from the Uttar Pradesh Jal Nigam project. What was the total size of the project when we were awarded and what portion of it would be executed for this year?

Aankur Patni: During the current year?

Saket Kapoor: Yes, the current year execution executive revenue that we will be gathering from this project.

Aankur Patni: During the current year, the invoicing is a little less than 200. I think it is around 198 crores. The total value of the contract is 1200 crores. That is the estimated contract value.

Saket Kapoor: And for FY24, are we going to the execution will be done for this financial year or will it roll over to the next year also?

Aankur Patni: We should be completing a major portion of our majority of this contract by FY23 to FY24 and there will be a small spillover into FY24-FY25.

Saket Kapoor: And does this contract have any O&M part also sir wherein we will be garnering post execution any revenue or an extended period or it is totally an executable even execution based on this.

Aankur Patni: Yes, O&M is. It is 10 year O&M after this.

Moderator: Thank you, Mr. Kapoor we request that you return to the question queue for follow up questions. Next Question comes from the line of Akshat Mehta from Samiksha Capital Private Limited. Please go ahead.

Akshat Mehta: Yeah. Thanks again. I just want to ask you know if I understand correctly, you said that in the chemical segment this quarter, as we have seen very good margins because there has been on account of the product mix, higher margin products have sold more during the quarter. Going forward, let us say for the next year, how do you see the margins in the chemicals segment, will it be around 24 to 25% itself or it can be higher?

Aankur Patni: Well, we have seen the sequential improvements in the margins and are quite hopeful of meeting the FY levels achieved in the FY22-23, however, it is contingent upon continued stability in commodity prices and stability in supply chain, exchange rate as well as also, the geopolitical situation for the European. We remain stable then we should be able to maintain the margins.

Akshat Mehta: So maintain full year margin of 26 percent or quarter 4 margin of 30. Full year margin, right?

Aankur Patni: Yeah, I am talking about the full year margin.

Akshat Mehta: and I also like to understand, you know, in terms of the new Portugal Activation that you have done for April, can you provide some color on you know what is the kind of synergies that will come in and how do you see the top line and the bottom line going for that company in the next couple of years or so, broad color.

Aankur Patni: Well, we should be able to. Look at the reasonably good growth coming in from the European market. Still, early days for me to give you a number projection. We have obviously got our numbers internally, but I would not want to yet put it out as a guidance, we would like to do preferably around a quarter or so later. We would, however, I can give you a broad indication that we should be able to generate significant multiples of our acquisition.

Akshat Mehta: OK. Thank you.

Moderator: **Thank you.** Next question comes from the line of Pratik Kothari from Unique Portfolio Manager. Please go ahead.

Pratik Kothari: Thank you again. Sir, my one question to understand that thinking and our strategy, I mean earlier, for the resins plans are the CAPEX outlay of 200 250 crores and you are adding about 125 crores of backward Orissa. We plan to do some backward integration there. So just why so much focus on backward integration and what are we thinking and how are we thinking?

Aankur Patni: Well, backward integration does give us significant cost advantage that week and we are looking at improving our overall paybacks for the investments which we are making fresh, which is in Johar as also for the investments which we already have in the product line which are already

in existence. So they would bring in an extra quantum of margin, as I said that on an overall basis with the advantage or benefit of the integrated project, we should see a payback of roughly 4 years for our both the projects.

Pratik Kothari: So all of this, the material or the base product that we were consuming to manufacture the resin were this all imported maybe from China and that is why we are doing this.

Aankur Patni: So the products which we use for manufacturing resin, we do have significant amount of imported content, but these are more commodities in nature. We have spoken about the key component of resins being styrene which we can source both internationally as well as in the domestic market but this particular project that we are talking about is not intended to be for styrene.

Pratik Kothari: OK, fair enough and sir we consolidated two of our subsidiaries this year within ourselves the CSL and IEEML....

Aankur Patni: Sorry, Pratik, I could not get your question very clearly.

Pratik Kothari: Sir my question was we consolidated two of our wholly owned subsidiaries within Ion Exchange this year and we were on a path to kind of simplify the corporate structure. So if you can highlight are there more subsidies that we plan to consolidate this year.

Aankur Patni: We are looking at total of 3 subsidiaries we are getting merged into Ion Exchange in during the course of the coming period and we would look at more possibilities after we complete this particular thing.

Pratik Kothari: Fair enough. Great and thank you again.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today. We have reached the end of question and answer session. I would now like to hand the conference over to Mr. N.M. Ranadive from Ion Exchange India Limited for closing comments.

N.M. Ranadive: Thank you all for participating in this earnings concall. I hope we have been able to answer your queries 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 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 this conference. Thank you for joining us. You may now disconnect your lines.