Ion Exchange (India) Ltd — Aug 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — frames everything below.

Result: Weak Miss / Structural Transition **One-line:** The thesis is shifting from a volatile EPC play to a high-margin, repeatable products and services business, but the "legacy tail" of low-margin projects is proving longer and more painful than anticipated, suppressing consolidated EBITDA margins to 4.54%.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	Rev □701 Cr (+20% YoY) beat, but EBITDA □32 Cr (-49% YoY) was a significant miss on profitability.	□
Earnings Quality	Low	PAT of □3 Cr on □701 Cr revenue reflects a massive 96% collapse YoY; operating leverage is working in reverse due to fixed costs at Roha.	□
Guidance Confidence	Neutral	Management maintains 25% Roha utilization and Consumer break-even targets for FY27, despite a slow Q1 start.	□
Management Credibility	Neutral	The segment reclassification increases transparency but also exposes the deep losses in the "Treatment Solutions" vertical.	□
Business Quality Signal	Improving (Long-term)	Transition to 60% Products/Services mix is fundamentally higher quality; Q1 Industrial Product margins jumped to 11.89%.	□
Key Q&A Exchange	Q#4 Legacy EBIT	Mgmt admitted Treatment Solutions EBIT fell from □60 Cr to □27 Cr over 5 years; currently loss-making due to UP project.	□
The Street's Primary Anxiety	Legacy Project Exit	When will the UP and other legacy projects stop bleeding the P&L? Mgmt expects "significant progress" by year-end.	□
Capital Cycle Stage	Investment / Ramp-up	Roha (Chemicals) and Goa (Membranes) are in the early stabilization phase; heavy depreciation/interest is hitting now.	□
Margin / Return Ratio Trajectory	Deteriorating	Consol EBITDA margin of 4.54% is a recovery from Q4's 2.31% but far below the 10.7% of Q1 FY26.	□
Pricing Power	Stable	Chemicals segment passing through costs with a time lag; Industrial products showing strong margin expansion.	□
FCF Conversion & Quality	Distorted	PAT of □3 Cr suggests negligible FCF; working capital is "calibrated" to government fund flows.	□
Competitive Moat Signals	Widening	Only manufacturer in India with full RO-UF-NF-MBR membrane range; India's first non-solvent resin plant.	□
Balance Sheet Strength	Adequate	Net Debt/Equity 0.10x; interest coverage is tightening but manageable.	□
Working Capital Efficiency	Stable	Inventory/receivables calibrated to government fund flow; UP exposure "materially unchanged."	□
Mgmt Guidance Track Record	Mixed	Delivered Roha capacity but missed the margin transition timing.	□
Key Vulnerability / Red Flag	Treatment Solutions EBIT	The core "mothership" segment is losing money (□17 Cr loss) which negates the growth in Chemicals.	□
Management Tone	Cautiously Confident	Candid about legacy pain but bullish on new high-tech verticals (Semicon/Hydrogen).	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The segment reclassification reveals a hidden gem in **Industrial Products**, which saw margins expand to 11.89% (vs <6% YoY). The order book remains robust at □2,473 Cr, bolstered by a $52M (□437 Cr) post-quarter Hyundai win. Strategic pivots into high-tech areas like semiconductor-grade resins and lithium extraction destruction (PFAS) position the company for a higher valuation multiple once legacy issues clear. * **Negatives:** The **Treatment Solutions** segment (formerly Engineering) is a massive drag, reporting a □17 Cr EBIT loss due to the U.P. government project and other legacy contracts. **Specialty Chemicals** EBIT halved YoY to □22 Cr as Roha's fixed costs and geopolitical timing lags (GCC/West Asia) hit simultaneously. * **Street Concern:** Analysts are focused on the "legacy overhang." Management's response that funds have started flowing for the U.P. project but will spill into FY28 suggests that the P&L will not be "clean" for at least another 12–18 months. * **Watchpoint:** Monitoring the absorption of Roha's capacity—if utilization doesn't hit 25% by Q3, the fixed-cost drag will likely result in a full-year earnings downgrade.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Utilities / Water Management) *Data Source: PPT 3547 (Primary), Concall 3598 (Mgmt Commentary)*

Metric	Current Qtr (Q1 FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	□701 Cr	↑ 20%	↓ 18.8%	↑	Double-digit growth across all 5 segments.
Operating EBITDA	□32 Cr	↓ 49%	↑ 60%	↓	Impacted by Roha startup costs and legacy projects.
EBITDA Margin %	4.54%	↓ 616 bps	↑ 223 bps	↓	Recovering from Q4 low but still under pressure.
PAT (Consol)	□3 Cr	↓ 96%	↓ 87.7%	↓	High base last year; hit by depreciation/ interest.
ROCE (%)	14.3%*	↓ 770 bps*	N/A	↓	*Annual FY26 figure; Q1 specific not stated.
Order Book	□2,473 Cr	↑ 7.5%	↓ 12.7%	→	Excludes □437 Cr Hyundai order win.
Bid Pipeline	□9,777 Cr	↑ 12%	N/A	↑	Strong opportunity funnel in domestic/intl markets.
Net Debt / Equity	0.10x	↑ 0.20x	→	↓	Debt at peak due to Roha/Goa expansions.
Interest Coverage	8.1x	↓ 78%	→	↓	Impacted by higher debt servicing for Roha.
CFO-to-PAT	Not Stated	N/A	N/A	□	PAT of □3 Cr implies negligible cash generation.

2B. SEGMENT BREAKDOWN (New Reporting)

Segment	Revenue (□ Cr)	YoY Growth	EBIT Margin	Trend	vs Co. Avg	Key Development
Treatment Solutions	□210 Cr	↑ 14%	(8.1%)	↓	Lower	Legacy U.P. project causing EBIT losses.
Industrial Products	□105 Cr	↑ 14%	11.89%	↑	Higher	Margins jumped from 6% to 11.9% on membranes.
Lifecycle Services	□72 Cr	↑ 28%	9.92%	→	Higher	Healthy recurring O&M and consumables growth.
Specialty Chemicals	□230 Cr	↑ 21%	9.56%	↓	Higher	Roha drag (6% margin impact) + higher input costs.
Consumer Products	□112 Cr	↑ 33%	(0.3%)	↑	Lower	Nearing break-even (□34 Lakh loss).

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (Roha)	25% utilization in FY27.	High; Q1 was "softer than expected" due to timing.	On Track	Medium
Guidance	Profitability	Consumer segment break-even in FY27.	Needs □120 Cr+ quarterly revenue at current margins.	Improving	Low
Guidance	Capacity	Pharma Resin expansion (6x) in 12 months.	Asset-light; driven by IP and knowledge transfer.	New Target	Low
Guidance	Legacy Projects	Exit U.P. and others by FY28.	Execution depends on Govt fund flow (now resumed).	Delayed	High
Strategy	Global Mix	10% global resin market share.	Requires 4x-5x scale-up from current production.	In Progress	Medium
Strategy	High-Tech	Enter Semicon/PFAS destruction.	Requires WQA/FDA certifications (WQA secured).	Delivered	Low
Balance	Debt	Maintain conservative 0.1x D/E.	Debt is for manufacturing, not working capital.	Consistent	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	3.5	Subi Gupta / Trinetra	Intl Operations	Business Overview	"How is the Portugal market progressing and what are the margins?"	Management confirmed integration is complete and the entity serves South Europe and North Africa with margins similar to or better than India. This validates the inorganic strategy as a bridge to high-margin developed markets.	None	4.0	Validates M&A
2	4.0	Pratik Kothari / Unique	Strategy	Capex & Allocation	"What led to the segment reclassification?"	Reclassification is intended to highlight the high-margin, repeatable segments (Products/ Services) that now make up 60% of the business. This provides a clear rerating path as the "noisy" EPC business is siloed.	None	5.0	High Transparen
3	4.5	Pratik Kothari / Unique	Chemicals	Capex & Allocation	"Does 5x capacity expansion mean □2,500 Cr resin revenue?"	Mgmt clarified the 5x refers to volume capacity across Roha and Ankleshwar post-bottlenecking, not immediate revenue. This suggests massive revenue headroom without significant new capex, boosting	Exact Rev Potential	3.5	Volume vs Value Gap

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						long-term ROE potential.			
4	5.0	Kaustubh Bhupna / Kamana	Profitability	Financials	"Why has Treatment Solutions EBIT fallen so sharply over 5 years?"	Profitability is hit by large legacy projects (UP) and commoditization of basic EPC. The shift to emerging solutions (PFAS, Brine valorization) is the strategy to restore margins to 10%+.	None	4.0	Candid on Pain
5	4.5	Norris Crasto / IMS	Intl Operations	Business Overview	"Has the WQA certification contributed to revenue?"	WQA certification was essential for the North American market and is now enabling Roha volumes to flow into the US. This is a critical milestone for achieving the 25% utilization target.	Quantified US Rev	4.5	Strategic Milestone
6	4.0	Deepak / Sundaram	Pharma	Business Overview	"What is the 6x Pharma resin expansion timeline?"	Expansion is underway at Ankleshwar and expected to be complete in 12 months with high asset turns due to IP-led nature. This adds a high-margin specialty layer to the Chemicals segment.	Current Pharma Rev	4.0	Specialty Pivot
7	4.0	Sagar Parekh / Renaissance	High-Tech	Business Overview	"Capability to service the Semiconductor industry?"	Mgmt confirmed a project win with a partner and historical experience (SCL Mohali),	TAM for Tata Fab	4.5	Moat Expansion

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						positioning them for the upcoming India fab boom. This places Ion Exchange in a unique "dirty industry" utility niche for Semicon.			
8	4.5	Norris Crasto / IMS	RM Costs	Financials	"Impact of softening crude on input costs?"	There is a time lag in passing through costs, but softening crude will eventually improve chemical margins. The Q1 erosion was a mix of this lag and Roha fixed costs.	None	4.0	Margin Lag Flagged
9	5.0	Norris Crasto / IMS	Legacy Projects	Financials	"Is the UP contract on track for resolution this year?"	Mgmt walked back the "this year" timeline, stating funds flow has started but execution will spill into next year. This is a significant negative for the FY27 earnings trajectory.	Exact completion date	3.0	Timeline Extended
10	4.0	Pratik Kothari / Unique	Financials	Financials	"What was the Roha margin impact this quarter?"	Roha impacted segment margins by 6%; another 3-4% was due to the absence of last year's FX gain. Core chemical margins are stronger than the segment headline suggests.	None	5.0	Quantified Drag

PATTERN FLAGS & SENTIMENT Analyst anxiety was heavily concentrated on the **Treatment Solutions (EPC)** segment's losses and the timeline for exiting legacy contracts. Management was defensive yet transparent about the U.P. project, admitting that while fund flows have resumed, the project will not be "closed" this fiscal year. This contradicts earlier street expectations of a clean exit by FY27.

The second major theme was **Roha's utilization**. Management's tone was optimistic but cautious, noting a "softer" start to the year. However, the revelation of the **Industrial Products** segment's 12% margin provided a crucial counter-narrative, suggesting that the underlying business quality is improving where management has control over manufacturing.

Analyst Sentiment Verdict: Skeptical on the short-term P&L but intrigued by the long-term high-tech pivot. The friction point remains the EBIT loss in Treatment Solutions. Credibility is neutral; the reclassification is a "trust-building" move, but the PAT collapse remains a significant overhang.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | UP Project Exit | Resolution by end of CY26. | Execution will spill into next financial year (FY28). | ~6-12 month delay. | High; working capital and EBIT drag. | | Roha Ramp-up | Consistent growth. | Q1 was "softer than expected." | Utilization lag. | Medium; fixed cost pressure. |

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5. WHAT CHANGED vs PRIOR QUARTER

Comparison vs Q4 FY26 Prior Context.

What Changed	Prior Quarter (Q4 FY26)	This Quarter (Q1 FY27)	Direction
Reporting Structure	3 Segments (Eng, Chem, CP)	5 Segments (Solutions, Ind Prod, Services, Chem, CP)	↑ Higher Granularity
Consolidated EBITDA Margin	2.31%	4.54%	↑ Partial Recovery
Engineering/Solution EBIT	3.5% Margin	(□17 Cr) Loss / -8.1% Margin	↓ Significant Deterioration
Industrial Product Margin	Included in Eng (<6% est)	11.89%	↑ Revealed Strength
Legacy Completion Timeline	Expected CY26	Expected FY28	↓ Delayed Recovery
Revenue Momentum	□863 Cr (Q4 peak)	□701 Cr	↓ Seasonal Softness
High-Tech Pipeline	General Solar/Semicon focus	Specific Semiconductor project win mentioned	↑ Validation of Niche

INVESTOR NOTES: * **Thesis Change:** The long-term "Water Scarcity" thesis is intact, but Ion Exchange is now a **"Sum-of-the-parts" (SOTP)** story. The value is migrating to the 60% of business comprising Specialty Resins, Industrial Membranes, and Services. The Engineering segment is currently a "liability" that masked the 12% margins in Industrial Products. * **Earnings Quality:** Still poor. A PAT of □3 Cr on □701 Cr revenue means the company is barely breaking even at the net level. The ROE is being destroyed by the Treatment Solutions segment's losses. * **Valuation Anchor:** The stock will remain volatile until the Treatment Solutions segment hits an EBIT break-even. The Hyundai win (solution-focused, lower risk) is a positive signal for future order book quality. * **Forensic Trigger:** The high inventory levels noted last quarter (□441 Cr) must be watched. Management's comment on "calibrating execution to fund flows" suggests they are actively trying to prevent a further working capital spike, but the PAT-to-OCF ratio remains the critical metric to monitor in H1.