# Ion Exchange (India) Ltd — Feb 2026 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

*The punchline. Read this first — it frames everything below.*

**Result:** Weak Miss **One-line:** Margin compression in the Chemical segment and execution delays in Engineering have created a temporary earnings "valley" as the Roha facility's fixed costs hit the P&L before its revenue contribution ramps up.

| Dimension | This Quarter | Signal / Evidence | Sentiment |
|---|---|---|---|
| Beat/Miss vs Guidance / Prior Quarter | Weak Miss | Revenue grew 6.4% but EBITDA fell 21% and PAT fell 58% YoY. | □ |
| Earnings Quality | Low (Accounting driven) | PAT includes a □16.9 Cr exceptional item for Labour Code provisions and a sharp spike in depreciation/ finance costs. | □ |
| Guidance Confidence | Neutral | Management stands by the 25% Roha utilization for FY27 but admits Engineering recovery is "work in progress." | □ |
| Management Credibility | Mixed | Management missed Q2 guidance for improved Q3 Engineering execution, citing "timing issues" on international orders. | □ |
| Business Quality Signal | Stable | Strong order inflows (□516 Cr) and wins in high-tech Solar/Semiconductor segments offset execution pain. | □ |
| Key Q&A Exchange | Q# 2 — Roha Capacity & Margin profile | Management confirmed Roha margins will eventually exceed the existing Ankleshwar facility once stabilized. | □ |
| The Street's Primary Anxiety | Margin collapse in Chemicals and UP JJM receivables. | Mgmt. plans to pass on costs; will not take new JJM orders; focusing on high-margin ultra-pure water. | □ |
| Capital Cycle Stage | Investment / Transitioning to Harvesting | Large Roha capex (□450 Cr) is mostly capitalized; focus moves from construction to certification/sales. | □ |
| Margin / Return Ratio Trajectory | Deteriorating | Consolidated EBITDA margins fell from 10.93% to 9.27% (9M-FY26) due to mix and Roha startup costs. | □ |
| Pricing Power | Stable/Improving | Management is initiating price hikes in Chemicals to offset rupee depreciation impacts. | □ |
| FCF Conversion & Quality | Weak | High inventory build (□386 Cr vs □236 Cr FY24) and JJM receivable overhang are weighing on cash. | □ |
| Competitive Moat Signals | Widening | Stronger positioning in high-barrier "Ultra-Pure Water" (Solar/Semicon) where competitors are struggling on price. | □ |
| Balance Sheet Strength | Adequate | Net Debt/Equity is rising (0.01 vs -0.4 in FY24) but remains conservative; interest coverage is narrowing. | □ |
| Working Capital Efficiency | Deteriorating | Receivable days impacted by UP government funding slowdown; Inventory up for upcoming international orders. | □ |
| Mgmt Guidance Track Record | Mixed | Historically conservative, but current quarter execution timing was over-promised. | □ |
| Key Vulnerability / Red Flag | JJM Receivable Overhang | □40 Cr order backlog remains in UP; funds flow is negligible, creating a cash drag. | □ |
| Management Tone | Cautious but Optimistically Strategic | Defensive on short-term numbers; highly confident in "Bharat Ka Paani" and solar sector tailwinds. | □ |

**Sentiment: □Neutral**

**Key Takeaways (Positives & Negatives):** * **Positives:** The long-term thesis remains intact with a robust order book of □2,833 Cr (up from FY25 levels) and strategic wins in the solar sector (□205 Cr). The Union Budget provides clear tailwinds for Semiconductors (□40,000 Cr outlay) and the Jal Jeevan Mission extension (to 2028). Consumer Products continues its 30% hyper-growth, though still in the investment (loss-making) phase. *

**Negatives:** P&L is currently absorbing the "double whammy" of Roha's fixed costs (Depreciation + Interest) and Engineering execution delays. Chemical margins (EBIT) contracted significantly to 18.7% from 26.3% YoY. The UP Jal Jeevan Mission remains a structural liquidity drag, with management effectively pausing new business there to focus on recovery. * **The Street's Main Concern:** Analysts are worried that the Chemical segment's historical 24-28% margin profile is structurally lower. Management responded that this is cyclical (raw material/ FX) and startup-related (Roha), and they expect to return to historical averages via price hikes. * **Forward Watchpoint:** Monitor the "International Order Invoicing" in Q4. If this slips again, management credibility on "timing issues" will be severely compromised.

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## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source.

| Metric | Current Qtr | YoY Change | QoQ Change | Trend | Mgmt Commentary |
|---|---|---|---|---|---|
| Revenue (Consol) | □734.4 Cr | ↑ 6.4% | → 0.1% | → | Driven by 28% growth in Consumer & 16% in Chemicals. |
| Order Book | □2,833 Cr | ↑ 11.2%* | ↓ 5.8% | ↓ | *vs FY25 levels. Inflows of □516 Cr during Qtr. |
| Order Inflows | □516 Cr | Not in PPT | ↑ | ↑ | Exceeded last year's annual intake within 9 months. |
| EBITDA | □59.3 Cr | ↓ 21.4% | ↓ 13.4% | ↓ | Dragged by Roha startup and Engineering mix. |
| EBITDA Margin % | 8.07% | ↓ 285 bps | ↓ 126 bps | ↓ | Mix-driven; 9M margins at 9.27% vs 10.93% YoY. |
| PAT | □20.6 Cr | ↓ 58.5% | ↓ 58.7% | ↓ | Includes □16.9 Cr exceptional labor provision. |
| ROCE (%) | 22.0% | ↓ 490 bps* | N/A | ↓ | *9M comparison. Impacted by large CWIP to PPE. |
| Cash & Bank Bal | □390.1 Cr | ↓ 28.8%* | ↓ 17.0%** | ↓ | *vs FY25 end.* *vs H1-FY26. Funding Roha & JJM. |
| Net Debt / Equity | 0.01x | ↑ 0.11x* | ↑ 0.03x** | ↓ | *vs FY25 (-0.1). Shift from Net Cash to Net Debt. |
| Interest Coverage | 8.9x | ↓ 75.3% | ↓ 29.4% | ↓ | Consol. Q3 EBIT/Interest (□59.3-□1.7)/□6.6 Cr. |
| Inventory | □386.1 Cr | ↑ 29.1%* | ↑ 10.6%** | ↓ | *vs FY25. Inventory built for Q4 Int'l dispatches. |

### 2B. SEGMENT BREAKDOWN

| Segment | Revenue (□ Cr) | YoY Growth | EBIT Margin | Trend | vs Co. Avg | Key Development |
|---|---|---|---|---|---|---|
| Engineering | □429.7 Cr | → (flat) | 4.3% | ↓ | Lower | High-value int'l orders deferred to Q4; JJM muted. |
| Chemicals | □230.7 Cr | ↑ 15.8% | 18.7% | ↓ | Higher | Roha commissioned (40-45% capacity); FX/RM headwinds. |
| Consumer Products | □98.7 Cr | ↑ 28.2% | -3.3% | → | Lower | 30% volume growth; heavy ad spend (Bharat Ka Paani). |

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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. | Implies ~□280 Cr (2.5x asset turn on □450 Cr) incremental revenue. | First entry | Certification delays. |
| Guidance | Margins | Return to historical Chemical margins (24-28%). | Needs price hikes to stick in a volatile FX environment. | Missed (Q3) | RM price volatility. |
| Guidance | Volume / Capacity | Roha fully commissioned by March 2026. | Remaining 55% of plant needs commissioning in 2 months. | On track | Technical hiccups. |
| Guidance | Capex Plan | Total Roha Capex □450 Cr. | □130 Cr remaining in CWIP to be capitalized. | Consistent | Overrun risk low. |
| Strategy | Capital Allocation | Not taking more JJM orders; focus on Industrial/ Tech. | Shift toward Solar (□205 Cr wins) is visible in inflows. | Delivered | None. |
| Strategy | Competitive Positioning | Targeting Semiconductors/ Data Centers. | Already won solar; bidding on several semicon projects. | Improving | L1 price bidding. |
| Macro | Industry Headwinds | UP JJM funding is "negligible" currently. | Project extended to 2028; provides long-tail recovery. | Industry-wide issue | Payment defaults. |
| Macro | Input Cost / RM Prices | Rupee depreciation hitting Chemical input costs. | Needs immediate pass-through to sustain 20%+ margins. | Mixed | Competitive pressure. |
| Balance | Debt / Leverage Target | Net Debt/Equity 0.01x. | Management comfortable; primary loan for Roha is long-term. | Stable | Int. rate hikes. |

## 4. ANALYST Q&A

| Q# | Relevance | Analyst / Firm | Theme Cluster | Category | Underlying Concern | Management Response & Investment Implication | Evaded / Not Addressed | Credibility | Verdict |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 4.5 | Chetan Vora, Abakkus | Cost Analysis | Financials | "Gross margin has declined 200 bps... depreciation and interest costs have increased significantly. Are there one-offs?" | Management attributed the margin drop to an adverse engineering project mix (international deferral) and the full impact of Roha's interest/ depreciation hitting the P&L simultaneously. The increased fixed costs are a structural step-up until Roha revenues scale, suggesting a transitionary period for ROE. | None | 4.0 | Quantifi Context |
| 1a | 4.0 | Chetan Vora, Abakkus | Roha Capex | Capex and Allocation | "What was the total CAPEX done for Roha... how much capacity has come on system?" | Total estimate is □450 Cr with □285 Cr capitalized so far and 40-45% capacity currently stream-ready. Revenue contribution will remain negligible until certifications are obtained, meaning P&L drag precedes the gain. | Quantity in tonnage | 4.0 | Phased Outlook |
| 2 | 4.5 | Kishore Kumar, Unifi | Guidance Gap | Mgmt Commentary | "In Q2 you guided for better execution and profitability in engineering... actual numbers remained under | Management cited a timing issue where high-margin international dispatches planned for Q3 slipped into Q4 due to reasons "beyond | Specific reasons for delay | 3.0 | Credibil Watch |

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|---|---|---|---|---|---|---|---|---|---|
| | | | | | pressure. Why the gap?" | control." This creates a heavy reliance on Q4 performance to salvage the segment's full-year profitability. | | | |
| 2a | 4.0 | Kishore Kumar, Unifi | Roha Margins | Financials | "Can you give quantitative figures for [Roha]... gross margin similar to existing facility?" | Management stated that once stabilized, Roha's margin profile is expected to be better than the Ankleshwar facility due to product mix. This confirms the long-term margin expansion thesis despite current startup headwinds. | Specific current margins | 3.5 | Long-te Optimis |
| 3 | 4.0 | Rushabh Shah, BugleRock | Semiconductor | Business Overview | "Any update on Semiconductor orders... what would be the market size?" | Ion Exchange bid for two projects but rejected them because "price levels were not conducive for profitable execution." This signals a disciplined management team that prioritizes margins over "vanity" high-tech order book wins. | Market size estimate | 4.0 | Margin Disciplin |
| 4 | 3.5 | Raghav M, Kamaya Care | Roha Utilization | Management Commentary | "What has been the capacity utilization for [Roha] for this quarter?" | Current utilization is "very, very less" as products are undergoing | Exact current % | 3.0 | Realisti Ramp |

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|---|---|---|---|---|---|---|---|---|---|
| | | | | | | qualification/ certification. Full ramp-up is a 4-year journey, with a 25% target for FY27. | | | |
| 4a | 4.5 | Raghav M, Kamaya Care | JJM Receivables | Financials | "How much of the receivables are stuck in Jal Jeevan Mission... what is the impact of the budget?" | Receivables are unchanged QoQ as funding was "negligible," but the budget increase and extension to 2028 improve recovery visibility. JJM is no longer a "growth" segment but an "O&M/ recovery" focus, de-risking the future profile. | Exact receivable □ value | 3.0 | Liquidity Overhar |
| 5 | 4.0 | Anupam Gupta, HDFC MF | FY27 Outlook | Management Commentary | "How do you see growth and margins for engineering panning out over FY27?" | FY27 is expected to see better execution as legacy low-margin orders (from pandemic era) taper off and high-tech solar wins (□205 Cr) start invoicing. Engineering margins are expected to return to high single digits. | Precise margin % | 3.5 | Improve Signal |
| 6 | 4.0 | Deepak, Sundaram AMC | Approval Timeline | Business Overview | "How much time does it take for product approved from a new plant?" | It typically takes one quarter for internal stability and another quarter for customer | None | 4.0 | Clear Timeline |

| Q# | Relevance | Analyst / Firm | Theme Cluster | Category | Underlying Concern | Management Response & Investment Implication | Evaded / Not Addressed | Credibility | Verdict |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | approval. Revenue visibility from Roha will therefore only meaningfully appear in H2-FY27. | | | |
| 7 | 4.0 | Saket Kapoor, Kapoor Co | Margin Bottom | Management Commentary | "Is it safe to assume the worst is behind in terms of lower margins... or wait for more pain?" | Management refused to call a "bottom," noting that legacy project execution will flow into next year. While they have "tightened" order selection, they expect to "go through the grind" for a few more quarters. | Bottom confirmation | 5.0 | High Integrity |
| 8 | 3.5 | Pratik K, Unique PMS | Order Mix | Business Overview | "Ex of UP and legacies... are we still doing margins of 11-12%?" | New industrial orders are expected to yield "high single digit" margins. Management admitted 11-12% is rare in current competitive project environments. | None | 4.0 | Margin Reset |
| 9 | 3.0 | Chetan Vora, Abakkus | Payback | Financials | "What time frame are we expecting a payback [for Roha]?" | Payback is estimated at 4-5 years, slightly longer than the 3-year target because ₹150 Cr (1/3rd of capex) went into "zero-liquid discharge" sustainability features. High-quality asset | None | 4.5 | ESG Fo |

| Q# | Relevance | Analyst / Firm | Theme Cluster | Category | Underlying Concern | Management Response & Investment Implication | Evaded / Not Addressed | Credibility | Verdict |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | build over quick returns. | | | |

**PATTERN FLAGS & SENTIMENT**

- **Roha Startup Pains:** Multiple analysts pressed for current utilization and immediate margin impacts. Management's posture was transparent: the P&L will hurt before it heals. The drag from □285 Cr of capitalized assets without matching revenue was the primary driver of the earnings miss. This will remain a live issue for the next 2-3 quarters until certifications are cleared.
- **Engineering Execution Lag:** Significant skepticism exists regarding the Engineering segment's recovery. Management’s explanation of "timing issues" was accepted but creates a high-stakes scenario for Q4 results. The shift from low-margin JJM to high-margin Solar/Semicon is the key resolution, but the legacy "grind" is not yet over.
- **Consumer Cash Burn:** While revenue growth (28%) is praised, the continued losses due to IPL/advertising spend (□3.3 Cr loss) are being monitored. Management is confident in the "Bharat Ka Paani" brand equity as a long-term play, signaling that profitability is not an immediate priority for this segment.

**Analyst Sentiment Verdict:** Analysts were **skeptical but appreciative of management's transparency.** The primary friction point was the divergence between revenue growth and the sharp profit decline. Management’s credibility was tested on the Engineering guidance miss, but their refusal to call a "bottom" and their admission of competitive margin pressures in projects (high-single digits vs 11-12%) actually improved their long-term credibility. The greatest unresolved risk remains the **liquidity lock-up in UP JJM receivables.**

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**GUIDANCE GAPS REVEALED IN Q&A**

| Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis |
|---|---|---|---|---|
| Engineering Execution | Guided for a "better H2" in Q2 call. | Q3 revenue was flat and EBIT fell 28%. | Significant delay; pushed "betterment" to Q4. | Medium; execution consistency is key for re-rating. |
| Engineering Margins | Historically aspired for double digits. | Admits 11-12% is "very rare" now; targeting high-single digits. | Structural reset of margin expectations for EPC. | Low; reflects realistic market dynamics. |

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## 5. WHAT CHANGED vs PRIOR QUARTER

*First entry — no prior context to compare.*

| What Changed | Prior Quarter | This Quarter | Direction |
|---|---|---|---|
| Consolidated Revenue | First entry | □734.4 Cr | N/A |
| Consol. EBITDA Margin | First entry | 8.07% | N/A |
| Chemical EBIT Margin | First entry | 18.7% | N/A |
| Net Debt Status | First entry | □1.2 Cr (Net Debt) | N/A |
| Roha Facility Status | First entry | 40-45% Commissioned | N/A |
| Engineering Order Book | First entry | □2,833 Cr | N/A |
| Exceptional Provisions | First entry | □16.9 Cr (Labour Code) | N/A |
| Management Outlook | First entry | Defensive/Transitionary | N/A |