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	Realistic 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

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						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.**

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