Ion Exchange (India) Ltd — Jul 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** Strong revenue growth (+16.5% YoY) is being offset by execution-linked margin compression in the Engineering segment and deepening losses in Consumer Products, leaving the high-margin Chemicals division to carry the earnings profile.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Revenue of □2,737.1 Cr shows steady scaling; no explicit quarterly guidance provided in PPT.	□
Earnings Quality	High (Core driven)	PAT growth of 6.6% is driven entirely by operational segments; no material one-offs identified in PPT.	□
Guidance Confidence	Neutral	Engineering order book (□2,250.2 Cr) and bid pipeline (□8,834 Cr) provide visibility, but margin volatility persists.	□
Management Credibility	Strong	60-year track record with consistent capacity expansion (Roha plant on track for Q2 FY26).	□
Business Quality Signal	Stable	Leadership in water treatment remains unchallenged; however, segment mix is shifting toward lower-margin Engineering.	→
Key Q&A Exchange	N/A	Section not applicable — investor presentation only. No concall conducted or available.	□
The Street's Primary Anxiety	Margin Dilution	Engineering EBIT margins dropped to 6.4% from 7.7% YoY; Street is concerned about the impact of municipal/infrastructure project mix.	□
Capital Cycle Stage	Investment	Significant Greenfield Resin project at Roha and membrane capacity expansions underway.	□
Margin Trajectory	Deteriorating	Consolidated EBITDA margins compressed from 11.58% in FY24 to 10.74% in FY25.	□
Pricing Power	Mixed	Strong in Specialty Chemicals/Resins; limited in competitive EPC/ Engineering tenders.	□
FCF Conversion & Quality	Weak	Working capital days increased to 76 (from 70), indicating cash is being absorbed by project execution.	□
Competitive Moat Signals	Stable	Proprietary Resin formulations and the "Hydramem" membrane brand maintain a technological barrier.	□
Balance Sheet Strength	Strong	Net Debt/Equity remains negative at (0.1)x; high liquidity with □465.8 Cr in cash/bank balances.	□
Working Capital Efficiency	Deteriorating	Inventory and Trade Receivables growth (□1,432.9 Cr combined) outpacing revenue growth.	□
Mgmt Guidance Track Record	Reliable	Consistent history of project commissioning and technology pioneering since 1964.	□
Key Vulnerability	Consumer Losses	EBIT loss in Consumer segment widened significantly to -□14.9 Cr in FY25 from -□6.0 Cr in FY24.	□
Management Tone	N/A	Section not applicable — investor presentation only.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** * **Scale & Pipeline:** Revenue crossed the □2,700 Cr mark, supported by a massive bid pipeline of □8,834 Cr, indicating strong demand in industrial and municipal water management. * **Chemicals Engine:** The Chemicals segment remains the profit powerhouse with 25.24% EBIT margins and is undergoing capacity expansion (Roha plant) to capitalize on "China + 1" and "Make in India" tailwinds. * **Financial Resilience:** Maintains a net-cash balance sheet with a negative Net Debt/Equity ratio of (0.1)x, providing a cushion for ongoing capex. * **Negatives:** * **Engineering Margin Drag:** Despite being 61% of revenue, Engineering EBIT margins fell 131 bps YoY to 6.4%, likely due to higher execution costs and project mix. * **Consumer Segment Bleed:** The Consumer division is failing to reach break-even despite 14.4% revenue growth; losses widened by 148% YoY, acting as a persistent drag on consolidated PAT. * **Working Capital Pressure:** Execution of large-scale projects (UP SWSM, etc.) is stretching the cash cycle, with working capital days rising to 76. * **Forward Watchpoint:** Monitor the commissioning of the Roha Resin plant in Q2 FY26; its successful ramp-up is critical to arresting the overall margin decline.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Concall not available — commentary absent.

Metric	Current Qtr (FY25)	YoY Change (vs FY24)	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	2,737.1	↑ 16.5%	First entry	↑	Driven by 21.6% growth in Engineering segment.
EBITDA (□Cr)	293.9	↑ 8.1%	First entry	↑	Growth lagged revenue due to margin compression.
EBITDA Margin (%)	10.74%	↓ (84 bps)	First entry	↓	Lower margins in Engineering and Consumer segments.
PAT (□Cr)	208.3	↑ 6.6%	First entry	↑	Impacted by higher finance costs and depreciation.
ROCE (%)	22.0%	↓ (490 bps)	First entry	↓	Impacted by increased capital employed in CWIP.
Net Debt / (Cash) (□ Cr)	(120.9)	↑ 200%	First entry	↑	Cash surplus decreased as capex spending ramped up.
Working Capital (Days)	76	↑ 8.6%	First entry	↓	Rising from 70 days in FY24; driven by receivables.
Order Book (□Cr)	2,250.2	↓ 13.9%	First entry	↓	Engineering orders excluding SL and UP projects.
Bid Pipeline (□Cr)	8,834.0	N/A	First entry	→	Large addressable opportunity in Industrial/Municipal.
Chemicals EBIT Margin %	25.24%	↑ 40 bps	First entry	↑	Reflects strong pricing power in Resins/ Specialty.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (EBIT)	Trend	vs Co. Avg	Key Development
Engineering	1,703.8	21.6%	6.4%	↓	Below	Focus on ZLD and desalination; Sri Lanka/ UP projects active.
Chemicals	818.4	15.5%	25.2%	↑	Above	Roha Greenfield Resin plant expected stream Q2 FY25-26.
Consumer	290.2	14.4%	(5.1%)	↓	Below	Widening losses despite revenue growth in Retail/Rural.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	Greenfield Resin plant at Roha to go on stream in Q2 FY25-26.	On track; 12-15 month cycle remains.	First entry	Construction/ Commissioning delay.
Guidance	Revenue (Market)	Water treatment market to grow at 7.5% CAGR to 2030.	Co. is outgrowing market at 16.5% currently.	Consistent	Market share competition.
Strategy	Capex Plan	Focus on capacity expansion of existing plants and new Greenfield projects.	Funded via internal accruals (Net cash status).	Delivered	ROCE dilution during ramp-up.
Strategy	Competitive Positioning	Increased market penetration via "Make in India" and China+ strategy.	Visible in 15.5% Chemical segment growth.	First entry	RM price volatility.
Macro	Industry Headwinds	Per capita water availability projected to decline to 1,140 m^3 by 2050.	Long-term structural tailwind for ZLD/ Recycle.	N/A	Policy execution pace.
Balance	Debt Target	Maintain strong balance sheet.	Current Net Debt/ Equity of (0.1)x is very conservative.	Maintained	None.

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
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