Ion Exchange (India) Ltd — Jun 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Miss **One-line:** A "perfect storm" of deferred high-margin exports due to the West Asia crisis and the full P&L weight of the newly commissioned Roha facility led to a severe margin trough, though the long-term technology moat (Membranes/JV) is strengthening.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss	EBITDA margins collapsed to 2.31% (Consol) vs 8.07% in Q3 and 10.28% YoY.	□
Earnings Quality	Low (Transitional)	Profits impacted by □60 Cr in deferred export revenue and structural step-up in depreciation/finance costs.	□
Guidance Confidence	Neutral	Management maintains 25% Roha utilization for FY27 despite RM and logistic headwinds.	□
Management Credibility	Neutral	Successfully commissioned Roha and secured strategic JV/ Oman wins, but margin recovery timeline remains "dynamic."	□
Business Quality Signal	Stable	MOAT is widening via MANN+HUMMEL JV for high-end membranes; Order book remains healthy at □2,643 Cr.	□
Key Q&A Exchange	Q# 3 — Engineering Margins	Export deferrals and legacy projects caused the margin hit; recovery is tied to shipping normalization.	□
The Street's Primary Anxiety	Chemical Margin Floor	Fear that high input costs (Styrene/Oleum) + Roha overheads will permanently reset margins lower.	□
Capital Cycle Stage	Transitioning to Harvesting	Major CAPEX (Roha) is now capitalized; focus shifts to WQA certification and export ramp-up.	□
Margin / Return Ratio Trajectory	Deteriorating	ROCE fell to 14.3% (Annual) from 22.0% YoY due to asset addition without immediate revenue.	□
Pricing Power	Stable	Management initiating pricing actions in Chemicals to pass on styrene/oleum cost spikes.	□
FCF Conversion & Quality	Weak	Heavy inventory build (□441 Cr vs □299 Cr) and "Other Current Assets" spike suggest poor cash conversion.	□
Competitive Moat Signals	Widening	JV with MANN+HUMMEL positions IONEX as a rare domestic manufacturer of Ultra-filtration/MBR tech.	□
Balance Sheet Strength	Adequate	Shift to Net Debt (0.1x) from Net Cash last year to fund Roha and Oman project equity.	□
Working Capital Efficiency	Deteriorating	Inventory days spiked for planned exports; UP JJM receivables remain a slow-moving overhang.	□
Mgmt Guidance Track Record	Mixed	Delivered on Roha commissioning but missed on Engineering margin stabilization.	□
Key Vulnerability / Red Flag	West Asia Crisis	Continued disruption in GCC shipping routes directly hits the highest-margin segment (Engineering Exports).	□
Management Tone	Cautious but Strategic	Defensive on current P&L but highly bullish on the membrane/ international growth strategy.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The long-term thesis is supported by the **MANN+HUMMEL collaboration**, which gives Ion Exchange access to high-barrier membrane technologies (MBR/UF), effectively moving them up the value chain. The **Oman DBOOT win** (USD 40M CAPEX) provides 20 years of predictable O&M revenue. Consumer Products continues hyper-growth (+34% YoY) and is nearing a PBT breakeven. * **Negatives:** Consol EBITDA margins are at a multi-year low (2.31% for Q4). The P&L is currently absorbing the **"double whammy"** of Roha's fixed costs (Depreciation/Interest) while the corresponding revenue is delayed by the West Asia logistic crisis and certification cycles. The **Engineering segment** was specifically hurt by □60 Cr of deferred GCC shipments, leading to a domestic-heavy, lower-margin mix. * **The**

Street's Main Concern: Analysts are focused on the "J-curve" of the Roha plant. Management clarified that the 25% utilization target for FY27 is safe now that the **WQA certification** is in hand, but the P&L "valley" will likely persist for another 1-2 quarters. * **Forward Watchpoint:** Monitor the **"Other Current Assets"** line (□504.6 Cr vs □288.6 Cr last year); any failure to convert this into revenue/cash in H1-FY27 would signal deeper execution or collection issues.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT primary source. Concall used for commentary.

Metric	Current Qtr (Q4-FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol □Cr)	863.3	↑ 3.4%	↑ 17.6%	→	Annual growth of 6.5% driven by Chemicals and Consumer.
EBITDA (Consol □ Cr)	19.9	↓ 76.8%	↓ 66.4%	↓	Severe hit from Roha overheads and EPC export deferrals.
EBITDA Margin %	2.31%	↓ 797 bps	↓ 576 bps	↓	Mixed-impact: deferred high-margin GCC exports.
PAT (Consol □Cr)	24.3	↓ 61.6%	↑ 18.0%	↓	PAT margins at 2.81%; absolute PAT supported by Other Income.
ROCE (%)	14.3%	↓ 770 bps	N/A	↓	Asset base grew (Roha); revenue not yet following.
Order Book (□Cr)	2,643.3	↓ 6.7%	N/A	↓	Engineering order book only; excludes Oman DBOOT.
Net Debt / Equity (x)	0.10x	↑ (from -0.1)	↑ 0.09x	↓	Net debt at □384 Cr (Gross) due to Roha capitalization.
Inventory (□Cr)	441.4	↑ 47.6%	N/A	↓	Build-up for deferred international shipments.
Receivables (□Cr)	1,074.7	↓ 3.0%	↓ 2.2%	→	Marginal improvement despite UP JJM slowdown.
Interest Coverage (x)	~2.5x	↓	↓	↓	Narrowing due to higher finance costs (□7.9 Cr Q4).

2B. SEGMENT BREAKDOWN (CONSOLIDATED)

Segment	Revenue (□ Cr)	YoY Growth	Margin (EBIT)	Trend	vs Co. Avg	Key Development
Engineering	553.9	→ (Flat)	3.9%	↓	Lower	□60 Cr exports deferred; IOCL Panipat commissioned.
Chemicals	229.7	↑ 3.1%	14.5%	↓	Higher	Roha commissioned; WQA cert received post-Q4.
Consumer	104.7	↑ 34.2%	-4.4%	↑	Lower	Strong volume growth; loss narrowed from □5.2 Cr YoY.

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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	25% Roha utilization in FY27.	High: Requires rapid certification-to-sales conversion.	On Track	Certification delay.
Guidance	Margins	PBT breakeven for Consumer Segment in FY27.	Feasible: Loss narrowed YoY; 30%+ growth continues.	Improving	Ad-spend spike.
Guidance	Volume / Capacity	Complete balance UP JJM project (30% scope).	Slow: Dependent on fund flows from UP govt.	Lagging	Working capital drag.
Strategy	Competitive Positioning	Technology absorption from MANN+HUMMEL JV.	Critical for "Make in India" high-end membranes.	New	Execution risk.
Macro	Industry Headwinds	Pass through styrene/oleum cost increases.	Immediate need to protect 15%+ Chemical margins.	Mixed	Competitive pricing.
Balance	Debt / Leverage	No major new CAPEX in FY27 (□30-40 Cr maintenance).	FCF should improve as Roha starts invoicing.	Consistent	Oman equity call.

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	Harsh Shah, Merisis	JV Moat	Management Commentary	"Can you highlight the strategic significance of a tie-up with MANN+HUMMEL JV?"	Management emphasized that membranes (UF/MBR) are the next major growth lever after resins, targeting a 10%+ CAGR global market. This move reduces reliance on imported tech and strengthens IONEX's position in the high-barrier "Ultra-filtration" and wastewater recycling markets.	None	5.0	Tech Moat Confirmed
2	4.0	Kishore Kumar, Unifi	Oman Project	Financials	"What is the upfront CAPEX that we need to incur [for Oman DBOOT]?"	The project requires USD 40 million CAPEX over two years, funded via a mix of debt and internal equity from the 51% owned JV. This secures a 20-year O&M tail but increases leverage in the near-term.	Precise equity amount	4.0	Leverage Watch
3	4.5	Kishore Kumar, Unifi	Engineering Margins	Financials	"Any comments on the margins for the engineering segment?"	Margins were suppressed because 60 Cr of high-margin GCC exports were deferred due to the West Asia crisis,	None	4.0	Geopolitica Risk

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						leaving a lower-margin domestic project mix. This confirms that Engineering profitability is currently a hostage to regional geopolitical stability.			
4	4.0	Nirmam, Unique PMS	Chemical Outlook	Management Commentary	"Comment on the profitability ex of Roha interest and depreciation?"	Management attributed 75% of the segment's margin drop to Roha startup costs and 25% to RM price spikes/logistic disruptions. Once Roha utilization hits the 25% target, the "Roha Valley" in margins should reverse.	Normalized margin %	3.5	Startup Drag
5	3.5	Saket Kumar, Kapoor Co.	UP JJM Status	Business Overview	"UP Jal Jeevan Mission Project, what percentage has been executed?"	Approximately 30% of the scope remains, and execution is strictly pegged to collection inflows to protect working capital. JJM is now a "liquidate-and-exit" segment rather than a growth driver.	Current receivable □	3.0	WC Disciplined
6	4.0			Financials				3.0	

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		Kishore Kumar, Unifi	Other Income		"Is there any one-off there [in Other Income]?"	Other income included FX gains on exports and insurance/ EPC contract claims. This means the Q4 PAT was cushioned by non-operating gains, masking a weaker underlying EBITDA.	Exact breakup		Earnings Quality

PATTERN FLAGS & SENTIMENT * **The Roha "Valley":** Every analyst pressed on the timing of Roha's profitability. Management's posture was transparent but cautious—they have the certifications (WQA) but the "introduction cycle" with global OEMs takes time. The consensus is that Roha will remain a drag on ROCE for at least the first half of FY27. * **Geopolitical Overhang:** The West Asia crisis is no longer just a macro headline; it is a direct 60 Cr revenue hit to the highest-margin Engineering business. This creates high sensitivity to GCC shipping routes for the next few quarters. * **Analyst Sentiment Verdict:** Analysts were **skeptical of the margin recovery timeline** but **impressed by the strategic moves** (MANN+HUMMEL JV and Oman win). The primary friction point was the divergence between healthy revenue growth and collapsing EBITDA. Management's credibility on the 25% Roha utilization remains "on probation" until H1-FY27 numbers prove out.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Engineering Margins | Guidance of "move at expected pace." | 60 Cr export deferral hit Q4. | Geopolitical disruption was not fully baked into prior commentary. | High sensitivity to GCC shipping. | | Roha Break-even | Target for PBT breakeven this year. | "Trying our best... situation is dynamic." | Management is now less certain about PBT breakeven due to styrene costs. | Short-term earnings volatility. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
EBITDA Margin	8.07% (Q3)	2.31% (Q4)	↓
Roha Status	Commissioning phase	Fully commissioned + WQA cert received	↑
Tech Moat	Standard membrane lineup	JV with MANN+HUMMEL for UF/MBR	↑
Leverage	-0.1x (Net Cash)	0.1x (Net Debt)	↓
Order Book Mix	Dominated by domestic EPC	Added 20-year Oman DBOOT (Consol)	↑
Inventory	□386 Cr (Q3)	□441 Cr (Q4)	↓
Management Tone	Optimistic on Engineering	Cautious/Hedged on Geopolitics	↓

- **Thesis Note:** The long-term thesis of IONEX transitioning from a "water project" company to a "high-tech membrane and resin" powerhouse is reinforced by the MANN+HUMMEL JV. However, the path through the "Roha Valley" is proving more treacherous due to geopolitical and raw material shocks. The stock is likely to remain in a "show-me" phase until Chemical margins stabilize above 20%.
- **Forensic Trigger:** The spike in "Other Current Assets" (up □216 Cr YoY) must be monitored; this often precedes write-offs or signifies execution friction in government contracts.
- **Working Capital:** Inventory growth of 47% YoY significantly outpaced revenue growth of 6.5%, indicating a major liquidity tie-up that needs to unwind in H1-FY27 to sustain the Oman CAPEX.