Ion Exchange (India) Ltd — Nov 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — frames everything below.

Result: Weak Miss / Loss-making **One-line:** The long-anticipated "legacy project" risk materialized as a massive □121 Cr EBIT loss in the Treatment Solutions segment, wiping out the fundamental gains in Specialty Chemicals and Industrial Products, testing the thesis that the company can decouple from volatile EPC.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	Operating Income □674.7 Cr (down 8% YoY); EBITDA moved to a loss of □84.8 Cr.	□
Earnings Quality	Low	Net Loss of □82.8 Cr driven by a significant revision in "estimated cost to complete" for legacy projects.	□
Guidance Confidence	Neutral	Management's claim that they reached the "bottom of the barrel" on legacy losses is directional but lacks external verification.	□
Management Credibility	Neutral	While transparent about the hit, the repeated spillover of legacy issues (now 8 quarters of discussion) exhausts investor patience.	□
Business Quality Signal	Deteriorating (Short-term)	Recurring segments (Chemicals/Industrial) grew 17-35%, but the "mothership" engineering division's liability status deepened.	□
Key Q&A Exchange	Q#2 Legacy Impact	Management admitted the legacy overrun contributed 90% of the quarter’s negative PBT.	□
The Street's Primary Anxiety	Legacy Tail Length	Analysts pressed on whether this is the final hit; Mgmt expressed "high confidence" no further material impact remains.	□
Capital Cycle Stage	Investment / Ramp-up	Roha plant and Goa membrane facilities are in stabilization; high fixed costs are hitting a soft demand environment.	□
Margin / Return Ratio Trajectory	Deteriorating	Consolidated EBITDA margin is negative; Specialty Chemical margins compressed to ~9% from higher teens historically.	□
Pricing Power	Stable to Weak	Resins seeing domestic price pass-through, but international markets are resisting higher input costs from West Asia crisis.	□
FCF Conversion & Quality	Distorted	Operating cash flow of □40 Cr in H1 vs a Net Loss of □79.7 Cr; driven by □250 Cr in unearned revenue/advances.	□
Competitive Moat Signals	Widening	Only vertically integrated home water player; successful entry into high-margin filtration for Hyundai in Middle East.	□
Balance Sheet Strength	Adequate	Working capital "calibrated" to govt funds; high unearned revenue provides some cash buffer despite P&L loss.	□
Working Capital Efficiency	Stable	Receivables from UP Jal Jeevan are ~10% of total; management is restricting execution to match fund flow.	□
Mgmt Guidance Track Record	Mixed	Roha ramp-up is meeting volume targets but missing on margin contribution due to exogenous shocks.	□
Key Vulnerability / Red Flag	Treatment Solutions EBIT	The segment reported an EBIT loss of □121.5 Cr on revenue of only □149.8 Cr—a massive -81% margin.	□
Management Tone	Candid / Defensive	Acknowledged the pain of the "legacy barrel" while pivoting to high-margin order wins like Hyundai ($52M).	□

Sentiment: □Negative

Key Takeaways (Positives & Negatives): * **Negatives:** The **Treatment Solutions (EPC)** segment is currently a "toxic asset" on the P&L, reporting a □121.5 Cr EBIT loss due to revisions in the cost-to-complete legacy projects (likely the UP project and others). This has completely overshadowed the **Specialty Chemicals** growth (up 17% YoY) and **Industrial Products** (up 35% YoY). The Roha plant continues to be a drag on margins, contributing 7% to the segment-level margin compression. * **Positives:** The **Industrial Products** segment is showing genuine momentum with 35% revenue growth. The order book is being "cleaned up," evidenced by the new $52.83M (□444 Cr) Hyundai order, which management claims has a "better margin profile." The company remains the only vertically integrated player in the consumer water segment, which is nearing break-even. * **Street Concern:** Analysts are terrified of "more shoes to drop" in the legacy portfolio. Management's response that they have taken the full estimated impact this quarter (90% of the loss) is the critical anchor for the stock; if another loss appears in Q3, management credibility will be structurally broken. * **Watchpoint:** Monitoring the "unearned revenue" line (□250 Cr). This suggests a massive execution ramp-up is required in H2 to meet full-year revenue targets (expected to match last year's ~□1,750 Cr for engineering).

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — all numbers sourced from concall transcript.

Metric	Current Qtr (Q2 FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Operating Income	□674.7 Cr	↓ 8%	↓ 3.7%	↓	Impacted by deferment of Middle East dispatches and revenue reversals.
EBITDA	(□84.8 Cr)	↓ 300%+	↓ 260%	↓	Significant hit from legacy project cost overruns (~□100 Cr+).
EBITDA Margin %	-12.57%	↓ 2000bps+	↓ 1711bps	↓	Negative due to Treatment Solutions EBIT loss of □121.5 Cr.
PAT	(□82.8 Cr)	↓ 300%+	↓ 2660%	↓	Net loss after tax; first major loss in recent history.
ROCE (%)	Not Stated	N/A	N/A	↓	Implied deterioration given the massive quarterly loss.
Cash Flow (H1 OCF)	□40.0 Cr	N/A	N/A	□	Positive OCF despite loss, aided by unearned revenue/advances.
Net Debt / Equity	Not Stated	N/A	N/A	→	Working capital funded by customer advances (□300 Cr).
Order Book (Total)	□2,969 Cr	↑ 20%	↑ 20%	↑	Driven by □813 Cr inflow, including Hyundai $52.8M.
Bid Pipeline	□9,370 Cr	↓ 4.1%	↓ 4.1%	→	Steady; focused on Refining, Power, and Steel.
UP Jal Jeevan Book	□263 Cr	N/A	N/A	→	Calibrated execution based on fund flow.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	EBIT Margin	Trend	vs Co. Avg	Key Development
Treatment Solutions	□149.8 Cr	↓ 49.3%	(81.1%)	↓	Lower	Legacy cost revisions; dispatches to GCC deferred.
Specialty Chemicals	□254.6 Cr	↑ 16.7%	8.8%	↓	Higher	Roha plant drag (7%) and RM inflation (7-8%).
Industrial Products	□136.0 Cr	↑ 34.8%	6.3%	↑	Higher	Strong growth in filters/membranes; steady inflows.
Consumer Products	□100.5 Cr	↑ 30.3%	(4.1%)	↑	Lower	Strong volume growth; investing for scale.
Lifecycle Services	□70.6 Cr	↓ 8.3%	8.3%	→	Higher	Stable margins; digital solutions receiving good response.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (Eng)	Match FY26 levels (~□1,750 Cr).	Needs ~□1,000 Cr+ in H2 (H1 was only □359 Cr). Extreme "heavy lifting" required.	Mixed	High
Guidance	Margins (Eng)	Return to high single digits in H2.	Requires zero further legacy write-downs and high-margin Hyundai execution.	Poor	High
Guidance	Roha Util.	25% utilization in Year 1.	On track; volume picking up but price pass-through is lagging.	On Track	Medium
Guidance	Consumer	Break-even by FY27 end.	Needs to reverse □4.5 Cr H1 loss; requires ~30% revenue growth in H2.	Improving	Medium
Strategy	Capex	Backward integration at Roha.	Expected completion by end of FY27 (delayed by ~2 quarters).	Delayed	Medium
Strategy	Digital	Advanced digital solution growth.	Commercialized and seeing traction in Services segment.	New	Low

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Prathamesh / Abakkus	Chemicals	Financials	"What percentage of margin deterioration is RM vs new facility ramp?"	Management attributed 7% to Roha facility drag, 7-8% to West Asia RM costs, and the balance to high FX gains last year. This confirms the underlying "core" chemical business is healthier than the reported 9% margin suggests.	None	5.0	Specific and Quantified
2	5.0	Pratik / Unique	Legacy	Financials	"This performance in treatment solutions, this is just delaying dispatch to GCC? Nothing else?"	Management admitted that legacy contract cost overruns accounted for 90% of the quarter’s negative PBT. This transparency is vital, as it isolates the "toxic" portion of the P&L from the healthy growth elsewhere.	None	4.5	Candid on Pain
3	4.0	Pratik / Unique	Legacy	Management Commentary	"We intended to complete this execution this FY... no more incremental losses?"	Management stated they have "reached the bottom of the barrel" and taken the entire impact this quarter, though execution spills into next year. This creates a "trust but verify" scenario for	Exact spillover amount	3.5	Bottom called

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						Q3/Q4 earnings.			
4	4.0	Deepak / Sundaram	Engineering	Financials	"What sort of revenue one can expect from this Hyundai order in FY '27?"	Management expects a "decent amount" of revenue in FY27 as critical items are already ordered for the 18-month contract. This is the primary driver for the ambitious H2 revenue ramp-up.	Specific □ Cr	3.5	Directional
5	3.5	Deepak / Sundaram	Chemicals	Capex and Allocation	"Backward integration for our Roha plant... complete or still delay?"	Management admitted a delay of a "couple of quarters," with completion now expected by year-end. This pushes the "peak margin" thesis for chemicals into FY28.	Original timeline ref	3.0	Delay acknowledged
6	4.0	Homiar / Independent	High-Tech	Business Overview	"Do you have the technology ready for ultra-pure water for semiconductor?"	Management confirmed they have the technology and partnerships in place and have already completed projects in the solar segment. This validates the "advanced segment" pivot as a differentiator vs. commoditized EPC.	Specific Fab client name	4.0	Moat Validated
7	4.5		Membranes					4.5	Strategic Win

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
		Homiar / Independent		Capex and Allocation	"Status of tie-up with Mann and Hummel?"	The Goa brownfield expansion is on track for year-end, with technology transfer progressing to allow full-range membrane manufacturing. This makes Ion Exchange the only domestic player with a full RO-UF-NF-MBR portfolio.	Profitability of JV		
8	3.0	Gaurav Patel / Individual	Jal Jeevan	Financials	"How much of our receivables is due from state agency and Jal Jeevan Mission?"	Receivables from UP Jal Jeevan are ~10% of total; management is strictly calibrating dispatches to actual fund inflows. This de-risks the balance sheet from potentially stranded govt receivables.	Collection since Sep	4.0	Controlled Risk
9	4.0	Ankit / Oxmox	Cash Flow	Financials	"What contributes to the sharp rise in other current liabilities of □ 120 crores?"	The rise is due to □250 Cr in unearned revenue and □50 Cr in customer advances. This explains why cash flow remained positive despite the massive P&L loss.	None	5.0	Quality Check

PATTERN FLAGS & SENTIMENT Analyst anxiety was singular: **The Legacy Bleed.** Multiple analysts (Abakkus, Unique, Sundaram) tried to pin down the exact depth of the engineering segment's losses. Management's posture was one of "taking the medicine now"—claiming they have accounted for all known overruns to prevent future P&L surprises. However, the contradiction between "bottom of the barrel" and "execution spilling into next year" remains a live friction point.

The second theme was **Roha's Performance.** While volume is growing, the persistent 15% margin drag (7% startup + 8% RM) is testing the thesis that Roha is a high-ROE asset. Analysts were skeptical about the timeline for margin normalization given the backward integration delay.

Analyst Sentiment Verdict: Skeptical and Focused on Cleanup. Analysts were not distracted by the 35% growth in Industrial Products; they were focused on the □121 Cr EBIT hole. Management's credibility on "no more losses" is the single biggest risk to the thesis. If Q3 shows even a □10 Cr legacy charge, the market will likely assume management has lost control of project costs.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Legacy Losses	Expected "significant progress" by year-end.	Reached "bottom of the barrel" with a massive □100 Cr+ hit this quarter.	Accelerated the pain into Q2; hit was deeper than expected.	High; P&L volatility.
Roha Back. Integ.	Stabilization phase.	Admitted a "couple of quarters" delay in full backward integration.	6-month delay in margin realization.	Medium; margin drag.
Engineering Rev	Projected growth.	Revenue is down 49% in Q2 due to reversals/deferments.	Huge H2 ramp-up now required.	High; execution risk.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY27)	This Quarter (Q2 FY27)	Direction
EBITDA Margin	4.54%	-12.57%	↓ Massive Collapse
Treatment Solutions EBIT	(□17 Cr) Loss	(□121.5 Cr) Loss	↓ Deepening Hole
Legacy Project Status	"Spilling into FY28"	"Hit the P&L now" (taken full estimate)	□Shift to Accounting Reality
Order Book	□2,473 Cr	□2,969 Cr	↑ Improved Quality (Hyundai win)
Roha Integration	Ongoing	Delayed by 2 quarters	↓ Margin Timeline Pushed
Unearned Revenue	Not significant	□250 Cr	↑ Execution Pressure in H2

INVESTOR NOTES: * **Thesis Change:** The long-term thesis that Ion Exchange is a "Chemical/Products company trapped in an EPC shell" is finally being forced into the open. The EPC shell took a □121 Cr hit this quarter. Long-term investors must decide if this was truly the "clearing of the decks" or if the shell is fundamentally broken. * **Earnings Quality:** Historically poor this quarter. The "unearned revenue" (□250 Cr) and "customer advances" (□300 Cr) are the only reasons the balance sheet isn't under immediate stress despite the loss. * **Segment Alert: Industrial Products** is the hidden star, growing 35% YoY. This segment (membranes/

filters) has much higher repeatability than the Treatment Solutions segment and is where the long-term value should be anchored. * **The "H2 Heavy Lifting":** Management has set a massive bar for H2. To reach last year's engineering revenue, they need to execute ~□1,000 Cr in 6 months when they only managed □359 Cr in H1. Any further "Middle East Crisis" deferments will make this target impossible. * **Forensic Trigger:** The reversal of revenue (to match the cost-to-complete under accounting standards) suggests the prior quarter's revenue might have been overstated relative to the actual project costs now uncovered. Management is resetting the base.