



3rd November, 2023



India's Best Performing and Most Customer Centric PMS

1. Origins and Historical Significance: Established in 1964 as a subsidiary of Permutit, UK, Ion Exchange transitioned to a completely indigenous entity by 1985. Now, as it nears its 59th operational year, this titan, with its roots in Mumbai, has unequivocally stamped its authority as a vanguard in the realm of water, wastewater treatment, and holistic environmental solutions. Catering to a broad spectrum, including industries, institutions, and the general populace, the company has seamlessly woven its offerings to bridge the urban-rural divide, adapting to the diverse needs of a vast clientele.

2. Expansive Product and Service Landscape: Ion Exchange's spectrum is not just restricted to primary water treatments. Its services stretch to intricate areas like sewage treatment, innovative sea water desalination techniques, and even consumer-oriented offerings like packaged drinking water. Furthermore, the company's manufacturing capabilities stand out, especially in their dedicated production of integral components like ion exchange resins, membranes, and specialty chemicals. These products find applications not just in water treatments, but also in a slew of other auxiliary sectors, underscoring the company's versatility and domain dominance.

3. Relentless Pursuit of Innovation and Global Presence: At its heart, Ion Exchange is a pioneer. With two cutting-edge in-house R&D facilities complemented by two avant-garde application and testing centers, the company has been at the forefront of innovation. Their efforts have culminated in over 50 patents and the successful commercialization of 100+ products. Beyond domestic boundaries, their global outreach is staggering. Their presence is felt across continents, with exports spanning regions from Africa to Europe and from the Middle East to North America. Additionally, their strategic manufacturing hubs located in nations like Bangladesh, UAE, and Indonesia amplify their adaptability and their global vision.

4. Business Spectrum and Renowned Clientele: Analyzing the FY23 revenue breakdown, Engineering emerges as the frontrunner, contributing a significant 60%. This is closely followed by Chemicals, which pitches in 30%, and Consumer Products, accounting for a respectable 10%. Each segment is tailored to cater to distinct client needs, from industry bigwigs to individual consumers. The company's illustrious client roster is a testament to its reputation. It features industry stalwarts like NTPC and Reliance, international powerhouses such as Unilever and Mitsubishi, and distinguished institutions like Apollo Hospitals and the iconic Taj Hotels.

In summation, Ion Exchange stands as a beacon of India's prowess in the water and wastewater treatment sector. With its diverse product portfolio, unyielding commitment to innovation, strategic international endeavors, and a client base that's a blend of diversity and prestige, the company exemplifies dedication, excellence, and a resounding commitment to environmental stewardship.

Stock Data	
CMP (03-11-2023)	528.30
52 Week High/Low	686.95/206
Face Value	1
Market Cap (In Crs)	7748
NSE	IONEXCHANG
BSE	500214
Bloomberg	ION:IN
Sector	Engineering

Shareholding Pattern (in %)		
	June-23	Sep-23
Promoter	26.94%	26.76%
FII	2.44%	3.94%
DII	11.66%	11.90%
Public	42.78%	41.20%
Others	16.18%	16.18%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-1.53%	6.31%	6.52%
ION Exchange	-0.92%	57.12%	155.62%

Key Ratios	
P/E	37.9
PEG Ratio	1.01
Debt To Equity	0.11
ROE	26.20%
ROCE	33.80%
Dividend Yield	0.24%

Q2 FY 24 Result Update

Q2 FY24 Result Comparison (In Rs Cr)					
	Q2 FY24	Q1 FY23	Q2 FY23	QOQ	YOY
Operating Income	533.0	479.2	447.6	11.2%	19.1%
Expenses	472.6	430.3	394.3	9.8%	19.9%
Profit Before Tax	579	476	519	21.6%	11.6%
Net Profit	424	333	387	27.3%	9.6%
EPS	3.585	2.806	3.289	27.8%	9.0%

Financial Highlights

ION Exchange's financial performance for the second quarter of the fiscal year 2024 (Q2-FY24) demonstrates considerable growth and efficiency in operations, excluding the factors of depreciation, finance cost, and tax considerations. Here's a look at the financial highlights, with figures converted from millions (INR million) to crores (INR crore):

Operating Income: The company reported a significant increase in operating income, which rose to INR 533.0 crore in Q2-FY24, marking an increase of 19.1% from INR 447.6 crore in Q2-FY23. This substantial growth reflects the company's success in scaling its revenue-generating activities.

Expenses: The expenses for the quarter stood at INR 472.6 crore, up 19.9% from INR 394.3 crore in the same quarter of the previous year. The proportionate increase in expenses relative to income indicates controlled growth in the company's spending while expanding its operations.

Operating EBITDA: ION Exchange's Operating EBITDA for the quarter was INR 60.4 crore, a 13.3% rise from INR 53.3 crore in Q2-FY23. This improvement showcases the company's ability to enhance its earnings before interest, taxes, depreciation, and amortization.

Operating EBITDA Margins: The operating EBITDA margins saw a minor reduction, coming down by 58 basis points to 11.33% in Q2-FY24 from 11.91% in Q2-FY23. Despite the slight drop, the margins remain indicative of a profitable and efficiently operating business.

Other Income: There was an increase in other income, which contributes to the overall earnings of the company. The other income for the quarter increased by 18.5% to INR 9.6 crore in Q2-FY24, up from INR 8.1 crore in Q2-FY23.

Profit Before Tax (PBT): The PBT grew by 11.6% to INR 57.9 crore in Q2-FY24, up from INR 51.9 crore in Q2-FY23. This increase points to a solid pre-tax profitability and the effectiveness of operational management.

Profit After Tax (PAT): Reflecting a healthier bottom line, the PAT for Q2-FY24 was INR 42.4 crore, a 9.6% increase from INR 38.7 crore in Q2-FY23. This suggests that the company has managed to significantly grow its net earnings.

PAT Margins: The PAT margins decreased slightly by 70 basis points to 7.95% in Q2-FY24 from 8.65% in Q2-FY23, indicating a marginal decline in the profitability ratio, yet demonstrating overall positive net earnings.

Total Comprehensive Income: The total comprehensive income, which reflects the total net income, amounted to INR 42.0 crore, showing an increase of 6.6% compared to INR 39.4 crore in the previous fiscal year's corresponding quarter.

Diluted EPS: The diluted EPS, which is an indicator of the company's profitability on a per-share basis, increased by 9.0% to INR 3.59 in Q2-FY24 from INR 3.29 in Q2-FY23.

The above highlights reflect the company's solid performance in terms of revenue and profitability growth, excluding the comprehensive income that typically includes items not directly derived from the company's operations. The consistent increase in both top-line and bottom-line figures is indicative of ION Exchange's strategic and operational strengths.

In the first half of the financial year 2023-2024, the company has navigated a landscape marked by both challenges and accomplishments across various segments. Below is a consolidated overview of the operational highlights:

Engineering: The company's engineering segment has displayed resilience and growth amidst global uncertainties. There has been a significant increase in order flow, with medium-sized jobs contributing to a robust period. The segment's enquiry bank has remained strong, indicative of an upward trend in customer engagement and potential for securing high-value opportunities. Several of these prospects are currently advancing to the later stages of bidding.

A key achievement of the quarter within this segment is the improved volume of operations, underpinned by a solid order backlog. This backlog is anticipated to sustain performance in the subsequent quarters. The execution of large-scale EPC (Engineering, Procurement, and Construction) projects, including the UP Jal Nigam Order, is anticipated to gain momentum in the latter half of the year.

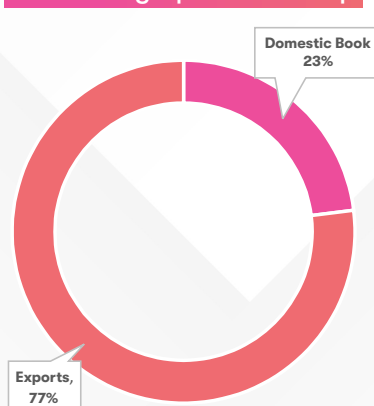
Chemicals: The chemicals segment has sustained its robust performance from the previous quarter, maintaining healthy profit margins. The company remains vigilant, closely monitoring the potential for input price increases that could arise from the current global geopolitical tensions. This proactive approach is aimed at mitigating the impact of any adverse conditions.

Consumer Products: The consumer products segment has continued to demonstrate consistent growth, maintaining the upward trend observed in previous quarters. This consistency underscores the segment's resilience and the effectiveness of the company's market strategies.

Group Companies: From a strategic standpoint, the company has made notable advancements. The complete acquisition of M/s Mapril in Portugal signifies a strategic expansion into the European market, which is expected to broaden the reach and increase market penetration for the company's products. In addition, the mergers of three Indian Subsidiary Companies with the Parent Holding Company are being processed, which should enhance operational efficiencies once completed. These merger applications are currently under review by the appropriate authorities.

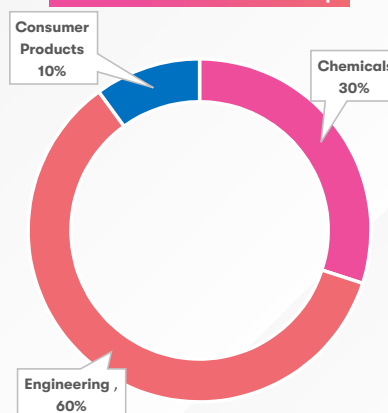
Engineering Order Book and Pipeline: As of 30th September 2023, the order book for engineering projects, excluding specific high-value projects like the Sri Lanka Order, UP Jal Nigam, and Delhi Jal Nigam, stands at INR 2,255 Cr. The total order book is valued at INR 3,420 Cr, which includes the outstanding Sri Lanka project at INR 205 Cr. The UP and Delhi Jal Nigam projects contribute INR 960 Cr, representing significant future engagements. The bid pipeline is robust at INR 8,745 Cr, indicating a healthy potential for new business and the company's active participation in the competitive bidding landscape.

FY 23 Geographical Breakup



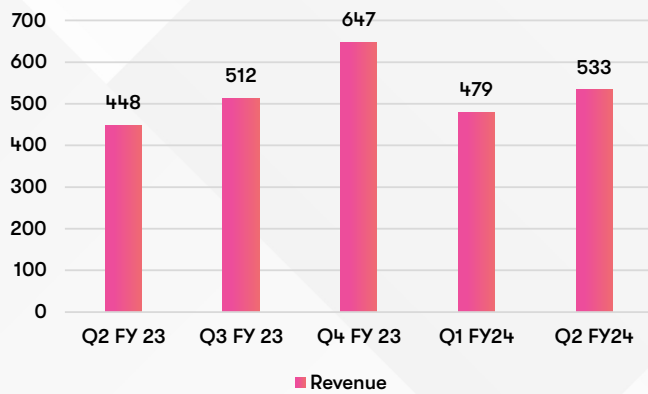
■ Domestic Book ■ Exports

FY 23 Revenue Breakup

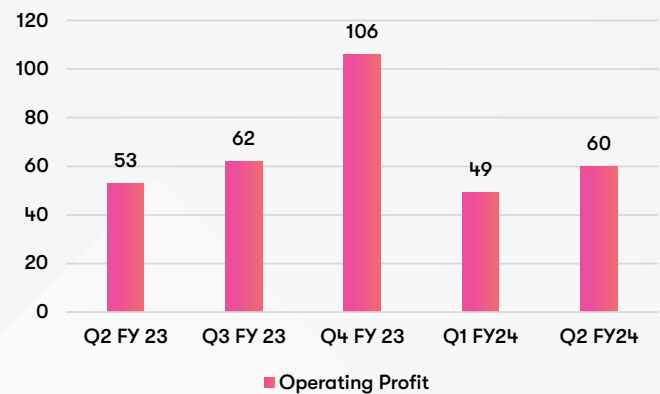


■ Chemical ■ Engineering ■ Consumer Products

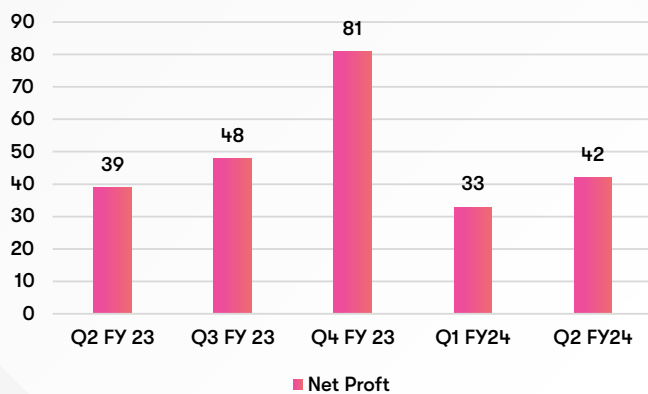
Revenue



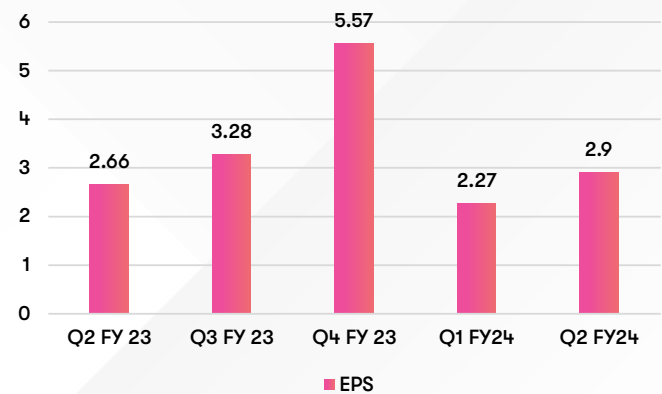
Operating Profit



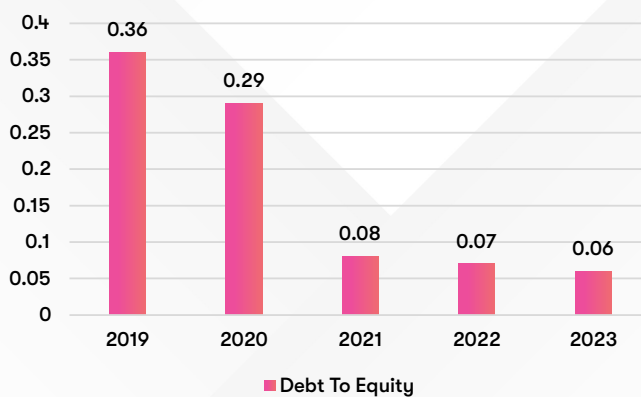
Net Profit



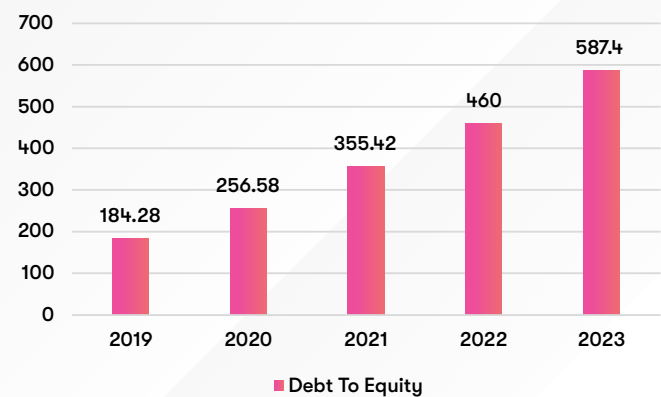
EPS



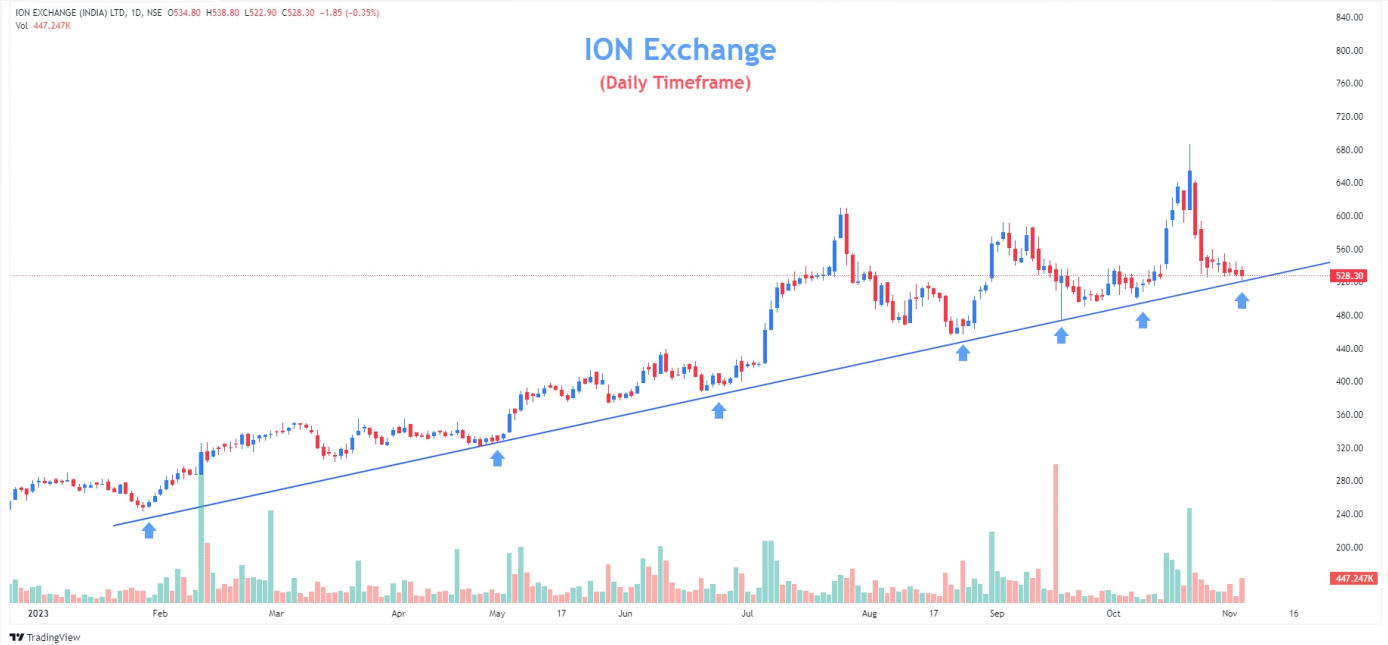
Debt To Equity



Book Value Per Share



Technical Outlook



ION Exchange is now on a trendline support which has been respected multiple times and we have seen the stock bouncing back strong.

Volume accumulation can be seen across the rise in the price of stock with every dip getting bought back. 450 will act as a major support for the stock with resistance placed at 600 and 690

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	533.10	534.95
10	552.85	544.40
20	554.45	547.25
50	535.90	533.75
100	506.35	500.20
200	420.80	435.45

Pivot Levels : FIBONACCI

R1 645.93	Pivot 572.97	S1 458.98
R2 759.92		S2 386.02
R3 832.88		S3 272.03

Relative Strength Index (RSI)	Daily	Weekly
	45.69	54.88

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