

Company Details

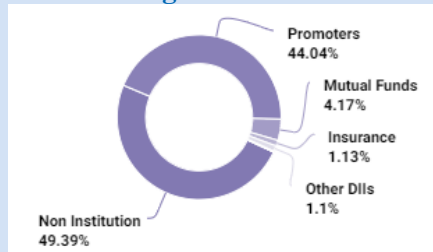
CMP:	Rs.378
Face value:	Rs.10
Market cap:	Rs.577.57 Crs.
TTM EPS	Rs.49.53
52 week high:	Rs.590
52 week low:	Rs.335
BSE Code:	500214
Sector	Industrial Machinery

9 Monthly (Standalone)

Financial Highlights (YoY)

Rs. in crores			
	9M FY19	9M FY18	% Var
Net Sales	684.22	668.07	2.4%
Total Expendit	643.28	631.00	1.9%
PBDIT	40.94	37.07	10.4%
Op.Profit	80.23	57.79	38.8%
OPM (%)	11.7%	8.7%	35.6%
PBT	54.83	37.57	45.9%
PAT	35.76	24.06	48.6%
EPS (Rs.)	29.79	20.04	48.6%
Equity	14.67	14.67	0.0%

Shareholding Pattern



Price Vs Sensex Chart



Research Analyst

Animesh Yadav

animesh.yadav@satco.co.in

Satco Capital Markets Ltd.

Board Line: +91 022 2645 6666 |

Ext: 288 | Fax: +91 022 2651 6783

Company Background

Ion Exchange (India) Ltd. (IEIL), initially incorporated in 1964 as a subsidiary of UK company called Permutit and it has now become a wholly-owned Indian company in 1985. The company is a premier name in total water and environment management from construction of water treatment plants, water treatment products and solutions to its operation, maintenance, manufacturing and supply of required specialty chemicals and resins. The company has a strong domestic and International presence. The company operates in 3 segments which are Engineering, Chemicals and Consumer Products which contributes 58%, 32% & 10% respectively of its current revenue. The Company has more than 50 patents to its credit and has been probably instrumental in more than some lakh installation across the globe. With global presence and export to Africa, Japan, Middle East, Russia, South East Asia, Europe, UK, USA, Canada and neighboring countries apart from presence in major cities in India, The exports contributes about 35% to the consolidated revenue.

Financial Performance

The company has reported Net sales of Rs. 684.22 crore for 9M-FY19 higher by 2.4% against Rs. 668.07 crore for 9M-FY18, while **Operating profit was at Rs.80.23 crore in 9M-FY19 up by 38.8% against that of Rs.57.79 crores in 9 months of the last year.** The operating profit margin has improved to 11.7% for 9M-FY19, compared to 8.7% for the corresponding period of previous year. **The EPS has significantly improved from Rs. 20.04 in 9M-FY18 to Rs. 29.79 in 9M-FY19. The rise in the revenues as well as margins is mainly due to shift in product mix to more value added premium products, customer centric initiatives and continuous improvement across all functions.**

Investment Rationale

- The company's Membrane manufacturing facility in Goa is largely on track and will be fully operational in Q4 FY19.
- The company has got order worth about INR 1200 crores from Sri Lankan; out of which INR 47 crores has been realized until now and the company expects to realize another INR 150 crores in Q4FY19 with better margin.
- **The company has pending order book of about INR 975 crores (excluding the Sri Lankan project) and Order Bid pipeline of about INR 5000 crore.**
- With Vedanta Cairn unit started execution of INR 438 Crores (included in INR 975 crore engineering order) with duration of 2 years will add-on to the top line.
- The Pharma grade resin facility has been audited by the USFDA and no objections have been raised which opens up huge potential in US and European market for Drug Active resins.
- The **Consumer segment is expected to perform better** in the coming quarters and come close to breakeven in FY20.
- The company has been paying regular dividend since 2007.
- As on Dec 31st, 2018, the promoters hold 44.04% equity of the company, whereas Mutual Funds, Insurance and other DIIs own 4.17%, 1.13% and 1.1% respectively, and the balance 49.39% shares are held by the public.

Concerns

The Competition from unorganized players, fluctuation in Foreign Exchange and volatility in raw material prices are the main concerns. The share of the company is currently in T to T segment because of the non-dematerialization of shares hold by Employees trust. As guidance pointed by the company, the dematerialization process of the pending shares is likely to complete by March, 19 and thereafter the shares of the company can be listed on NSE in a year time.

Valuation

The share of the Company is trading at Rs. 378 at an attractive **TTM P/E of only 7.6x.** Keeping the improving financials of the company, improvement in margins, large order size and ability to scale the top-line, we expect the company to report an **EPS of about Rs. 50 for FY19 and based on PE of 9x,** we estimate the price of the scrip to appreciate to about Rs. 450 over the next 6-12 months.

EXTENDED WINGS

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NASHIK | NAGPUR | PUNE | WARANGAL | VISHAKHAPATNAM | RAJAMUNDHARY | KARIMNAGAR
HYDERABAD | VIJAYWADA | CHENNAI | BANGALORE | COCHIN | TRIVENDRUM

Corporate Office:

Satco Capital Markets Ltd., 402, Silver Pearl Building, Water Field Road, Bandra (w), Mumbai - 400 050
Tel.: +91-22-6170 6700, 2645 6666 | Mob : 98205 70103

Registered Office:

Satco Capital Markets Ltd., 17, Noble Chambers, Ground Floor, Janmabhoomi Marg, Fort, Mumbai - 400 001
Tel.: +91-22-6655 6721/15 / 6655 6777

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