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I had the opportunity of attending the AGM of ION Exchange being a shareholder. The key take aways of the meeting as per management guidance -

- The rise in commodity prices in the first half last year resulted in the management stocking raw materials. This resulted in a loss in the second half as commodity prices collapsed after Sept 2008. The situation is reportedly improving in 2009 - 10.
- Almost half of the turnover of the Co is from exports. The state of the global economy meant delay in decision making in the Gulf, Europe and S E Asian markets. Payments were held up and debtors are therefore higher. Payments have started trickling in, in the current fiscal
- The Co has landed a desalination plant order from NTPC and a similar order from a Andhra Pradesh based mega power project
- Proposals for a desalination plant for Mumbai are already forwarded to the Mumbai Municipal Corporation but nothing firm yet. Re-cycling of water has been approved and 7 such plants will come up in Mumbai in the coming years.
- Re-cycling of sewage costs upto a third of the desalinating costs and is safe for human use. However, for obvious reasons, this water will be used for gardening, laundering, bathroom use and in industry only. Profits for ION Exchange will be higher in recycling as sewage is available in abundant supply.
- ION Exchange is the third largest company in the business after Eureka Forbes and Kent water purifiers. It's brand "Zero B" is well established and accepted in the market. Brand recall factor is high. Solutions are broad spectrum in nature from domestic application purifiers to industrial plants, water parks, sea water desalination and sewage recycling technologies.
- Ion Exchange Environo Farms (subsidiary) is into organic farming and chemical free foods. Typically these foods command a 30 - 35 % premium in overseas markets. In domestic markets, the premium may fluctuate higher due to the limited and niche audience this product will cater to. So far, the yields have been below par and various seeding techniques have been tried to improve the yield. Results are likely to improve substantially over the coming quarters. Marginal improvement will show in the current quarter itself as per management guidance.
- After water treatment, the management feels (I agree - have said so in state of the market editions) that food will be a major challenge for mankind. ION Exchange hopes to capture a sizable market share in the organic food segment. It seems to be a sound long term strategy provided the management plays it right.

The management has agreed to personal meetings / open door visits to their facilities after Diwali. As soon as I have satisfied myself about the viability of the decision, I may step up my exposure to this stock. The decision is a medium / high risk one as the company has reported poor performance and returning back to track will mean patience. I intend to take a small calculated risk.

I remain bullish on the prospects of agri commodities, water and rare earth minerals for the coming half decade or more. Investors may take note of the fact that these investments are thematic in nature and take years before yielding fruits. Exposure maybe curtailed and time frame of 36 months or more must be kept in mind. The decision to invest in the stock is gilt edged and returns are likely to be asymmetric in nature.

**Disclosure - I, my family and corporate holding company already own this stock.**

This report is informative in purpose / nature and not a stock recommendation.

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The columnist is the author of the book "A Traders Guide to Indian Commodity Markets" and invites feedback at [vijay@BSPLindia.com](mailto:vijay@BSPLindia.com).