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sealmatic

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Date: - 08/06/2024

To,
The Manager,
Listing Department,
BSE Limited,
SME Division,
P. J, Towers, Dalal Street
Mumbai- 400 001.

Subject.: Transcript of Earnings Call
Ref: - Scrip Code: - 543782 - SEALMATIC INDIA LIMITED

Dear Sir/ Madam,

Pursuant to Regulation 30 and Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find attached the transcript of the aforesaid Conference Call held on Thursday, June 06, 2024 at 4:00 p.m.

Kindly take the above information on your records and oblige.

Yours faithfully,
For, Sealmatic India Limited

Neha
Chheda

Digitally signed by Neha Chheda
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Neha Chheda
Company Secretary & Compliance Officer

Place: Mumbai

Encl: - As above

"Sealmatic India Limited

Financial Year Ended 31st March 2024 Earnings Conference Call"

June 06, 2024

MANAGEMENT: **MR. UMAR BALWA – MANAGING DIRECTOR – SEALMATIC INDIA LIMITED**
MR. RATAN KANDARE – CHIEF FINANCIAL OFFICER – SEALMATIC INDIA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Sealmatic India Limited Earnings Conference call for the financial year ended 31st March 2024. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

Ladies and gentlemen, please note all content on this earning call is for informational purposes of a general nature only and does not address any circumstances of any particular individual or entity. Do not construe any such information on or material as legal, tax, investment, financial, professional or any other advice.

Content on this earnings call does not represent or constitute any solicitation, inducement, recommendation, endorsement or offer by Sealmatic. Any information, materials, statements and or data set out herein is subject to change anytime without notice and as such, no reliance must be placed on fairness, accuracy, completeness or correctness of any information and materials contained on this earnings call.

I now hand the conference over to Mr. Umar A.K. Balwa, Managing Director of Sealmatic India Limited. Thank you and over to you, sir.

Umar Balwa: Thank you, Michelle, for this introduction. Good evening and a very warm welcome, ladies and gentlemen, to this third earnings conference call of today. Before I begin with the formal address, I take this opportunity to express my heartfelt gratitude for taking the time out of the busy schedules and accepting our invite and to be part of this call.

I would also like to express our gratitude towards our shareholders and the keen interest expressed by investors and analyst community in our company Sealmatic. As I have already briefed over the two previous earnings calls about the company and our journey in the business of mechanical seals and hence I will not get into specifics of that matter. Sealmatic succeeded in increasing its turnover by around 21% to INR728 million.

This shows that demand for Sealmatic products is very strong and is being driven by markets in India, Europe, North America and the Middle East. A quick on the outlook for the financial year 2025. For the financial year 2025, Sealmatic expects year-on-year organic order intake of 20% which will lead to efficient operational profitability. Our continuous investment into research and development drives our commitment to keep evolving our capabilities as a sealing technology leader.

Certain pivotal developments in the Middle East, Europe, USA and India, we are currently expanding our business to support various OEMs and end users. Our global markets export to 53 countries have demonstrated a longevity along with year-on-year growth and they will remain essential even as new markets will emerge in the future. Strategy beyond 2028 together with the new regional heads in India, Middle East, Europe and USA, we have created a strategy 2028 and beyond to ensure we continue to meet customer needs and expectations as we maximize our long-term growth potential.

Sealmatic 2028 vision has pivotal philosophy aimed at growing the company profitably. Sealmatic experienced leadership will drive performance improvements to operational excellence. This will enable us to increase efficiency, strengthen our customer focus and grow more profitably.

Business overview and company perspective. Based on the PTRs that we have as credentials, we have been selected and are sought after companies to deliver high critical mechanical skills. To name a few examples, the Rumaila oil field which involved high critical API fixed mechanical skills, the lift irrigation project in Andhra Pradesh which involved the largest split mechanical skills ever produced in the country, the IOCL Mathura refinery OISD project which involved intricate and demanding application in a refinery coupled with installation and commissioning of mechanical skills for high temperature applications exceeding more than 350 degrees Celsius. These projects are to name a few and the body of work undertaken by Sealmatic is commendable and respected globally.

The footprint of Sealmatic is ever expanding with key assets being deployed at strategic locations. For example, in Pune we have a team of five people now, in Chennai a team of three people, in Kolkata a team of three people, Baroda a team of three people and in Mumbai a team of 11 people covering the entire market of India. In addition, we have established sales and service office in Dublin, in Ireland to oversee the markets in Europe and in Houston, USA to oversee the market of North America.

The collective potential of both these two regions is USD2.25 billion and we are making a very serious commitment in this territory. Strategic partnerships have been arrived upon in high growth areas within the UAE. We have signed an agreement with Habshan in October 2023 to look after the UAE market.

The market potential in the UAE is USD60 million. In Thailand we have signed an agreement with the PSS Group in August 2023 to look after the market in Thailand. Market potential is approximately USD40 million.

In USA we have signed an agreement with EcoTech in September 2023 to look after the USA market. The market potential of USA is US $1.25 billion. The market in Middle East has presented us with many opportunities due to the approval of ADNOC which Sealmatic attain the shortest possible time frame and this opens doors for us to participate in projects that are envisaged in excess of USD50 billion spread over a period of five years.

Similar efforts are being put by our team in Oman, Qatar, Kuwait and Saudi Arabia where initial reports and findings encourage us to make strategic partnerships and long-term investment in these regions as well. Most importantly the market in Russia was a closed door because of its very productive nature but due to the conflict with the Ukraine that market is now open for us and we have made significant progress over there. Thus participating in exhibitions such as the NEFTEGAZ in April 2024 in Moscow and the PCV in October 2023.

The response that we garnered at both these exhibitions was overwhelming. We see a lot of traction in Russia in the coming years with profitable business. The business area of defense and nuclear is now well covered by achieving the certification of ISO 19443 which is nuclear and DGQA defense.

It would be noteworthy to mention that Sealmatic was the second company in India to get ISO 19443 certification and also to get the coveted DGQA certification for defense through a very stringent process. Having achieved both these certificates it has paved way for us to penetrate the coveted markets which are long-term profitable and sustainable. We have established a team of engineers who will exclusively pursue this business in the defense and nuclear sector.

Sealmatic has invested and will keep investing heavily in reaching out to markets and geographies for which it has participated and will be participating in important industrial exhibitions such as the Defense Technology Exhibition in Chennai, Pump Symposium in Houston, ADIPEC in UAE, Dahej Industrial Expo, EGYPES in Egypt, again OTC in Houston, ChemTECH in Mumbai, ACHEMA which is just coming next Monday in Germany, Pump Symposium which will come up in August in the USA. Hence I have just given you a brief just overview of the activities that the company has taken and what we know post in the future. I will not go on a rant and will not hog the limelight.

I will now hand it over to Ratan Kandare, who is our CFO to share important vital details about the years that went by.

Ratan Kandare: Thank you, sir. Good evening, ladies and gentlemen. Dear shareholders, we are delighted to present the financial results of FY24 which show us robust performance on an annual basis. Our sales turnover in FY24 stood at INR71.01 crores which is an increase by 21.31% as compared to previous year of FY23 where the sales turnover stood at INR58.54 crores. We have earned a profit after tax of INR9.86 crores during FY24. We have achieved EBITDA of INR15.94 crores during the FY24.

Out of the fund raised, some of the expenses are debited to profit and loss account as per the generally accepted accounting principle and the benefit of such expenses is likely to be available from FY26. Likewise, we have debited the marketing and development expenses around INR4.86 crores to profit and loss account which result in reduction in profit and EBITDA. Accounting standard does not allow us to capitalize in marketing and development expenses and therefore to comply with the accounting standard, we have debited such expenses to profit and loss account.

If such expenses are capitalized, we would have earned a profit of INR18.4 crores which amount to 25% of our total income and EBITDA would be 20.80 crores which amount to 28% of our total income. Thank you.

Moderator: Sir, should we start with the Q&A session?

Umar Balwa: Yes, just one last paragraph I would like to address to all the people who are attending this call. I would like to extend great appreciation and thanks to you, our shareholders for all your support and your employees, customers and partners without whom none of our achievements would have been possible. Thank you.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: Hi, sir. You had earlier guided that we would see a 60% growth in revenues in FY25. So, are we still on track for that?

Umar Balwa: Mr. Singh, yes, we are very much on track with that and hopefully we will surpass that target of FY2025.

Gunit Singh: Sir, so what kind of margins are we looking at in FY25?

Umar Balwa: As Ratan would have mentioned in his small introduction that had we not taken certain expenditure into revenue, our EBITDA would have been 28% even in the current year. But the accounting practices did allow us to do that because there was a change in law. So, we expect our EBITDA to be in the range of 24% to 26% depending on the kind of project activity that we undertake.

Gunit Singh: So, we expect this marketing expenses to continue this year as well in the same amount or higher than the previous year?

Umar Balwa: It could be lesser because the kind of participation that we have done in exhibitions, I am sure that it will get us desired results and we would not participate in all those exhibitions which we participated last year. And some of the exhibitions only come once in three years. So, probably those expenditures would be lesser in terms of marketing. In terms of sales reach out, they would remain constant, I would say.

Gunit Singh: All right, sir. Sir, what kind of contract do we have with our customers? Is it order basis or do we sell on spot? Can you please throw some light on that?

Umar Balwa: There are certain rate contracts with OEMs, but generally it is an order-to-order basis. That is how the industry functions over here in India and globally.

Gunit Singh: All right, sir. So, what kind of pricing contracts do we have? So, I mean, for example, if the order is for say next three months, if there is a price increase till we supply, is there a partial contract or is it fixed at the time of when the order is placed?

Umar Balwa: I am sorry, can you be more specific? I didn't get the question.

Gunit Singh: Sir, do we have -- can you throw some light on the nature of the contract? So, is the contract generally for a one-time supplier, say, of a given amount of quantity or does the order entail some period, say for six months, you will keep on supplying to the customers? And in that case, if the price of raw materials go up, do we have a clause to increase the prices of our final product and pass on the increase in raw material prices to the customers?

Umar Balwa: I will answer this question in two parts. The first one is that the order that we get of a contract that we have are orders which are divided into two categories. One is the OEMs, which is the pump and inner rotary equipment manufacturers. And the second is the end-users. So when we talk about the end-users, that is an order which will keep repeating because if my seal is fitted into an equipment of an end-user, that will have an annuity of, say, till the lifetime of the equipment, which is 25 to 30 years. So those orders will keep repeating year-on-year.

As regards to OEMs, it is based on project-to-project basis. And certain times, we have raised contracts, which are fixed for one year or maybe two years down the line. So that is the kind of business. Now coming to the price escalation, fortunately for us, we don't sell our products on the cost of raw materials. So it is always sold on technology. So the cost of raw material is not so significant for us as an impact if it increases. So that is not a criteria for us. And there is no inbuilt clause in any of the orders where there is a price increase and we get an increase. So that's not a question over here. We sell by technology, not by cost of raw material.

Gunit Singh: All right, sir, got it. So what is the current order book position as on date?

Umar Balwa: It is healthy as compared to our target of achieving 20% order intake. So we are on track on that.

Gunit Singh: Sir, what is the total adjustable size of the market in our industry? And who would be the leaders? What would be our position in the market currently?

Umar Balwa: The Indian market is close to about INR1,900 crores and the global market would be $4.25 billion.

Gunit Singh: All right, sir. So who are our main competitors out of India in this field? And what would be our position, I mean, in terms of revenues in the industry?

Umar Balwa: If you talk about competitors, there are three big boys whom we call them as three companies which are omnipresent everywhere, not only in India, but globally. So you will find these three names. So these are three international companies. And if you want the names, I can give the names as well. One is EagleBurgmann, the erstwhile company which I started out in India in 1989. The other is Flowserve and the third one is John Crane. So these are the three competitors who would be present everywhere.

And as regards to our market share, it is difficult to quantify a percentage because we just started out our journey in India in 2020. And as regards to OEM and project business, we just started out in 2022. So it is too early to say even put a figure. So that would be too premature.

Gunit Singh: Got it, sir. Sir, and you were commissioning some capacity around Q4. So has that happened, additional capacity?

Umar Balwa: Yes, that is happening as we speak and we would get fully integrated by end of June or first week of July.

Gunit Singh: So when can we expect it to be at optimal utilization? And what would be the revenue potential from the new capacity?

Umar Balwa: See, optimum utilization also depends on a lot of other factors such as getting a trained employee structure over there and also getting them fully integrated into the system that we have over here because we follow very stringent regulations. So to get this capacity fully integrated and to get a revenue out of it, I would say it would add 65% to the current turnover.

Gunit Singh: 65% to the current turnover, okay. That is the revenue potential from that new capacity.

Umar Balwa: Setup in common.

Gunit Singh: All right, sir. So, sir, total revenue potential from the new and existing capacity would be how much?

Umar Balwa: It's again a very complicated question to answer in just one sentence. It all depends on what kind of configuration of business you are doing. So if I have more of end-user business, which I always keep saying and keep emphasizing, that FY 2027 will be a golden period for Sealmatic, that's when our end-user business will kick in.

So it depends. If I'm only doing end-user business, from my current capacity, I can do INR200 crores. So it depends. You have to take into account how much of project and OEM business you're doing, how much of end-user business you're doing.

Gunit Singh: Sir, if we look at the current composition only of end-user and OEMs in that capability, what would be our revenue potential from the new as well as existing capacity?

Umar Balwa: I would not like to go there because that's the question -- I'm sorry to say that's a question which is a bit irrelevant at the moment because the configuration of business is going to keep evolving and changing. So if I give you a figure today, it will be a very incorrect figure.

Gunit Singh: All right, sir. So what is the proportion of OEMs and end-user currently and how do we see it panning out in the coming year and the next 2-3 years?

Umar Balwa: It will remain the same between the OEM and end-user because I am a new entrant and I need to take as many OEMs and projects which will result in getting me end-user business. So that would be 50-50 at the moment.

Gunit Singh: All right, sir. Got it. Thank you very much. I'll join back the queue again.

Umar Balwa: My pleasure.

Moderator: Thank you. The next question is from the line of Vinay Agarwal from Shree Venkatesh. Please go ahead.

Vinay Agarwal: Good evening, sir. Thanks for providing me the opportunity. Sir, we have received a project notification in the form…

Moderator: Sir, your audio is not clear. May we request you to use your handset, please?

Vinay Agarwal: We have received -- we have now received approval in Middle East. We have also received a certification from Russian market also and we have now approved for defense also. So going forward could you provide any colour in regard to what kind of growth trajectory we could foresee 2 years, 3 years hence down the line?

Umar Balwa: I would be conservative and say let's take 3 years down the line. Just going by defense it should have 25% of our turnover because that's a huge market, but it's long term. It takes its own time it's more bureaucratic. You need to go through various layers. So that's one question. As regards to the Middle East, we expect a good amount of turnover which would be in the range of say INR25 crores in the next 3 years' time.

Vinay Agarwal: Overall what sort of growth we could foresee means going forward in 2 years, 3 years down the line for the company means currently we have started, we have received a lot of certification and we have done a lot of marketing also. So what sort of growth we could foresee means 2 years or 3 years down the line?

Umar Balwa: Say 3 years down the line it would be safe to assume that we would double our turnover.

Vinay Agarwal: And sir one last question recently we have received a project worth INR15 odd crores. So in this project do we have operation maintenance contract also for future?

Umar Balwa: Mr. Vinay let me try and explain this in a very layman's term. So this is like how we have the Kodak film in the camera where you get the camera free and then you charge for the reel or the negatives and for the processing. So here what happens in a project typically let's discuss this project which is called Mongol Refinery. So we will execute this project by say the last quarter of this financial year.

So by March or April 2025 we would be completing the execution of this project. It will get assembled at the pump OEM site and it will be transported to the refinery in Mongol. Say 3 years down the line when the plant gets commissioned, any product which has come as an OEM remains as an OEM.

So with Mongol I will have say example 200 pumps which are fitted with the Sealmatic mechanical field and that itself is going to generate a revenue of USD2 million every year for us profitable business.

Vinay Agarwal: Sir how long it would be 25 years to 30 years as we had earlier discussed?

Umar Balwa: 30 years the lifetime of the equipment.

Vinay Agarwal: So approximately means as you said USD2 million. So INR16 odd crores we would be receiving every year henceforth.

Umar Balwa: Yes.

Vinay Agarwal: Okay. Sir from FY27 we have already done a INR200 crores or INR250 odd crores. So by FY27 how much revenue you should expect to accrue from this operation maintenance?

Umar Balwa: I would not go that far. I have just answered this question in the earlier question put by Mr. Singh. So let us stick to this. I do not want to go to 5 years and 7 years. So let us stick to that. Then we will double our turnover in 3 years' time and from the FY2027 that is our golden period we will kick in where we will be able to encash on all the investments that we made in projects.

Vinay Agarwal: Okay. Thanks a lot sir.

Umar Balwa: Welcome.

Moderator: Thank you. The next question is from the line of CA Varun Agarwal an Individual Investor. Please go ahead.

Varun Agarwal: Thanks for the opportunity. Congratulations on the consistent top line growth. In this year FY25 how much revenue do we expect from exports?

Umar Balwa: It would be 50% of our turnover.

Varun Agarwal: Okay. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Parikshit Kabra from Pkeday Advisors LLP. Please go ahead.

Parikshit Kabra: Hi. Thank you for the opportunity. First question I just wanted to understand we missed our guidance for this year and I guess that is mostly because of the performance in H2. So any commentary on what we saw in H2 why things played out the way they did and why even the margins dropped? And the margins dropped I know because of the marketing cost, but beyond that was there any other marketing price pressure or was that the only reason?

Umar Balwa: No, nothing. I would not say because if you look at the marketing expenditure it was almost close to about INR4.6 crores. So that is the only factor it needs to be considered.

Parikshit Kabra: Got it. And revenue sir?

Umar Balwa: I am sorry.

Parikshit Kabra: And what about the revenue? Why did we miss our revenue guidance?

Umar Balwa: We did not miss our revenue guidance.

Parikshit Kabra: Sir I believe for FY24 we are given a guidance of 30% growth.

Umar Balwa: No, I do not think so.

Parikshit Kabra: Okay my mistake. So this is on track with what we wanted or was this an underperformance this quarter, this half year?

Umar Balwa: We were happy with what we achieved and of course who is happy with what they have. So we would have loved more to come in, but then there are certain hurdles, limitations and considerations that you have to make, but we were happy with what we did. We are happy with what is happening now. And we are very buoyant to what is coming in the future. We see a lot of traction to the work that we have done so far participating in eight exhibitions.

It is not an easy feat. It is very cumbersome. It is very tiring. It takes a lot of energy. It takes a lot of resources and this is not only one location. You are traveling around the country, you are traveling around the globe may it be Egypt, may it be Houston, may it be Russia, may it be in extreme weather conditions. So you are doing it and I see a great potential and wherever we have participated we have got tremendous response. I can tell you not because of Sealmatic but because the kind of story that we have to say, a story that is compelling to our customers. And we will see this results coming in the next 18 to 24 months period of time that we will have many other global accounts coming to Sealmatic.

Parikshit Kabra: Fantastic. So that is really great to hear as an investor in your company. I really appreciate that. The other part I wanted to ask, sir I know you do not want to talk about multiple years into the future and neither do I. But I understand that the O&M revenue from the things that we have already sold starts kicking in about 24 months after installation. Correct, sir?

Umar Balwa: 36 months.

Parikshit Kabra: 36 months, not 24 months?

Umar Balwa: No. It takes because we see projects like refinery. So, there are a lot of challenges not from our side but from the site. There are a lot of bodies involved the EPP, like EIL, the OEM, like KSB. Then we end with like IOC, a steel company like us and many other contractors. So, at the site, it is a humongous effort where on a daily basis, almost 12,000 workers are employed and doing the site. So, typically, we have experienced in this journey that it takes about three years on a day of supply for the plant to get commissioned with our mechanical field. And that is when the business will start kicking in, which is profitable, which we call the end of the business, which we call our bread and butter.

Parikshit Kabra: Got it, sir. So, 36 months, if we assume would it be fair to say that some of the projects that have sold in 2020 and prior to 2020, some of the O&M revenue would have started coming in in FY '24 itself or if not FY '24, in FY '25?

Umar Balwa: No, Mr. Kabra, I think you missed my deliberation when I was talking on the earlier gentleman. Our OEM and project business only started in 2022. So, we started approaching the OEMs to get ourselves in the project business. For that, we need to get approval from EIL, which is the mother body. So, that came in place by the end of 2022. And then 2023 onwards, we started participating in two projects.

So, whatever orders we would have got would be in the middle of 2023 and the end of 2023. And those orders are now being supplied and they'll get commissioned by 2026. That's when I say our golden period will start. So, 2026 onwards, our seals will get commissioned.

Parikshit Kabra: Got it, sir. And so, my last question is that I know you said that the India TAN for our business was INR1,900 crores. Is that INR1,900 crores of new tenders for seals that comes out every year? Or does that also include O&M and other things? And because from what I understood, the number every year of new seal orders that comes out in India is between INR100 crores to INR150 crores. Is that information correct or is 1,900 the correct number?

Umar Balwa: I would say the ballpark, I would agree with you on that. But every year, there are no tenders coming out as such. These are proprietary items. So, these are not items with a tender. So, these are done by pure solicitation by visiting customers and fulfilling the requirements.

Parikshit Kabra: Perfect, sir. So, in that case when we have 50% of our revenue coming from India, which is about INR35 crores from India, if we grow at 50%, 60% next year then we would already be about 40% to 50% of the new orders that come out in India. Is that really going to be a market share?

Umar Balwa: No, not really. I think probably -- let me try and explain this to you. When I say see, forget the market share. It is too insignificant. You just cannot take it you just started out in two years' time and you say, I've got this X percentage of market. I don't believe in that number at this moment. I can only be qualified to say I've got a market share after five years down the line. But let's say, that's our endeavor. And we are working towards this, that any new firm is being built for a project. We want 15% of market share of any new firm, say a firm which is being delivered to ISL, BPCL, HPCL, Reliance, NTPC, Nuclear Power, Gale, ONGC, we want 15% of that share.

Parikshit Kabra: Got it, sir. But that's what I'm not able to understand, sir. If the new orders are between INR100 crores to INR150 crores, how are we saying 15% with almost INR35 crores -INR40 crores of revenue from India that those are the numbers that are not able to reconcile. Is that PAM number underestimated?

Umar Balwa: No. When you are saying a particular number, you are taking the collective incremental growth, so which will also include the end of the business. When you think INR200 crores the market has increased over the previous year that would also include the end of the business, which would come in. New projects would be close to about for the sake of just a discussion, say INR75 crores. So what I'm saying, I want 15% of that particular new growth, which is actually profitable and which is actually a meaningful business for us. For us, our bread and butter would only come from oil and gas, refinery, petrochemical, nuclear power plants and so on. And that's our focus.

Parikshit Kabra: Okay, sir. All right. Thank you, sir. Thank you for your time.

Umar Balwa: Welcome, Mr. Kabra.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much, sir, for this opportunity. Just first, just a clarification. I think you mentioned, if you have to exclude this project expenses or some marketing cost, what would have been our profit in FY '24?

Umar Balwa: Ratan, can you answer that, please?

Ratan Kandare: If we exclude it, we have earned a profit this what I think, INR18 crores.

Deepak Poddar: INR18 crores? Net profit you're talking about?

Ratan Kandare: No. This is property protects.

Deepak Poddar: PBT. We would have been INR18 crores of PBT and 28% of EBITDA margin that we had guided earlier, right? Okay, understood. And when we are saying that for FY '25, we are looking at 25% to 26% of EBITDA margin. So you have already factored in any such kind of cost that may come in FY '25 in terms of any marketing or project expenses that you need to account in your P&L?

Umar Balwa: Mr. Poddar, I think I've answered this question to the previous gentleman as well, but I'll still repeat my answer. That the exhibitions that we participated, some of them very important ones and become more expensive, are only happening once in 3 years. So, those won't get repeated. So probably, we'll see a much lesser expenditure on exhibitions.

And what we did in the last year that we wanted to set a footprint and wanted to make awareness. So, we participated in many exhibitions in territories where we were not physically present. Now having done that, we don't feel the need that we need to participate any further. Only we will do in select exhibitions. Those expenses will come down.

Deepak Poddar: I think you did mention that your marketing expenditure will be lesser. But whatever you're guiding would be after factoring in all these kinds of expenses, right?

Umar Balwa: Yes, of course. Yes. Why I'll say is I'll still be buying projects. Projects, when you buy a project, these are, at below cost. So that investment will keep happening. If I don't do that, I will become stagnant as a company. And my business is purely based on the installed base that I have in any geography, whether it's India or the Middle East or America. So, I need to increase my installed base. That can only happen by buying projects.

Deepak Poddar: No. So, that that is fair point. I'm just trying to reconfirm that the margin of 25%, 26% that we are saying would be after factoring in all this incremental expenses that can come, right?

Umar Balwa: Yes. between 24%-26%.

Deepak Poddar: 24%-26%, okay. Not 25%-26%, 24%-26%. Okay, that's very clear. Now, secondly, what would be your current order book?

Umar Balwa: We are on track. I think I did answer this question to the earlier gentleman as well. So, when we talk about 20% increase in order books, we have a slightly higher order book at the moment.

Deepak Poddar: Just 20% growth in order book. So, in rupees, crores, I was just looking at a number. So, what is our current order book?

Umar Balwa: Our current order book will be more than INR45 crores at the moment.

Deepak Poddar: At INR45 crores. And we are expecting 20% growth in order book intake in FY'25.

Umar Balwa: Yes, this is what I'm saying is including the 20% growth.

Deepak Poddar: And I think you also mentioned in 3 years, we are looking to double the turnover, right? Now, you have to extrapolate that FY'25 itself, we are talking about 60% plus growth, right? So 3 years doubling ideally means FY'26 and FY'27, we are talking about very low growth. Is that what we are trying to imply? I mean, after 60% plus growth this year, we would be seeing a low growth in FY'26 and FY'27?

Umar Balwa: Yes. So, when we say we are going to double our growth, then let's take the base as 71 or 72 that we did. So, we are talking about INR150 crores. That's the minimum that we want to achieve, but we want to go beyond that.

Deepak Poddar: And 60% growth, we have already mentioned for this year?

Umar Balwa: I'm sorry?

Deepak Poddar: 60% plus growth, we have already mentioned that we are looking at for FY'25?

Umar Balwa: No, we have not mentioned that anywhere.

Deepak Poddar: No. So, in your opening remarks, you mentioned, I think, FY'25, we are on track for 60% revenue growth, right?

Umar Balwa: No. 20% growth, we have said. I don't see...

Deepak Poddar: Not 60%. We are talking about 20% growth. So I'm a little confused. So, can we just reiterate that for FY'25, what is the growth we are looking at?

Umar Balwa: 20%, I said.

Deepak Poddar: 2-0? 20%?

Umar Balwa: Yes.

Deepak Poddar: Okay, 20% growth for this year and overall doubling our revenue by FY'27 to around INR150 crores, right?

Umar Balwa: Yes.

Deepak Poddar: Okay. That's clear now. And what was the capex spend in the new capacity that we have? We are, I mean, integrating by maybe June end or July starting?

Umar Balwa: Let Ratan answer this question.

Ratan Kandare: capex expenditure. Can you repeat the question, Mr. Poddar?

Deepak Poddar: So, just the capex. I just wanted to know what was the capex involved in that new capacity?

Ratan Kandare: We have invested in machinery around INR5 crores to INR6 crores in machinery this year.

Deepak Poddar: INR5 crores to INR6 crores?

Ratan Kandare: INR6 crores in machinery. We have already given the order for it.

Deepak Poddar: Okay, and so INR5 crores to INR6 crores in machinery and that is going to increase our revenue potential by about 65%, right?

Ratan Kandare: Yes.

Deepak Poddar: Okay, I understood. I think that's about it from my side. All the very best to you. Thank you.

Moderator: We'll take the next question from the line of Gautam Rastogi, an individual investor. Please go ahead.

Gautam Rastogi: The first question that I have is, sir, could you let me know what portion of your sales in FY'24 was non-API or non-project related?

Umar Balwa: I'm sorry. I didn't get the question, Mr. Rastogi. Can you please repeat it?

Moderator: I'm sorry to interrupt, sir. Mr. Rastogi, can you please use your handset?

Gautam Rastogi: Yes, absolutely.

Moderator: Thank you, sir.

Gautam Rastogi: All right. Sorry. I apologize for that. All right. Sir, can you let me know what portion of your sales in FY'24 is non-API or non-project related?

Umar Balwa: FY '24, did you mention?

Gautam Rastogi: Sir, what portion of sales is non-API or non-project related? Because not all your sales is API related, right?

Umar Balwa: Yes, absolutely. Anything which is being exported out of the country is all non-project. I wouldn't say non-API, but non-project. So, where we don't lose money, we make decent amount of profits. And anything which is happening here in India, where we supply to OEMs, it is a project business. And that's a business which drains our resources and drains our cash flows. So, that business would be approximately 20% of the turnover.

Gautam Rastogi: Understood, sir. So, in all the partnerships that you have done abroad, through those partnerships, are you targeting the API business or the non-API business?

Umar Balwa: Primarily, API business, because that's the area and focus that we have. Because that's where we make money in a refinery or an oil and gas installation, a petrochemical, a power plant, both thermal as well as nuclear. So, that's our focus area. Of course, we don't mean to say that other than that, it is of no interest to us, but that's where we make the money.

Gautam Rastogi: Understood. All right. So, and in your opening remarks, you had mentioned a series of market sizes in different markets across the world. So, are those markets for already installed things or are they for like incremental market, like 60 million, 40 million?

Umar Balwa: Yes, these are for operation and maintenance market. Because when we talk about Middle East, so there is nothing which is happening as a manufacturing. So, all the products are being imported and being sold over there. So, like in the Middle East, you don't make a pump over there. All the pumps which are installed in the Middle East are being supplied from India. So, that's purely a highly profitable business, highly profitable.

Gautam Rastogi: Understood, sir. So, like say, for example, for U.S., you mentioned the market of 1.25 billion, where you have done a partnership with EcoTech, if I'm getting the name right. Okay.

So, this 1.25 is for O&M. That's what you mean?

Umar Balwa: No, U.S. is a manufacturing country. So, there we'll have to be more specific. So, the end is the business would be, say, 70% and O&M business would be, say, 30%.

Gautam Rastogi: Understood. sir. This is helpful.

Moderator: Thank you. The next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead. Mr. Singh, I've unmuted you. Kindly proceed.

Gunit Singh: Hi, thank you for this opportunity once again. So, firstly, I want to clarify one thing. When I asked you for the guidance of growth in FY '25, you mentioned that we will be doing exceeding 60% plus growth in revenues. But to one of the previous participants, you mentioned that we would be growing at about 20%. So, can you please clarify that first?

Umar Balwa: I've also clarified this to the other gentleman. I don't know from where the 60% has come.

Gunit Singh: All right, sir. Got it. So, secondly, I want another clarification on one of the questions asked by one of the participants. So, as a layman, I just want to understand that you mentioned that we got an order of INR15 crores for which after 36 months of order, we will start generating additional INR15 crores annually for the O&M. So, is that understanding correct?

Umar Balwa: Yes.

Gunit Singh: Sir, so, I mean, what kind of orders? So, for example, currently, our revenue is about NR70 crores for this year. So, going forward in the coming 3 years, can we expect just the revenue from the O&M to be about INR70 crores annually?

Umar Balwa: Yes.

Gunit Singh: All right. So, after 36 months, we will just be generating INR75 crores just from the O&M on top of our new business. So, that is the correct understanding, right?

Umar Balwa: Yes.

Gunit Singh: All right, sir. So all of our orders, I mean, whether it's an end user or an OEM order, for all of our orders, we would be having this O&M revenue generation after 36 months. Is that understanding correct?

Umar Balwa: Yes. That's why we do so much of lobbying and PR activity with various OEMs and APCs. So, to get ourselves inside a project, and once you're inside, you don't get replaced in the lifetime of the equipment.

Gunit Singh: All right, sir. Got it. So, that would actually mean that there would be a quantum jump in the revenues since we started this in 2022, you mentioned. So, there should be a quantum jump in the revenues by 2025?

Umar Balwa: 2026, I would say. That's what I've said in many of my earning calls prior to this one. That's my golden period. That's what I call my Chandragupta Maurya period. We'll start from April 2026, when all the hard work that we've done will get commissioned and we'll see spare part business kicking in. Are you there?

Moderator: Yes. Mr. Singh, you're not audible, sir. So, the participant has left the queue. As there are no further questions, I would now like to hand the conference over to Mr. Umar A.K. Balwa, Managing Director of Sealmatic India Limited for closing comments. Over to you, sir.

Umar Balwa: Thank you so much, Michelle, and I see 57 participants. And I thank everybody for taking the valuable time and attending this earnings call and also asking questions. And while answering those questions, it also brings a lot of confidence when I'm trying to answer those questions. By this question, I feel that I'm on the right path in my journey for making Sealmatic as one of the leading companies, not only in India, globally as well. So, I thank you all for your attention and look forward to your continued support and trust forever.

Moderator: Thank you, sir. Thank you, members of the management. On behalf of Sealmatic India Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.