sealmatic

Sealmatic India Limited

(Formerly known as Sealmatic India Pvt Ltd)
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Date: - June 15, 2023

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 Friday, June 09, 2023 at 4:15 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

Q4 Earnings Conference Call

June 9, 2023

Moderator: Ladies and gentlemen, good day, and welcome to the H2 FY23 Conference Call of Sealmatic India Limited. Statutory notice, all content on this earnings 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 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.

As a reminder, all participant lines will be in the. Listen only mode. There will be an opportunity for you to ask questions after the remark from the company concludes. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Umar Balwa, Managing Director of Sealmatic India Limited. Thank you, and over to you, sir.

Umar Balwa: Thanks, Robin for this introduction. And a very warm welcome, ladies and gentlemen, good evening and welcome to this 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 your busy schedule and accepting our invite and to be part of this call. Since this is our first address to the investor community as we got listed on the BAC as any platform on March 01, 2023. I would also like to take this opportunity for the trust kept by our shareholders and the keen interest expressed by investors and analysts in our company, Sealmatic.

I will take a few moments before I come to various facts and figures for the year that went by. I will give a brief insight into who we are and our journey in the business of mechanical sales. Our journey dates back to the year 1989, where we were a small indigenous company. Thereafter, we entered into a 51"49 joint venture with Feodor Burgmann of Germany in the year 1993. The company was very successful over the years and then there was change in hands at the parent company in Germany, which got taken over by a larger conglomerate called Freudenberg, result of which all joint venture and subsidiaries across the globe got acquired by Freudenberg.

In 2007, we sold our 49% shares in the company, Burgmann India Private Limited. In 2011, we restarted our journey in the business of mechanical seal as Sealmatic India Private Limited. Our products are exported to more than 45 countries across the globe. We work with Fortune 500 companies such as Reliance, IOCL, BPCL, HPCL, GAIL, NTPC, NPC, so on and so forth. We are the only suppliers to the leading pump companies globally such as KLB, Sundyne, Sulzer, KE and many more. We are API Q1 Certified Company, ATEX, Department of Science and Industrial Research, ISO 9000 and many other certifications. We are currently undergoing our certification for ISO 19443, which will qualify us for critical business in the nuclear power plants. We would be the only company as a mechanical seal company globally who would qualify such a coveted certification, and the second company in India after L&T. So, this fixed volume for our commitment to standards and specification, and this will also open new doors for high revenue, high profitable business in the nuclear power plants in India.

Our products find application in refineries, oil and gas, chemical, petrochemical, chemical fertilizers, pharmaceutical, power, marine, pulp and paper, food and beverage, aerospace and many more industrial applications. It gives me tremendous pleasure to present to you our progress report for the year ended March 31st, 2023. In many ways, the year was special for all of us in the history of Sealmatic. On March 1st, 2023, Sealmatic shares were listed on the Bombay Stock Exchange on the SME platform. The IPO was oversubscribed by 16.6 times as we all know. This historic milestone could be achieved only because of the strong foundation laid by our dedicated employees with their persistence and commitment. I'm sure we'll continue this legacy of delivering value to all the stakeholders over many years to come.

Sealmatic succeeded in increasing its turnover by around 31.4% to Rs. 596 million. This shows that demand for Sealmatic products is very strong and is being driven by developed markets in Europe, North America and India included. It was also particularly pleasing that our international business not only developed well in time of limited travel opportunities, but also delivered a very satisfactory contribution to our profits.

The year 2023-2024 will mark the beginning of a decade of technological transformation. Sealmatic will play a formative role in shaping this within the sealing technology supported by the recognition and certification from Ministry of Science and Technology, coupled with a host of other valuable certifications and qualifications by international accreditation bodies. In 2022-2023, we developed our long-term strategy for the next 5 years under the title Sealmatic beyond 2028. As our focus remains exclusively on sealing technology, we'll not only remain committed to our industry, but we are also prepared to assume even greater responsibility for the development of highly engineered mechanical seals.

With our focus on people and sustainability as a core value, we look beyond the boundaries of the company and we'll solve the challenges of selling technology together with our customers. We have been successful in meeting the market demand by continuous investment in our plants, new product launches, research and development and infrastructure. This definitely will add approximately 60% to our capacity. Our Daman factory expansion which is 16 kilometers north of the existing plant in Mira Road is on track and by the end of 2023, it shall be fully functional, thus adding 60% capacity to the current infrastructure.

To support our research towards new product development, we are investing in state-of-the-art equipment to develop products such as dry gas seals, metal bellow seals and host of other exciting products. This will add high profitable revenue for the company. We'll expand our footprints in Southern and Eastern markets in India. We are in the process of setting up sales and service centers in Chennai and Kolkata as we speak. Further investment is on the drawing board to engage more deeply in markets such as Europe, USA, Middle East and South America. Sealmatic is the only indigenous mechanical seal company which has been qualified by BHEL for the 210 megawatts, 500 megawatts, 660 megawatts thermal power plant for critical equipment such as boiler feed booster and condensate extraction firms. In addition to the above, our company is also the only mechanical seal company globally which has the certification from API Q1 which comes from Washington in USA.

The year 2023 commenced on a buoyant note with a healthy order booking on hand. Our robust strategy for 2023-2024 has been put in place, resulting in high engineered mechanical seals for critical applications such as the FGD, which is the flue gas desulfurization, boiler feed pump, API682 pumps for oil and gas, refinery, petrochemical and other critical applications. We made solid progress towards awareness and behaviors around diversity, equity and inclusion with many of our managers completing our comprehensive inclusive leadership training program held in the last quarter of 2022.

We have undertaken various CSR initiatives for development of society, including education, healthcare, destitute care, women empowerment, etc. We are committed to improving the recruitment of female employees and the promotion of underrepresented position in senior management. In 2022-2023, female employee recruitment was considerable. Particularly in times of major change, the backbone of business is its employees, shareholders and customers. We would like to thank all these people for their loyalty and trust in Sealmatic.

I will not go on a rant. I 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 year that went by.

Ratan Kandare: Thank you, sir. Good evening, ladies and gentlemen. I am pleased to share key financial highlights for FY23. The total revenue of the company stood Rs. 596.15 million at FY23 as against Rs. 426.34 million in FY22, showing a growth of 39.83%. The company reported EBITDA of Rs. 162.48 million in FY23 as against Rs. 121.82 million in FY22, showing a growth of 33.38%. On a year-on-year basis, the PAT of the company surged by 31.44%, Rs. 109.81 million in FY23 as against Rs. 83.54 million in FY22.

Now coming to the H2 FY23 financial highlights. The total revenue of the company stood at Rs.337.93 million in H2 FY23 as against Rs. 218.05 million in H2 FY22, showing a growth of

54.98%. The company reported EBITDA of Rs. 80.27 million in H2 FY23 as against Rs. 56.74 million in H2 FY22, showing a growth of 41.47%. The PAT of the company surged by 46.13%, Rs. 55.46 million in H2 FY23 as against Rs. 37.95 million in H2 FY22.

Once again, thank you all for your attention.

Umar Balwa: Thanks, Ratan, and I will leave the floor open for taking questions now.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avinash Gorakshakar from ProfitMart Securities. Please go ahead.

Avinash Gorakshakar: Congratulations for a very strong performance in FY23. I've got 2 questions. One is I wanted to understand what is the kind of ground level signals you're getting because you cater to a lot of core sectors like oil and gas and refineries, petrochemical, fertilizers, paper. So, if you could share with us, what is the kind of broad outlook you see for our company in terms of the mechanical seal market, especially from the domestic market, although we know that almost 70% comes from exports? And my second question is to the CFO. We saw that in this current year FY23, the operating cash flow was in negative. So, we just wanted to understand why was working capital slightly elevated for the current year? If you could share your thoughts on these points.

Umar Balwa: Mr. Gorakshakar, I'll first take that question and then I'll hand it over to Ratan. The ground level signal for our industry, maybe the oil and gas, refinery, chemical, petrochemical is absolutely positive and buoyant. I'll just give you a small example about IOCL, just per se is investing Rs. 1,25,000 crore in various projects across the refineries in India, right from Baroda until Paradip. And the investment is going to be implemented in the next 3 years. And so there's going to be a surge of demand for our products. And the similar signals are there for petrochemical, chemical and pharmaceutical. Power plants, of course, nuclear is on a very strong tailwind. So, we see great signals and we see huge demand for our products. I'll hand it over to Ratan for that question on the cash flow.

Ratan Kandare: The cash flows are not negative, means we are investing in machinery and all that. Therefore, it is decreasing slightly.

Avinash Gorakshakar: No, we are talking about the operating cash flow. Operating cash flow, as I see it, for the year FY23 was minus Rs. 24 crores. I would like to know that previous year it was positive. So, any specific reason why working capital requirements had shot up, especially inventories, debtors, if you could tell us on that side.

Ratan Kandare: We are continuously investing in inventory and this one, slightly because I think my creditors are increasing and debtors are also increasing.

Avinash Gorakshakar: But then what can we expect in the coming years? I mean, will this number become positive?

Ratan Kandare: It will be good in the next coming year.

Avinash Gorakshakar: And what was the reason this was elevated? If you could tell us that inventories and debtors, what was the reason this got increased in the financial year FY23? Because on all other parameters the performance of the company has been very solid. So, working capital, why did you increase? Did you have to give any more credit to your customer?

Umar Balwa: Maybe I can answer that question more efficiently. The primary reason is that we are doing a lot of project activity here in India, whereby we need huge investment on various instruments and other items which are long lead items. For example, transmitters, due to the shortage of the chips and semiconductor industry is slightly more stressed. So, we need to keep huge inventories for such items. So, that is increasing our inventory over here.

Avinash Gorakshakar: Umar ji, just 1 small question. Going forward in the next say, 1 to 2 years, can we expect that the operating cash flow actually starts getting generated on a positive level? Because this is a very important variable which market analysts monitor. So, your thoughts on this, please.

Umar Balwa: Absolutely. It will be much more. What we see today, it will be significantly improving in the coming years because we'll be doing more and more of end user business as well.

Avinash Gorakshakar: And Umar ji, any broad idea, what could be the kind of capital expenditure for FY24 from the company side?

Umar Balwa: As we have envisaged investment into the second plant and also R&D, we are on track with our investment as mentioned in our red herring prospectus. So, that's close to about Rs. 12 crores.

Avinash Gorakshakar: And 1 last question Umar ji, which is very is very closer to I think your heart as well as to your business is that if you could tell us something about the operations and maintenance part of your business, like, I believe it's a very big opportunity and it's very profitable. So, if you could share some color and give us an overview on this part of the business.

Umar Balwa: Actually, the O&M business, we call it as O&M over here in our industry, would significantly improve after 2 years of period of investment into OEM and projects. So, all this seals which will go to the end users would generate a lot of operational maintenance of business which would work on a high level of profit because the cost of goods are much lesser for such sales.

Avinash Gorakshakar: So, do you believe that in the next 2 years this O&M business will start contributing to your revenue, in a meaningful way, right?

Umar Balwa: Absolutely.

Avinash Gorakshakar: Anyway, thank you, Umar ji, and all the best to you and your company.

Moderator: The next question is from the line of Hemanth, an individual investor. Please go ahead.

Hemanth: Congratulations on a very good set of numbers. Sir, as per my understanding, the new capacity is going to be commissioned by Q3 of FY24, in this current fiscal year. So, sir, what will be the effect of that capacity at which utilization and how do we see the revenue in FY24 and FY25?

Umar Balwa: The additional capacity which we are envisaging in Daman, which is about 20 kilometers north of where we are sitting at the moment in Mira Road, that would be fully functional and operational by the end of the year as we speak and that would add close to about 60% in our capacity of production and an equal amount of surge would take place in terms of the top line.

Hemanth: But sir, that will be from April 25, the next financial year. So, what kind of growth we can expect in FY24?

Umar Balwa: I mean, historically, if you look at the performance in the company, we expect a similar performance for this year FY24. I don't have the right number.

Hemanth: Sir, I don't have the number in front of me. If you can quantify it, sir, it will be great.

Umar Balwa: I'm sorry, sir, I didn't get that.

Hemanth: Sir, I don't have the numbers with me right now in front of me. if you can quantify the number, it will be great.

Umar Balwa: The number for FY23 was 59.6%. And we saw growth of 31% approximately over the previous year and we see similar growth pattern for us. And there is a robust demand for our products. We have many project inquiries and we feel confident that all those inquiries would be converted into sales.

Hemanth: So, sir, 30% growth in FY24 and 60% growth on top of it in FY25 because of the new plant coming in, right?

Umar Balwa: True.

Hemanth: And any improvement in the margin, sir, as RM prices have come down?

Umar Balwa: The margins would definitely improve. I mean that's what we call as our golden period, would start from the year 2026 when all these projects which are being commissioned at various stages and then the O&M business would start from 2026. So, that would contribute significant revenue on the top line and also increase our bottom line. So, definitely we see improvement on our bottom line as well.

Hemanth: Any other expansion plan apart from this like which is going to be completed once we fully utilize it. As you told that solar sector demand is robust, so any other CapEx plan lined up?

Umar Balwa: Right now, what we have discussed that's on the board, but definitely we feel that looking at the market scenario and the demand for our products and the work that has gone by in the last 10 years, I think we might need more infrastructure to meet demand. I mean, that's what we believe as businessmen. So, I hope that our belief is supported by the market demand.

Hemanth: Sir, just 1 last question. What is the current capacity utilization?

Umar Balwa: Normally, typically for a business like ours, which is not on a mass scale or which is not on a line item, so our capacity utilization would be between 75% to 80%.

Moderator: The next question is from the line of Keshav from RakSan Investors. Please go ahead.

Keshav Kumar: In terms of stickiness of the product, could you help understand how it works? Is the client, the OEM that makes pumps? Is it the EPC player or the distributor and which is critical sealing is a requirement for our products? I'm assuming these would have a reasonable life. So, is there any sort of stickiness involved with respect to the client we sell to? Or is it more project to project basis where each time we compete with the big guys?

Umar Balwa: There are 2 aspects to this business. One is the project business and one is the typical, you say the OEM business. So, when we talk about projects, this goes via technical qualifications with various OEMs, which are working with the EPCs like Engineers India Limited or a Toyo or a HNG or Aker solution. So, that's one aspect of the business. And the other aspect would be kind of the standardized mechanical seals for chemical process firms. So, once you are approved with a particular OEM, they tend to stick with the company that has done the standardization for them. So, for example, we work with various OEMs and who are totally committed with their 50% requirement with Sealmatic.

Keshav Kumar: So, sir, this is a pattern we see in India as well as in our export business?

Umar Balwa: I'm sorry, I didn't get the question.

Keshav Kumar: So, sir, this kind of stickiness is seen in Indian business as well as the export business, right?

Umar Balwa: It is universal. It is globally the same scenario because it's a critical product. It's a product based on the application knowhow and a lot of engineering excellence. So, it cannot be sold nearly on a cost basis. It is sold on the technology basis. So, if you are able to provide a solution to a customer's application, definitely that customer is going to remain with you forever. He will never change that.

Keshav Kumar: So, sir, So, this 60% expansion that is to come, is the demand already there for this or we'll have to sort of just trade for a while and then maybe a few months or a few years to get a full capacity utilization on this?

Umar Balwa: I see absolute demand for these products and especially when I spoke earlier for the question by the other gentleman, that I've mentioned that there's a lot of investment happening not only in oil and gas or refinery or petrochemical. If you look at the power plant, both in the nuclear and thermal or the solar power plant or chemical plant, there's a huge expansion happening and I believe and I would like to believe that with the capacity expansion of 60%, even that would be less in the few years' time.

Keshav Kumar: But our expansion typically does not require any gestation. Is that the correct understanding? So, if we put this up in FY24 Q3, in FY25, we can get the full utilization out of it.

Umar Balwa: I'll answer this question a bit differently because the product is not sold on any capacity that you have. It's more organic. To get 1 project, we need to solicit the end user, the OEM, the EPC, the LSTK and it's a long process. So, by simply adding capacity, your turnover is not going to increase overnight. It's going to help you though, but it is going to take its time. So, I see that this 60% addition of capacity is going to help us in our year from 1st April 2024.

Keshav Kumar: So, sir, what year are we seeing this being optimal fully utilized then?

Umar Balwa: I would say that the beginning 1st April 2024, we should be able to utilize 80% of the capacity that would be in hand.

Keshav Kumar: Sir, lastly, if I may take one more question. So, we've seen a broad range of margins. This half year, we did 22% and the last half year was 31%. So, is it related to the product mix? And I mean how should we basically view that going forward?

Umar Balwa: It's more dependent on the product mix and the kind of business we execute. So, I mean on an average, you would see a typical EBITDA year-on-year.

Keshav Kumar: And that would be what percentage, sir?

Umar Balwa: I would like Ratan to answer this.

Ratan Kandare: Our EBITDA for the previous year was **28:44 %** you are asking. The expected **to i**ncrease by 28%,

Keshav Kumar: Sorry, I didn't get you.

Umar Balwa: What Ratan is trying to say that we'll be able to maintain our EBITDA to 28%.

Moderator: The next question is from the line of Anuj Jain from Globe Capital. Please go ahead.

Anuj Jain: Congratulations on the good set of numbers. I have a couple **o**f questions, I mean in terms of revenue. For FY22, our revenue breakup was like 77% exports and 23% domestic. Can you give me the break up for FY23? What was the figures?

Umar Balwa: The breakup for domestic 38.64% and export was 61.36% for the year that went by.

Anuj Jain: So, just want to understand in terms of like from FY22 and '23 exports, they are decreasing and domestic we are increasing. So, is it the change in strategy or I mean or are we going to focus on domestic market going forward or is it some kind of some other reasons?

Umar Balwa: It would be a mix of both activities. Definitely, it will not stop our effort in the export market, I mean that is our mainstay. But at the same time, we feel that the country is expanding. There's huge demand from HFCs also we took our time to come to the market because it's a very mature market, it's a very critical market, and here again, we are going to directly deal with end users, OEMs, and EPCs. So, unless and until you don't have a proven track record, you cannot enter the market in India. So, we took our time and we believe that we have a compelling story to tell to our customers and we would be definitely focusing more on the Indian market, but that does not mean that we will neglect our established market in Europe, US other regions.

Anuj Jain: What is the perfect mix for us? I mean, is it 50:50 or we have a major share in the domestic market? I mean what kind of revenue wise we are comfortable?

Umar Balwa: I think if you look at the mid-term in 3 years' time, I would be happy to change the scenario, 60% India and 40% export.

Anuj Jain: And the way, I mean we are listening in the news and we are looking at Europe and US that they are going into recession, there are loss of economic activity in terms of PMI data and other various factors. So, I mean, do we see any kind of issues over there or I mean that is the reason that we are decreasing our focus in Europe and US market?

Umar Balwa: I would say that our product is recession proof, our product is COVID proof. If you look at the 2 years of COVID that went by and if you look at our financial performance, we have increased our turnover and profit. So, these products are critical, they are required. And no matter what, if there's a recession but they need to run a refinery or they need to run a power plant or they need to run a petrochemical plant and these products are required. So, I have never seen in my 35 years of experience any cycling, disturbance affecting our business.

Anuj Jain: Can you help me out with the industry wise breakup of our revenue of like Rs. 60 odd crore, Rs. 59 odd crore? And so what was the industry wise breakup of that revenue if you could?

Umar Balwa: If I need to go on the thread band, we need to be more specific, what is your question because the break up can be wide and numerous.

Anuj Jain: Which is the major industry that is contributing to the revenues? I mean is it oil and gas or is it power or some other?

Umar Balwa: I'll just like to highlight over here that refinery which is onshore would be 25%, oil and gas another 20%, power would be 15%, petrochemical 10%, chemical fertilizer 10%. And then **5%' 5%** pipes, steel pipe, cement pipe and marine pipe. So, that's the break up.

Anuj Jain: And so we are comfortable going forward with this or are we going to increase our focus on any particular industry that we want a major share over there or some that would be the lucrative one or something like that?

Umar Balwa: So, at the moment our major hunting ground would be refinery which would include oil and gas. Then I would say power, both nuclear and thermal, and petrochemical and chemical. So, I would say that surmises a majority of the market requirement and one of the most profitable business for any mechanical seal company globally. So, I would still like to focus in this area is because it is critical, actually it is highly profitable and certainly, it has got a long lifecycle. So, equipment in such an industry are having a life cycle of 30 years. So, you are sought at for 30 years. So, if you put one seal into a refinery, say example Jamnagar and that seal will give you business annuity for 30 years till the lifetime of the equipment.

Anuj Jain: And sir, just the previous question, we have guided for some 30 odd percent kind of CAGR revenue growth for next year and currently, we are having the EBITDA margin of somewhere in the range of I mean 25% to 28%. And you have just guided for 28% kind of sustainable EBITDA margin. So, is it right, I mean that we are going to maintain that plus minus 1% or 2% here and there, but is this going to be sustainable, these kind of a EBITDA margins?

Umar Balwa: EBITDA margin definitely is sustainable as we see and from the balance sheet of last 2 years where we have done a lot of project activity as well. And as I've repeated in the earlier question that our golden period would start from 1st of April 2026, that's when we would be encashing on all the operation and maintenance basis.

Anuj Jain: And just 1 last question, I mean in terms of margin, I mean which is the better geographical thing like domestic or overseas in terms of margin?

Umar Balwa: Definitely, I would like to break this into 2 segments because here in India you're directly dealing with end users. So, your margins are much, much higher over here. And you're operating in the US or in Europe, you don't directly typically deal with the end user, you go via a distributor. So, definitely, the margins are lesser in the exports, but in the long run, the margin would be much higher here in the domestic.

Moderator: The next question is from the line of Ajay Sharma from Cycas Investment Advisors. Please go ahead.

Ajay Sharma: This is a really interesting company in a really niche kind of industry. So, I was just wondering if you could give us some insight into how the economics of the business really works. For instance, how does competition work? Is it just by the expertise of the company or is there cost competition? Would an Indian OEM have any preference for a local producer versus a foreign producer? Can you just talk about these things, please.

Umar Balwa: Have you finished the question or you're still continuing, sir?

Ajay Sharma: I'm finished now, but I have a few more questions that I can follow up with.

Umar Balwa: So, the product is not sold on price ever. So, the basic criteria is mainly technology-driven. So, unless and until you have that experience of this product and for that for myself, I've spent more than 34 years in this business along with my co promoter, Mr. Chaudhari who has equal number of years of experience and also because of our association with Burgmann which is one of the largest companies globally and the largest here in India, so that also gives a lot of weightage to all the customers whether they are an OEM or whether it's an EPC like EIL or an end user like Reliance or IOCL. So, unless and until you don't have that technological capability, your customer is never going to talk to you come what may.

Ajay Sharma: So, as a percentage of the overall cost of the project, the cost of a mechanical seal will probably be very tiny, right?

Umar Balwa: As regards to the cost of the project?

Ajay Sharma: Yes. So, relative to the cost of the power plant?

Umar Balwa: It's difficult to answer this question because the project would surmise of various equipments like pipes, fittings, valves, pumps, compressors and many other ancillary equipment. So, it would be difficult to really put a figure that how much would a mechanical seal constitute to the cost of the entire project.

Ajay Sharma: And would it be possible for you to give us a breakup of your revenue from the project business versus from the OEM business?

Umar Balwa: Projects and OEM go hand in hand because if you are talking about a project, say a project which is done by Reliance and say they have entrusted the engineering and procurement to say a Toyo. So, it goes hand in hand because on the one hand we have the end user, on the other hand we have an EPC and then on the other hand we have the OEM to whom we have to supply the product. So, typically when the project is being discussed or envisaged, a huge dossier is prepared by the project consultant, which would run into thousands of pages. I mean that how much of pages you would see, everything specified. Say a pump would be specified, which are the main figure acceptable for this project or bearing or coupling a motor and also mechanical seal. So, unless and until I don't appear in that project data sheet, I will never get an inquiry. So, I appear in all the data sheets of EIL or any consultants such as a Toyo or a ThyssenKrupp I appear in their data sheet. I also appear in the data sheets of IOCL, BPCL, HPCL, Reliance which take many, many, many years to get over there. So, that's the way this project and OEM business works. So, once you have this opportunity to participate in this project business, you succeed and definitely there's a ranking because everybody knows that once you're in as an OEM, you are going to have annuity for the next 30 years when the pump gets commissioned to the end user. For this seal, we're talking about example Reliance. If my seal goes fitted into a pump and goes to Jamnagar, I am wanted 30 years. So, that’s how the business works.

Ajay Sharma: And just about this last point, this is also my last question. How should we think about the lifetime profit from one project? So, like what percent of the lifetime profit will come from the immediate sale of the mechanical seal versus the 30-year maintenance that you would also do?

Umar Balwa: Can I answer?

Ajay Sharma: Yes. Please go ahead.

Umar Balwa: So, once the seal is supplied to the OEM and if the pump gets applied to the site, say for example we are just for hypothetically talking about Reliance in Jamnagar, so it would typically take 2.5 years to commission that pump because there are many other peripheral activities happening simultaneously at the site. So, on the third year, you start generating revenue from that seal supply for the next 30 years.

Ajay Sharma: And how much would that revenue be as a proportion of the cost of the mechanical seal? If the cost of the mechanical seal is Rs. 100 upfront cost, will the maintenance revenue be like Rs. 10 per year or Rs. 5 per year?

Umar Balwa: When we are supplying as a project, you're bleeding on that project. So, I wouldn't like to compare that cost. I'll just give you one part kind of figure for you to have a better understanding how this business works, though I'm revealing my secrets over here, but I don't mind doing that. So, once you are going to the end user, you are going to supply and recover the cost that you made in the project state. That is #1. And #2, that is a highly profitable business. Predominantly all these seal game companies, they, they huge margins on the end user business.

Moderator: We have the next question from the line of Dhruv Bheda from Jay Ram Stockbrokers. Please go ahead.

Dhruv Bheda: So, at the outset, I would like to congratulate the management for posting such good set of numbers for the financial year '22-'23. I would also like to thank the management for keeping this call so that the investors get an opportunity to interact with the management. Now coming to my first question. As you have mentioned for the earlier questions, you have told that a lot of companies have come up with a lot of CapEx, particularly in the sectors in which you are catering. So, can we expect a better growth rate than the industry which we are currently working on?

Umar Balwa: Yes, definitely. If you look at our performance in last 2 or 3 years, we are much ahead of the industry growth. So, the example I would say, if the industry has grown by say 20%, we have grown by 28%, 29%. And this phenomenon is going to be much, much significant as we move forward and come to circa April 2026 where we believe that we'll have our golden period and that's what I call the Chandragupta Maurya period for Sealmatic.

Dhruv Bheda: And my second question is you have mentioned that Sealmatic is entering into a highly critical application say in the field of nuclear power and all. So, are you looking for any defense-related applications too for mechanical seals?

Umar Balwa: Yes. In fact, we are very well placed. There are many reasons. I will get back and explain to you about the reasons that we are well placed. Because on the military applications, most of these foreign companies have restriction to participate in any tender, which is Naval or Air Force. So, that leaves the door open for companies like us who are qualified, and we are at the moment working with Mazagon Dock with Vizag Shipyard, with Goa Shipyard, and we have very interesting projects on which we are very well placed. And of course, they're long and drawn project because it takes years and years to build a warship for example. So, we have tremendous bandwidth in terms of product offerings and also the qualification to design seal not only for the surface on the seawater ship, but also on the submarine. So, that's the kind of product offering that we have for anything to do with Naval business or Air Force.

Moderator: The next question is from the line of. C.A. Varun Aggarwal, an individual investor. Please go ahead.

Varun Aggarwal: Congratulations for the great set of numbers. We also appreciate the initiative of conducting the earnings call immediately after getting listed. So, my first question is what is the average inventory days what we maintain and what is the credit period which we give to the customers on an average?

Umar Balwa: The credit period that we offer to our customers typically in India would be 45 days. We only work with Fortune 500 companies. We don't go down the road with companies with whom we feel that, money would be a problem. So, when we work with Reliance or IOCL, BPCL, HPCL, GAIL, NTPC Nuclear Power, your money is guaranteed. It hits your account in maximum 60 days time. For MSME company, there's a mandate from the government. So, the payment has to be made in time. Except there are notorious customers, sometimes they don't respect this mandate, but the money comes into the account without much of any hassle. It automatically just hits your account.

Varun Aggarwal: And how many months of inventory do we maintain on an average?

Umar Balwa: Currently we are holding inventory for 4 months.

Varun Aggarwal: And going further, this is a normal practice of this business or this can be further reduced?

Umar Balwa: I would say, my experience. I can only talk from my own experience of some many years and I've worked with a multinational company as well. I mean this is typical because this is tailor made for us. We don't know what the requirement is going to be. So, we need to be prepared for any special requirement which comes from the customers. And the items and also raw materials are exotic. These are not available in the ready market. You can't order 1 piece.

Varun Aggarwal: Out of this cash balance of Rs. 40 crores odd we have on the balance sheet, how much we are going to use for this current capacity addition, which is going to get completed at the end of this year?

Umar Balwa: Approximately Rs. 12 crore is what we have earmarked for expansion.

Moderator: We have the next question from the line of Rajesh Tripathi, an individual investor. Please go ahead.

Rajesh Tripathi: I had a couple of questions. The first one, what is the current order book for the company? And the second one is that in one of the interviews, I had read that the company is targeting to capture around 15% of the market share in mechanical seals by FY28. So, are we on track to achieve that figure?

Umar Balwa: Sir, I didn't get the first question, but I got this one. So, I'll answer this one and I'll request to repeat the first one. So, when we talk about 15% market share is for the new requirement, not what has been installed. So, that cannot change. So, we are on track definitely. For any new project which is coming in the market, we have more than 15% share, I would say.

Rajesh Tripathi: That's for the new revenues. My first question was what is the current order book for the company?

Umar Balwa: I don't have the figure, but it is quite robust and strong order booking we have.

Moderator: The next question is from the line of Sanjay Kumar from ithought Portfolio Management. Please go ahead.

Sanjay Kumar: First, few clarifications. So, you said that you will utilize 80% of the new capacity in FY25 itself in the first year itself. Is that right?

Umar Balwa: Of the announced capacity, if you're referring to that one?

Sanjay Kumar: Yes.

Umar Balwa: Yes, that would be correct.

Sanjay Kumar: And of the domestic, 39% was domestic, so of this Rs. 23 crores, how much would be projects and how much is standard process pumps? Do we have that breakup?

Umar Balwa: On the domestic, I would like to answer it differently because when we talk about domestic value if it refers to OEM and projects, it's a culmination of so many product mix, it would be extremely difficult to answer it in a very general manner, but I can give a long term figure. So, OEM and project would be approximately 45%.

Sanjay Kumar: The rest is standard pumps?

Umar Balwa: Rest would be standard, yes.

Sanjay Kumar: And so you spoke about Reliance example. Have we won any other project orders in FY23? KSB said that they will supply their first nuclear pump in H2 of FY24. Are we supplying the seal for that? So, if you could give any other examples for projects that we are working on, that would be very helpful.

Umar Balwa: Currently, we're working on many projects. the The most hectic activity which is acting in the country today for our industry is ISDL. So, we are participating in all the projects maybe in Baroda or maybe Panipat, Mathura, Guwahati, Paradip. We are participating every possible project via OEM and we are appearing in the crude vendor list of IOCL. So, by default, every inquiry comes to us. It is up to us how much we want to take from their inquiries. And when we talk about power plant, BHEL is the only turnkey contractor for all the power plants in the country, 90% still would be created by BHEL and we are well placed with BHEL. We are one of the most reliable supplier for BHEL. We are the first company in India indigenously, which has been approved by BHEL. In the last 40 years, they never got an opportunity or nobody challenged that vendor list. So, we are the company which appears as an indigenous company along with foreign company which is approved by BHEL. So, that’s where we are participating. On a long-term basis, we see a great potential in the nuclear power sector because if we look at the Jaitapur project in Ratnagiri, that itself is one of the largest nuclear power installation globally. That's about 10,000 megawatts in one location and we are strongly after the project and to get into this project, we have got ourselves certified as higher to 19443 which would be the nuclear certificate. So, that's the kind of activity we're talking about.

Sanjay Kumar: Jaitapur to be by the French company, right? I think WPI will be the pump OEM for that.

Umar Balwa: It's Areva, yes.

Sanjay Kumar: So, we. are already in touch with Areva, is it?

Umar Balwa: Yes, because Areva only specifies vendors who have qualified as ISO 19443. And if I may take some time to explain the significance of 19443, it takes about 2 years period to get that certification if you qualify, it's not that anybody can go and qualify. And secondly, the audit happens from France, it doesn't happen from India. So, there were auditors from France who came to India and audited our factory.

Sanjay Kumar: And this is Jaitapur. But for the other projects, Kaiga, Gorakhpur, have we been approved by KSB?

Umar Balwa: KSB is one of the vendors. There are many other vendors who would be supplying. KSB supplying the primary coolant pump. Along with the primary coolant pump, there are many other pumps involved into a nuclear power plant. So, KSB is just one segment of that power plant. So, we are working with say example, Sulzer, we are working with Clyde Union. We are working with every OEM Even BHEL is now going for nuclear application. So, we're working very strongly with BHL as well. So, when you talk about say Kaiga or Tarapur or Kakrapar or a Narora or a Rajasthan, we are working across the board on the nuclear application.x`

Sanjay Kumar: That's very good to hear. And on exports, I think most of our exports are mostly to resellers. So, where are we on the journey to crack global OEMs? Are we looking at any overseas acquisition?

Umar Balwa: When we talk about OEM, say, we work with all the leading global OEM from here in India, say mainly KSB or a Sulzer or a Andre, Rio, ITD. So, these are all global hub for the OEMs where they do global sourcing from India. So, some of the seals which you supply to this OEM are definitely going across the globe somewhere maybe in Africa, sometimes in the Southern American region, sometimes in the Middle East or in the Asian region. So, guess how our seals are getting populated across the globe. And then this whole reason that why we work with OEM, because via the OEMs, you open the door with the end users.

Sanjay Kumar: And any thoughts on acquiring a global company abroad?

Umar Balwa: I'm sorry, I didn't get the question.

Sanjay Kumar: Are we looking at any acquiring any companies globally overseas?

Umar Balwa: I would love to do that. And it's an ongoing process. We are constantly evaluating opportunities which we feel would be adding value to our company. So, yes, definitely if something comes very interesting and which would add value to my company, I would definitely look at it much more seriously.

Sanjay Kumar: And the cash balance of Rs. 40 crores, you said Rs. 12 crores for expansion. Any plans for the rest Rs. 28 crores?

Umar Balwa: Basically, I would like to expand much more intensely into India. We think we are in the process of commissioning our sales and service center in Kolkata and we are expanding in Pune. We are also putting our sales and service center in Chennai. Apart from that, we are looking very seriously at the Middle East because many reasons for doing Middle East is that number 1 it is easily accessible from India. You can take a 2 or 3 hours flight and you are somewhere in the Middle East. Similar travel journey that you would like to take from Bombay to Kolkata, it would be 2 hours and 20 minutes. In 2 hours time, I would be in Oman, Muscat. And also the entire expat community is Indian over there who actually run the plant in the Middle East. So, that's one very strong area of focus for us.

Sanjay Kumar: And finally on related party transactions, now that we are a listed company, it'll be looked at by investors. So, just wanted some clarifications on 3 entities. First is associated hospitality where we have given a loan of Rs. 1.25 crore. What is the repayment scheduled for this? And then we have Model and Greenwood Developers where we are paying rent of Rs. 60 lakhs every year. What is this facility for? Is it at arm's length? And finally, there's this company called Isomag Sealmatic India, where we are selling almost Rs. 40 lakhs of goods. So, just clarifications on 3 entities.

Umar Balwa: Maybe I'll start with Model and Greenwood.

Sanjay Kumar: Right.

Umar Balwa: That's our landlord. And if you're going to take the arm's length justification, it's much lesser than the market value.

Sanjay Kumar: Perfect. The other 2, sir.

Umar Balwa: Isomag Sealmatic is a joint venture between Isomag and Sealmaticm, and it is now decoupled from the joint venture. So, we make products for them and we supply to them at a profit. So, that's a normal transaction out there.

Sanjay Kumar: And associated hospitality where we've given a loan.

Umar Balwa: Yes. Initially, our plan was to acquire premises in Kaman. So, for that, we were evaluating a lot of properties in that area and associated hospitality is into this business of making industrial park. So, we are interested to assignment to them sometime last year in June. But later on, we felt that it would be much more sensible that we lease those premises rather than building on land and building and then owning it. So, we deferred that idea and the amount has been refunded.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Congratulations, sir on strong set of numbers. Sir, I was just going through your RHP and sir, you mentioned something related to working capital requirement for fiscal 2, '24, which shows a working capital gap of around Rs. 56 crores out of which you'll fund it through internal accrual of Rs. 48 cores. So, sir, I'm not able to calculate this Rs. 48 crore number based on what projections you have given for FY24. I mean, I'm not understanding how are you going to make an internal accrual of Rs. 48 crores in FY24, if you could help me understand this.

Umar Balwa: Sir, I think the question has not been understood over here.

Vignesh Iyer: I was going through Sealmatic's RHP, which you have given some projection related to fiscal '24, okay, which shows working capital gap of Rs. 56 crore which you have written funded by internal accrual Rs. 48 crores and proceeds from IPO funding Rs. 7 crores. I just want to understand, how have we arrived at this figure of Rs. 48 crores of internal accrual?

Ratan Kandare: So, it is just expected figure.

Vignesh Iyer: Right. I mean, I understand that. But then I mean, if we grow by 30% even for the base of FY23, I'm not sure how are we making I mean operating cash flows to fund the internal accrual.

Ratan Kandare: Working capital will be increased because we are regularly receiving the payment from the debtors and paying to the creditor on time. And the sales are also increasing. So, I think we have a good working capital level and expect that it is going to increase.

Vignesh Iyer: Just 1 more question. Just when you say this, you'll be having 15% market share of whatever the new business that would be coming, could you just give us a ballpark number of what is the total market estimate you have? Any internal calculations that you have.

Umar Balwa: If you can be kind enough to repeat this question because I didn't understand it.

Vignesh Iyer: Sir, when you say that you would be having more than 15% market share of whatever the new businesses that are coming by in next few years, do you have any internal estimates or a ballpark number of what the size of the business could be and the and the probability of the order win?

Umar Balwa: See, I would say the new business which would come via OES and project, I can put a number, I will not be able to put a percentage. So, let me just say the new project and OEM business, which is going to come up this year for example, would be close to about, say Rs. 80 crore for example. And it would again for the next year would be about Rs. 110 crore and it would increase so on and so forth because lot of projects are getting implemented, new projects will also get added into the expansion of the capacity of the various plants across the country.

Moderator: The next question is from the line of Amit Chander, an individual Investor. Please go ahead.

Amit Chander: I would like to ask you a couple of questions. The first one is that you had raised Rs. 40 crore through the IPO. Rs. 12 crore you have a concrete plan. What about the rest Rs. 28 crore plan? The concrete plan I'm looking forward to. The second one is that since your cash flow was negative, what was the need of paying the dividend at this point of time to the shareholders since the cash flow is negative? So, these are the 2 questions.

Ratan Kandare: Regarding this Rs. 41 crore, out of this we have concrete plan for Rs. 12 crore for machinery and plant in purchase.

Umar Balwa: And also, I think I have answered this question, just maybe you've missed it. So, we would be expanding into various geographies in India, Middle East is a foray for us. And also would like to strengthen our efforts in USA, in Europe. So, that's the kind of investment would go into sales and marketing. And also, would envisage research and development which would allow us to get higher up into the segment of critical products which are being currently dominated by international companies. So, that's the investment that we're looking at.

Amit Chander: Any particular timeline, sir?

Umar Balwa: For expanding plant and machinery, I would say by end of the year, we should be able to fully commission our expansion. So, we are under negotiation with various equipment suppliers, various machine suppliers and host of other ancillary equipment. So, that expansion of Rs. 12 crore, we expect to by the end of the year.

Amit Chander: I'm keen for looking forward for the balance Rs. 28 crores. Rs. 12 crores we are clear. But what about this Rs. 28 crores you're parking in right now in the banks, etc. So, what is the plan for utilizing it?

Umar Balwa: I mean, there is definitely a plan, but it just cannot be deployed overnight. I mean, if you do research and development, the example there will be an amount of Rs. 3 crore which cannot be deployed overnight. It's a constant and a continuous process. So, I mean, there's a timeline to signify, I think it would be difficult. Research and Development is a continuous process and so is penetration into any market. It just cannot happen overnight. You need to go and deploy your resources. You need to go and sit over there. You need to invest money into market research. You need to invest money into visiting customers. You need to participate into exhibitions, trade fairs, symposiums and so many other activities. So, to signify a timeline would be a bit difficult and impossible. In the period of 18 months time, we should be able to deploy all the funds that we have raised via the public issue.

Amit Chander: Only 1 question. If we have got the funds in our banks, we have got long term borrowings also. So, any particular need of having the long term borrowings? Otherwise we can offset this. We can repay our long term borrowings for this.

Umar Balwa: The borrowings were done prior to the public issue and the borrowings were done mainly from institutes like HP and they have supported us when we needed money and it's a request from them that we continue this borrowing for a while, but definitely we can offset against the money that have come in. And it's not significant. It's not a big amount that we're talking about, about Rs. 4 crore.

Amit Chander: The last question of mine was that since the cash flow was negative for this half year ended, any particular need of paying the shareholders the dividend out of the capital base, not out of the revenue income?

Ratan Kandare: We are maintaining the reputation of the company and therefore we recommended the dividend. Last year, in September, we also recommended the dividend. Therefore, also we kindly recommended the dividend.

Amit Chander: So, if I'm correct, you're saying to maintain reputation of the company.

Umar Balwa: Not really. I mean, I would answer differently because we feel there is resources available. So, deployed with the investors, with the shareholders and it's not a very significant amount that we're talking about.

Umar Balwa: But the retail is only, I'm seeing a minor portion only.

Moderator: The next question is from the line of Abhijit from MAP Investments. Please go ahead.

Abhijit: I understand there's a lot of competition from foreign players in the seal market, right? Are there any domestic players that compete with your company as well? That will be my question.

Umar Balwa: Yes. Predominantly, the market is governed by 3 international players, not only India, but you'll find them everywhere globally. And of course, any market or any domestic market maybe India or maybe another country will always have local players operating. But those players do not matter to us in a sense they don't operate in the domain that we operate in. Say for example oil and gas or a refinery or a petrochemical. So, these local players are not participating because they are qualified. So, our competition is mainly with the international companies.

Moderator: The next question is from the line of Ravi, an individual investor. Please go ahead.

Ravi: My question is, sir, as you said, both these properties are on East.

Umar Balwa: Which property you're referring to, sir?

Ravi: The one is which is upcoming.

Umar Balwa: the Kaman

Ravi: Yes.

Umar Balwa: It's on a long-term lease.

Ravi: My second question is, as you said, we are mainly into the oils and refineries. So, in the next 2 years, from which sector you are seeing you will be getting orders majorly, means from other growing sectors?

Umar Balwa: At the moment, for us, the growing sector would be oil and gas, refineries, petrochemical, power plant, and of course, chemical would follow them. So, that's the sector which is for us very interesting and an area of focus for us.

Ravi: So, are we into that solar and something in green hydrogen also?

Umar Balwa: Yes. Anything which is conveying media in any kind of form, maybe a liquid or a gas or any other medium, a mechanical seal comes into play, maybe a solar power plant, maybe a hydrogen cell unit. Or maybe hydropower, for example. So, a seal is always deployed.

Ravi: Sir, my next question is, as you said, they are not a major case and we mainly deal with the Fortune 500 companies. So, how do we approach the company? Is there something you call the bidder side, bidder things like this, something like that. For getting the order, are you doing the bidding or the customer keeps coming to us?

Umar Balwa: I'll answer it. Say for example, when we talk about the Fortune 500 companies, there's a new process of a vendor approval. So, unless and until you don't qualify as a technically qualified vendor, you don't get approved. Say for example an approval for IOCL would take about 5-6 years, providing you have qualified. A Reliance would take 7 years because it's a grueling process and it takes many, many years to get qualified over there. So, once you get qualified, your name appears in the approved vendor list. So, whenever a new project, may it be 1 pump or a 10 pump or 100 pump, inquiry is being floated in the market by that particular end user, may it be Reliance or IOCL or BPCL, the pump OEM would get in a data sheet which would say Sealmatic as one of the approved vendors, so we would get an inquiry and would lead to the OEM and the OEM then depending on the various factors, price, delivery and whatever it is, will package the pump and sell it to the end user. So, that's how it works.

Ravi: So, sir, who are the competitors for us in these fields?

Umar Balwa: Competitor would be my erstwhile company, which I've started in India, would be Eagleburger Did you get the name correct?

Ravi: Yes, I'm getting. You can go ahead.

Umar Balwa: And the second would be John Crane. And the third would be Flowserve.

Ravi: Sir, my last question is what are the sustainable margins we can expect in the coming, as you said from FY26, will be the Golden year for the company. But for the next 2 to 3 years, what are the sustainable margins we can expect?

Umar Balwa: It would be similar to what we have done in the past. So, I'm not much worried about that because we also do very scientific approach to taking orders and balancing them off. We don't want to blow too much of cash away by taking too much of projects. So, we balance it out with end users, retailers, project and OEMs. So, our margins would be similar to what we have done in the past until 2026. From 2026, we believe that it would be a Golden period for Sealmatic.

Ravi: And last question. Sir, how are that raw material prices fluctuates the margin, means we are I think into the means some metal prices also make some fluctuations in the margins.

Umar Balwa: Did you refer to metal pricing?

Ravi: Yes.

Umar Balwa: We don't sell on the cost of raw material over here.

Ravi: So, you mainly import the material from countries like US and UK?

Umar Balwa: Yes, UK, Germany are the major sources for critical component.

Moderator: The next question is from the line of Anirudh Shetty from Solidarity Investment Managers. Please go ahead.

Anirudh Shetty: Sir, my first question is you had mentioned the 3 global competitors and I just wanted to check it. Would you say SKF also is a competitor for you guys in India? Do they have meaningful presence here?

Umar Balwa: No, SKF makes ball bearings.

Anirudh Shetty: They're not a competitor in mechanical seals?

Umar Balwa: No. In fact, SKF would be a customer for us for our other product.

Anirudh Shetty: And if we compare our product portfolio today, our technology capabilities, the perception that we might have with the customer, how would you compare us vis-à-vis the top 3 guys today versus say probably 5 years back?

Umar Balwa: I would say I'm not as big as them, but I'm as good as them. So, I would put it in this manner. In terms of capabilities, on the technical capabilities, I am equivalent. In terms of application knowhow, I'm as good as them. In terms of product offering, I would share 95% to what they have. So, if I compare myself with the global seals in this business, I am as good as them. And if you look at Sealmatic in the Tier 2, I'm world's best company and I don't want to sound pompous about this, but I mean that's the fact. So, our infrastructure over here in Mira Road is state-of-the-art. We have all the qualifications which most of the seal companies including the 3 big boys don't have in India. So, I have that kind of certification. I have that kind of testing equipment without which I don't qualify with customers like BHEL. So, in terms of Sealmatic being compared with the 3 big boys, I'm as good as them.

Anirudh Shetty: We spoke about this Golden period for margins post 2026. So, in that kind of scenario, when the business starts dominating our sales, what kind of margins can one be looking at that period?

Umar Balwa: Typically, the O&M business is extremely, extremely lucrative. And even if you look at the balance sheets of my peers of the 3 big boys, they're robust, they're healthy. And for us today, our EBITDA is at 28%. It could definitely improve from here from this position.

Anirudh Shetty: And I was reading somewhere that KSB which makes pumps, I was going to their website and I also see that they have some sort of mechanical seal product. So, are we seeing instances wherein the pump guys are also looking to get into mechanical seals?

Umar Balwa: It's a difficult proposition for a foreign company to get into mechanical seals. But yes, what you're looking at KSB size, it is something which they do on a very small scale, probably very specialized pumps for the nuclear application. So, they have a very small portion of that. Otherwise, the other standard products are being supplied by companies like Sealmatic.

Anirudh Shetty: And just 1 final question that we have the capabilities, we've got the CapEx coming through, we have the relationship with the customers. So, the growth prospects seems very bright for our company. Just wanted your sense on what are the key risks that keep you worried from a more long-term perspective?

Umar Balwa: I mean, I can only talk from the years that I've they've been by my own experience of 35 years, including the Kuwait war or so many other factors. Or let me just give you a small example about this, Ukraine war. Now, anybody talks about the war, but there's also positive side, I mean, I'm sorry, I mean, I'm talking about war being a positive for us, but then Russia was one country, which I tried very hard for the last 10 years. And I could not put my foot in the door. But with this Ukraine war starting and then heavy sanction from all the European countries and the western world including America, they have nowhere else to go but to come to India. And I can say with such pride that in the last 8 months' time, I've seen close to about 16 Russian coming here at Mira road. I mean, they wouldn't even know where Mira Road is, but had taken the trouble to come here and seek our help in supplying this product for them to run their plant. So, for us, because these are critical components. I mean still it's a positive for us, it gets destroyed in a war situation, but somebody has to build a new refinery. So, we have more modern refinery, more modern mechanical seals coming into it. So, for us, I would take the example of COVID, we grew our business.

Anirudh Shetty: So, would it be fair to assume that while the opportunity is there in India because all the relationships that we build, but even globally, that also is a pretty large opportunity where we also have the relationships and the market size is larger and even that should keep growing for us as well.

Umar Balwa: Yes. Of course, if you look at the figures that we have, of course, our constitution of percentage would increase more on the Indian business because that's when we feel that we are interacting with the end user directly and in the coming years, we will be having more O&M business and that would increase our profit. But at the same time, our focus still is there very much stable with Europe and America. I mean, it's a huge market. I mean, nobody can ignore Europe and America. So, that's the focus for us. In fact, we are participating in various exhibitions. One exhibition which is going to happen in September, we are participating in Houston, which is the Mecca of oil and gas. We are putting up our stall and going to display our product. Then when we talk about Europe, the world's largest chemical exhibition happens in Europe, Frankfurt every 3 years. We are participating in that exhibition next year. We have a large exhibition coming up in the Middle East, which is called the edipec. We are participating there. So, I mean that's the kind of investment we're putting in the market and reaching out to global customers. We are not leaving any stone unturned. We are not leaving any effort. We are trying to corner the market from every side which we feel we can reach out to and we can serve the market.

Anirudh Shetty: Sir, it seems that you guys are on a very good footing. So, I wish you all the very best for the future.

Moderator: The next question is from the line of Hemanth, an individual investor. Please go ahead.

Hemanth: Sir, as you said that from 1st April 2026, it will be the Golden period for the company because the O&M revenue will start kicking in. So, just wanted to get a sense because the O&M revenue must also have been a part of the sales right now also, right? So, what I was trying to understand that O&M revenues must also have been a part of the sales right now. So, how will it contribute in a bigger sense from 2026? And sir, 1 more question. Sir, as you said that we'll be capturing the 15% of the new market by 2028, I understand that you cannot specify a number, but maybe a range will help, sir.

Umar Balwa: I'll take the first question, O&M. So, the current O&M business is not significant because O&M business only comes via OEMs project. So, our journey in India starting in the year 2020 and just before the pandemic hit, the global scenario, we started our journey into India. But we have been very fortunate. We have been very, very, very anchoring and welcomed by all the customers across the board. They've been OEMs, LSTK or EPC or end user. So, it is starting in the domestic market and to foray and to get orders, it's a continuous process. You need to get yourself approved by EIL, which is the mother body or all the EP seals that happens in the country. So, unless and until you don't get the EIL approval, you won't be entertained by any of the IOCL, BPCL or HPCL. So, having completed that entire journey, our project business has just started about say 8 or 9 months back. That's why we are heavily investing into OEMs and projects. So, once we supply the product and that is why we say our golden period will start in 2026. So, we are supplying this product. So, at the moment, we don't have much of O&M.

And the second question about the 15% new market. When we talk about new market, new markets would only come via OEMs and new project. So, I've answered this question about I think about 10 minutes ago. This date, we see a new OEM and project business, they're about Rs. 80 crore. That's what we see that new OEMs or new projects. Our current year quarter would be approximately Rs. 110 crores and would be Rs. 160 core or Rs. 170 crores of new projects, new mechanical seals being disposed goes. And once they go to the end users, it will generate multifold business for any company, not only for Sealmatic, it would be anybody else as well, everybody is going to eat the same fruit.

Hemanth: So, sir, you mean to say that Rs. 160 crore plus Rs. 110 crores plus Rs. 80 crores, this will be the new market opportunity by a FY28?

Umar Balwa: That's what we view. The projects are all same, they're on track. I think the new capacities would get added in seals, I think probably I need to clarify. By 2028, I mean to say that at that point in time, we should be in a position to acquire anything which is coming new in the market, say about 15%. I hope you're able to understand.

Hemanth: I'm just trying to get a number, sir. So, Rs. 80 crores plus Rs. 100 crores.

Umar Balwa: I think maybe I've not been able to explain it properly. I think by 2028, we would be in a position to acquire 15% of any new business. So, not necessarily that it will happen in this year or the next year or the next year. By 2028, any new projects coming in India, you will be in a position to take 15% of the market of the new project.

Moderator: Ladies and gentlemen, that was our last question for today. I would now like to hand the conference over to Mr. Omar A.K. Balwa, Managing Director of Sealmatic India Limited, for closing comments. Over to you, sir.

Umar Balwa: Thank you so much, Robin and I, I see 74 participants. I thank everybody for taking their 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 these questions, 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. So, I thank you all for your attention and I look forward to your continued support and trust until that day.

Moderator: On behalf of Sealmatic India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.