



sealmatic

Sealmatic India Limited

(Formerly known as Sealmatic India Pvt Ltd)
Survey No.12/9-A, Shanti Vidya Nagari Road
Ghodbunder Village, Mira Road (East),
Thane – 401101.
Tel: +91 22 50502700
Email: info@sealmaticindia.com
Web: www.sealmaticindia.com

Date: - 14th January, 2025

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, January 10, 2025 at 4:00 p.m.

Kindly take the above information on your records and oblige.

Yours faithfully,
For, Sealmatic India Limited

Neha Chheda
Company Secretary & Compliance Officer

Encl: - As above



“Sealmatic India Limited
FY 24-25 Half Yearly Earnings Conference Call”
January 10, 2025



**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's Limited FY '25 Half Yearly Earnings Conference Call for the period 1st April 2024 to 30th September 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 touchtone phone. Please note that this conference is being recorded. A statutory notice, all content on this earnings call is for informational purpose of a general nature only.

And does not address any circumstances of any particular individual or entity, do not constitute 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 any time 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 Balwa, Managing Director of Sealmatic India Limited.

Thank you, and over to you, sir.

Umar Balwa: Thank you, Ryan, for this introduction. Good evening and a very warm welcome, ladies and gentlemen, to this fourth earnings call of today. Before I begin with the formal address, I take this opportunity to express my heartfelt appreciation to all of you for taking the time out of your 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 the analyst community in our company, Sealmatic. As I have already briefed over the previous 3 earnings calls about the company and our journey in the business of mechanical seals.

And hence, there's a lot of data available on the BSE site. And also on our social media handles, such as YouTube, LinkedIn, Facebook, Instagram, etcetera. Hence, I will not get into specifics and make this introduction as brief as possible, which should allow us to take as many questions as possible.

Just a brief introduction about the 6-month that went by. Sealmatic subsided and increasing turnover by 90% on a half yearly basis as compared to FY '24. Our half year turnover period ending September 2024 stood at INR448 million, which shows the demand for Sealmatic products is very strong.

And is being driven by the markets in India, Europe, North America, Middle East and other regions globally. A quick look on the outlook for financial year 2025. So for the financial year, 2025 half yearly Sealmatic has achieved a year-on-year organic order intake growth of almost

25%, which shall lead to seamless operations and will enhance profitability and a similar increase in the top line.

Our continuous investment into research and development drives our commitment to keep evolving our capabilities as a leading sealing technology company globally. In the Middle East, Europe, Russia and U.S.A., we are currently expanding our footsteps to support various OEMs and end users.

Our recent joint venture in UAE, Abu Dhabi in the name of SealTech LLC will provide world-class support and services for mechanical seals, addressing the needs of major customers like ADNOC, OEMs like KSB, Sulzer, Sundyne, Ebara and host of other EPCs such as PEG, Saipem, Maire Tecnimont, Worley, Wood Group and many other important customers, thus targeting a significant portion of the \$60 million mechanical seals market in the UAE.

Similar activities are in an exploratory stage and are being conducted in Oman, Kuwait and Qatar or the Middle East region. We are also exploring and are conducting a feasibility study for establishing a service center in Houston, Texas, U.S.A. Russia has been a good opportunity and a lucrative market for us. We are putting a bit of trust over there.

We have participated on a continuous basis in exhibition until now in the period of last 18 months, we have participated in 3 exhibitions with great success and are slated for the next execution in April 2025, thus our focus in Russia is in a strategic manner. Other important exhibitions that we are participating in the near future are at SABIC in Saudi Arabia, which is related in January 2025.

Egypt Cairo capital 2025, Oil and Gas India in Mumbai, March 2025, Defense Expo in Chennai in September 2025, Pump Symposium in U.S.A. in September 2025. Our drive towards penetration in various markets is relentless, and we are committed to establishing Sealmatic a global player or rather I would say that we are globally recognized.

Our new manufacturing unit in Kaman got fully integrated with our Mira Road Unit, the new facility spending and impressing 25,000 square feet signifies a remarkable expansion. Thus, this will announce 65% of our production capacity to the existing capacity at Mira Road. Other important developments were such as we have signed at agency agreement in Saudi with the STG Group thus marking a significant step in the company's expansion in the Kingdom of Saudi Arabia.

The mechanical seal market in Saudi Arabia is currently valued at an impressive \$150 million, thus giving us opportunity to a potential of a huge market over there. Our global market, which is exposed to more than 57 countries have demonstrated a longevity along with year-on-year growth and will remain essential even as new markets will emerge in the near future.

We will continue to invest for particularly demanding API 682 oil and gas, nuclear, marine and other high critical applications. In this manner, we will create long-lasting value for our shareholders and employees. As a result of which, we are one of the chosen companies in the

field of mechanical seals for critical applications in nuclear, marine, power plants, oil and gas, etcetera.

We have undertaken various CSR initiatives for development of society, including education, healthcare, destitute care, women empowerment, etcetera. I would also like to extend great appreciation and thanks to our shareholders for all their support and to our employees, customers and partners without whom none of our achievements would be possible.

I will now hand it over to Ratan, who's our CFO, to share vital detail about the half year that went by.

Ratan Kandare:

Good evening, ladies and gentlemen. We are very pleased to present our results of half year financial year -- half year FY '25, which showcase significant performance. During this period, we have achieved revenue of INR44.83 crores, which is an increase by 19% as compared to first half of FY '24, we will achieve -- we have achieved the profit before tax of INR8.75 crores during first half of FY '25, which is a 20% total of revenue.

These profits are in line with profit percentage earned in March '24. In this first half of FY '25, we have achieved EBITDA of INR10.36 crores, which is 23.1% of our total revenue early in first FY '25.

Umar Balwa:

We are ready to take questions.

Moderator:

We will now begin the question the question and answer session. The first question is from the line of Pavnish from Hridya Cars Private Limited.

Pavnish:

Sir, my question was over a preferential issue has been cancelled. What is the reason for the cancellation? What would be the effect on liquidity of the company? Regarding this?

Umar Balwa:

The withdrawal of preferential issue will have no bearing on the cash flow or the liquidity of our company. We are well and sufficiently financed. So to that extent, it doesn't affect our functioning or operations in any manner. Yes, the market conditions are turbulent at the moment, and the investor would have thought otherwise.

And they decided to postpone it for a while until the markets are in a more stable condition. So that was the only reason for withdrawn from the preferential investor.

Pavnish:

And sir, my follow-up question on this would be like what kind of revenues do we project in coming financial years, like financial year '26, '27. If you could give some guidance on this, please?

Umar Balwa:

I can give you guidelines for FY '25. So if you compare us with the previous year, FY '24, our incremental growth on the top line would be by 25%.

Pavnish:

And sir, one more question. Like -- is there any route through which the retail investors would also participate in the preferential issues that would be there in the coming future?

- Umar Balwa:** Yes there are. We would welcome retail investors to participate in the preferential issue as and when we come out with the same. But as you know, there will be a minimum ticket size to that. So that could be discussed and we could design a particular preferential issue in that manner. I mean, we will be very happy to have as many investors possible rather than going with 1, 2 or 3, I would be happy to have more than 25...
- Pavnish:** Yes, because sir -- I'm asking this question because there was a notification on the BSE that you would be having a preferential issues. And then it was -- there was a notification that the issue has been cancelled. I mean how do I approach the company to participate?
- Umar Balwa:** In fact, if you recall, if you would have seen -- if you have followed the BSE site, so at the time of the Board meeting, it was announced that we are coming out with preferential issue, and everybody had a chance to come and approach the Company, and we would have welcomed them.
- Pavnish:** Okay. So next time, whenever there is a chance, I can approach the Company and can participate, if I meet a minimum investment criteria.
- Umar Balwa:** Absolutely, you're very welcome Pavnish.
- Pavnish:** And just one last question, sir, how do I approach the Company?
- Umar Balwa:** I'm sorry?
- Pavnish:** Just one last question. How do I approach the Company for this?
- Umar Balwa:** Sorry, you have e-mail IDs listed on the BSE site. You can write to compliance@sealmatic and we will be very promptly -- answered to your email.
- Moderator:** The next question comes from the line of Devender Wadhwa from Value Prolific Investments Advisory.
- Devender Wadhwa:** So my first question is what is your order for in TTM basis? And what is the revenue visibility we are looking for?
- Umar Balwa:** Mr. Wadhwa, I didn't get your questions.
- Devender Wadhwa:** Sir, my question is, what is our order book currently? And what is the revenue visibility?
- Umar Balwa:** I have answered this question to Pavnish, but I'll still answer it once more. We were looking at an incremental growth of 25% of the top line for FY '25. And the order book is robust and healthy to give us another incremental growth for FY '26.
- Devender Wadhwa:** Sir, could you give me a ballpark figure of the order book, if possible?
- Umar Balwa:** Order book as on date would be INR500 million?

- Devender Wadhwa:** Sorry?
- Umar Balwa:** Order book as on today would be INR500 million.
- Devender Wadhwa:** INR500 million. Okay. And then my next question, sir, we are doing lots of collaboration with other companies in different countries, how does it translate to the revenue of the company?
- Umar Balwa:** The only joint ventures that we have is in Abu Dhabi and whereas in all other countries, their authorized sale and service representatives. So we sell them and further they sell to their customers in the region over there.
- Devender Wadhwa:** Recently, we also did a collaboration with Russian company. So how does it impact our revenue? How much percentage, if possible you can share?
- Ratan Kandare:** Russia has been very good opportunity for us because ongoing Ukraine situation, as we all know. The market that we see in Russia is going to be very, very robust in healthy products this year in FY '25, we expect the revenue of almost INR8 crores from Russia alone, which is profitable and which is a growing business for us in Russia.
- Moderator:** The next question comes from the line of Hardik Gandhi from HPMG Shares and Securities Private Limited.
- Hardik Gandhi:** Sir, just wanted to know on the bottom line. So we had a good growth on the top line, but the bottom line was quite low -- comparatively lower than last year's same period. So what was the major reason for that?
- Ratan Kandare:** A lot of investment that gone into sales and marketing mainly exhibitions. And if you look at the expenditure that has been enormous because you need to invest money into new markets. And we also established 5 sales and service centers in India, which are manned by Sealmatic employees, there is some are expenditures. But all said and done, we'll have a good bottom line for FY '25.
- As you see in the half yearly, it was 23.5% at the moment, and we are very confident of increasing it to almost 25.5% on the bottom line. That is EBITDA I'm talking about. So if you compare us with the previous years, we would line on the bottom line as well.
- Hardik Gandhi:** Understood, sir. Sir, but just on that front, given that we have done this capex and for now, the money which was coming from preference is not there -- has been stopped, right? So how will it affect us? I know you previously mentioned this, but -- so you say that we have good liquidity as well as there is no issues for the plan going forward.
- But there was a reason why we raised this money and if this money not coming to us right now, so that will affect us some negative way. So I just wanted to know how -- what's plan on that, sir?

- Umar Balwa:** Mr. Gandhi, it wouldn't effect us in any manner, operationally or the cash flow. The money that we are taking via preferential issue was our expansion into Middle East and into U.S.A. so which still can be furthered or postponed by say about 4 or 6 months when the markets will become more stable. Currently, we have got no bearing on the withdrawal of the preferential issue.
- Hardik Gandhi:** Understood, sir. And are we still trying to capture the 15% of the market share? Or have we increased from -- by 15% going forward?
- Ratan Kandare:** Yes. I think I have clarified this in the previous earnings call as well, the 15% of the market share that we're trying to attain is of the new requirements.
- Hardik Gandhi:** Correct. Correct.
- Ratan Kandare:** Yes. Yes. We are very much in line.
- Hardik Gandhi:** Understood, sir. And what -- sir, just one last thing. What is the capacity utilization for the existing plant? And how fast do you think that the new plant will ramp up?
- Ratan Kandare:** The current existing capacity utilization, I would say, on the ballpark figure would be 80%. And the new plant in Kaman, which is 20 kilometers from the existing plant is already integrated and would be ramped up in the next 2 or 3 months period maximum.
- Hardik Gandhi:** Understood. Sir, and that new plant has a 65% additional capacity?
- Ratan Kandare:** Yes, yes, yes.
- Hardik Gandhi:** And how much of a -- like, let's just say if that plant also wants to reach 80% utilization. So how many years time do you think that's practical?
- Ratan Kandare:** I would reiterate. It would be fair to say in the next 18 months' time, the plant too also would be having 80% capacity utilization.
- Hardik Gandhi:** Okay. And going -- previously, we had -- you had mentioned multiple times that in the next years, we'll have a golden era where there will be a repeat demand and then on that front. So do you think that is still intact and we can see a good, good growth on the repeat orders from the OEMs and everything?
- Umar Balwa:** Yes, I've always mentioned that our Chandragupta Maurya period would start from FY '27. And that is -- and that's the whole purpose of investing into OEMs and projects and subsidizing our sales. So from FY '27, we see a great growth in profitable business for the next 25 years.
- Hardik Gandhi:** Understood. And just one last. I know I might be taking...
- Umar Balwa:** Yes, no problem.

- Hardik Gandhi:** Yes. So on the Dubai front where -- sorry, not Dubai, the Saudi front, where you mentioned that we were going to use that INR25 crores preferential to do a capacity expansion. So if we are going to postpone it, firstly, how long do you think we are going to postpone? And second thing is if and when you do start a plant there what time -- and how much time would it take for the whole plant to be completed?
- Umar Balwa:** I'll just correct maybe there's a misunderstanding. It is not for Saudi Arabia. It was for Oman, Qatar, Saudi Arabia and U.S.A, the investment of INR25 crores is not on a new manufacturing plant in Saudi Arabia or for that matter, any new manufacturing plant out of India is not possible economically, the whole purpose of economies of scale and cost of production gets defeated, when you go and produce the same products outside of India.
- So the investment is related to do sales and services and re-plan for mechanical fields in those regions.
- Hardik Gandhi:** Understood. So indirectly, you're saying that the joint venture, which we did there. So the mechanical seals will come from there, you'll prepare it here and send it back?
- Umar Balwa:** In Abu Dhabi, we have a joint venture where we are putting up a service center, 2 of our employees are being transferred as we speak to Abu Dhabi, whereby we'll be solely focusing on customers like ADNOC not only repair or mechanical seals, also repair mechanical seals of any competition, which is a lucrative business, profitable business.
- Hardik Gandhi:** Right. So the pairing facility will be there itself? Or will we get it your repair and send it back?
- Umar Balwa:** I'm sorry, I didn't get a few of the words.
- Hardik Gandhi:** Yes. So will we repair the seals there itself? Or will we import those seals and then send it back to the service center?
- Umar Balwa:** No, the seals will be repaired in Abu Dhabi. It will be a full-fledged service center by qualified technicians. The parts to repair those seals will go from India.
- Hardik Gandhi:** Understood. And how big of a service business are we looking there?
- Umar Balwa:** The service business, the current market in the UAE in Abu Dhabi alone is \$60 million, that's the market size over there, which is totally end user business, and it's a profitable business.
- Hardik Gandhi:** Understood, sir. Sir, just from what I've understood that usually when there is a seal issue or something, they just replace it rather than repairing it. That's from what I've known and spoken.
- Umar Balwa:** Yes. Many times, they replace the entire seal even replacement, when we talk about repairing of the seals is 75% of the cost of a new seal. When we repair a seal, we replace the vital components and those vital components constitutes 75% of the cost of that seal, so that's a profitable lucrative business. So when we say repair, it does not only mean that we are repairing or servicing, it means we're replacing the seals with new parts.

Hardik Gandhi: Understood. Okay. And any pressure from the import of the raw material side? Because I think the raw material is imported, right? Are you seeing any price -- price pressure or anything from that side front?

Umar Balwa: No, not put our -- to an extent that we have felt a pinch or kind of a push when the system is seamless and in fact, sort out the components have reduced to the price of the previous year, because the volume also increased over here at Sealmatic.

Hardik Gandhi: Correct, correct. And are we going to plan to -- I think people were planning to open domestic operations for the raw material which you use. So are there plans to curb the import and just purchase domestically?

Umar Balwa: When we talk about critical components such as silicon carbide, so this not being currently manufactured in our country. So they have to be imported then there are certain OEMs, quality of rubber, which goes into refineries and petrochemicals, those are imported. So these are very critical parts. Whereas let me talk about the body of a mechanical seal which is a stainless steel, that is indigenous.

Moderator: The next question comes from the line of Rajesh Jain from NB Investments.

Rajesh Jain: I just had 2 questions. One is both the joint ventures and that we are tying up with a different parts of the world. You have also given us the potential in those regions. Just want to know down the line 2 to 3 years from the formation of these JVs or the tie ups. How much of that potential we will be able to capture?

Umar Balwa: See, I'll give you an example on Jain sir, that when we're talking about, say, Abu Dhabi joint venture, so that is predominantly co-locator to the market in Abu Dhabi and adjacent areas in the UAE. So let us focus on Abu Dhabi. So what we're doing currently over here even many projects are being undertaken by ADNOC.

So all the firms are being manufactured in India and are being supplied to ADNOC in the UAE, so all the seals that will go fitted in those pumps will be from India. Of course, they need to be approved by ADNOC, which is a good news that we are approved by ADNOC. So our target is to install 100 seals in the next 8 months in ADNOC.

Then in the year that will follow on, another 100 seals and so on and so forth. So in 3 years' time, our target is to have minimum 300 seals to be installed in Abu Dhabi. Now this itself -- when we talk about lucrative business, in 3 years' time, we expect a business of \$1.5 million, which is totally an end user business, profitable business.

And a proprietary business because the original seals are Sealmatic seals. So every seal of our target for 100 seals for this year, we have achieved 70 seals so far, 30 more to go, which will happen in the next 4 to 5 months' time. So that's the kind of margins, that's the kind of business we are talking about.

And if we further expand it to, say, in Kuwait or in Oman, or in Qatar or Saudi Arabia, it's a similar market size, of course, Saudi Arabia is much bigger market and, of course, a difficult market as we all know because of stringent conditions from the end users. So that's the kind of bandwidth that we foresee for Sealmatic.

Rajesh Jain: Okay. That would be quite helpful. Sir, just a follow up basis to the 100 seal, what you are saying, it is basically being the pumps which was sent from India earlier, the Sealmatic seals are only there?

Umar Balwa: No, no. These are new projects. So any refinery or a petrochemical unit, there's always capacity augmentation, expansion, modernization. So then such activities are being undertaken by the end users, such as ADNOC then we buy new pumps. The new pumps and new mechanical seals.

Rajesh Jain: Okay. So you are saying this for the project business of...

Umar Balwa: Yes, exactly.

Rajesh Jain: Okay. Sir, my second question is as on year ended FY '24 how much of the project business, what -- how much was the value of the project business as well as if you can get a number for the H1 FY '25 also.

Umar Balwa: It would be difficult to give exact scientific value on that. But I can tell you, in FY '24, we have done almost 175 mechanical seals which went for projects. And this year, we are planning more than 250 seals for projects.

Rajesh Jain: So for us -- so what should we take as the average cost of these seals?

Umar Balwa: For the future business or for the current business?

Rajesh Jain: No, no, whatever the seals you're saying, 150 we have done till FY '24 and another 250 you're doing now in this current financial year?

Umar Balwa: Yes. I think I mentioned this in my previous 3 earnings calls, and I'll further take the opportunity of giving more insight for this project business. It is like the razor and the blade or the Kodak film and the camera. So you -- during projects, you are subsidizing your sale. So that has actually in terms of financial value is not visible.

But in terms of future business, it is going to be enormous. And that is why we see for FY '27, there's going to be a golden period because all the hard work that we did in FY '24, '25, '26, and we'll still continue doing it will all come as end user business beginning FY '27. So when we talk about project business, it is done at a loss.

Rajesh Jain: Sir, I understand that. I've gone through all the last 3 con calls. See, what I'm trying to ask you is -- okay, I'll rephrase my question. So you're saying your golden period will start from FY '27. So based on whatever you have planned for what you have done in '24 and you're doing now in

'25 and then in '26, how much will be the projects business will come for the annual will come from '27? How much will it would be?

Umar Balwa: Only in India or FY '27 when we talk about, and assuming that the current business as we are conducting and it grows in a similar fashion, we will be able to add INR15 crores of pure and is a business, which is highly profitable. Then again, when we go on FY '28, so this INR15 crores gets repeated plus additional INR10 crores or INR15 crores will further get added. So if it will be incremental growth as we move forward.

Rajesh Jain: Understood. Sir, another last small clarification. I think someone had asked about the drop in the margin or the profitability. I think you had mentioned that this year we will end FY '25, with 35% EBITDA margin is what you said?

Umar Balwa: 25%.

Rajesh Jain: And last year was how much, sir?

Umar Balwa: Last year was 21%.

Rajesh Jain: So this year, we'll end up with EBITDA of 25%?

Umar Balwa: Yes, yes.

Moderator: We have more follow-up questions from the line of Devender Wadhwa from Value Prolific Invesments Advisory.

Devender Wadhwa: Sir, my last question is, what is the capex planning for next 2 to 3 years?

Ratan Kandare: The majority of capex will go into R&D, there might be some to develop future technologies or mechanical seals. And of course, a normal capex that would entail to modernize our plant to expand our business would be approximately say about INR4 crores?

Devender Wadhwa: INR4 crores, okay. And what about the R&D -- you said about the normal capex is around INR4 crores. And how much is R&D expenses?

Ratan Kandare: And plus R&D, I would say another INR2 crores.

Devender Wadhwa: INR2 crores?

Ratan Kandare: Yes.

Devender Wadhwa: Okay. This for FY '24? This is for one year right?

Ratan Kandare: I'm sorry.

Devender Wadhwa: The amount you have said is for FY '26?

- Ratan Kandare:** Yes, FY '26.
- Moderator:** The next question comes from the line of Shantanu Nakade from Value Educator.
- Shantanu Nakade:** Yes. Sir, in Russia, are we going to sell through the distribution? Or are you going to sell directly where we are doing the O&M also?
- Umar Balwa:** We are doing via distributors because Russia is a huge country. It's difficult to be present in a country like Russia, because of cultural differences, language barriers, so it is not possible for us to be operative there.
- Shantanu Nakade:** Okay. Sir, and what would be the opportunity size in Russia in numbers, if you can tell?
- Umar Balwa:** Sorry, can you repeat the question, please?
- Shantanu Nakade:** So what would be the opportunity size in Russia in numbers, if you can tell?
- Umar Balwa:** The market size in Russia would be approximately \$200 million.
- Shantanu Nakade:** Okay. And sir, my second question is like what will be the ideal inventory days in FY '26 or FY '27 once the O&M business starts?
- Umar Balwa:** I'm sorry. I'm sorry, can you please...
- Shantanu Nakade:** Yes. So what I was asking what will be the ideal inventory days in FY '26 or FY '27, like once the O&M business starts?
- Umar Balwa:** Inventory – I think we achieved INR90 crores -- 80 days. We are reducing the event holding business.
- Shantanu Nakade:** Okay. Sir, and my last question is, so like what will be the ideal like domestic and export mix going forward?
- Umar Balwa:** The same ratio as we are currently using. It is in domestic we are using 40%, export 60%.
- Moderator:** The next question is from the line of Harshit, an Individual Investor.
- Harshit:** So sir, first question, like you have tied up -- you have started a joint venture with High Technology right? HiTech Technologies?
- Umar Balwa:** Yes, in Abu Dhabi.
- Harshit:** Yes. So it's a construction company. So I was just wondering like how we could add value to Sealmatic?
- Umar Balwa:** It's a new company. HiTech is a part of HABSHAN GROUP. If you look up HABSHAN, HABSHAN in UAE, in Abu Dhabi, I can spell it for you, H-A-B-S-H-A-N, HABSHAN. So this

is HiTech is a new company, it's not a construction company. It might be a similar company with the same name and HABSHAN is predominantly involved into rotary equipment's, so they represent Elliot and other large pump companies.

Harshit: Got it. And sir, my second question, so you are saying there will be providing services to even like some other company might have installed a particular seal. Now we will be doing service for that seal and less profitable?

Umar Balwa: Yes.

Harshit: Yes. So sir, when we say like our golden period will start. So that means we will start getting repeated orders. But here, right now, we are seeing an opportunity like we are driving other client opportunities into our own. So like we are bringing new clients by grabbing their opportunity, let's say, after 1 year seal requires maintenance or they require a new seal.

So they are not contacting their earlier vendors, they are contacting Sealmatic, that's a business loss for that particular client, but...

Umar Balwa: Please go ahead. Please go ahead.

Harshit: Same can happen like in, say, FY '28 or '29 that our seal also requires maintenance and they give it to other -- some other seal companies, right? The business will be lost?

Umar Balwa: They will only come to Sealmatic when the existing supplier is not responding for whatever reasons or they can exploit it in tactics employed by the current OEM and where the cost is exorbitant. In such cases, they do look for alternate companies to service that particular product. It does not mean that our original product, they will immediately contact competition. Otherwise, what's the point of investing money in projects at loss.

Harshit: Correct. So sir, this brings other question. So right now, we are like doing loss and putting our seals over there. That's great. But like in the coming years, we will be increasing our prices. So like the company would keep this in mind that our prices are still lower than our competitor's?

Umar Balwa: Yes. I mean, because all the competition that we see globally and also India are all these multinational companies and Sealmatic price is almost, say, about 15% less than the global companies.

Harshit: Okay. Nice. And sir, one last question. So in one of the interviews, I've read that around more than 70 plus fund houses -- large fund houses has approached Sealmatic to know their business and they wanted to invest in this company. So are we still seeing the same attraction like fund houses are coming and meeting you and knowing more about the company?

Umar Balwa: As of yesterday, 103 companies have visited Sealmatic and there's a keen interest from very small, medium companies in Sealmatic.

- Harshit:** Sir, so one more question. So why are we holding on to preferential issue? Like if companies is right now holding that and we can go with another fund house and get funded from them? And we start our operation, why to delay that?
- Umar Balwa:** Sorry, I didn't understand the question.
- Harshit:** Like I am saying like if more fund houses are interested in investing in Sealmatic. So why are we postponing our preferential issue? Why not to give them a chance for the preferential issue and get the funds?
- Umar Balwa:** Yes, of course, but the market conditions as we are experiencing in the current times are not conducive. So we'll have to wait it out for the next 3 or 4 months.
- Harshit:** Sure, sir. Sure. Okay. And sir, it would be great like if you also consider right issues so that in the individual investor are also benefited?
- Umar Balwa:** There are many instruments which could be considered and designed to attract investment, right issue is one way of doing it, preferential is another way of doing it, and there are many other methods.
- Moderator:** We have follow-up questions from Pavnish from Hridya Cars Private Limited.
- Pavnish:** Sir, I just wanted to know like if we wanted to -- if you could give an appointment and if you could meet you or would visit the plant. Would that be possible?
- Umar Balwa:** We always welcome and encourage people who are interested in Sealmatic to come and visit us, and we spare time answering questions and giving a plan tour. So you're very welcome.
- Pavnish:** Thank you, sir. I would be approaching the company for this. We're hoping for a positive response.
- Moderator:** The next question comes from the line of Arnab, an Individual Investor.
- Arnab:** Yes. I wanted to understand the recurrence that you brought up in the orders. So is it a function of a life cycle? Like are you suggesting that life cycle of the CHO manufacturing to the year? And that's the reason consecutive years, you will get repeat orders. I also wanted to know if there is any difference I'm not sure if you have answered this question before?
- If you have -- you can just ignore them because I'll be listening to the full video later on today. But today I joined by 20 minutes late. So pardon me if I repeat the question. I wanted to understand like is there any difference in the margin profile for seals you're supplying the ones plants versus oil and gas?
- And what gives us the edge like our machines, did we purchase them from outside? Like are they imported? Yes. Those are the 2 questions that I had.

Umar Balwa: So when we compare mechanical seals or nuclear or for defense applications or for a refinery as we all understand that these are critical applications, though the metallurgy would be similar, but the application is critical. So in that sense, we see how to be reliable and have a function for a particular operating parameter.

So when we talk about mechanical film per se generally, the life cycle would be between 12 to 18 months, depending on the operating parameters. Mechanical seals are highly sensitive industrial consumables. So in a period of 12 to 18 months' time, our seal gets replaced and a new seal or a repaired seal gets installed.

Arnab: As repaired seal is -- isn't as lucrative to us, right? A replacement would be cheaper, right OEM business?

Umar Balwa: I think probably you missed out, you came 20 minutes late. I will repeat the answer. Repaired seal is almost 75% of the cost of the new seal. So when we say repair, we replace the parts -- the critical parts inside that seal. So the heart of the seal gets replaced with a new part.

Arnab: Got it. Understood. And can you also talk about -- machining. Our machines are these -- are the indigenous ones? Or these are exports also...

Umar Balwa: Most of the machines are -- imported from various countries, namely Europe. And I think if I would make a ballpark figure, 80% of the machines are all imported over here.

Moderator: The next question comes from the line of Shantanu, an Individual Investor.

Shantanu: Yes. So sir, I mean to ask how is the seal market globally like on demand supply side and what are our areas of focus specifically in this market, like petroleum, defense or any of like if you can just put some color on?

Ratan Kandare: Okay. Current market size, as we see globally on mechanical seals is \$4.25 million. Our current focus, of course, is India. The Middle East and Russia. Now we -- if you further bifurcate or look at fine -- our focus is oil and gas, refinery, petrochemical, power plants, nuclear and urban and defense business, which involves Indian Navy and Air Force. That's our major thrust and we're investing a lot of time, money and energy on this business.

Shantanu: Okay. I get it. So sir, in that how good are we compared to the peers? I mean...

Ratan Kandare: In terms of capabilities?

Shantanu: Yes.

Ratan Kandare: We may not be as big as them, but we are as good as them.

Shantanu: Okay. I get it. And sir, like our last big order was from Mongolia Refinery. So do we have any similar kind of project in pipeline, like can we expect some announcement regarding project orders?

- Ratan Kandare:** There are many we are working on, mainly in the CIS region and the Middle East.
- Shantanu:** Okay. And sir, for the -- from the current capacity, so what revenue should we expedite, what revenue the current capacity can generate and in like span of like of approximate tenure, like 2 years, 3 years, anything like?
- Ratan Kandare:** I can give you a consolidated figure for, say, 5 years, our aim is to take the company to at least INR275 crores by 2028.
- Shantanu:** Okay. And sir, how much of that revenue would be from service? Or like how -- or less on over 5 year period but then we will be starting our revenue -- service revenue from '27, so how much can it be from service?
- Ratan Kandare:** I would say a ballpark figure of between, say, 35% to 40% would be the end user business, which we may call as O&M or service or whichever name, we would like to call it as. So that would be in the range of 35% to 40%, say, after 5 years at 275, if you say conservative 35%, that would be almost INR80 crores, INR85 crores?
- Shantanu:** After 5 years?
- Ratan Kandare:** Yes.
- Shantanu:** Okay. And when we are initially starting from FY '27, how much would be that?
- Ratan Kandare:** I just answered that question, but I'll still repeat myself. In FY '27, we expect a revenue of INR15 crores on end user business.
- Shantanu:** Okay, sir. And like as we have now tie up globally with partners -- so have we started realizing the service revenue from our partners or like we are yet to receive like...
- Ratan Kandare:** In Russia, we already have INR8 crores of business going on. In Abu Dhabi, we just started. So next year should get us a good revenue of at least \$0.5 million.
- Shantanu:** Okay. And sir, I see our receivables are being stretched from INR15 crores to INR19 crores. So any specific reason for them, like if you can just put some color on that?
- Ratan Kandare:** Because our sales are increasing. Therefore, debtor are increasing.
- Shantanu:** Sorry So I could not get it.
- Ratan Kandare:** Our sales are increasing by 19% and therefore, the debtor are increased. And we are regularly seeing the payments from the debtors. There are not any...
- Umar Balwa:** Bad debts or any kind of a difficult payment.

Moderator: The next question comes from the line of Hardik Gandhi from HPMG Shares and Securities Private Limited.

Hardik Gandhi: So my doubts were solved by the previous person. So I will not ask any question.

Moderator: As there are no further questions, I will now hand the conference over to Mr. Umar Balwa. Please go ahead.

Umar Balwa: Thank you so much, Ryan, and I see more than 65 participants in our earnings call of today. I thank everybody for taking out their valuable time and attending this earnings call and also asking interesting questions. And while answering those questions, it also brings out a lot of confidence in us.

We are confident that Sealmatic is on the right path and Sealmatic will have a glorious journey as we move forward, thus making Sealmatic as one of the leading companies not only in India, but globally as well. So thank you all for your attention, and I look forward to seeing you on the next earnings call.

And lastly, I would like to apologize because I have got a bad throat so my voice is a bit hoarse. Thank you very much.

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