Sealmatic Files DRHP With BSE SME



05th January 2023

Strong performance of past SME IPOs has spurred investors' interest, with 87 small and medium enterprises (SMEs) garnering Rs 1,460 crore through initial share-sales in the first nine months of the year 2022.

This was way higher than 56 companies that had raised Rs 783 crore through initial public offering (IPO) in the entire 2021, the industry data showed.

"SME segment is not impacted by the bearishness in the market and investors are looking forward to the healthy pipeline of IPOs going forward, many companies have filed or planning to file their documents for listing on the BSE SME and NSE Emerge platforms," **Umar AK Balwa, Managing Director at Sealmatic India Ltd** have filed their DRHP on January 05th 2023 with the BSE SME platform and have interesting facts to share with us:

Before I go into any other specifics, why are you considering going public through the BSE SME platform?

Umar Balwa:

As you know we have filed our DRHP with the BSE SME platform on the 5th of January 2023, subject to regulatory approvals, we may decide to go public in the near future.

The SMEs benefit by greater credibility and enhanced financial status leading to demand in the company's shares and higher valuation of the company. Equity financing provides growth opportunities like expansion, mergers and acquisitions thus being a cost effective and tax efficient mode.

How do you feel about the SME listings that have gained tremendous success in the recent past?

Umar Balwa:
To my experience and understanding this is just the beginning of the history being written about the pivotal role the SME segment is going to play in the success of the country in becoming a global manufacturing hub. There are about 15000 high quality SMEs located across the length and breadth of the country, engaged in high end manufacturing in every field possible. There is going to be an industrial revolution in our country in the coming years, making India a power house like Germany, Japan and South Korea.

There are about 394 companies listed on BSE SME Platform, which have raised Rs. 4,263 crores from the market and total market capitalization of 394 companies as on October 07, 2022 is about Rs. 60,000 Crores. This says it all.

How do you view the future of SME sector in India?

Umar Balwa:
To my knowledge the SME sector is the backbone of India, but before that I would like to mention about the SME industry of Germany, which is known as the Mittelstand.

The Mittelstand is often described as t**he heart of Germany's economy –** and rightly so, given that mid-sized companies in Germany account for the largest share of the country's economic output, employ about 60 percent of all workers, provide crucial training, and contribute significantly to corporate tax revenues in Germany.

Similarly in India, the Small, and Medium Enterprises (SMEs) sector is a significant stakeholder in the Prime minister's vision of Atmanirbhar Bharat towards building a $5 Trillion economy.

Recently we have seen growth in the SME sector because of various initiatives taken by the Government of India and the Reserve Bank of India (RBI).

SMEs are the foundation of India's economic growth and account for at least 30 per cent of the country's GDP.

Furthermore, the sector employs nearly a 100 million people, making it the second largest source of employment in the country after agriculture. Thus, the development of this sector is critical to India's future.

What is the capacity utilization in the current operational manufacturing unit of Sealmatic? What is the capacity of the proposed second unit and give us more detail about the expansion plan?

Umar Balwa:'
Our current capacity utilization is about 85%. In the financial year 2021 – 2022 we clocked a revenue of about Rs 43 crores and we can scale it up to Rs 55 crores from the current unit. We are in the process of setting up a second unit to add an additional capacity of 60%, for which we have already entered into a lease agreement and the unit will be operational by middle of the next financial year.

Tell us about the proposed cost of expansion plan?

Umar Balwa:

Total funds required is about Rs 40 crores for plant & machinery, research & development, marketing and sales activities in India, Middle East, Europe and USA, working capital and other corporate expenses, which are specifically mentioned in our DRHP, subject to regulatory approvals. We are in process of complying with the statutory process to get the approvals as per the guidelines of the capital market regulator.

Please tell us about Sealmatic's global position in advance sealing solutions in the process industry, kindly tell us about your journey into this industry so far?

Umar Balwa:

My journey in the business of mechanical seals started after graduating from the University of Bombay (as Mumbai was known back then) in the year 1988. Thereafter we entered into a joint venture with Feodor Burgmann of Germany with 51:49% equity partnership. The date of the signing the Joint Venture was November 10th 1993.

After investing 17 years in the business of mechanical seals, we ended our joint venture with the German partner in 2007, due to the takeover of the parent company in Germany by a larger conglomerate (Freudenberg Group).

Coming to Sealmatic, we are a global player in the business of sealing technology, committed to cutting edge solutions for the critical process industry. We have deliveries to more than 45 countries across the globe.

Over the years, there has been a vacuum in the market, it was totally dominated by the three big boys of the mechanical seals market, we wanted to change that and prove to the industry that there can be an indigenous manufacturer which is equally competent and can supply high end sealing solutions at competitive price.

Today we are approved by major companies such as IOCL, RIL, BPCL, HPCL, EIL, BHEL KSB, Sulzer, Andritz, Ebara and many other important customers.

Besides the three big boys, Sealmatic is the only company which has the distinction of supplying mechanical seals as an OEM for 660 MW super critical thermal power plants.

What are the major factors driving the growth of mechanical seals industry?

Umar Balwa:
Over the years, capabilities of Indian industry has improved dramatically and paved way for induction of state-of-the-art technology in all the industrial fields, viz oil & gas, refinery, power, petrochemical, chemical, pharmaceutical, fertiliser, pump & paper, shipping, aerospace etc. This is the core sector and if you look at India, the economy is growing at a rapid pace and the Government of India has given a special impetus in investing huge amounts in the core infrastructure of the country, which will create heavy demand for mechanical seals for the many decades to come.

More and more stricter legislations has made it mandatory for the industrial plants to employ mechanical seals for all their rotary equipment. Thus, creating demand for sophisticated mechanical seals for rotary equipment.

What are the major factors that set Sealmatic apart from other players in this segment?

Umar Balwa:
Mechanical seal industry is highly competitive, it requires huge amount of time, money and energy to reach a certain level. Generally, a period of 10 years is needed to attain maturity in this industry.

When we started out in 2011 after ending our joint venture of 17 years (2007) with Feodor Burgmann of Germany, we consciously made efforts to set up our plant to match international standards and specifications.

Not only in terms of employing hardware and software, but also implementing very high international standards and a highly trained team, we are proud to state that we have had more than 100 visits from international customers to our premises and all of them have said simply one thing – "state of the art international facility".

We are proud to state that we are the only Indian company which has the distinction of API Q1, ATEX & EU FDA certification for mechanical seals.

Besides, again as a domestic mechanical seal company, we are the only one which employs FEA & CFD for hardcore design and development of mechanical seals.

We have tools such as MSD (Mechanical Seal Dictionary), SSG (Seal Selection Guide), AKH (Application Know How) and many other tools which has catapulted Sealmatic in the bigger league of international players. We are perceived and respected globally as a high-quality mechanical seal company.

What kind of market share are you looking at in the future and are you satisfied with the success of Sealmatic??

Umar Balwa:
We are well placed with our infrastructure to fulfil our goals of becoming one of the top three mechanical seal company in India, we are aiming to achieving 15% market share in the coming years. The current market size for mechanical seals in India is Rs 1900 crores and is expected to grow to Rs 2800 crores by 2028. Similarly, the global market size for mechanical seals is USD 4.5 billion and is expected to grow at CAGR of 5% in the coming years.

Here is wishing you all the best towards your business expansion plans and I am are sure that you will get your approvals from the capital market regulators for getting listed on BSE SME platform.

Umar Balwa:
Thank you very much and I take this opportunity to express my gratitude to all the stakeholders of Sealmatic, special thanks to the Sealmatic family of 240 plus employees, we look forward to grow and together let us build India as a global industrial hub.

